

ANALYST GUIDE FY2017

October 2017



(Listed on the 1st Section of the Tokyo Stock Exchange; Code 7447)





1 Sales & Income

-Net Sales and Operating Income recorded highest.

Sales: **¥17,017** m

Operating income: **¥5,242** m

2 The Change of Business Environment

- Market Condition

The impact of Medical treatment fees revision was negligible.

- Production Condition:

(In Japan) The sewing costs increased.

(Overseas) The cost of production increased
due to appreciation of the dollar against the yen.

3 Unusual Event in this term

- Exchange-rate profit: FY2015 ¥226m

FY2016 -¥70m

FY2017 ¥44m

4 DPS will be increased

- DPS 50Yen → **60Yen**



I About “NAGAILEBEN”

 **NAGAILEBEN**

1

100th year in business

Establish competitive position in medical clothing market

- Approximately **60%** market share in domestic medical clothing
- The number of shipments is over 6 million clothing a year.

-Wide field, planning, manufacturing and marketing

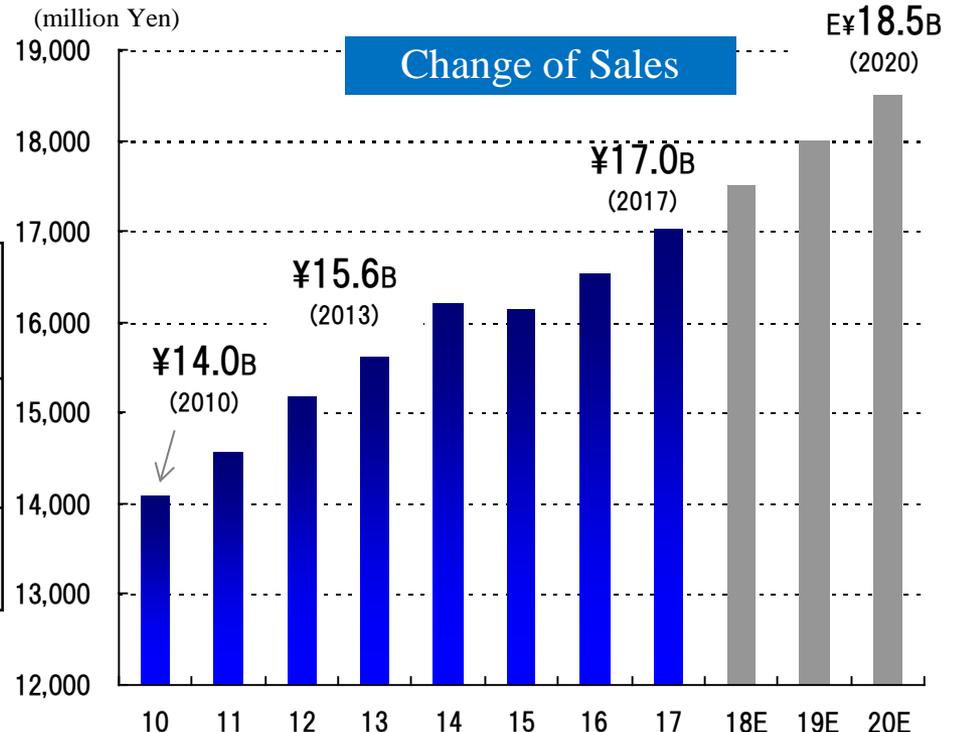
-Competitive product such as extensive products, custom-made program

2

Strong growing market

- The number of Nursing Staff and Care workers is increasing gently.

Doctor, Dentist, Pharmacist*1 (2014)	Nursing Staff*2 (2015)	Care workers*3 (2013)
700,000 People	1,630,000 people	1,710,000 people
compare with 2012 +17,000people	compare with 2014 +31,000people	compare with 2012 +80,000people



*1 Research of doctor, dentist and pharmacist.2014, MHLW

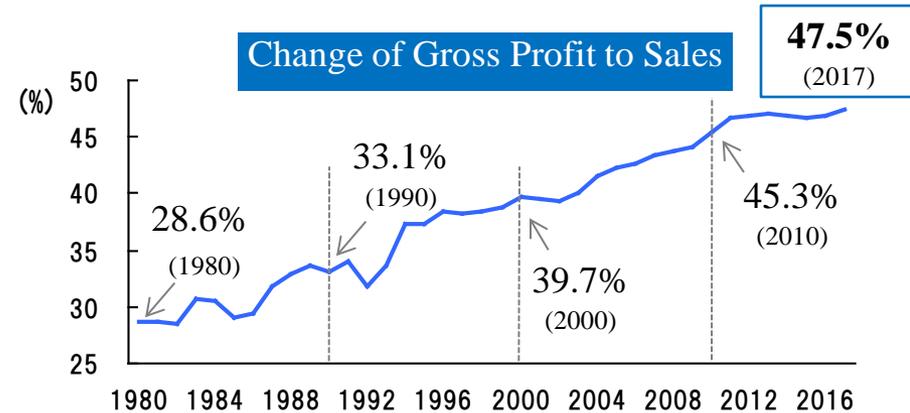
*2 Japanese Nursing Associations' statistical data

*3 MHLW, document "estimation of care workers' demand toward 2025"

3

Highly profitability Strong balance sheet

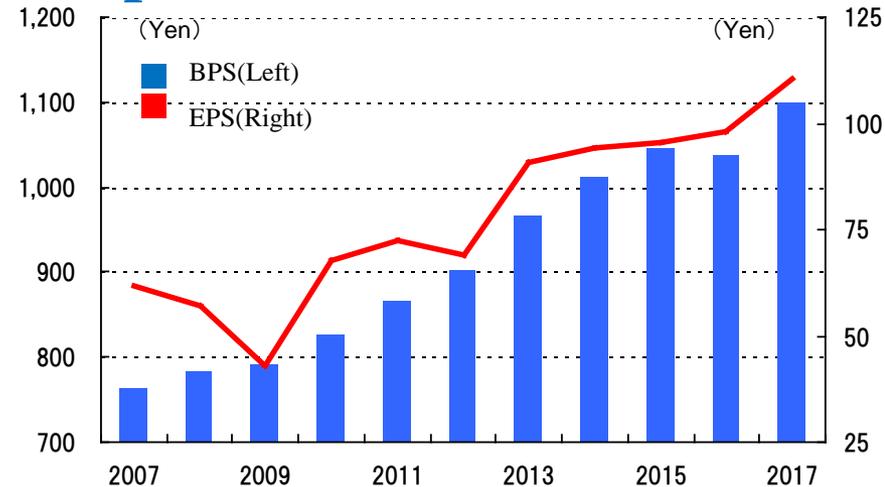
- Realization of high profitability with radical pursuit of efficiency
- Gross profit to sales **47.5%** (as of FY2017)
- Capital-to-asset ratio **89.2%**
- ROE **10.3%**



4

Rewarding shareholder-focused policies

- BPS **1,099.2Yen** (as of FY2017)
- EPS **110.5Yen**
- Continue stable dividend payment with payout ratio of 50%
- DPS 50Yen → **60Yen**
- Acquisition of treasury stock



5

Social Responsibility

We think that well-balanced growth with human, profit and philanthropy become the responsible corporate, on the basis of our company spirit “**Nagaism**”.

