COMPANY RESEARCH AND ANALYSIS REPORT

Nagaileben Co., Ltd.

7447

Tokyo Stock Exchange Prime Market

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Contents

Summary

A leading manufacturer of medical gowns that is also proactive in shareholder returns. Expects higher sales and double-digit profit growth and plans a dividend payout ratio of 62.3% for FY8/26

1. Overview of 1H FY8/26 results

Nagaileben Co., Ltd. <7447> (hereafter, also "the Company") posted 1H FY8/26 consolidated results in which net sales increased 0.2% year on year (YoY) to ¥7,861mn, operating profit declined 7.9% to ¥1,381mn, recurring profit decreased 4.4% to ¥1,475mn, and net profit attributable to the owners of the parent company was down 4.5% to ¥1,014mn. The Company secured sales growth on the back of acquiring timing-shifted projects and the effect of price increases from February 2026. However, the slow start in 1Q weighed on results, which fell short of the initial forecast (4.2% sales growth; 2.7% operating profit growth). The gross profit margin declined to 39.4% (39.8% in the same period of the previous fiscal year) mainly due to higher processing fees and raw material costs. Meanwhile, SG&A expenses, which increased 6.1%, were almost in line with the budget, resulting in lower operating profit. Although profit declined, results showed signs of bottoming out due in part to the effect of price increases.

2. FY8/26 forecasts

For the FY8/26 consolidated results, the Company maintains the initial forecast of net sales to increase 6.0% YoY to ¥18,000mn, operating profit to rise 12.3% to ¥4,025mn, recurring profit to go up 13.3% to ¥4,200mn, and net profit attributable to the owners of the parent company to increase 12.7% to ¥2,900mn. While the Company expects overall market conditions to remain difficult, it sees sales increasing, supported by the launch of strategic products in the low-price market and by efforts to capture timing-shifted projects in core markets. In peripheral markets, an area the Company is focusing on, it aims to increase sales by promoting sales of new patient wear products and by shifting to a leasing model for surgery wear. In terms of profitability, even though it is possible that the impact of forex, processing fees, and raw material costs will continue to rise, it expects the gross profit margin to improve to 40.3% (39.5% in the previous fiscal year) due to revised prices since February 2026 and other factors. The Company anticipates that operating profit will rise 12.3% by limiting SG&A expenses growth to 3.5%. With regard to the Middle East, while there has been no direct impact so far, the outlook remains uncertain. Although the surge in crude oil prices raises concerns about higher raw material costs, there is a possibility that in some areas, the shift from disposable to reusable products will gain momentum. This could be a positive factor for the Company. Future trends must be closely monitored.

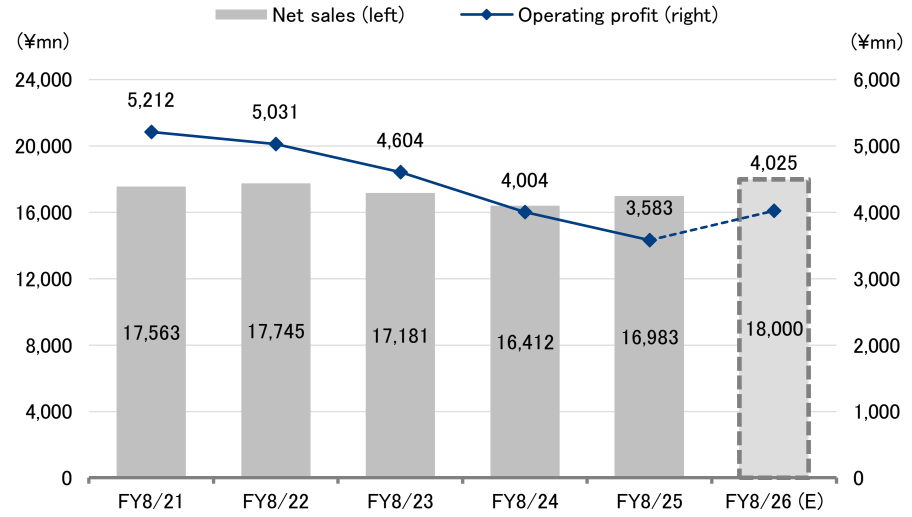
3. Mid-term management plan and shareholder returns

Taking into account the results of FY8/25, the Company is making progress with its mid-term management plan, which was carried over from the previous plan, and there has been no change to the plan in 1H FY8/26. As for targets, the Company is aiming for net sales of ¥19.5bn and operating profit of ¥4.7bn in FY8/28. It plans to achieve the targets by continuing to promote its market strategy, product strategy, and production strategy. Regarding shareholder returns, as FY8/25 was the Company's 110th anniversary, it raised its annual dividend to ¥100.0 (¥60.0 ordinary dividend + ¥40.0 commemorative dividend). It is planning an ordinary dividend of ¥60.0 (forecast dividend payout ratio of 62.3%) in FY8/26, but depending on the results, it seems that there will be scope to increase it. Furthermore, the Company is also proactive about the repurchase of its own shares. It has already repurchased 528,000 treasury shares (worth ¥999mn) during the 1H under review. Further, on November 28, 2025, it canceled 5,000,000 treasury shares. Along with its strong financial structure, this active approach to shareholder returns is highly commendable.

Key Points

- In 1H FY8/26, operating profit declined 7.9% due to the impact of a slow start in 1Q, but this is within an acceptable range
- For FY8/26, the Company anticipates higher sales and double-digit operating profit growth supported by the acquisition of timing-shifted projects, price revisions, etc. Proactive regarding shareholder returns; plans an annual dividend of ¥60.0 (forecast dividend payout ratio of 62.3%)
- Targeting operating profit of ¥4.7bn in FY8/28 in line with the mid-term management plan

Trends in net sales and operating profit (consolidated)



Source: Prepared by FISCO from the Company's financial results

Company profile

Leading manufacturer of medical gowns, whose features include high profit margins and a strong financial position

The Company is a specialist manufacturer of medical gowns for nurses, doctors, patients, and other healthcare professionals. Established in 1915 as Nagai Shoten, the Company has a rich history. Since then, it has expanded its operations nationwide to become a leading manufacturer that boasts an annual supply of more than 6 million medical gowns a year and a domestic market share of over 60% in one of its core markets*: medical gowns mainly for nurses. With regard to shares, the Company is listed on the Tokyo Stock Exchange Prime Market.

* Domestic markets in which the Company has a relatively higher share. The markets include healthcare wear, doctors' wear, and utility wear and other products.

