

COMPANY RESEARCH AND ANALYSIS REPORT

TOKAI Corp.

9729

Tokyo Stock Exchange Prime Market

30-Sep.-2026

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Summary

Net sales and operating profit reached record highs in FY3/26. Actively pursuing M&A in the home care field

TOKAI Corp. <9729> (hereafter, also “the Company”) has the three main segments of Healthcare Services, Pharmacy Services, and Environmental Services. The Company continues to grow as a comprehensive healthcare company amid a super-aged society, leveraging its strengths in developing businesses in both the medical care and nursing care fields.

1. Overview of FY3/26 results

In the Company’s full-year FY3/26 consolidated results, net sales increased 6.8% year on year (YoY) to ¥159,664mn and operating profit increased 14.5% to ¥9,382mn, both exceeding the Company’s plan (net sales of ¥157,976mn and operating profit of ¥8,216mn). Higher sales reflected strong mainstay rental sales, growth in Pharmacy Services sales, and full-year contributions from two companies consolidated in the previous fiscal year. Operating profit increased for the third consecutive fiscal year and reached a record high for the first time in four fiscal years, reflecting the impact of higher sales, particularly in Healthcare Services, and cost reductions through the efficient use of rental materials in the Elderly Care Business, which includes rental and sales of elderly care equipment.

2. FY3/27 forecasts

For FY3/27, the Company forecasts consolidated net sales of ¥165,400mn, up 3.6% YoY, and operating profit of ¥8,985mn, down 4.2%, resulting in higher sales but lower profit. Net sales are expected to continue increasing, driven primarily by Healthcare Services, but revisions to drug prices and dispensing fees and higher energy costs amid heightened tensions in the Middle East are expected to reduce profit. However, the Company intends to minimize the negative impact through measures including expansion of its rental businesses, optimization of service prices, and operational efficiency improvements through digital transformation (DX).

3. Outline of medium-term management plan

In its medium-term management plan announced in May 2025, the Company positioned the period from FY3/26 to FY3/28 as a phase of “Sowing seeds for increasing profitability and creating new value.” Its policy is to focus on enhancing profitability in each business while also developing new businesses to drive growth in 10 years. The Company has set management targets for FY3/28 of ¥170.0bn in net sales, ¥9.5bn in operating profit, and return on equity (ROE) of 8%. Although growth is expected to temporarily slow in FY3/27, the plan’s second year, due to higher energy costs and revisions to drug prices and dispensing fees in Pharmacy Services, overall progress remains steady, and the FY3/28 performance targets appear achievable. In particular, the Elderly Care Business, which is positioned as a growth field, aims to become the industry leader by raising its market share in elderly care equipment rentals from approximately 5% currently to 10% by 2035 through active store openings and M&A, amid continuing demand growth as a super-aged society advances. In June 2026, the Company also announced that it would acquire all shares of QLC Produce Corporation, a subsidiary of Idemitsu Kosan Co., Ltd. <5019> that operates a rehabilitation-type daycare services business. By expanding its business platform for services for the elderly at home, the Company intends to broaden its business domains toward realizing the healthy longevity society set out in its long-term vision and develop new services.

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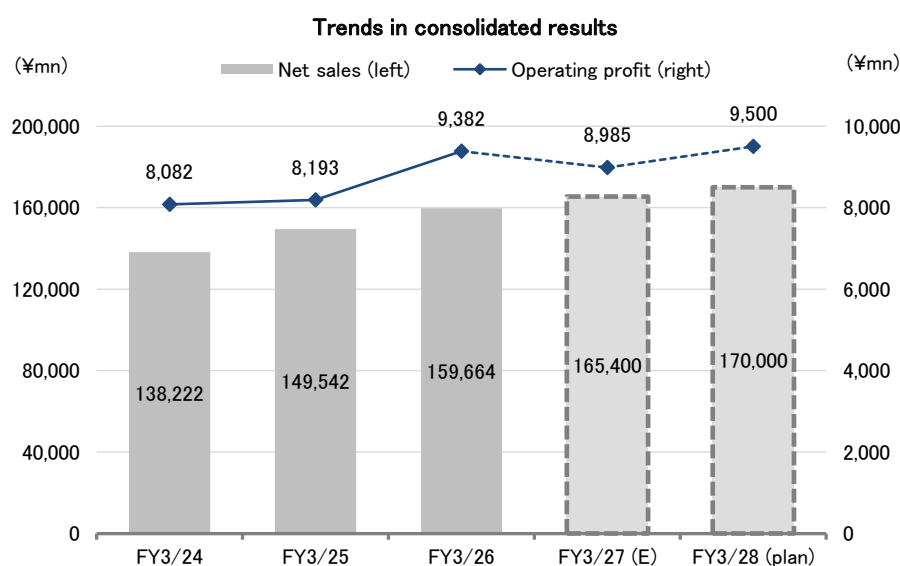
Summary

4. Shareholder return policy

The Company plans to pay dividends and/or acquire treasury shares aiming for a total payout ratio of over 70% cumulatively over the three fiscal years of FY3/26 through FY3/28 covered under the medium-term management plan. For FY3/26, the Company paid an annual dividend of ¥68.0 per share, including a 70th anniversary commemorative dividend, for a payout ratio of 36.6%, and repurchased approximately ¥6.3bn of its own shares. From FY3/27, the Company decided to raise its target payout ratio from 35% to 40% and adopt a progressive dividend policy. It plans to pay a dividend of ¥80.0 per share, up ¥12.0 YoY, for a payout ratio of 40.4%.

Key Points

- In FY3/26, net sales, operating profit, and ordinary profit all reached record highs
- Although the FY3/27 forecast calls for lower profit in light of the uncertain business environment, the Company expects to achieve the medium-term management plan's operating profit target of ¥9.5bn in FY3/28
- Actively pursuing M&A and DX in the Elderly Care Business, positioned as a growth driver, and making a full-scale entry into rehabilitation-type daycare services through the consolidation of QLC Produce Corporation
- Raising the target payout ratio from 35% to 40% from FY3/27



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

Business overview

TOKAI's earnings pillar is the healthcare domain that combines Healthcare Services and Pharmacy Services

Headquartered in Gifu Prefecture, the Company conducts business centered on three segments: Healthcare Services, Pharmacy Services, and Environmental Services. In the FY3/26 sales composition by segment, Healthcare Services accounted for approximately 50% of net sales and approximately 70% of operating profit after intercompany eliminations, followed by Pharmacy Services and Environmental Services.

1. Healthcare Services

The Healthcare Services segment includes the Hospital Business (medical-related consignment services such as linen supply, nursing assistance, and distribution management within hospital for medical institutions and nursing care facilities), Bedding and Linen Supply Business (bedding rental and linen supply services to accommodation facilities such as hotels), Elderly Care Business (rental and sales of elderly care equipment and operation of rehabilitation-type daycare services), Food Supply Business (for medical institutions and nursing care facilities), Cleaning Equipment Manufacturing Business, and Water Service Business (water server rentals).