Support for Women

Women principal domains: Medical and Sewing



Products of Nagaileben are mainly for women, who work as a nursing staff or a care worker. At production sites of Nagaileben, many women staff has been engaged in sewing. Activities of Nagaileben are linked to support for women.

Regional Contribution

Regional Contribution through Production Base



We have manufactured medical clothing by itself. Nowadays, factories are in Akita pref. Japan, China, Indonesia and Vietnam. Also we have contributed to the development of regional community such as job creation, ability development and life circle improvement.

Social Responsibility

- We have donated subscription, medical wear and wheelchairs when natural disasters occurred such as SARS, great earthquake at Indonesia, Han - Shin Awaji Earthquake disaster, Great East Japan earthquake and Kumamoto earthquake.

-We have published anthology for nurse regularly and made gifts for hospitals or nurses free of charge.

-Support United Nations World Food Programme(WFP).

- We received recognition from the Minister for Health, Labour and Welfare, as one of the best contributed companies in employment of people with disabilities.

Regional Contribution

Medical Kids Project

Miffy's Visits to Hospitals

For interchange between hospitals and local communities, we have continued Medical Kids Project and Miffy's visits to hospitals. This activities started from our wish that children in hospital will be at ease.



Respect for Customers

Communication Space for Nurse

"ITONA" gallery

Commemorating our 100th anniversary year, we opened Japan's First communication space for nurse, "ITONA" gallery.



Environmental Efforts

-We acquired ISO14001 certification in 2005. Production factories of Nagaileben use a management system based on ISO 14001. We strive to improve management structures and reduce environmental impacts, such as re-use of shredded waste cloth material.

-Considering not only ourselves but hospitals, we developed new product "COMPELPACK", which shifts "Re-use" from "Disposable", and has sold it. "COMPELPACK" is the surgical wear which enables hospital to reduce waste and be more economical.





I About “NAGAILEBEN”

II Financial Review FY2017

III Market Environment

IV Forecast for FY2018

V Management Goals

VI Rewarding shareholder-focused policies



II Financial Review FY2017



Financial Highlights <Statements of Income>



(millions of yen,%)	FY2017	% Change	To Forecast %	Composition %	Composition % Change
Net sales	17,017	+2.9	+0.1	100.0	—
Gross profit	8,086	+4.5	+1.8	47.5	+0.8
Sales, general, and administrative expenses	2,843	+2.1	+0.2	16.7	-0.1
Operating income	5,242	+5.9	+2.7	30.8	+0.9
Recurring income	5,340	+8.2	+3.7	31.4	+1.5
Net income	3,673	+12.6	+4.1	21.6	+1.9

[Overview]

- Sales in major business for healthcare grew steadily. Sales of products for patients continued to grow greatly. Sales in FY2017 surpassed forecast and became highest ever.

[Gross profit]] Gross profit to sales FY2016 46.8% → FY2017 47.5 %
 (Factor of Sales: +¥415m, Factor of production -¥ 64 m)

Boost of sewing cost (-¥48m)

Foreign Exchange rate: FY2016 ¥99.8yen/dollar → FY2017 ¥104.0yen/dollar (-¥73m)

Overseas production ratio FY2016 47.4% → FY2017 48.1% (+¥ 52m)

[Sales, general, and administrative expenses]

- FY2016 The cost of 100th anniversaries:¥34m(-¥34m) FY2017 Dual corporate tax system: ¥89m (+¥39m)

[Non-operating income]

- Exchange-rate profit and loss: FY2016 -¥70m FY2017 ¥44m (+¥114m)

[Capital Expenditure]

- Capital Expenditure: ¥92m (IT system:¥38m, Distribution equipment:¥13m, Manufacturing equipment:¥21m, Buildings:¥9m)
- Depreciation: ¥ 311m

Financial Highlights <Balance Sheet>



Major assets (¥ million %)

Title	Result	Change Result	Change%
Cash on hand at banks	22,762	+3,257	+16.7
Notes and accounts receivable (including electronically recorded claims)	5,038	+110	+2.2
Inventories	4,311	-36	-0.8
Current assets	32,325	+3,242	+11.1
Buildings and structures	2,242	-128	-5.4
Land	4,447	—	—
Investments and other assets	1,315	-925	-41.3
Fixed assets	8,626	-1,148	-11.7
Total assets	40,951	+2,093	+5.4

Major liabilities and shareholders' equity (¥ million %)

Title	Result	Change Result	Change%
Notes and accounts payable	1,428	-132	-8.5
Accrued income taxes	1,091	-57	-5.0
Current liabilities	4,405	+50	+1.2
Capital reserves	36,989	+2,011	+5.7
Treasury stock	-4,902	—	—
Net assets	36,545	+2,043	+5.9
Total liabilities and net assets	40,951	+2,093	+5.4

[Major changes from the previous fiscal year]

Cash and cash equivalents up ¥ 3,257 million

- Cash flows from operating activities up ¥ 3,971 million
- Acquisition tangible and intangible down ¥ 121 million
- Dividend payout down ¥ 1,662 million
- Long-term deposit up ¥ 900 million

Fixed assets down ¥ 1,148 million

- Buildings and structures down ¥ 143 million
- (depreciation)
- Long-term deposit down ¥ 900 million