History

1915	Mitsuji Nagai started Nagai Shoten, a privately owned business specializing in medical gowns, in Kanda-Jinbocho, Chiyoda-ku, Tokyo
1941	Ended private business, established Tokyo Eisei Hakui Co., Ltd. together with seven stores in the same industry
1950	Liquidated Tokyo Eisei Hakui Co., Ltd. Mitsuji Nagai and Tatsuro Sawanobori jointly established Nagai Shoten Co., Ltd.
1969	Established a subsidiary, NAGAI UNIFORM INDUSTRY Co., Ltd., in Akita Prefecture to expand the medical gowns manufacturing division. Tatsuro Sawanobori was appointed President. Shifted focus of manufacturing and sales business specialization from multipurpose white gowns to medical gowns
1977	Built a second product center in Kameido, Koto-ku, Tokyo. Established a partnership with a US company, G.D. Searle & Company, and established Japan Surgical Apparel Co., Ltd. in Hiroshima City to expand sales of new surgical apparel products for hospitals Established technology partnerships with Angelica Corporation (US) and Toray Industries, Inc. Developed and released medical gowns made with a new fabric for leasing
1979	Changed name to Nagai Co., Ltd.
1980	Opened a sales office in Takamatsu, Kagawa Prefecture. Concluded a license agreement with designer Kansai Yamamoto
1982	Concluded a license agreement with designer Yukiko Hanai
1988	Established Emit Co., Ltd. as a spin-off from Nagai Co., Ltd. Thereafter, the two companies exchanged their names, with Emit Co., Ltd. becoming a group management company, and Nagai Co., Ltd. becoming a group headquarters for sales
1989	Newly built Nagai Luminous, a manufacturing plant for high-grade products, in Akita Prefecture. Started overseas production toward the global division of labor
1991	Changed name from Emit Co., Ltd. to Nagai Co., Ltd. following an absorption-type merger with Nagai Co., Ltd. and another subsidiary
1994	Changed name from Nagai Co., Ltd. to Nagaileben Co., Ltd. Built a new logistics center in Akita Prefecture
1995	Started over-the-counter trading of the Company's stock. Started development and sales of a second pillar product to respond to the aging of society. Vice President Ichiro Sawanobori appointed President
1996	Concluded a license agreement with French designer Andre Courreges
1999	Opened a sales office in Nagoya, Aichi Prefecture. Concluded a license agreement with designer Atsuro Tayama
2001	Listed on the Second Section of the Tokyo Stock Exchange (TSE)
2002	Established a technology partnership with Standard Textile Company, Inc. (US) and Toray Industries, Inc. for surgical textiles. Raised the status of the Nagoya sales office to a branch
2004	Acquired ISO 9001 certification. Listed on the First Section of the TSE. Absorbed Hokkaido Nagai Co., Ltd. and established the Hokkaido branch
2005	Acquired ISO 14001 certification. Concluded a license agreement with designer Keita Maruyama
2006	Concluded a brand agreement with designer Minako Yokomori
2014	Relocated to a new head office building in Kajicho, Chiyoda-ku, Tokyo
2015	Held a ceremony to commemorate the Company's 100th anniversary
2016	Transitioned to a company with an Audit & Supervisory Committee
2017	Concluded a joint development agreement with Shiseido Company, Limited
2018	Constructed a new sewing center in Daisen City, Akita Prefecture
2020	Delivered 600,000 articles of PPE garments to the Japan's Ministry of Health, Labour and Welfare for COVID-19 protection
2022	Shifted listing to the TSE Prime Market
2023	Signed license agreements with Yagi Tsusho Limited and Mackintosh Japan Limited
2024	Reopened Osaka branch showroom
2025	Registered August 9 each year as Nagaileben Medical Gown Day with the Japan Anniversary Association Established the Seoul Branch in Seoul, Republic of Korea Launched joint research with the National University Corporation Akita University on reducing the environmental impact of medical gowns

Source: Prepared by FISCO from the Company's website and securities report

Business overview

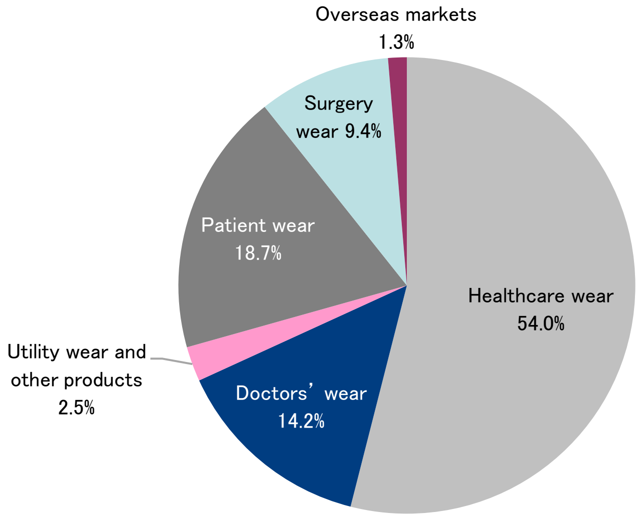
Aiming to improve profitability through expanded sales of high-value-added products and increased overseas production ratio

1. Sales breakdown

The Company's products are medical gowns and related products. It supplies only one category of product, so it does not disclose segment data, but net sales composition by item for FY8/25 is 54.0% from healthcare wear, 14.2% from doctors' wear, 2.5% from utility wear and other products, 18.7% from patient wear, 9.4% from surgery wear, and 1.3% from overseas markets.

Healthcare wear mainly refers to products for nurses, while utility wear and other products include utility wear (aprons, cardigans, and other garments worn on top of medical gowns and such), shoes, and also infection prevention products. While profit margin does not vary much among the various items, utility wear and other products have a high percentage of purchased products and relatively low margins.

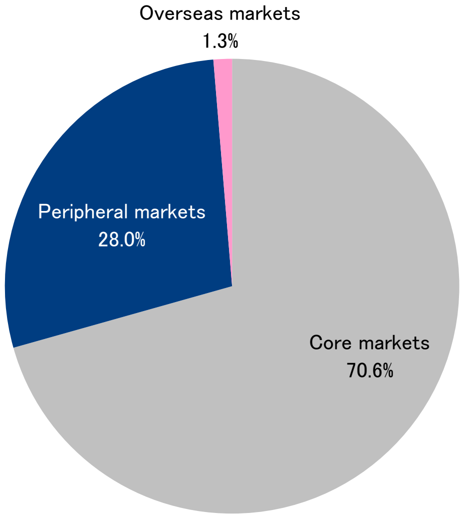
Sales composition by item (FY8/25)



Source: Prepared by FISCO from the Company's financial results and results briefing materials

Also, in the classification system introduced from FY8/22, the markets are divided into three categories: the core markets where the Company has comparatively high market shares domestically (healthcare wear, doctors' wear, and utility wear and other products), the peripheral markets where there is plenty of room to grow in the future (patient wear and surgery wear), and the overseas markets. Regarding the net sales composition by market in FY8/25, the core markets provided 70.6%, the peripheral markets 28.0%, and the overseas markets 1.3%.