In this segment, Hospital Business and Bedding and Linen Supply Business provide 50% to 60% of net sales. Linen supply services for medical institutions, nursing care facilities, and accommodation facilities are provided in the Tohoku, Kanto, Hokuriku, Chubu, Kansai, Chugoku, and Shikoku regions. The Company ranks second in the industry for linen supply services to medical institutions and nursing care facilities. A key strength in services for medical institutions is the ability to provide one-stop medical-related services, including linen supply, nursing assistance, and distribution management within hospital.

The Elderly Care Business, which contributes more than 30% of this segment's net sales, involves the rental and sales of elderly care equipment, such as electric beds and wheelchairs, based on the Long-Term Care Insurance System. The service area extends from Tohoku to Kyushu, primarily covering urban areas where the elderly population is expected to increase. TOKAI's market share in this business varies by region. In Shikoku, it is relatively high at around 30%. In the three metropolitan areas of Greater Tokyo, Greater Osaka, and Greater Nagoya, it is about 5–10%, leaving room to expand its presence. As of the end of March 2026, the Company operated 104 sales sites, including those of nonconsolidated subsidiaries. Although competitors include FRANCE BED HOLDINGS CO., LTD. <7840> and a subsidiary of Panasonic Holdings Corporation <6752> (Panasonic AGE-FREE Co., Ltd.), the Company is seen as being the top in direct rental sales. Key strengths of the Company that can be cited are its possession of a system that efficiently utilizes its own materials at its 12 elderly care equipment maintenance centers nationwide, its building of strong relationships of trust with care managers in each region through its extensive track record going back to before the introduction of the long-term care insurance system and prompt service delivery, and its establishment of referral routes for patients after discharge by leveraging the relationships with medical institutions that it has formed through the undertaking of medical-related services. Moreover, by working to increase its share in regions utilizing M&A and other measures, it is aiming to establish a position as having the No. 1 market share in each region. In addition, Mik Kenko-no-Mori*, a rehabilitation-type daycare service operated by mikjapan Co., Ltd., which became a subsidiary in July 2024, has 36 locations.

* These daycare facilities are designed to maintain and improve the physical functions of elderly people and operate in the Tokyo metropolitan area, Kansai, Tohoku, and Kyushu regions.

Business overview

2. Pharmacy Services

In the Pharmacy Services segment, consolidated subsidiary Tanpopo Pharmacy Co., Ltd. operates dispensing pharmacies called Tanpopo Pharmacy in the Tokai, Hokuriku, Kansai, and Shikoku areas. It was operating 161 pharmacies as of the end of March 2026. Initially, the subsidiary improved management efficiency and maintained high profitability by specializing in pharmacies located near medical institutions. In recent years, however, as a local “primary pharmacy,” it has promoted store formats tailored to community needs, strengthened family pharmacy functions through collaboration with medical institutions and home care support, established systems aligned with government-led medical DX initiatives, and improved store operating efficiency through DX. In addition, mikjapan operates 10 Drug Mik drugstores, primarily in Osaka Prefecture, including 3 with dispensing pharmacies, as well as 5 “Lawson + Drug Mik” combination convenience stores.

3. Environmental Services

The Environmental Services segment comprises the Company’s Leasekin Business and Cleaning Business operated by consolidated subsidiary T-assist Co., Ltd. In the Leasekin Business, which accounts for more than 60% of the segment’s net sales, the Company handles the Leasekin service, franchising the sale and rental of mops, mats, and other environmental beautification products mainly to offices, stores, and homes under the Leasekin brand. The Leasekin service has a nationwide sales network of approximately 850 locations, including regional head offices and agencies. TOKAI ranks second in the industry, after DUSKIN CO., LTD. <4665>. Over the past few years, it has focused on toilet-related products in order to differentiate itself. The Cleaning Business, which accounts for slightly over 30% of the segment’s net sales, primarily provides contracted cleaning and facility management services to medical institutions and nursing care facilities. This segment also engages in the electricity sales business through solar power generation.

Segment composition and business activities

Healthcare	Hospital	Linen supply and rental of bedding, uniforms, and other items for medical institutions, and contracted medical-related services such as nursing assistance and distribution management within hospital. Bedding rental for nursing care facilities
	Bedding and Linen Supply	Bedding rental and linen supply for hotels and other accommodation facilities
	Elderly Care	Elderly care equipment rentals: Rental and sales of elderly care equipment and home renovation services under the nursing-care insurance system Rehabilitation-type daycare services: Operation of rehabilitation-type daycare facilities under the nursing-care insurance system
	Food Supply	Food supply services at medical institutions, nursing care facilities, and other facilities
	Others	Cleaning Equipment Manufacturing Business: Development and manufacture of machinery for finishing processes that helps reduce labor requirements and improve efficiency at cleaning plants Water Service Business: Water server rentals and other services
Pharmacy	Dispensing Pharmacy	Operation of Tanpopo Pharmacy dispensing pharmacies, primarily in prime locations near medical institutions
	Drugstore-related	Operation of community-based Drug Mik drugstores in the Kansai region
Environmental	Leasekin	Nationwide development of the Leasekin franchise chain, which rents environmental beautification products
	Cleaning	Building cleaning and facility management services, primarily for medical institutions and nursing care facilities
	Others	Solar Power Business: Sale of electricity generated using solar power on Company-owned land and other activities

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

Results trends

Posted record-high net sales, operating profit, and ordinary profit in FY3/26

1. Overview of FY3/26 results

In FY3/26, consolidated net sales increased 6.8% YoY to ¥159,664mn, operating profit rose 14.5% to ¥9,382mn, ordinary profit increased 14.4% to ¥10,098mn, and profit attributable to owners of parent grew 28.3% to ¥6,069mn. Net sales increased for the fifth consecutive fiscal year, while operating profit and ordinary profit rose for the third consecutive fiscal year, with all three reaching record highs. Profit attributable to owners of parent recorded a high growth rate because impairment losses recorded as extraordinary losses roughly halved from ¥2,151mn in the previous fiscal year to ¥1,061mn*¹. Meanwhile, the full-year contributions of mikjapan and Kaigo Center Hanaoka Co., Ltd.*², which were added to consolidation partway through the previous fiscal year, increased consolidated net sales by approximately ¥2.8bn. Their impact on operating profit, including goodwill amortization, was minor.

*¹ In FY3/26, the Company recorded impairment losses on the land at its Saitama Plant, certain dispensing pharmacy stores, and other assets.

*² mikjapan was added to consolidation from 2Q FY3/25 and Kaigo Center Hanaoka from 4Q FY3/25. Goodwill amortization increased ¥129mn YoY.