Net assets up ¥ 2,043 million

- Net profit up ¥ 3,673 million
- Dividend payout down ¥ 1,662 million

Segments by Item



Healthcare wear



Patient wear



Shoes



Doctors' wear

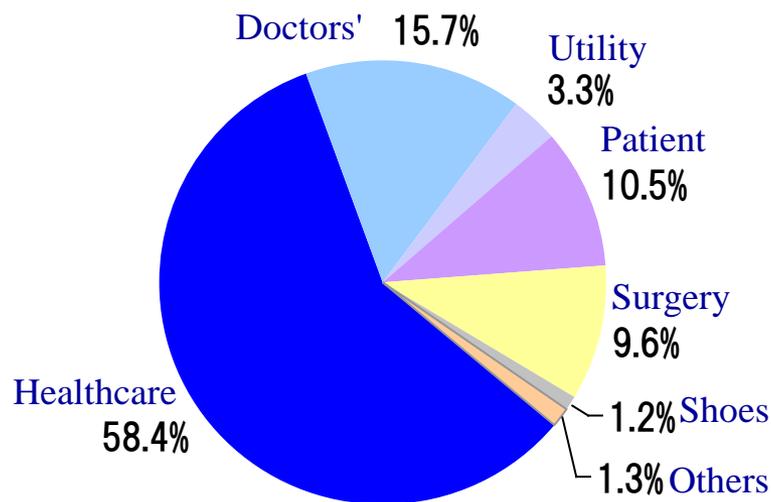


Utility wear



Surgery wear





Year-on-year change	FY2016	FY2017
Overall	+2.4%	+2.9%
Healthcare wear	+2.6%	+2.8%
Doctors' wear	+2.0%	+1.0%
Utility wear	-10.3%	-7.4%
Patient wear	+11.1%	+10.7%
Surgery wear	+0.9%	+3.8%
Shoes	-3.1%	-0.8%
Others	-3.9%	+0.3%

[Healthcare wear]

-Sales grew steadily, by satisfactory contracts of High Value-Added new products, especially in East Japan.

[Doctors' wear]

-The sales of High-End products overcame the decrement of Mass products.

[Utility wear]

- Sales fell considerably because institutions changed unit of supply from individual to section and tighten the allocation standard.

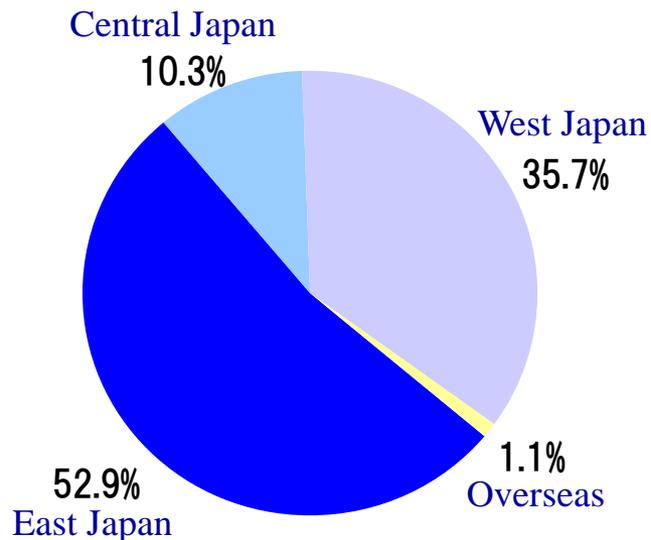
[Patient wear]

-High-growth continued. The penetration of “hospitalization unit” enlarged the market. Value-added products were received well.

[Surgery wear]

- COMPELPACK contributed to the growth of sale.

Sales by Region



[East Japan]

- Sales exceeded the previous year, by catching renewal and new contracts steadily, and result of sales promotion of Patient wear.

[Central Japan]

-Market size was not large and there was the influence by the size of contracts. In this term, sales exceeded the previous year.

[West Japan]

-In FY2016, there was high-growth sales due to catching large scale contract. Sales kept previous year, as focusing on sales promotion.

[Overseas]

- The sales went below the previous in full year. Sales in first half of FY2017 was -21.4%, sales in second half of FY2017 was +11.2%.

Year-on-year change	FY2016	FY2017
Total sales	+2.4%	+2.9%
East Japan	+2.2%	+5.5%
Central Japan	-3.2%	+2.3%
West Japan	+4.1%	-0.2%
Overseas	+14.1%	-8.2%



III Market Environment



Uncertain Prospects of Market

Simultaneous revision of medical treatment fees and nursing care fees.(effective Apr. 2018)

The number of Nursing Staff and Care workers is increasing gently.

Rising sewing costs

Overseas: The cost of labor charge around China and Southeast Asia raised, due to the rising cost of living.

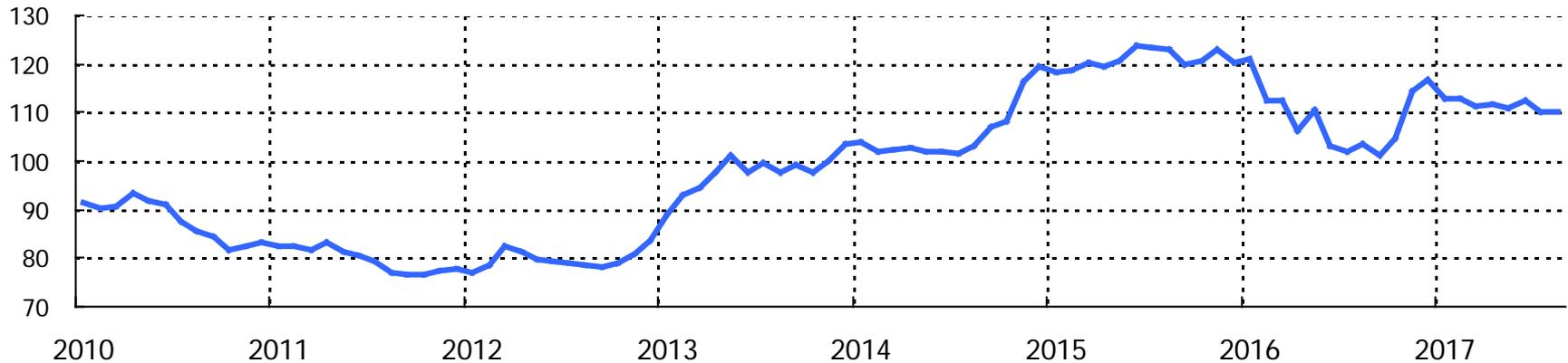
In Japan: Labor costs are increasing due to labor shortage

Tumultuous the Rate of Exchange

-monthly average exchange rate in NY market(as of Aug.)