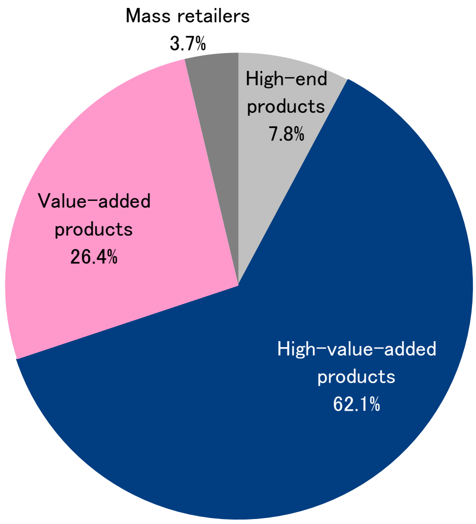
Sales composition by market (FY8/25)



Source: Prepared by FISCO from the Company's financial results and results briefing materials

The net sales composition by product (function) for FY8/25 is 7.8% from high-end products, 62.1% from high-value-added products, 26.4% from value-added products, and 3.7% from mass products. Looking at the price-band classifications in nurse wear, mass products are ¥5,000 or less, value-added products are ¥5,000 to ¥7,500, high-value-added products are ¥7,500 to ¥10,000, and high-end products are ¥10,000 or more. The tendency is for higher prices to achieve greater profit margins, so the Company is focusing on expanding sales of high-end products and high-value-added products.

Sales composition by product (FY8/25)



Source: Prepared by FISCO from the Company's results briefing materials

2. Sales channels and production status

The Company's end users include nurses and doctors, with the purchasers of the products mainly being medical facilities such as hospitals, nursing care facilities, and other such facilities. However, the Company does not conduct direct sales, with sales being agency sales via wholesalers that deal with these medical and other facilities. As a result, sales expenses are kept down, but the Company is still able to understand customers' needs because the sales staff is constantly in contact with large hospitals and other facilities.

In the past, medical gowns were laundered in-house by the hospitals themselves in most cases, but in recent years, they have been switching to leasing alongside the spread in laundry outsourcing. The lease term is typically for four years. Because this generates lease renewal demand every four years, it seems to provide stable support for the Company's earnings. However, the lease renewal cycle does not necessarily occur in the same time period as it did previously, and it may be slightly earlier or later, so sometimes, a slight shift occurs in net sales across each quarter.

Based on FY8/25 results (non-consolidated), internal production and production at partner plants constitute an aggregate of 99.4% (43.9% domestically and 55.5% overseas), with purchased products accounting for 0.6%. Overseas production takes place in Indonesia, Vietnam, and China, but the Company owns no plants and the products are produced at the plants of its local partners, which mitigates investment risk and reduces costs.

3. Features and strengths

One of the Company's strengths is that it has in place an integrated system to undertake every aspect of this business, from planning through to raw material procurement, manufacturing, and sales. In its product planning, it can accurately understand customer needs and reflect them in its products accordingly. Specifically, the Company sells products that are easy to work in (allowing ease of movement) while incorporating antistatic, antibacterial (restricting the spread of bacteria), and other functions, as well as featuring excellent designs. It deals directly with major synthetic fiber manufacturers and textile traders, including Toray <3402>, with which it is jointly developing materials, so it is able to secure optimal materials and produce at low cost while selling them at appropriate margins.

Furthermore, in addition to having a large number of partner plants, it has abundant financial resources, enabling the Company to constantly maintain product item inventories that extend into the thousands of varieties and respond to needs for made-to-order products. Moreover, it has established a quick response (QR) system of rapid production and sales that promptly delivers the desired products by the specified date in response to a broad range of customer needs. On the sales side, the Company has a network of close to 1,000 agents nationwide, and while its sales capabilities are robust, the Company itself keeps sales expenses as low as possible.

As a result, in the core market for medical gowns, the domestic share exceeds 60%, and it maintains a solid position as the leading company in medical gowns. In addition, the gross profit margin for FY8/25 was at a high level of 39.5%. The fact that it has both a high profit margin and a high market share demonstrates that most of its customers are satisfied with its products and services, which is the Company's greatest strength.

Concentrating its business resources in the niche market of medical gowns enables the Company to efficiently manage every aspect of its business, from planning through to production and sales. Although these are niche markets, peripheral markets where the Company's share is relatively low—such as patient wear and surgery wear—still have room for development. The Company states, "For the time being, it is possible to grow the business with these medical gowns, and we will continue to actively develop peripheral markets."

Guided by the “Nagaism” company spirit, actively engages in CSR activities

4. Initiatives for CSR

The Company commemorated its 110th anniversary of its foundation in 2025. Since it was founded, it has cultivated “Nagaism,” the company spirit, which is focused on realizing interpersonal harmony, generating profits, and contributing to society. Today, it continues to undertake the following specific CSR initiatives.

“Let us help the human life” at the core of the main initiatives

(1) Expanding women’s roles: Supporting industries led by women

Many of the Company’s products are for women working on the front lines at hospitals and nursing care facilities, and many women are involved in sewing work at its production facilities. The Company’s business operations create many opportunities to expand the roles of women, who have a variety of life stages, which in turn supports working women.

(2) Contributing to customers

a) The Company opened the ITONA gallery, an oasis for nurses

The ITONA gallery, Japan’s first communication space for nurses, was opened in 2015 to celebrate the Company’s 100th anniversary of its foundation and as a gesture of gratitude to nurses, the Company’s main end users.

b) Beauty courses for nurses

With the cooperation of Shiseido Japan Co., Ltd., the Company provides practical workshops on such subjects as makeup and professional demeanor, and other skills appropriate for nurses in clinical settings. The courses have been provided online since FY8/22 and have included online beauty courses and beauty-related instructional videos. In 1Q FY8/24, the Company provided the re-edited version of the videos to medical institutions to be used in training for new nurses beginning their careers.

c) Remaking student nurses’ uniforms

The Company remakes the training uniforms of student nurses at Okayama University into pochettes and other items so that they can be used by nurses after they start working at medical facilities. In addition, in 1Q FY8/24, the training uniforms of all graduates of FUJI Nursing School were upcycled into pochettes and presented by the school as graduation gifts.

(3) Contributing to communities

a) Medical kids project

This project started from the idea of deepening interaction between hospitals and local communities and enabling children to attend hospitals or undergo hospitalization with peace of mind. Child-sized medical gowns resembling those worn by doctors and nurses are lent to hospitals, and people dressed as characters make hospital visits.

b) Lending of historical gowns

The Company has created an archive of historical gowns, which it lends free of charge to events run by medical facilities and others to pass on the history of nursing.

c) Contributing to communities through production sites

The Company is creating employment and contributing to the development of regional economies through its production operations in Akita Prefecture (since 1969) in Japan, and in China, Indonesia, Vietnam, and elsewhere overseas (since 1989).

(4) Recent new initiatives

a) Healthcare support for developing countries

The Company donated items such as surgical gowns, surgical supplies, and isolation gowns through an NPO corporation to help protect healthcare professionals in Cambodia against infection risk.

b) Establishing Nagaileben Medical Gown Day

With the desire to help promote society's sense of appreciation for everyone who wears a medical gown, the Company registered August 9 as Nagaileben Medical Gown Day with the Japan Anniversary Association.