FY3/26 consolidated results

	FY3/25			FY3/26			
	Results	Vs. sales	Forecasts	Results	Vs. sales	YoY	vs. plan
Net sales	149,542	-	157,976	159,664	-	6.8%	1.1%
Cost of sales	114,102	76.3%	-	120,885	75.7%	5.9%	-
SG&A expenses	27,246	18.2%	-	29,396	18.4%	7.9%	-
Operating profit	8,193	5.5%	8,216	9,382	5.9%	14.5%	14.2%
Ordinary profit	8,825	5.9%	8,590	10,098	6.3%	14.4%	17.6%
Extraordinary income (loss)	-1,484	-	-	-689	-	-	-
Profit attributable to owners of parent	4,729	3.2%	5,499	6,069	3.8%	28.3%	10.4%

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

By segment, net sales increased across all segments, rising 6.3% YoY in Healthcare Services, 8.3% in Pharmacy Services, and 3.1% in Environmental Services. Operating profit also increased across all segments, rising 19.9% in Healthcare Services, 2.2% in Pharmacy Services, and 0.2% in Environmental Services, with Healthcare Services driving overall earnings.

Net sales and profit at every level also exceeded the Company's plans. Net sales were robust due to strong sales in the mainstay rental businesses. In particular, net sales of the Dispensing Pharmacy Business exceeded the plan due to an increase in prescriptions for anticancer drugs and other high-priced pharmaceuticals. Operating profit benefited from higher sales, particularly in the Dispensing Pharmacy Business, and an improved cost ratio through the efficient use of rental materials in the Elderly Care Business.

Results trends

Results by business segment

		(¥mn)				
		FY3/25 Results	FY3/26			
			Initial plan	Results	YoY	vs. plan
Healthcare Services	Net sales	76,935	81,678	81,799	6.3%	0.1%
	Operating profit	7,130	7,908	8,546	19.9%	8.1%
Pharmacy Services	Net sales	58,049	61,206	62,870	8.3%	2.7%
	Operating profit	2,378	1,986	2,430	2.2%	22.4%
Environmental Services	Net sales	14,389	14,927	14,837	3.1%	-0.6%
	Operating profit	1,230	1,239	1,232	0.2%	-0.6%

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

Capital investment in FY3/26 decreased ¥410mn YoY to ¥4,018mn. Investment in plant equipment, system investment, including an upgrade of the core system for the Hospital Business, and investment in new location openings in the Elderly Care Business increased, while purchases of rental materials and investment in plant construction decreased. Initiatives to improve operating efficiency at elderly care equipment maintenance centers also curbed additions of new rental materials, contributing to lower purchases. In line with lower capital investment, depreciation decreased ¥93mn to ¥4,782mn. For FY3/27, the Company plans capital investment of ¥5,865mn, up ¥1,847mn. The Company plans to increase purchases of rental materials as well as investment in laundry plant equipment upgrades, system investment, and investment in new location openings in the Elderly Care Business.

Breakdown of capital investment and depreciation

	(¥mn)		
	FY3/25	FY3/26	FY3/27 (plan)
Rental materials	1,204	892	1,181
Plant and other facilities	455	688	996
Plant construction, etc.	934	561	559
System investment	464	790	1,260
Opening and renovation of Elderly Care Business locations	68	194	658
Dispensing pharmacy openings	191	210	73
Others	1,109	679	1,134
Total capital investment	4,428	4,018	5,865
Depreciation	4,875	4,782	4,906

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

Healthcare Services remains strong and drives overall earnings

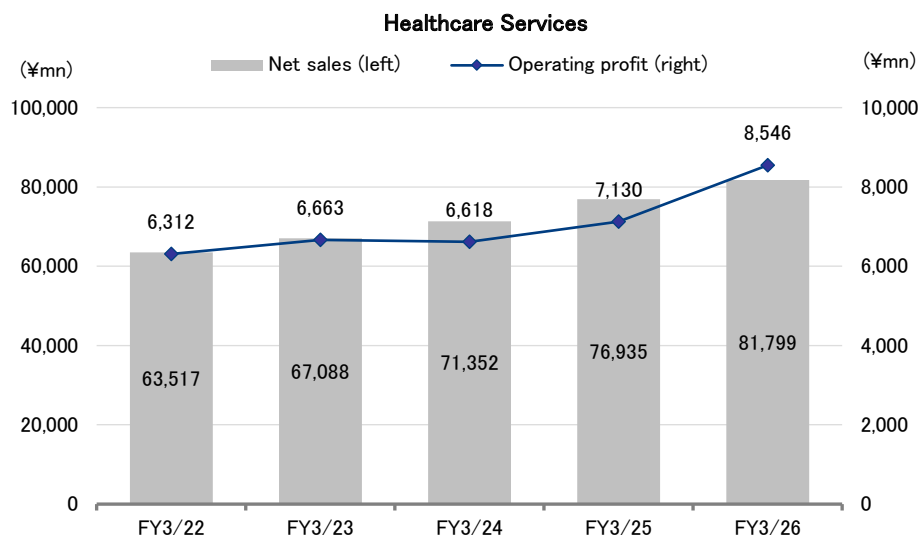
2. Results trends by business segment

(1) Healthcare Services

In Healthcare Services, net sales increased 6.3% YoY to ¥81,799mn, and operating profit rose 19.9% to ¥8,546mn, consecutively reaching new record highs. Net sales increased due to growth in rentals of elderly care equipment and hospitalization and residence sets*, as well as strong performance in linen supply for hotels and the Cleaning Equipment Manufacturing Business. In addition, full-year sales contributions from mikjapan and Kaigo Center Hanaoka, which became consolidated subsidiaries in the previous fiscal year, increased net sales by approximately ¥1.8bn. In profits, higher sales, efforts to optimize service prices mainly in the Bedding and Linen Supply Business, and an improved cost ratio in the Elderly Care Business through efficient use of rental materials contributed. The operating profit margin reached 10.4%, exceeding 10% for the first time in eight fiscal years.

* A service providing necessary clothing, towels, disposable diapers, daily commodities, etc. rented at a fixed daily charge when people are hospitalized or enter a nursing care facility.

Results trends



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

a) Hospital Business and Bedding and Linen Supply Business

In the Hospital Business and Bedding and Linen Supply Business, net sales increased ¥1,724mn YoY, and operating profit was also up ¥394mn. Net sales and operating profit increased for the fifth and second consecutive fiscal year, respectively. Both renewed record highs.