2012:¥77/dollar, 2013:¥98/dollar, 2014:¥102/dollar, 2015:¥123/dollar, 2016:¥103/dollar, 2017:¥109/dollar,

As of Aug. 2017
¥109/dollar

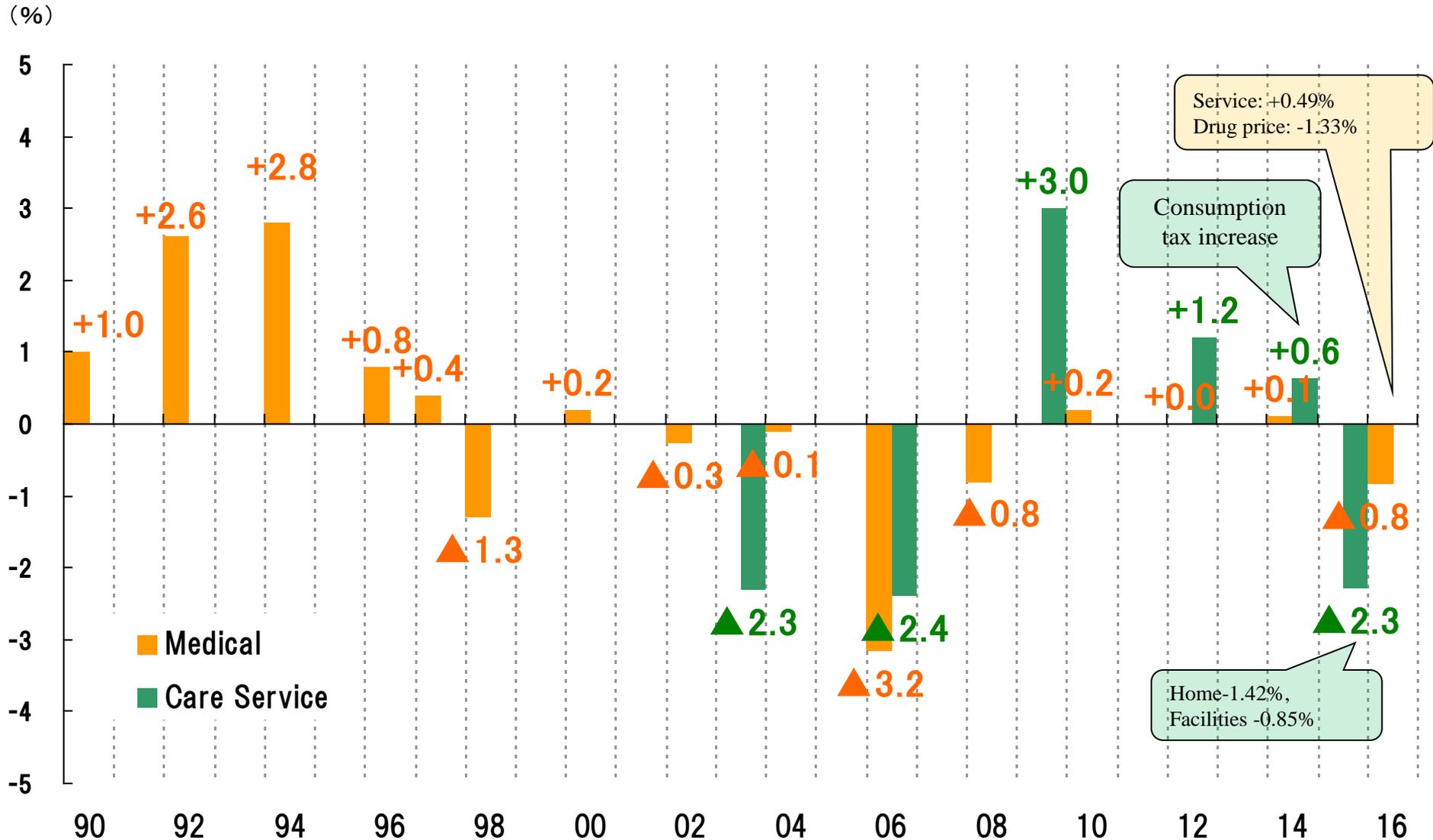


Changes and prospects for medical and care service systems



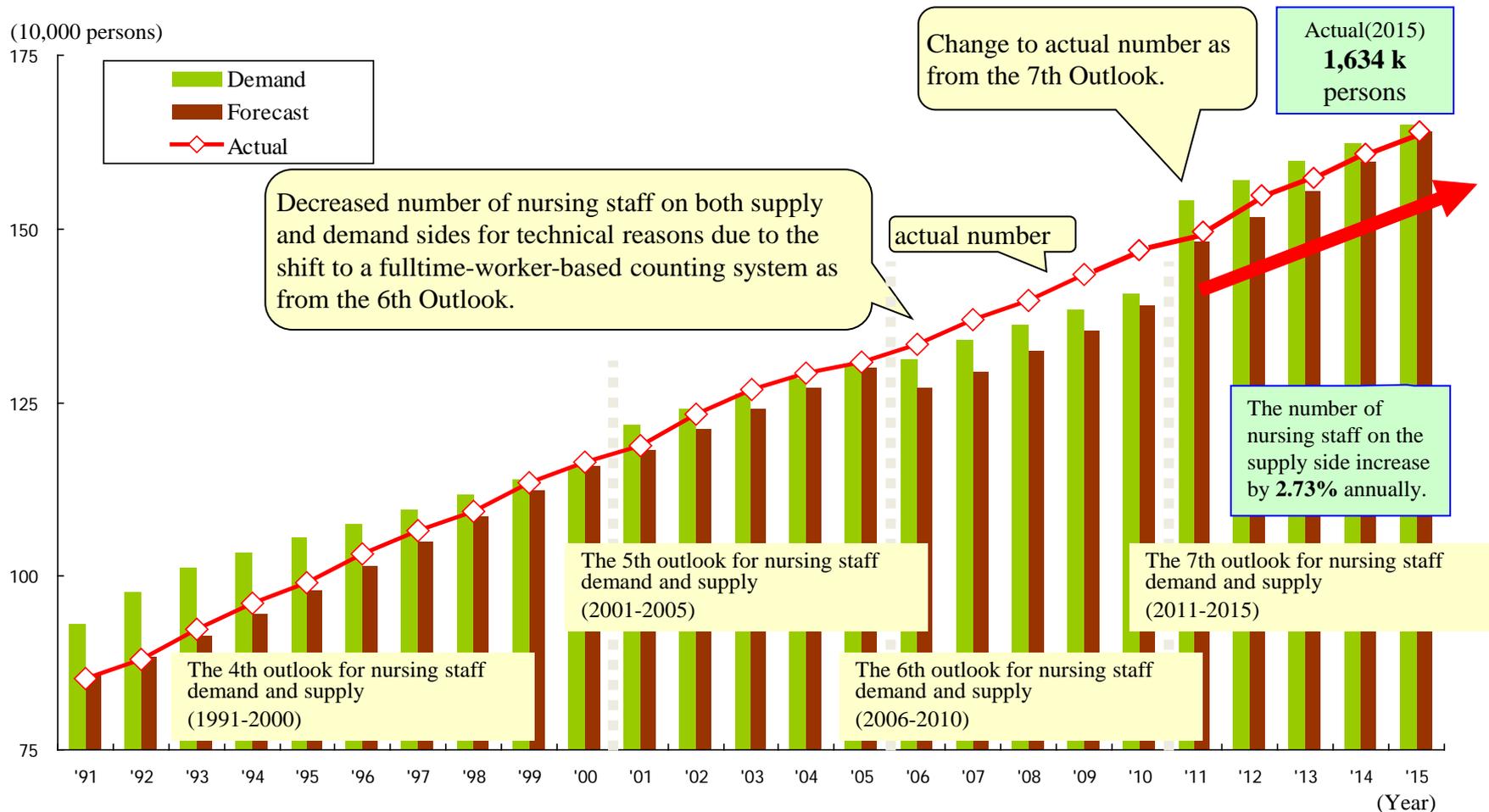
	Medical System		Care Service System	
	Medical Service Law, Health and Medical Service Law for the Aged, Medical Insurance, etc	Medical treatment fees	Care Service Law, Nursing Care Insurance, etc.	Nursing care fees
'08	Medical program for very elderly instituted by law “Metabolic” diagnosis and health guidance specified as mandatory	Total market: -0.83% Service: +0.38% Drug price: -1.2%	Nursing care type elderly health facilities instituted	
'09	Enforcement of Amended Pharmaceutical Affairs Law Local healthcare revival plan		4 th plan of care insurance system(2009-2011)	Total market: +3.0% Home: +1.7% Facilities: +1.3%
'10	Release of the 7th prospect for supply and demand of nursing staff. Legal transformation of national medical highly-advanced center into independent administrative corporations	Total market: +0.19% Service: +1.55% Drug price: -1.36%		
'11	Postponed time limit of abolishing nursing care type medical facilities for 6 year. The interim appraisal of the medical expenses		Disapproval of setting up specialty nursing homes for social medical organization.	
'12	National Council Reform of Social Security System 6th plan of Medical Care System (2012-2017)	Total market: +0.004% Service: +1.38% Drug price: -1.38%	Enforcement of Amended Nursing Care Insurance Law 5 th plan of care insurance system (2012-2014)	Total market: +1.2% Home: +1.0% Facilities: +0.2%