Social responsibility initiatives

(5) Environment

a) Reducing environmental burden through business

Many of the Company's products use materials derived from depletable resources, and it believes that planning, manufacturing, and selling products that can be used repeatedly and for a long time constitute an effective use of limited resources, which will lead to a reduction in the environmental burden. Specifically, the Company is implementing the following measures:

- Acquired ISO 14001 certification in 2005
- Products oriented toward reusability (across the product lineup)
- Establishment of a circular supply chain in progress (e.g., utilizing cutting scraps from raw materials)
- Industry-academia collaboration with Akita University
- Installed solar panels on the headquarters building and the Nagaileben West Japan Distribution Center
- Introduction of renewable energy-based power at headquarters and Akita plant
- Initiatives addressing climate change problems in line with TCFD

b) Response to climate change problems

The Company is implementing a decision-making process for scenario analysis, including mitigation and adaptation initiatives for climate change problems, identification of opportunities and risks, etc. as part of its climate-change disclosures in accordance with the Task Force on Climate-related Financial Disclosures (TCFD).

(6) Social contribution

The Company is implementing the following measures:

- Providing uniforms to the Japanese Nursing Association for nurses working in disaster relief
- Donations of infection prevention products to medical institutions and others
- Conveying messages of support to healthcare professionals
- Publishing a poetry collection for nurses on a regular basis and presenting it free of charge to hospitals and nurses
- Supporting the employment of people with disabilities: Subsidiary NAGAI UNIFORM INDUSTRY Co., Ltd. was awarded by the Minister of Health, Labour and Welfare for being an excellent business that contributes to the active employment and promotion of persons with disabilities
- Nagaileben's Representative Director and President, Ichiro Sawanobori, appointed as Industrial Ambassador for Misato Town (Akita Prefecture)
- Disaster relief: The Company has provided monetary donations, medical gowns, masks, wheelchairs, and other items through the Japanese Nursing Association and the Japanese Red Cross Society following the outbreak of SARS; natural disasters including the Sumatra earthquake, the Great Hanshin-Awaji Earthquake, the Great East Japan Earthquake, and the Kumamoto earthquakes; and the COVID-19 pandemic
- Supporting the United Nations World Food Programme (WFP), an agency that provides food assistance
- Supporting the Minamisanriku Cherry Tree Planting for Recovery: The Company worked with volunteers in Minamisanriku Town, Miyagi Prefecture, which was affected by the Great East Japan Earthquake, to plant cherry trees at the "Ocean View Forest for Saving Life," located in areas reached by the tsunami
- Published in Future Class: The Company's initiatives are introduced in Future Class, which is a teaching material used in classes on the Sustainable Development Goals that is distributed to elementary and junior high schools nationwide
- Participated in an educational program for children organized by Resona Bank, Ltd. in which the Company carried out activities aimed at deepening interest and understanding regarding the work of healthcare professionals through a seminar on medical gowns
- Supporting Para-Art Activity

Results trends

Operating profit decreased in 1H FY8/26, but there are signs of bottoming out

1. Overview of 1H FY8/26 results

The Company posted 1H FY8/26 consolidated results in which net sales increased 0.2% YoY to ¥7,861mn, operating profit declined 7.9% to ¥1,381mn, recurring profit decreased 4.4% to ¥1,475mn, and net profit attributable to the owners of the parent company was down 4.5% to ¥1,014mn.

Although it secured sales growth on the back of acquiring projects carried over from the previous fiscal year and the effect of price increases from February 2026, the impact of the slow start in 1Q (decrease in sales of 9.0%) caused net sales to fall short of the initial forecast (increase in sales of 4.2%). In terms of profitability, the gross profit margin decreased 0.4 percentage points (pp) to 39.4%, and gross profit decreased 0.6% to ¥3,098mn. The factors behind this change in gross profit were a ¥7mn increase due to higher sales and a ¥27mn decrease due to a decline in the profit margin. Further analysis of the factors behind the decline in the profit margin shows that the exchange rate, including the effects of forward contracts, had a positive impact of ¥43mn (¥154.4/USD in 1H FY8/25 compared to ¥150.5/USD in 1H FY8/26); a higher overseas production ratio (55.0% in 1H FY8/25 vs. 56.5% in 1H FY8/26) added ¥40mn; rising processing fees had a negative impact of ¥35mn; higher raw material costs had a negative impact of ¥110mn; lower logistics costs (which increased sharply in the same period of the previous fiscal year due to special factors) added ¥15mn; and price revisions and other factors added ¥20mn.

SG&A expenses increased 6.1% to ¥1,717mn, mainly due to a ¥33mn increase in personnel expenses and a ¥19mn increase in advertising expenses, among other factors. Capital investments came to a total of ¥164mn (building and property-related ¥14mn, IT facilities ¥77mn, logistics facilities ¥1mn, production facilities ¥72mn, etc.) with depreciation of ¥142mn (¥134mn in the same period of the previous fiscal year).

In 1H, while operating profit declined, this was largely due to the slow start in 1Q (operating profit declined 28.8%). In 2Q, operating profit increased 5.3%, giving the impression that results are bottoming out.

1H FY8/26 consolidated results

(¥mn)

	1H FY8/25		1H FY8/26		YoY	
	Results	% of net sales	Results	% of net sales	Change amount	Change %
Net sales	7,843	100.0%	7,861	100.0%	17	0.2%
Gross profit	3,117	39.8%	3,098	39.4%	-19	-0.6%
SG&A expenses	1,618	20.6%	1,717	21.8%	98	6.1%
Operating profit	1,499	19.1%	1,381	17.6%	-118	-7.9%
Recurring profit	1,543	19.7%	1,475	18.8%	-67	-4.4%
Net profit attributable to the owners of the parent company	1,062	13.5%	1,014	12.9%	-48	-4.5%

Source: Prepared by FISCO from the Company's financial results

(1) Net sales by item and market

In the Company's core markets, net sales increased 1.4% YoY to ¥5,607mn. In 1Q, net sales were subdued, down 11.3%, in part due to a limited number of renewal projects. However, once 2Q started, renewals progressed smoothly, plus deliveries commenced on large-scale timing-shifted projects. This yielded an increase in net sales of 10.0%. As a result, net sales for 1H increased 1.4%. By item, net sales increased 1.7% to ¥4,336mn for healthcare wear, increased 0.8% for doctors' wear to ¥1,087mn, and fell 2.2% to ¥184mn for utility wear and other products.

In peripheral markets, net sales decreased 4.0% YoY to ¥2,142mn. By item, net sales decreased 9.3% to ¥1,335mn for patient wear, partly due to customer inventory conditions, and increased 6.4% to ¥806mn for surgery wear, which remained strong.

Net sales in overseas markets increased 35.0% to ¥110mn. Because the sales scale is small, YoY fluctuations vary widely depending on the presence or absence of projects.