By business, rental sales of hotel linen remained strong, increasing 10.9% YoY. Approximately half of the increase in sales reflected optimized service prices, with the remainder attributable to new customer acquisition and higher occupancy rates at hotels and Japanese-style inns. Net sales of hospitalization and residence sets increased steadily, rising 6.9% as new contracts were secured, primarily with nursing care facilities. NEXSURG., a reusable surgical linen system that helps reduce medical waste, also recorded a 6.5% increase in sales due to more new contracts and higher utilization by existing customers. The number of beds served by linen supply services for medical institutions and nursing care facilities increased steadily by 3.9% overall. Although the number for medical institutions decreased 3.3%, that for nursing care facilities rose significantly, increasing 9.1%. The number for medical institutions decreased as reductions in hospital beds continued, particularly in regional areas. In contrast, growth for nursing care facilities reflected active location openings by a major nursing care facility operator that is an existing customer. In profits, in addition to the effects of the increase in sales, efforts were made to optimize service prices mainly in the hotel linen business. These absorbed increases in outsourcing and other expenses, leading to a higher profit margin.

b) Elderly Care Business

In the Elderly Care Business, both net sales and profit consecutively reached record highs, with net sales increasing ¥3,027mn YoY and operating profit rising ¥698mn. Of the increase in sales, approximately ¥0.3bn came from mikjapan's rehabilitation-type daycare services business and approximately ¥1.5bn from Kaigo Center Hanaoka's elderly care equipment rental business. Direct sales of elderly care equipment rentals grew significantly, rising 11.8% due to the addition of Kaigo Center Hanaoka. Even excluding this factor, existing-business sales expanded steadily, increasing 6.5% due to growth in new users under contract.

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Results trends

The Elderly Care Business opened 4 new sales sites, bringing the total to 104 as of the end of March 2026, including those of nonconsolidated subsidiaries. Of these, two sales offices use existing Tanpopo Pharmacy stores, representing one initiative to create synergies between the Elderly Care Business and Dispensing Pharmacy Business. Using existing Tanpopo Pharmacy stores enables the Company to open elderly care equipment rental locations quickly and at low cost. Increasing location development density is intended to accelerate service delivery and expand market share. By establishing an environment capable of handling nursing care consultations from pharmacy patients, the Company can build a comprehensive local medical and nursing care support system and differentiate itself from other dispensing pharmacies.

In addition to higher sales, efficient use of rental materials reduced costs and contributed to the increase in operating profit. In the rental business, higher product turnover directly improves profitability. Rental materials collected from customers undergo maintenance at maintenance centers so they can be reused. Appropriate staffing and other measures have shortened the time products remain at the centers, and the Company aims to reduce it further by continuing these initiatives in FY3/27. Kaigo Center Hanaoka contributed to profit growth even after goodwill amortization. In contrast, mikjapan opened three new rehabilitation-type daycare locations, two in Osaka Prefecture and one in Fukuoka Prefecture, and higher upfront investment, including personnel expenses, delayed their profit contribution.

c) Food Supply Business and other services

In the Food Supply Business, net sales decreased ¥178mn YoY, while operating profit increased ¥149mn, returning the business to profitability for the first time in four fiscal years. Net sales decreased due to withdrawals from unprofitable locations. Meanwhile, structural reforms, including price revisions, returned the business to profitability. Specifically, the Company shifted from in-hospital meal preparation to a business model that sells fully prepared meals from a central kitchen. Approximately 40% of customers use fully prepared meals, and the transition among existing customers is nearly complete. The Company aims to further increase the sales composition of these meals and establish a consistently profitable structure by developing new medical facility customers able to use them.

In Other Services, centered on the Cleaning Equipment Manufacturing Business operated by subsidiary PUREX Co., Ltd., net sales increased ¥290mn YoY and operating profit rose ¥173mn. Orders increased as chronic labor shortages drove greater demand for labor-saving equipment at linen supply plants. This business operated by PUREX accounted for most of the earnings growth. The elimination of expenses from the iAide business*, which the Company exited at the end of March 2025, also contributed to higher profit.

* The Company had pursued initiatives using iAide2, a wristband-type wearable device capable of continuously measuring pulse rates for 24 hours, to facilitate early detection of certain diseases and other applications. However, it decided to exit after determining that commercialization would be difficult.

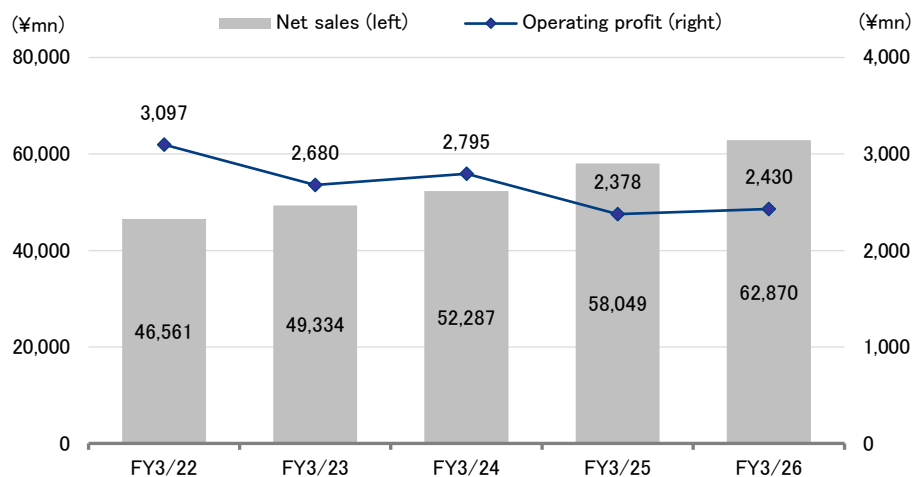
Pharmacy Services secures profit growth through higher prescription unit prices

(2) Pharmacy Services

Pharmacy Services posted an 8.3% YoY increase in net sales to ¥62,870mn and a 2.2% increase in operating profit to ¥2,430mn. Net sales increased for the fifth consecutive fiscal year, and operating profit rose for the first time in two fiscal years. Of these results, the Drugstore-related Business of mikjapan, which became a consolidated subsidiary from 2Q of the previous fiscal year, contributed ¥972mn to higher net sales but reduced operating profit by ¥52mn due to a temporary inventory-related loss.

Results trends

Pharmacy Services



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

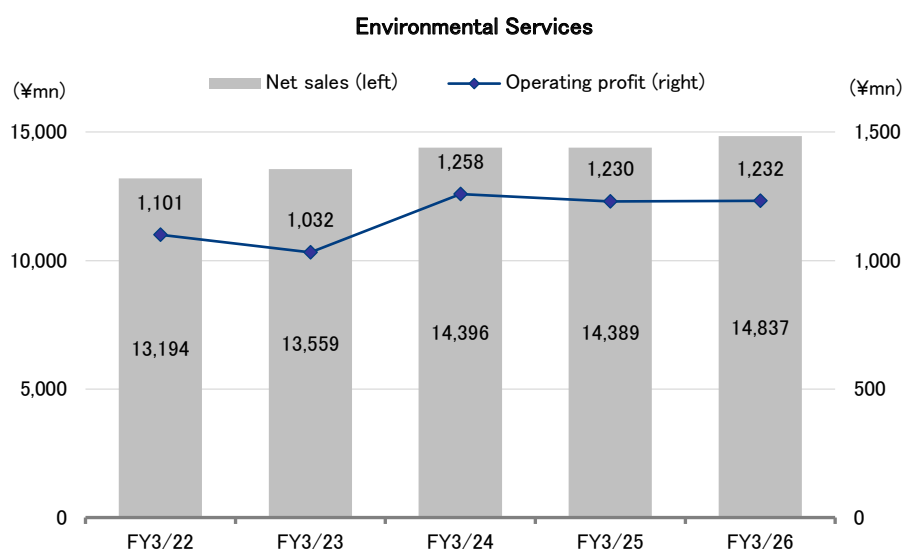
Among factors affecting sales of the Dispensing Pharmacy Business, the number of prescriptions decreased 0.8% YoY, partly due to an increase in long-term prescriptions. In contrast, more prescriptions for anticancer drugs and other high-priced pharmaceuticals raised the prescription unit price 8.0%, contributing to higher sales. Sales from drug fees increased ¥3,637mn, while efforts to strengthen family pharmacy functions and the medical DX promotion system raised the unit price of technical fees, increasing technical fee sales ¥227mn.