'13	2nd plan of the medical expenses Plan of strategic market creation		Revising of measures against reduction of incidence for nursing care	
'14	Medical Service Act Enforcement of Amended Pharmaceutical Affairs Law	Total market: +0.10% Service: +0.73% Drug price: -0.63%	The law for Medical care synthesis total promotion	+0.63% Consumption tax increase
'15	System for promotion of community medical corporation Expansive financial support of national health insurance		System for promotion of community medical corporation 6 th plan of care insurance system (2015-2017)	Total market: -2.27% Home: -1.42% Facilities: -0.85%
'16	Formulation of Local medical program Enforcement of Medical treatment with patients' offer	Total market: -0.84% Service: +0.49% Drug price: -1.33%	Enforcement of Amended Nursing Care Insurance Law for Community day care	
'17	Revision of the high-cost medical care benefit system The foundation of promotion organization for community medical corporation		The temporary revision of nursing care compensation The partial revision of Nursing Care Insurance Law	
'18	7th plan of Medical Care System (2018-2023) Medical Specialist System	Will be revised	7 th plan of care insurance system (2018-2020) Medical Care Treatment Center	Will be revised

Revisions to medical treatment and care Service fees



Supply and Demand of Nursing Staff

(Source: the Ministry of Health, Labour and Welfare (December 2010))