Net sales by item and market

(¥mn)

	1H FY8/25		1H FY8/26	
	Results	YoY	Results	YoY
Core markets	5,530	6.6%	5,607	1.4%
Healthcare wear	4,263	7.8%	4,336	1.7%
Doctors' wear	1,079	5.8%	1,087	0.8%
Utility and other products	188	-11.2%	184	-2.2%
Peripheral markets	2,230	6.4%	2,142	-4.0%
Patient wear	1,472	6.5%	1,335	-9.3%
Surgery wear	757	6.2%	806	6.4%
Overseas markets	81	-23.5%	110	35.0%
Total	7,843	6.1%	7,861	0.2%

Source: Prepared by FISCO from the Company's financial results

(2) Net sales by product

For net sales of high-end products, in the previous 1H, net sales were solid, up 10.9% YoY, due largely to the contribution of the new brand MACKINTOSH PHILOSOPHY. Due to the accompanying reactionary effect, in this 1H, net sales declined 3.1% to ¥592mn. Net sales of high-value-added products continued their firm trend from the previous 1H, increasing 1.5% to ¥5,017mn. These were supported by steady renewal projects centered on Safeel, a high-value-added material with a superior soft texture. Net sales of value-added products decreased 1.5% to ¥1,974mn. In core markets, net sales were solid, up 10.2%, driven by a low-price strategy leveraging products from integrated overseas production. However, net sales of value-added products decreased due to the impact of the patient market. Net sales of mass products decreased 2.9% to ¥276mn. However, given their small scale, the impact on overall results is minimal.

Net sales by product

(¥mn)

	1H FY8/25		1H FY8/26	
	Results	YoY	Results	YoY
High-end products	611	10.9%	592	-3.1%
High-value-added products	4,942	12.7%	5,017	1.5%
Value-added products	2,004	-7.7%	1,974	-1.5%
Mass products	284	-0.3%	276	-2.9%
Total	7,843	6.1%	7,861	0.2%

Source: Prepared by FISCO from the Company's results briefing materials

The equity ratio is 92.5%. The Company's financial position is solid. Cash on hand and deposits are abundant at ¥19.6bn

2. Financial position

(1) Consolidated balance sheets

The Company's financial position remains healthy and stable. At the end of 1H FY8/26, total assets decreased ¥3,224mn to ¥41,467mn compared to the end of the previous fiscal year. Current assets decreased ¥3,339mn to ¥32,860mn compared to the end of the previous fiscal year, mainly due to a decrease in cash and deposits of ¥4,628mn that offset an increase in notes and accounts receivable - trade including electronically recorded monetary claims - operating of ¥579mn, and an increase in inventories of ¥680mn. Meanwhile, non-current assets totaled ¥8,607mn, up ¥115mn from the end of the previous fiscal year, mainly reflecting a decrease in property, plant and equipment of ¥5mn from depreciation, an increase in intangible assets of ¥22mn connected to IT-related investment, and an increase in investments and other assets of ¥98mn.

Total liabilities were ¥3,097mn, down ¥276mn from the end of the previous fiscal year. This was mainly due to an increase in accounts payable - trade of ¥165mn, a decrease in income taxes payable of ¥123mn, and a decrease in other current liabilities of ¥321mn. Total net assets decreased ¥2,948mn to ¥38,369mn compared to the end of the previous fiscal year, mainly due to a decrease in retained earnings of ¥9,761mn and a decrease in treasury shares of ¥6,786mn (increase in amount). As a result, the equity ratio was 92.5% at the end of 1H FY8/26 (also 92.5% at the end of the previous fiscal year).

The Company's financial position remains stable, with cash on hand and deposits and the equity ratio at high levels, but going forward, it seems that making effective use of this ample cash will be a key challenge.

Summary of the consolidated balance sheets

(¥mn)

	End of FY8/25	End of 1H FY8/26	Change amount
Cash and deposits	24,246	19,617	-4,628
Notes and accounts receivable - trade including electronically recorded monetary claims - operating	4,683	5,262	579
Inventories	7,050	7,730	680
Total current assets	36,200	32,860	-3,339
Property, plant and equipment	7,255	7,250	-5
Intangible assets	167	189	22
Total investments and other assets	1,069	1,167	98
Total non-current assets	8,492	8,607	115
Total assets	44,692	41,467	-3,224
Accounts payable - trade	766	932	165
Income taxes payable	638	515	-123
Other current liabilities	1,014	693	-321
Total liabilities	3,373	3,097	-276
Retained earnings	45,403	35,642	-9,761
Treasury shares	-8,108	-1,321	6,786
Total net assets	41,318	38,369	-2,948
Total liabilities and net assets	44,692	41,467	-3,224

Source: Prepared by FISCO from the Company's financial results

(2) Cash flow status

Cash flows from operating activities in 1H FY8/26 were a net outflow of ¥425mn. The main inflows included profit before income taxes of ¥1,475mn, depreciation of ¥142mn, and a ¥165mn increase in trade payables, while the main outflows were a ¥764mn increase in trade receivables and a ¥680mn increase in inventories. Cash flows from investing activities were a net inflow of ¥3,741mn. The main outflow was ¥115mn to acquire property, plant and equipment, and the main inflow was ¥3,900mn for withdrawal of time deposits (net). Cash flows from financing activities were a net outflow of ¥4,047mn. The main outflows were ¥3,045mn for payment of dividends and ¥1,001mn for purchase of treasury shares. As a result, cash and cash equivalents decreased ¥728mn during the period, leaving the balance at the end of 1H FY8/26 as ¥4,017mn.

Summary of the consolidated statement of cash flows

(¥mn)

	1H FY8/25	1H FY8/26
Cash flows from operating activities	-231	-425
Interim net income before tax	1,543	1,475
Depreciation	134	142
Decrease (increase) in trade receivables	-176	-764
Decrease (increase) in inventories	-555	-680
Increase (decrease) in trade payables	-365	165
Cash flows from investing activities	2,325	3,741
Purchase of property, plant and equipment	-136	-115
Change in time deposits (net)	2,500	3,900
Cash flows from financing activities	-2,885	-4,047
Dividends paid	-1,888	-3,045
Purchase of treasury shares	-1,179	-1,001
Change in cash and cash equivalents	-791	-728
Balance of cash and cash equivalents at period end	4,557	4,017

Source: Prepared by FISCO from the Company's financial results

Outlook

Maintains initial forecasts for FY8/26; expects higher sales and double-digit operating profit growth

1. FY8/26 forecasts

For the FY8/26 consolidated results, the Company forecasts that net sales will increase 6.0% YoY to ¥18,000mn, operating profit will rise 12.3% to ¥4,025mn, recurring profit will go up 13.3% to ¥4,200mn, and net profit attributable to the owners of the parent company will increase 12.7% to ¥2,900mn. The initial forecasts were maintained considering the following conditions.

The Company expects the market environment to remain tough, as it sees few positive catalysts in the business climate for medical institutions, which have been grappling with the impact of inflation since FY8/23. In core markets, however, the Company forecasts sales will increase 4.2% YoY, mainly due to steadily capturing projects carried over from the previous fiscal year, the launch of new strategic products in the low-price market, where the Company struggled to renew orders in FY8/25, backed largely by integrated production overseas and price revisions that started in February 2026. In addition, for FY2026's medical service fee revision, a 3.09% increase in the base and a 2.22% increase in total including drug prices has been decided. It is the first time in 30 years that the base will exceed 3%, and the first positive total in 12 years—a significant positive revision. Additionally, even for long-term care fees, for which next year is not a scheduled revision year, an ad hoc 2.03% revision has been decided to improve treatment of workers and address inflation; these are expected to be tailwinds for the Company's business.