Profit increased ¥227mn due to growth in technical fee sales and ¥85mn due to growth in sales from drug fees, absorbing a ¥209mn increase in other expenses, primarily personnel expenses, and a ¥52mn decrease in profit from the Drugstore-related Business. The number of Tanpopo Pharmacy stores was 161, up 3 from the previous fiscal year-end after 5 openings and 2 closures.

(3) Environmental Services

Environmental Services recorded slight increases in sales and profit, with net sales rising 3.1% YoY to ¥14,837mn and operating profit increasing 0.2% to ¥1,232mn.

Results trends



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

In the mainstay Leasekin Business, net sales decreased ¥72mn YoY and operating profit fell ¥59mn. Although sales of toilet-related products, which account for slightly under 20% of net sales, remained strong and increased 10.3%, both rental and sales of dust-control products such as mops and mats declined. Amid rising prices, companies, stores, and other customers have become increasingly cost-conscious, and the market environment remains challenging. Among toilet-related products, Lunas Support ZERO, which combines sanitary boxes with menstrual product dispensers, and Suterabaisu, urolith adhesion prevention equipment, performed strongly. These results appear to reflect the Company's efforts to train more "TOILET ADVISORS" to advance its toilet-related strategy. Operating profit declined due to lower gross profit following the decrease in sales and a temporary increase in material costs from greater replenishment of rental materials.

In the Cleaning Business, net sales increased ¥515mn YoY and operating profit rose ¥58mn. New contracts for cleaning services at medical institutions and efforts to optimize prices for existing customers contributed to higher sales. Orders for high-value-added operating room support services*1 were also secured from two new facilities, contributing to higher sales. In profits, higher sales and improved earnings in the overseas human resources staffing business*2, which began full-scale operations in FY3/26, contributed.

*1 Trained and educated staff provide pre- and post-operative cleaning and surgical equipment setup instead of hospital staff, which helps increase operating room utilization rates at hospitals.

*2 A service that refers Specified Skilled Workers (nursing care staff) educated in Indonesia and elsewhere to medical institutions and nursing care facilities in Japan. For net sales, the Company records referral fees and monthly guidance and management fees.

Improving ROE through capital policy while maintaining a stable financial base

3. Financial position and management indicators

Total assets at the end of FY3/26 increased ¥406mn YoY to ¥114,695mn. Among the main changes in current assets, cash and deposits increased ¥542mn, trade receivables rose ¥1,554mn, and securities decreased ¥916mn. In non-current assets, property, plant and equipment decreased ¥1,747mn, partly due to impairment charges, while goodwill declined ¥699mn and investment securities increased ¥1,438mn.

Total liabilities increased ¥1,817mn to ¥30,264mn compared to the end of FY3/25. Although accrued consumption taxes decreased ¥358mn, trade payables increased ¥834mn and interest-bearing debt rose ¥829mn. Net assets decreased ¥1,410mn to ¥84,431mn. In addition to recording profit attributable to owners of parent of ¥6,069mn, valuation difference on available-for-sale securities increased ¥761mn and remeasurements of defined benefit plans rose ¥123mn. Meanwhile, acquisition and cancellation of treasury shares reduced net assets by ¥6,317mn, and dividend payments reduced them by ¥2,131mn.

Among management indicators, the equity ratio declined from 74.5% at the previous fiscal year-end to 73.0% due to acquisition of treasury shares. Nevertheless, FISCO believes the Company remains financially sound, with ample net cash of approximately ¥22.5bn and a low interest-bearing debt ratio of 4.2%. The Company's business model is focused on rental businesses, such as the linen supply, elderly care equipment rental, and the Leasekin Business, with the highly stable revenue structure supporting the building of a strong financial foundation. This could be called one of the Company's key strengths.

In the medium-term management plan launched in FY3/26, the Company set achieving ROE of 8% as one of its targets and plans to focus on improving capital efficiency. Breaking ROE down into total asset turnover, the ratio of profit to net sales, and financial leverage, total asset turnover has continued to rise, from 1.20 times in FY3/23 to 1.39 times in FY3/26. This reflects factors including cost reductions through efficient use of rental materials and share repurchases, and further improvement appears possible. The ratio of profit to net sales also appears capable of improving as the highly profitable Elderly Care Business accounts for a growing share and the Company works to restructure low-profit businesses. Therefore, achieving ROE of 8% appears highly feasible.

Results trends

Consolidated balance sheet

	End of FY3/24	End of FY3/25	End of FY3/26	Change
(¥mn)				
Current assets	59,601	56,311	57,434	1,123
Cash and deposits	30,985	25,455	25,998	542
Non-current assets	55,324	57,977	57,261	-716
Total assets	114,926	114,289	114,695	406
Total liabilities	28,137	28,447	30,264	1,817
(Interest-bearing debt)	2,352	2,652	3,481	829
Total net assets	86,789	85,841	84,431	-1,410
<Stability>				
Equity ratio	75.0%	74.5%	73.0%	-1.5pp
<Profitability>				
Return on assets (ROA; ordinary profit to total assets)	7.5%	7.7%	8.8%	1.1pp
Return on equity (ROE; profit to equity)	6.9%	5.5%	7.2%	1.7pp
Operating profit margin	5.8%	5.5%	5.9%	0.4pp
<ROE breakdown>				
Total asset turnover	1.22	1.30	1.39	0.09
Ratio of profit to net sales	4.2%	3.2%	3.8%	0.6pp
Financial leverage	1.34	1.34	1.36	0.02

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

Outlook

Formulating FY3/27 forecast conservatively in light of the uncertain business environment

1. FY3/27 forecasts

For FY3/27, the Company forecasts consolidated net sales of ¥165,400mn, up 3.6% YoY, operating profit of ¥8,985mn, down 4.2%, ordinary profit of ¥9,437mn, down 6.5%, and profit attributable to owners of parent of ¥6,117mn, up 0.8%. Pharmacy Services is expected to swing to lower profit due to revisions to drug prices and dispensing fees. In addition, the plan incorporates a ¥0.23bn* negative impact from higher energy costs amid heightened tensions in the Middle East. The Company plans to offset these negative effects by expanding its rental businesses, optimizing service prices, and improving operational efficiency through DX. Profit attributable to owners of parent is expected to increase because the impact of impairment losses recorded in the previous fiscal year will not recur.