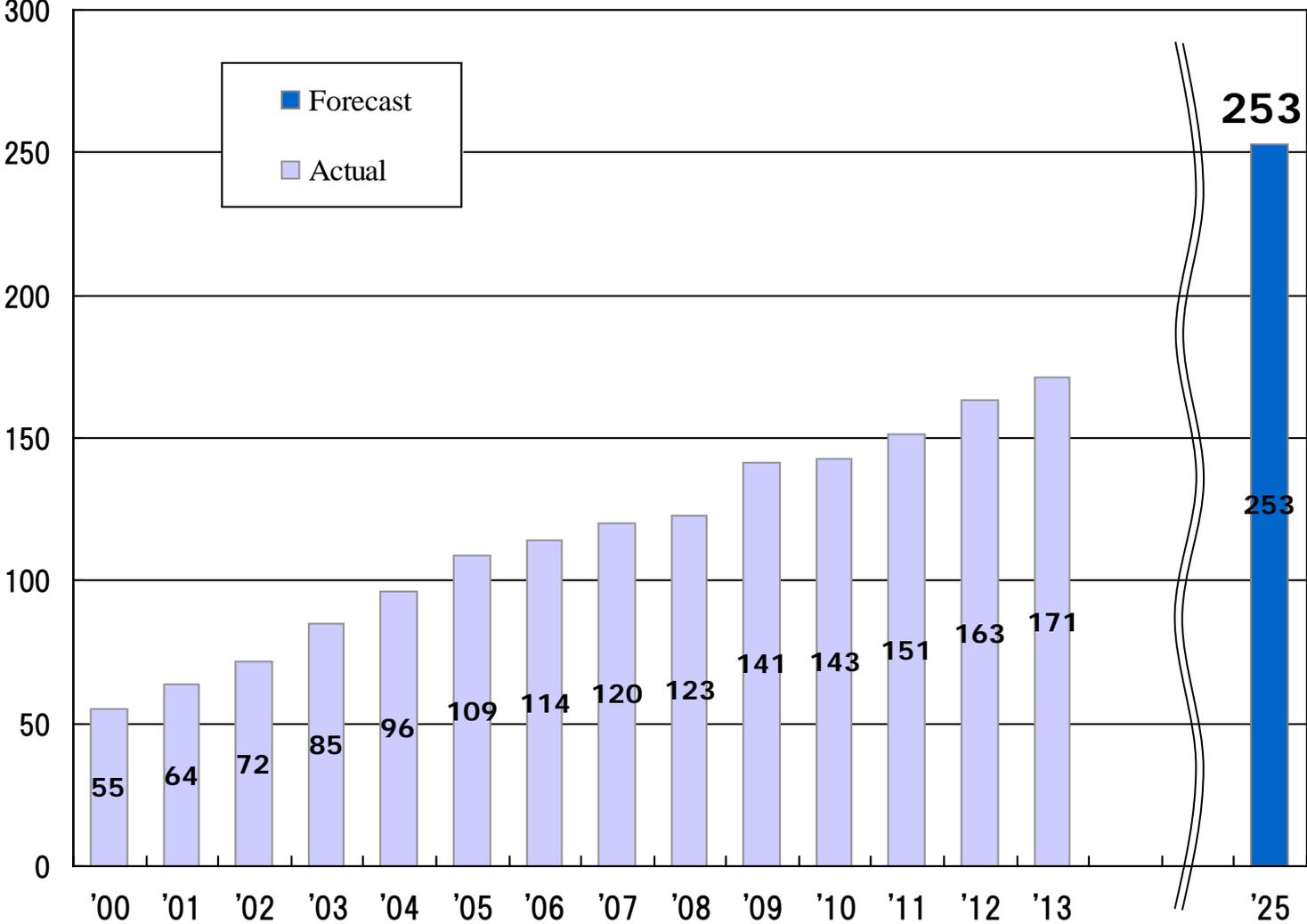


- The 7th outlook for nursing staff demand and supply (five-year plan from 2011 through 2015)
- Outlook for nursing staff supply and demand for all medical and nursing fields
- Next outlook for nursing staff supply and demand is under formulation.

Supply and Estimated Future Need for Care Workers



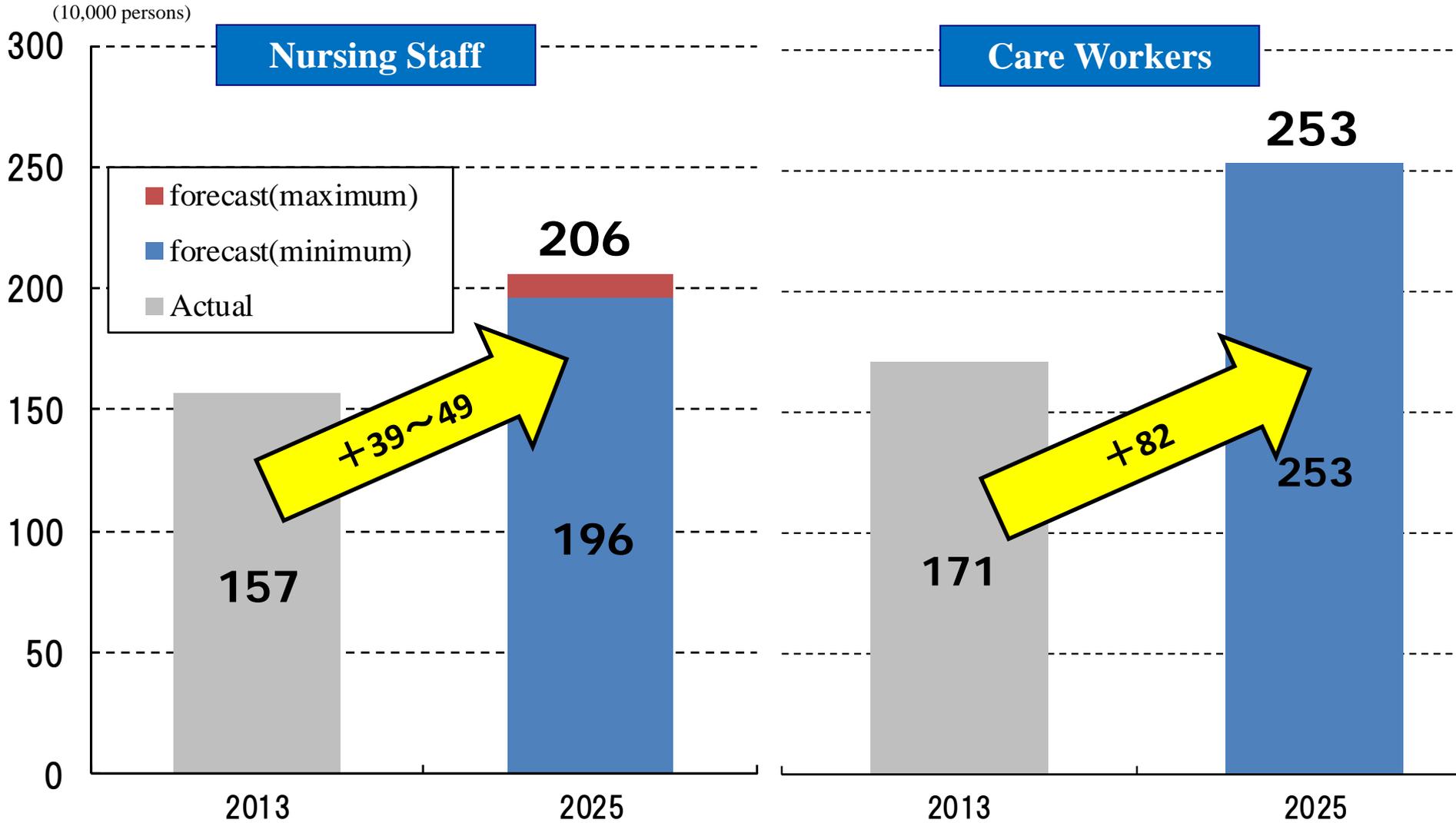
(10,000 persons)



Since the number of track records are subject to the influence of change of an examination method, Ministry of Health, Labour and Welfare adjusted the number after 2009.