In peripheral markets, it forecasts sales will increase 7.1% YoY due to the expected expansion of sales of new patient wear products it is focusing on and replenishment demand for existing products, as well as a boost from COMPELPACK and shifting to a leasing model. It also expects a 78.6% increase in sales in overseas markets by expanding its Japanese-style business model.

The gross profit margin is forecast to improve to 40.3% (39.5% in the previous fiscal year), and gross profit is expected to increase 8.2% YoY to ¥7,262mn in conjunction with higher sales. The factors behind the change in gross profit are expected to be an increase of ¥402mn due to higher sales and an increase of ¥149mn due to an improved profit margin. The factors behind the improvement in the gross profit margin are expected to be an increase of ¥7mn due to forex (stronger yen) (¥151.7/USD compared to ¥152.0/USD in FY8/25), a ¥90mn increase due to the effect of a higher overseas production ratio (58.5% vs. 55.5% in FY8/25), a ¥70mn decrease due to the impact of rising processing fees, a ¥170mn decrease due to higher raw material costs, and a ¥70mn increase due to lower overseas logistics costs. Meanwhile, the effect of product price revisions that began in February 2026 is expected to result in a ¥222mn increase in profit.

SG&A expenses are expected to increase 3.5% YoY to ¥3,237mn. This is mainly due to an expected ¥57mn increase in personnel expenses and a ¥7mn increase in advertising expenses. The Company expects capital investments to total ¥844mn (building and property-related ¥272mn, IT facilities ¥447mn, logistics facilities ¥34mn, production facilities ¥90mn) with depreciation of ¥302mn.

While there has not yet been any significant impact from the situation in the Middle East, going forward, there are concerns that raw material prices will rise as the price of crude oil surges. Meanwhile, as medical institutions become increasingly inclined to save costs, patient wear and other areas are seeing an increasing shift from disposable products to reusable products. This could be a tailwind for the Company. In any case, the situation going forward will need to be monitored.

FY8/26 consolidated results outlook

(¥mn)

	FY8/25		FY8/26		YoY	
	Results	% of net sales	Forecast	% of net sales	Change amount	Change %
Net sales	16,983	100.0%	18,000	100.0%	1,016	6.0%
Gross profit	6,712	39.5%	7,262	40.3%	550	8.2%
SG&A expenses	3,128	18.4%	3,237	18.0%	108	3.5%
Operating profit	3,583	21.1%	4,025	22.4%	441	12.3%
Recurring profit	3,706	21.8%	4,200	23.3%	493	13.3%
Net profit attributable to the owners of the parent company	2,573	15.2%	2,900	16.1%	326	12.7%

Source: Prepared by FISCO from the Company's financial results and results briefing materials

2. Net sales forecasts by item and market

While the Company expects conditions in core markets to remain difficult, it forecasts net sales will increase 4.6% YoY to ¥12,550mn, supported by projects carried over from FY8/25 (orders already received), as well as expanded sales of new strategic products. By item, it sees sales rising 4.9% to ¥9,610mn for healthcare wear and 4.9% to ¥2,530mn for doctors' wear, but forecasts a drop of 2.3% to ¥410mn for utility wear and other products.

It expects net sales in peripheral markets to increase 6.0% YoY to ¥5,050mn. Net sales of patient wear are expected to rise 4.1% to ¥3,300mn due to factors such as the shift to high-value-added products progressing well. In surgery wear, the Company forecasts a 9.9% increase to ¥1,750mn due to new adoption of COMPELPACK and enhanced sales promotion, including shifting to leasing projects for surgery wear.

It sees net sales rising 78.6% YoY to ¥400mn in overseas markets, supported by increased uptake of laundry outsourcing and by the establishment of a business model based on direct e-commerce sales.

Net sales forecasts by item and market

(¥mn)

	FY8/25		FY8/26	
	Results	YoY	Forecast	YoY
Core markets	11,996	3.1%	12,550	4.6%
Healthcare wear	9,165	4.0%	9,610	4.9%
Doctors' wear	2,412	2.5%	2,530	4.9%
Utility wear and other products	419	-10.8%	410	-2.3%
Peripheral markets	4,763	5.7%	5,050	6.0%
Patient wear	3,171	6.9%	3,300	4.1%
Surgery wear	1,592	3.3%	1,750	9.9%
Overseas markets	223	-15.1%	400	78.6%
Total	16,983	3.5%	18,000	6.0%

Source: Prepared by FISCO from the Company's results briefing materials

3. Net sales forecasts by product

Looking at net sales by product, the Company forecasts that high-end product sales will rise 5.7% YoY to ¥1,400mn, due to factors such as sales of the new MACKINTOSH PHILOSOPHY brand remaining strong. In high-value-added products, it forecasts that net sales will go up 6.2% to ¥11,200mn due to orders that have already been placed for large-scale projects as well as making the market more active by introducing new strategic product lines. In value-added products, the Company sees sales increasing 7.1% to ¥4,800mn thanks to the steady acquisition of carried-over and planned projects through the launch of low-price strategic products made using an integrated overseas production system. It expects sales of mass products to contract 5.1% to ¥600mn, partly because it is not focusing on expanding sales in this category.

Net sales forecasts by product

(¥mn)

	FY8/25		FY8/26	
	Results	YoY	Forecast	YoY
High-end products	1,324	4.3%	1,400	5.7%
High-value-added products	10,543	7.1%	11,200	6.2%
Value-added products	4,483	-4.1%	4,800	7.1%
Mass products	632	0.8%	600	-5.1%
Total	16,983	3.5%	18,000	6.0%

Source: Prepared by FISCO from the Company's results briefing materials

Medium- to long-term growth strategy

Targeting operating profit of ¥4.7bn in FY8/28 in line with the mid-term management plan

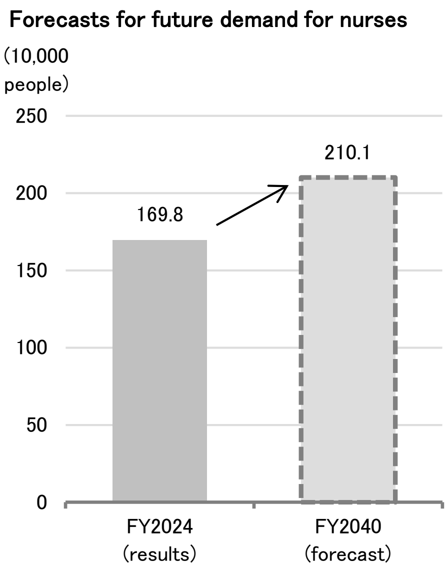
1. Mid-term management plan

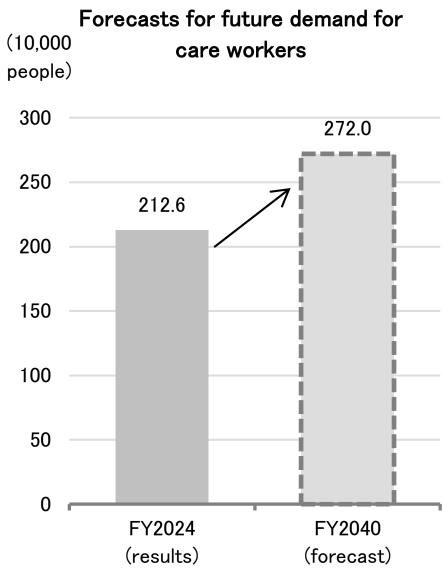
The Company is updating its mid-term management plan on an ongoing basis each fiscal year to reflect recent performance, as earnings are being impacted by fluctuating conditions, including forex rates. The mid-term management plan's current targets are net sales of ¥19.5bn and operating profit of ¥4.7bn in FY8/28*.