* Following the outbreak of conflict between Iran and the US, the Company assumed price increases of slightly over 20% YoY for gas and heavy oil and slightly under 10% for electricity, based on interviews with business operators conducted as of March 2026. Most of the increased burden will fall on the linen supply business, while the Leasekin Business will also face higher costs.

Outlook

FY3/27 forecasts

	FY3/26		FY3/27		
	Results	Vs. sales	Forecast	Vs. sales	YoY
Net sales	159,664	-	165,400	-	3.6%
Operating profit	9,382	5.9%	8,985	5.4%	-4.2%
Ordinary profit	10,098	6.3%	9,437	5.7%	-6.5%
Profit attributable to owners of parent	6,069	3.8%	6,117	3.7%	0.8%
Earnings per share (¥)	185.61		198.08		

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

2. Forecasts by business segment

(1) Healthcare Services

Healthcare Services is expected to continue recording higher sales and profit, with net sales increasing 5.2% YoY to ¥86,086mn and operating profit rising 5.0% to ¥8,972mn. Regarding the business environment, the Company believes conditions will remain largely unchanged because medical institutions continue to face challenging management conditions despite a positive medical fee revision in FY2026. The Company also expects continued growth in contracts for linen supply services for medical institutions and nursing care facilities, and hospitalization and residence sets primarily for nursing care facilities. For linen supply services to accommodation facilities, the Company continues to negotiate price revisions while occupancy rates remain high. In the Elderly Care Business, demand for nursing care services continues to grow with increase in the elderly population. Meanwhile, consolidation by major companies is progressing in the elderly care equipment rental industry amid labor shortages and business succession issues, which the Company views as a favorable opportunity to expand its market share through M&A.

By business, the Hospital Business and Bedding and Linen Supply Business are forecast to record a ¥2,813mn YoY increase in net sales and an ¥81mn increase in operating profit. The Company plans to absorb higher energy costs at laundry plants through increased sales and forecasts 7% sales growth for the strategic product, hospitalization and residence sets and 9% for NEXSURG. Non-woven fabric used for operating room linen is naphtha-based. Amid concerns about price increases and shortages of disposable products, demand for the reusable NEXSURG. product is expected to rise. Hotel linen sales are forecast to increase at a single-digit rate through optimized service prices and new customer acquisition. The consolidation from the beginning of the fiscal year of one previously nonconsolidated subsidiary operating a hotel linen supply business will also contribute to higher sales.

The Elderly Care Business is forecast to record a ¥1,267mn YoY increase in net sales and a ¥242mn increase in operating profit. Both net sales and operating profit are expected to grow approximately 5%. In the elderly care equipment rental business, the Company plans to open five locations, primarily in urban centers, and established a dedicated M&A department in April 2026 to actively pursue M&A. Potential deals also appear to be increasing. The Company plans to continue actively considering candidates in regions where the elderly population is expected to grow, provided profitability can be secured, including through synergies from joining the Group, such as cost reductions from shared maintenance centers. The Company will also continue cost-reduction initiatives through efficient use of rental materials. The Kyushu Maintenance Center, newly established in summer 2024, is gradually raising its utilization rate. However, due partly to a higher depreciation burden, it is unlikely to make a full-scale profit contribution until FY3/28 or later.

Outlook

Elsewhere, the Food Supply Business is forecast to maintain profitability despite an ¥81mn YoY decrease in sales due to withdrawals from unprofitable locations. The Cleaning Equipment Manufacturing Business is expected to continue recording higher sales and profit amid growing demand for labor-saving solutions.

(2) Pharmacy Services

In Pharmacy Services, the Company forecasts a 2.0% YoY increase in net sales to ¥64,119mn and a 25.5% decrease in operating profit to ¥1,810mn. Of these amounts, the Dispensing Pharmacy Business is expected to record a ¥1,291mn increase in sales and a ¥783mn decrease in profit. Although the number of prescriptions, a key sales assumption, is forecast to increase 0.3% and the prescription unit price to rise 1.9%, lower technical fee sales due to revisions to drug prices and dispensing fees will reduce profit. The substantial revision of dispensing management fees under the spring 2026 dispensing fee revision will have a particularly large impact. The number of prescription-day categories was reduced from 4 to 2, and the points awarded for prescriptions covering 8–28 days were substantially lowered*. To address this revision, the Company will strengthen family pharmacy functions and at-home dispensing initiatives, train pharmacists, and improve productivity through DX to mitigate the negative impact. The Company plans to open six new stores, including stores collaborating with the Elderly Care Business, and close three stores.

* Previously, prescriptions covering 7 days or less received 4 points, those covering 8–14 days received 28 points, and those covering 15–28 days received 50 points. Under the latest revision, all prescriptions covering 28 days or less receive 10 points.

In the Drugstore-related Business, net sales are forecast to decrease ¥43mn due to the closure of two stores in the previous fiscal year, while operating profit is expected to increase ¥163mn. Some unprofitable stores remain, and the Company plans to consider closures if it determines that future profitability would be difficult to achieve.

(3) Environmental Services

In Environmental Services, the Company forecasts a 1.3% YoY increase in net sales to ¥15,030mn and a 2.5% decrease in operating profit to ¥1,201mn. By business, the Leasekin Business is forecast to record a ¥99mn increase in sales through price optimization and expanded sales of toilet-related products. Operating profit is expected to increase ¥8mn as higher sales offset rising energy costs at laundry plants. Meanwhile, the Cleaning Business plans a ¥75mn increase in sales through new customer acquisition and price optimization initiatives, but operating profit is forecast to decrease ¥29mn due to temporary upfront costs associated with introducing cleaning robots. The Company plans to raise productivity and reduce labor costs by establishing stable operations for the cleaning robots.

Outlook

Results by business segment

	(¥mn)		
	FY3/26	FY3/27 (E)	YoY
Net sales by segment			
Healthcare Services	81,799	86,086	5.2%
Pharmacy Services	62,870	64,119	2.0%
Environmental Services	14,837	15,030	1.3%
Others	157	163	4.0%
Total	159,664	165,400	3.6%
Operating profit by segment			
Healthcare Services	8,546	8,972	5.0%
Pharmacy Services	2,430	1,810	-25.5%
Environmental Services	1,232	1,201	-2.5%
Others	-23	0	-
Adjustments	-2,803	-3,000	-
Total	9,382	8,985	-4.2%

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

Medium- to long-term growth strategy

Currently promoting three-year medium-term management plan to realize long-term vision

1. Outline of medium-term management plan and key performance targets

In May 2025, the Company released its medium-term management plan covering FY3/26 through FY3/28. It has positioned the three fiscal years of the plan as a phase of “Sowing seeds for increasing profitability and creating new value” in seeking to achieve “Vision 2035,” its long-term vision to “contribute to the realization of a health and longevity society as an infrastructure company supporting clean and healthy living for people.” The TOKAI Group operates a wide range of businesses centered on medical and nursing care services under the themes of “cleanliness and health” and “rental,” drawing on its rental services expertise and strong customer base developed over seven decades of business activities. Leveraging these strengths, the Company is giving top priority to improving profitability in each business while developing new businesses to drive growth in 10 years.