•Source: MHLW, document "estimation of care workers' demand toward 2025"

Supply and Estimated Future Need



Actual record: Japanese Nursing Associations' statistical data

Forecast: The committee about supply and estimated future need of Nursing Ministry of Health, Labour and Welfare

•Source: MHLW, document "estimation of care workers' demand toward 2025"



IV Forecast for FY2018





Marketing strategy to increase sales

- Capture clusters of needs in the healthcare wear market
- Increase peripheral business in products for patients and surgery
- Cultivate overseas markets

Production strategy to ensure a steady supply

- Strengthen domestic production (wage increase)
- Strengthen ties with material makers and trade firms
- Strengthen ability to respond Quick Response and small-lot multi-product

Strategy to stabilize profitability

- Shift to overseas from domestic production
- Develop new oversea materials applying special tax measures for EPA and FTA
- Improvement of profitability by driving the strategy of higher quality and value-added products

Forecast Statements of Income



(millions of yen,%)	FY2018E	% Change (FY2017)	Composition % Change
Net sales	17,500	+2.8	—
Gross profit	8,260	+2.2	-0.3
Sales, general, and administrative expenses	2,886	+1.5	-0.2
Operating income	5,373	+2.5	-0.1
Recurring income	5,448	+2.0	-0.3
Net income	3,739	+1.8	-0.2

[Overview]

- The impact of revising medical treatment fees and nursing care fees is uncertain. Our products, however, are not subject to these revision.
- These will be achieved by putting higher quality, higher sensitivity and value-added products in markets.

[Gross profit] Gross profit to sales FY2017 47.5% → FY2018E 47.2%
 (Factor of Sales: +¥221m, Factor of production: -¥ 47 m)

Boost of sewing cost (-¥15m)

Foreign Exchange rate: FY2017 ¥104yen/dollar → FY2018E ¥110yen/dollar (-¥106m)

Overseas production ratio FY2017 48.1% → FY2018E 48.8% (+¥ 53m)

[Sales, general, and administrative expenses]

- Expense with the sales increase

[Non-operating income]

- Exchange-rate profit and loss: FY2017 -¥44m *Exchange-rate profit and loss was not factored into above forecast.

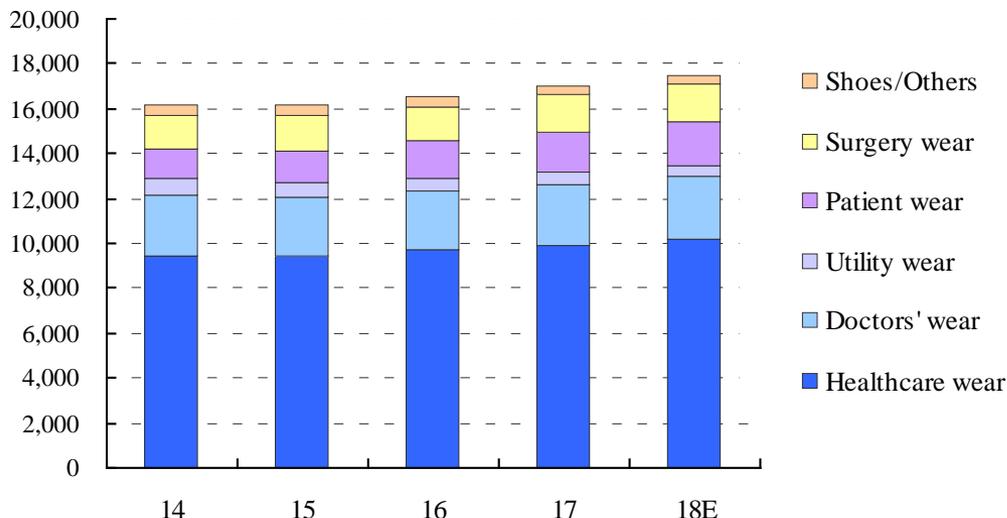
[Capital Expenditure]

- Capital Expenditure: ¥216m (Buildings:¥96m, IT system:¥55m, Manufacturing equipment:¥47m, Distribution equipment:¥5m)
- Depreciation: ¥296m



Sales by Item

(¥ million)



Year-on-year change	FY2017	FY2018E
Sales	+2.9%	+ 2.8%
Healthcare wear	+2.8%	+ 2.7%
Doctors' wear	+1.0%	+ 2.6%
Utility wear	-7.4%	-8.5%
Patient wear	+10.7%	+ 7.5%
Surgery wear	+3.8%	+ 4.0%
Shoes/Others	-0.3%	-1.8%

[Healthcare wear] Activating market by high value-added products, sales of healthcare wear is expected to increase steadily.

[Doctors' wear] Though mass product is on downward trend, the sale of high-end products will lead Doctor's wear to steadily increasing.

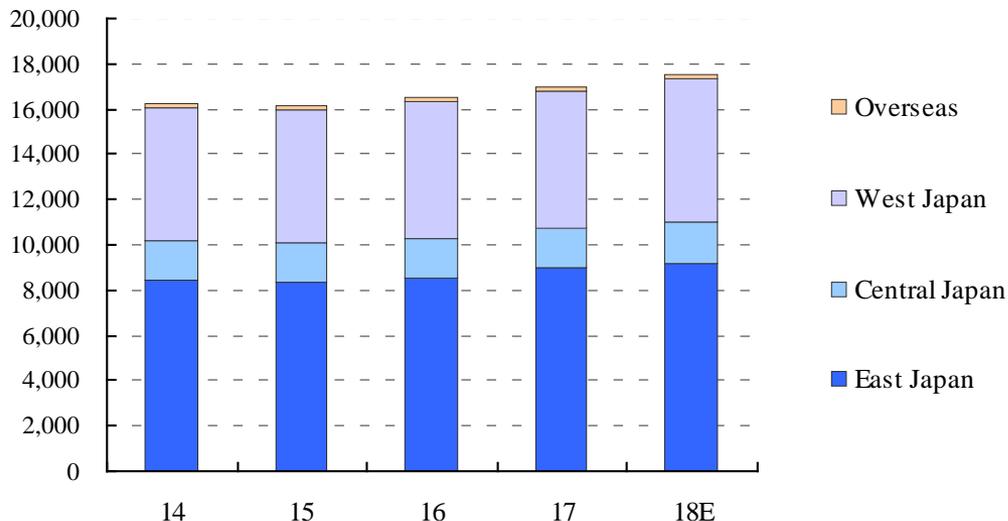
[Patient wear] The increase in sales of patient wear is expected to continue with increased demand in the market.

[Surgery wear] As capacity of laundry and sterilization factory for COMPELPACK will expand and new contracts will realize, sales of surgery wear is expected to increase.