* Assumes an exchange rate of ¥145/USD (fixed). The previous plan was based on ¥140/USD.

2. Future business strategies

Although the Company's operating environment is being affected by the likes of forex fluctuations and surging prices in Japan, we at FISCO anticipate tailwinds over the medium and long term. According to the Company's results briefing materials, demand for nurses in Japan is projected to increase from 1.698 million in FY2024 to as many as 2.101 million in FY2040. Moreover, demand for care workers is forecast to rise from 2.126 million in FY2024 to 2.720 million in FY2040.





Note: Numbers for nurses based on actual data from "Summary of the Report on Public Health Administration and Services (Practicing Medical Professionals)" (MHLW), estimates from "Additional Materials on the Situation Surrounding the Securing of Nurses, etc. (Nursing Personnel)" (MHLW), actual number of care workers from "Update on the Trend in the Number of Long-Term Care Workers (2024)" (MHLW), and estimates for care workers from "Required Number of Long-term Care Workers based on 9th Insured Long-Term Care Insurance Business Plan" (MHLW)
Source: Prepared by FISCO from the Company's results briefing materials

In this sort of business environment, the Company plans to promote growth in the medium term through the following three strategies: (1) market strategy to expand sales, (2) product strategy to stabilize profitability, and (3) production strategy to improve profit margin.

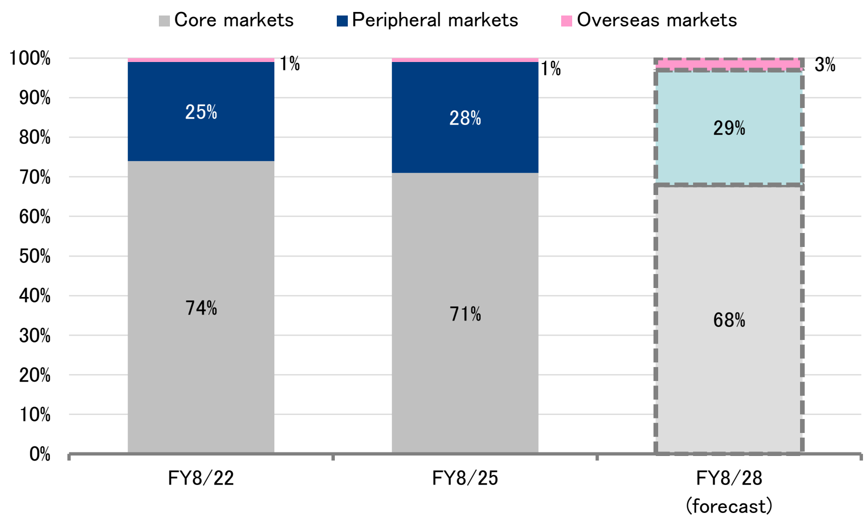
(1) Market strategy to expand sales

The Company has outlined capturing needs in core markets, increasing its share of peripheral markets, and cultivating overseas markets as its market strategies.

In terms of capturing needs in core markets, it aims to make the high-end market more active via the MACKINTOSH PHILOSOPHY brand and update its models for high-value-added products. For increasing its share of peripheral markets, it aims to expand its share based on COMPELPACK and patient wear. It will cultivate overseas markets by opening branches in Taiwan and South Korea, promoting laundry outsourcing, and pursuing direct e-commerce sales.

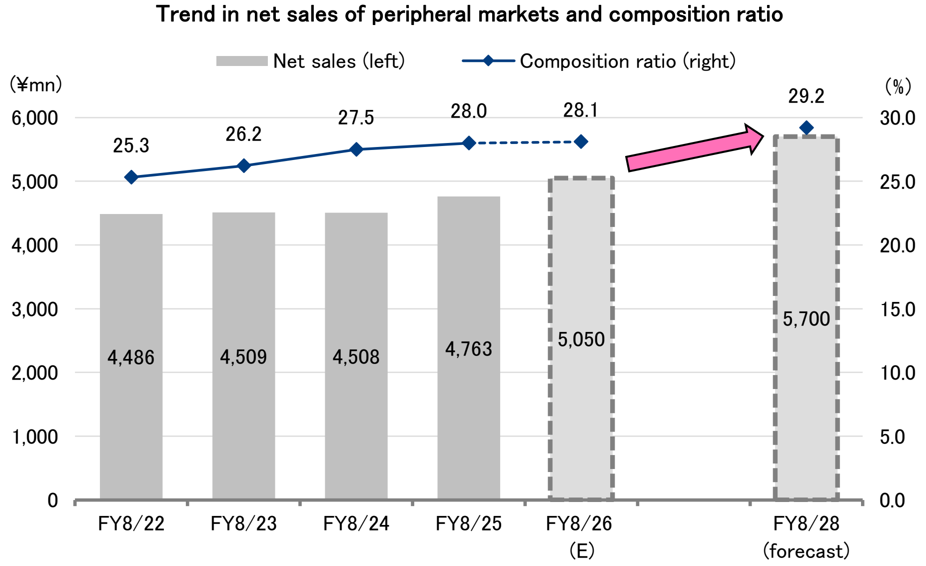
By implementing these strategies, it forecasts the net sales composition by market in FY8/28 will be 68% for core markets (74% in FY8/22 and 71% in FY8/25), 29% for peripheral markets (25% in FY8/22 and 28% in FY8/25), and 3% for overseas markets (1% in FY8/22 and 1% in FY8/25).