The plan sets out 5 basic policies: “reform business structure in each business to maximize profit,” “develop new businesses to drive growth in 10 years,” “create and maximize Group synergies,” “establish a beneficial cycle in which human capital investment leads to growth,” and “implement balanced growth investments and shareholder returns.”

Medium- to long-term growth strategy

The Company has set key performance targets for FY3/28 of ¥170.0bn in net sales, ¥9.5bn in operating profit, and ROE of 8%. The Company aims for steady growth, targeting compound annual growth rates of 4.4% in net sales and 5.0% in operating profit. It will actively develop new businesses to drive growth in 10 years over the duration of the medium-term management plan through FY3/28. Accordingly, under its long-term vision, the Company aims to achieve net sales of ¥250.0bn, operating profit of ¥16.0bn, and ROE of 10% in FY3/35. First-year performance exceeded the plan. In the second year, the Company aims to minimize factors reducing profit due to changes in the cost environment and achieve the final-year performance targets. FISCO believes the performance targets are highly achievable if FY3/27 results progress according to plan.

Performance growth roadmap

*1 Compound annual growth rate over the three fiscal years from FY3/25 to the FY3/28 target

*2 Reference value calculated using net assets at the end of FY3/26 and factoring in the FY3/27 performance and dividend forecasts.

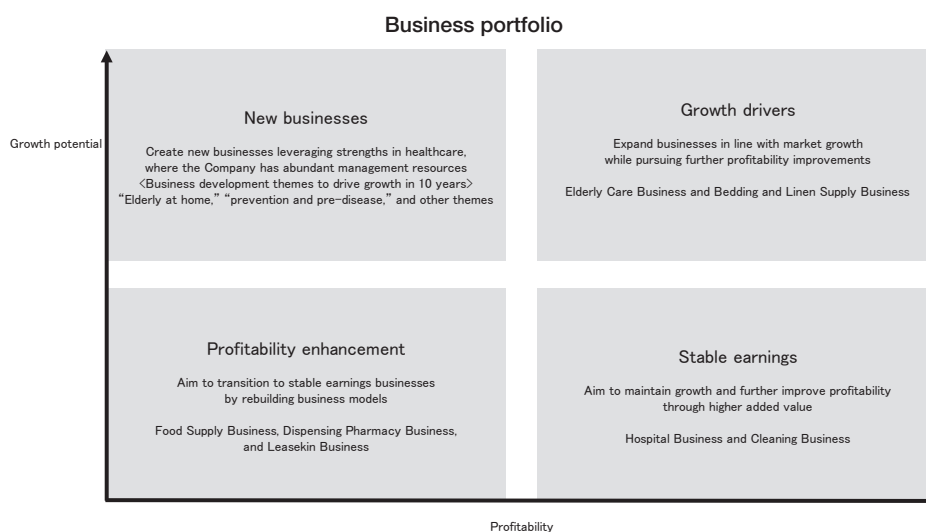
Source: Prepared by FISCO from the Company's financial results and results briefing materials

For measures to improve profitability, the Company classifies its businesses into four business portfolios based on the business environment surrounding each business and the two axes of profitability and growth potential (growth driver businesses, stable earnings businesses, profitability enhancement businesses, and new businesses), and implements various measures accordingly. Based on the two dimensions of profitability and growth potential, the Company classifies the Elderly Care Business and Bedding and Linen Supply Business as growth driver businesses. The Company also positions the Hospital Business and Cleaning Business as stable earnings businesses expected to generate steady earnings. It classifies the Dispensing Pharmacy Business, Food Supply Business, and Leasekin Business as profitability enhancement businesses that aim to achieve stable earnings by rebuilding their business models. For new businesses, the Company is leveraging its strengths in healthcare, where it has abundant management resources, to develop businesses focused on themes such as “home care,” “medical and nursing care prevention,” and “pre-disease improvement*.”

* The state between health and illness is referred to as pre-disease. Improving this state helps prevent the onset of illness and maintain good health.

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Medium- to long-term growth strategy



Source: Prepared by FISCO from the Company's medium-term management plan materials

In terms of compound annual growth rates through FY3/28, segment performance targets call for increases of 5.0% in net sales and 8.1% in operating profit in Healthcare Services, a 4.0% increase in net sales and a 4.1% decrease in operating profit in Pharmacy Services, and increases of 3.2% in net sales and 6.8% in operating profit in Environmental Services. The plan assumes sluggish profit in Pharmacy Services because the challenging business environment is expected to persist due to annual drug price revisions, the FY2026 dispensing fee revision, and other factors.

Performance targets by business segment

		FY3/28		
		Target	Change from FY3/25	CAGR*
Healthcare Services	Net sales	89.0	12.1	5.0%
	Operating profit	9.0	1.9	8.1%
	Operating profit margin	10.1%	0.8pp	
Pharmacy Services	Net sales	65.3	7.3	4.0%
	Operating profit	2.1	-0.2	-4.1%
	Operating profit margin	3.2%	-0.9pp	
Environmental Services	Net sales	15.8	1.5	3.2%
	Operating profit	1.5	0.3	6.8%
	Operating profit margin	9.5%	1.0pp	
Adjustments		-3.1	-	-

* Compound annual growth rate over the three fiscal years from FY3/25

Source: Prepared by FISCO from the Company's financial results and medium-term management plan materials

Actively pursuing M&A and DX in the Elderly Care Business, positioned as a growth driver

2. Status of initiatives under medium-term management plan

(1) Status of initiatives in each business

a) Healthcare Services

In the Hospital Business, the Company began offering a service that incorporates television leasing into hospitalization and residence sets in certain regions in FY3/26. It plans to focus on expanding sales to increase spending per customer. Following the full-scale launch of a new core system in July 2025, the Company is improving productivity through greater operational efficiency.

In the Bedding and Linen Supply Business, the Company is strengthening subsidiaries' production systems to reliably capture growing demand while focusing on price optimization to ensure stable supply.

In the Elderly Care Business, the Company will use DX to raise sales productivity and increase new users acquired per salesperson while continuing efficient use of rental materials to reduce costs. The Company also aims to achieve the No. 1 regional market share through M&A, new location openings, and stores that generate synergies with dispensing pharmacies. As part of its DX initiatives, the Company introduced an electronic signature app, a new payment system, and other tools in FY3/26, reducing administrative processing time per employee by approximately 25% compared with before implementation. In FY3/27, the Company will fully launch a "one-stop ordering system" to streamline rental order processing and introduce a "web statement system" to digitize invoices, receipts, and transaction documents, improving user convenience and reducing postage and paper costs. These measures are expected to halve administrative processing time again from the previous fiscal year, creating more sales opportunities with care managers and increasing new user acquisition.

In June 2026, the Company also announced that it would acquire all shares of QLC Produce Corporation, a subsidiary of Idemitsu Kosan Co., Ltd. that operates a rehabilitation-type daycare services business. As a result, the Company's rehabilitation-type daycare services business will comprise 206 locations nationwide, including 158 franchise-operated stores, and generate annual net sales of approximately ¥3.2bn. The Company will fully develop the business as one pillar supporting future growth. By expanding its business platform for services for the elderly at home, the Company intends to broaden its business domains toward realizing the healthy longevity society set out in its long-term vision and develop new services.

In the Food Supply Business, the Company is improving profitability through price optimization and transforming its earnings structure by shifting from in-hospital meal preparation to fully prepared meals produced using a central kitchen.

Medium- to long-term growth strategy

b) Pharmacy Services

In the Dispensing Pharmacy Business, the Company will introduce an electronic medication record system with AI-assisted functions at all stores from June 2026. It also plans to continue increasing the capacity of its medical administration center so that the center can serve one-quarter of all stores by FY3/28. These initiatives will increase the number of prescriptions processed per pharmacist per unit of time and improve productivity. The Company will also establish a dedicated home healthcare department linking medical institutions and pharmacies, accelerate at-home dispensing initiatives, and handle a broader range of prescriptions from institutions other than nearby medical institutions to raise technical fee unit prices. Prescriptions received from institutions other than nearby medical institutions accounted for 18.9% of the total in FY3/26, and the Company aims to raise this ratio to 20% in FY3/27. Through community-based activities such as mild cognitive impairment (MCI) prevention and dementia cafés, the Company also aims to become “the most preferred pharmacy in the community.”

c) Environmental Services

In the Leasekin Business, the Company will continue expanding sales of toilet-related products. In the Cleaning Business, it will pursue earnings growth by securing high-value-added projects such as operating room support services and improving productivity through the use of cleaning robots.

(2) Cash allocation

To improve capital efficiency, the Company will actively pursue balanced growth investment and shareholder returns during the current medium-term management plan period. For shareholder returns, the Company targets a cumulative total payout ratio of over 70% for the three fiscal years. In FY3/26, the Company paid ¥2.2bn in dividends and spent ¥6.3bn on acquisition of treasury shares, putting the target nearly within reach. Forecast dividends for FY3/27 are approximately ¥2.4bn.

The cash allocation plan for the three fiscal years on a cumulative basis is as follows. For cash inflows, the plan projects approximately ¥30.0bn in operating cash flow (stable operating cash flow from recurring revenue business) and approximately ¥7.0bn in utilization of cash on hand and interest-bearing debt. For cash outflows, the plan projects approximately ¥12.0bn in shareholder returns, approximately ¥15.0bn in investment for maintaining and expanding existing business (capital investment), and approximately ¥10.0bn allocated to a new investment budget, which is primarily for new business development, M&A in the Elderly Care Business and other growth drivers, research and development, and alliances with other companies to expand and strengthen business foundations. In the first year, the Company invested ¥4.0bn to maintain and expand existing businesses (compared with a FY3/27 plan of ¥5.8bn), and allocated approximately ¥0.5bn in new investments. Including the aforementioned approximately ¥2.9bn acquisition of QLC Produce Corporation shares, progress against the new investment allocation has reached approximately one-third. The Company is expected to continue actively pursuing M&A, primarily in the Elderly Care Business, including elderly care equipment rentals and rehabilitation-type daycare services, which it positions as a growth driver business.

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Medium- to long-term growth strategy

Cash allocation under the current medium-term management plan

	FY3/26 Results	FY3/27 Plan	FY3/28 (Cumulative over three fiscal years)
Operating cash flow generated	¥11.4bn	-	Approx. ¥30.0bn
Cash in			
Utilization of cash on hand and interest-bearing debt	Decrease in cash and cash equivalents: ¥0.47bn Increase in interest-bearing debt: ¥0.83bn	-	Approx. ¥7.0bn
Shareholder returns	Dividends: ¥2.2bn Acquisition of treasury shares: approximately ¥6.3bn	Approx. ¥2.4bn	Approx. ¥12.0bn
Cash out			
Investment to maintain and expand existing businesses	¥4.0bn	Approx. ¥5.8bn	Approx. ¥15.0bn
New investments	Approx. ¥0.5bn	-	Approx. ¥10.0bn

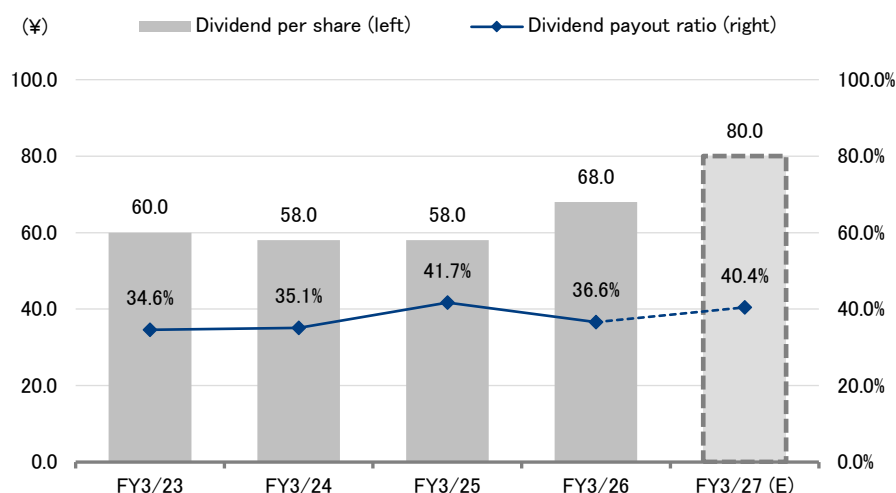
Source: Prepared by FISCO from the Company's results briefing materials

Shareholder return policy

Raising the target payout ratio from 35% to 40% from FY3/27

The Company announced a policy targeting a cumulative total payout ratio of over 70% for the three fiscal years of its medium-term management plan, from FY3/26 through FY3/28. In FY3/26, it paid a dividend of ¥68.0 per share, including a ¥10.0 commemorative dividend for its 70th anniversary of its founding. The Company also revised its dividend policy from FY3/27, raising the target consolidated payout ratio from 35% to 40% and adopting a progressive dividend policy. Under this policy, the Company plans to pay a FY3/27 dividend of ¥80.0 per share, up ¥12.0 YoY, for a payout ratio of 40.4%. Dividend increases can therefore be expected alongside future profit growth.

Dividend per share and payout ratio



Note: The amount for FY3/26 includes the 70th anniversary commemorative dividend of ¥10.0.

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

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