Forecasts for sales composition by market



Source: Prepared by FISCO from the Company's results briefing materials

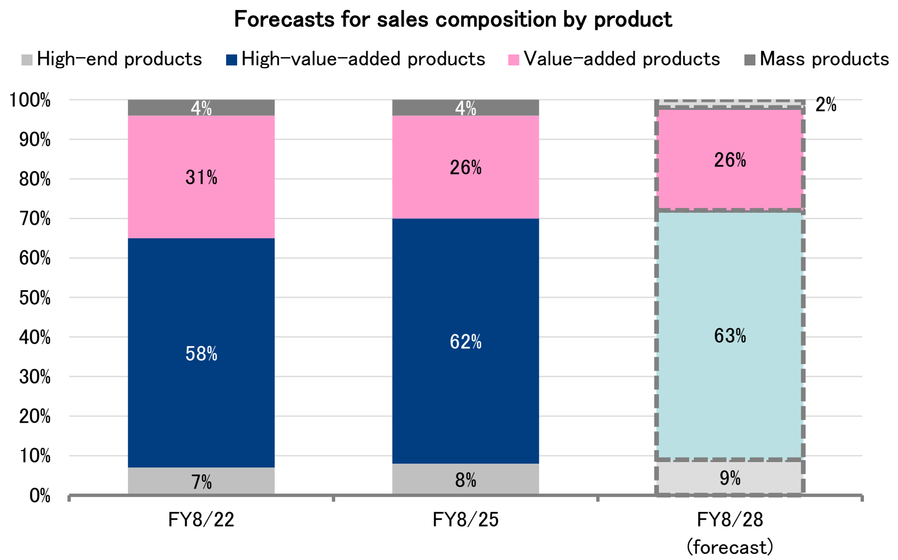
In peripheral markets in particular, the Company aims to increase net sales to ¥5,700mn and the sales composition ratio to 29.0%, supported by market share gains for COMPELPACK and patient wear.



Source: Prepared by FISCO from the Company's results briefing materials

(2) Product strategy to stabilize profitability

As its product strategy, the Company will work on stabilizing profitability by expanding sales of high-end products and high-value-added products, and at the same time increasing sales of mass products and value-added products. As a result, it is forecasting that the net sales composition by product in FY8/28 will be 9% from high-end products (7% in FY8/22 and 8% in FY8/25), 63% from high-value-added products (58% in FY8/22 and 62% in FY8/25), 26% from value-added products (31% in FY8/22 and 26% in FY8/25), and 2% from mass products (4% in FY8/22 and 4% in FY8/25).



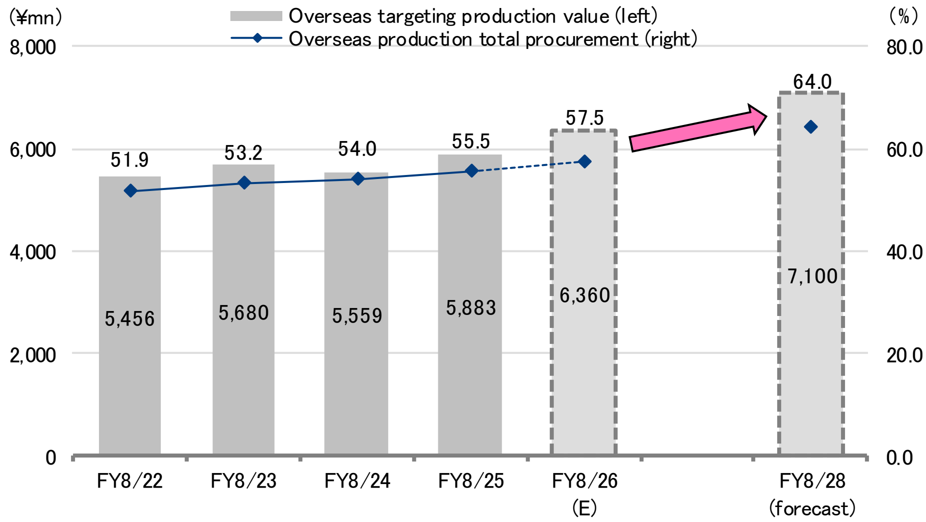
Source: Prepared by FISCO from the Company's results briefing materials

(3) Production strategy to improve the profit margin

By shifting production overseas, the Company aims to mitigate forex-related risk while increasing the overseas production ratio to improve profit margin. Furthermore, the Company will advance development of low-price strategic products utilizing overseas plants. In Japan and overseas, its policy is to maintain a high profit margin by strengthening its ability to respond to requests for QR and high-mix, low-volume production. By these strategies, it plans to achieve a composition ratio by production in FY8/28 of 64% from overseas production (52% in FY8/22 and 56% in FY8/25), 36% from domestic production (47% in FY8/22 and 43% in FY8/25), and 0% from purchased products (1% in FY8/22 and 1% in FY8/25).

In overseas production, it is targeting production value of ¥7,100mn and a 64% procurement ratio for overseas production by rolling out low-price strategic products in core markets that use locally procured materials.

Overseas targeting production value and overseas production total procurement trends



Source: Prepared by FISCO from the Company's results briefing materials

Shareholder return policy

For FY8/26, the Company plans an annual dividend of ¥60.0, but it may be increased depending on results

The Company's equity ratio reached 92.5% at the end of FY8/25 and it is financially stable. Additionally, considering the Company's business model, it seems highly unlikely that its profits will rapidly deteriorate, so continued stable earnings are expected. As a result, if its distribution of earnings outside the Company (shareholder returns) is low, profits will accumulate in shareholders' equity each year, and return on equity (ROE) will decline, which is to say, capital efficiency will decline. However, in addition to increasing dividends in line with profit growth, the Company is actively and comprehensively returning profits to shareholders, including through repurchase of treasury shares, as part of efforts to improve capital efficiency and implement a flexible capital policy in response to changes in the operating environment. As a result, it has maintained a relatively high ROE (6.1% in FY8/25).

The Company has pledged a dividend payout ratio of 50% or higher on a non-consolidated basis. It paid an annual dividend of ¥60.0 each year from FY8/17 to FY8/24. The Company was initially planning an annual dividend of ¥60.0 for FY8/25 as well, but since 2025 marked the 110th anniversary of its founding, it included a commemorative dividend, raising the annual dividend to ¥100.0. For FY8/26, it is currently planning an ordinary annual dividend of ¥60.0 (forecast dividend payout ratio of 62.3%), but it seems that there is scope to increase it, depending on future results.

Furthermore, the Company is also proactive about the repurchase of its treasury shares. It has already repurchased 528,000 treasury shares (worth ¥999mn) during the 1H under review. Further, on November 28, 2025, it canceled 5,000,000 treasury shares. As a result, treasury shares at the end of 1H FY8/26 were 766,526 shares (¥1,321mn). Along with its strong financial structure, this active approach to shareholder returns is highly commendable.

Trends in the dividend payout ratio and the total return ratio

(¥mn)

	Total dividend amount	Share buybacks	Dividend payout ratio*	Total return ratio*
FY8/15	3,324	1,500	107.5%	153.8%
FY8/16	1,662	0	52.5%	52.5%
FY8/17	1,994	0	55.2%	55.2%
FY8/18	1,994	0	55.2%	55.2%
FY8/19	1,995	0	58.0%	58.0%
FY8/20	1,971	1,031	57.9%	87.9%
FY8/21	1,971	0	55.0%	55.0%
FY8/22	1,935	1,231	52.5%	84.9%
FY8/23	1,926	373	60.7%	72.1%
FY8/24	1,889	1,449	68.1%	119.1%
FY8/25	3,047	2,177	120.9%	204.3%

* On a non-consolidated basis
Source: Prepared by FISCO from the Company's results briefing materials

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