Sales by Region

(¥ million)



Year-on-year change	FY2017	FY2018E
Total sales	+2.9%	+ 2.8%
East Japan	+5.5%	+ 2.0%
Central Japan	+2.3%	+ 3.0%
West Japan	-0.2%	+ 3.8%
Overseas	-8.2%	+ 8.4%

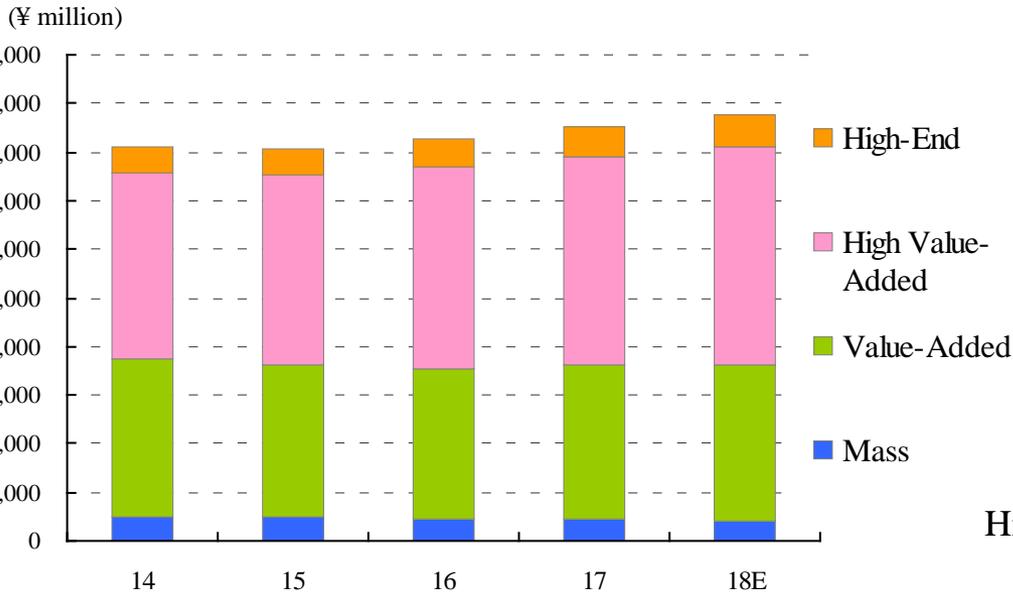
Each area are expected to increase of sales and continue of the highest ever sales.

[East Japan] Catching renewal orders steadily with higher quality and value-added products, the sales in East Japan is expected to increase consistently.

[Central and West Japan] As gaining share by sales promotion, the increase of sales is planned.

[Overseas] Sales is expected to increase as the impact of foreign exchange rate and expanding our reputation.

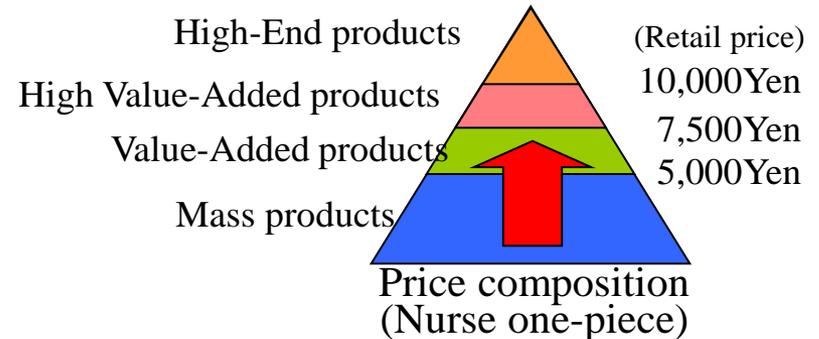
Sales by Product



*Categories changed

“DC brand products” and “High Functional products” : Classification and Name changed, “High-End products” and “High Value-Added products”
 “Standard Functional products” : Name changed, “Value-Added products”
 “Mass products” : no change

Year-on-year change	FY2017	FY2018E
Total sales	+2.9%	+2.8%
High-End products	+7.9%	+7.4%
High Value-Added products	+3.3%	+4.3%
Value-Added products	+2.3%	+0.9%
Mass products	-3.1%	-3.4%

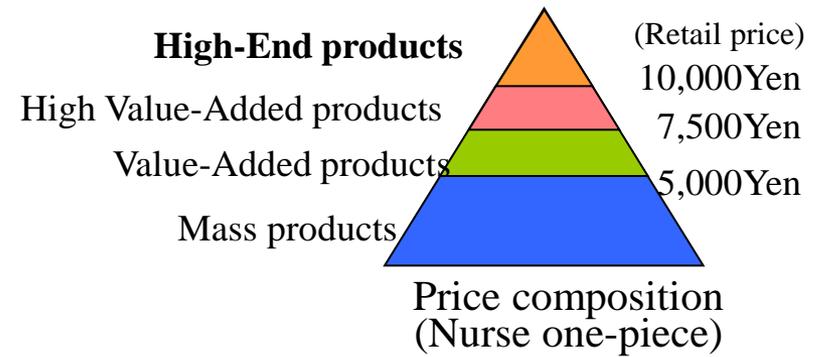
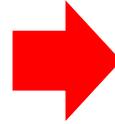
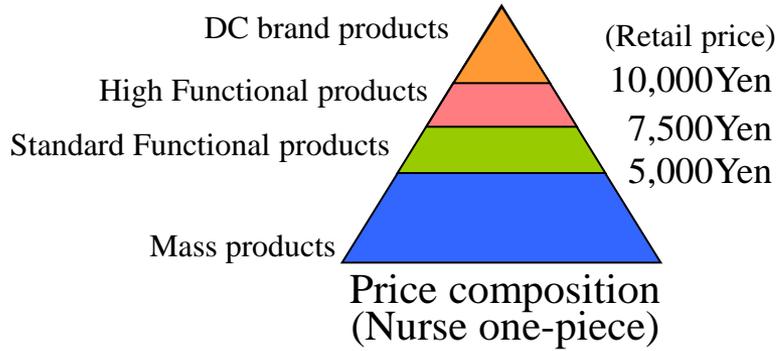


[High-End products] DC brand products are on the decrease. House brand products, such as 4D, Beads Berry, are good sales.

[High Value-Added products] As these products being received well from the market, the increase in sales of high functional products is expected to continue by driving the strategy of higher quality and value-added products.

[Mass products] As being on downward trend, the shift from mass products, include other company products, to functional products is expected to continue.

Product Categories changed



DC brand

Courrèges
ATSURO TAYAMA
KEITA MARUYAMA
CARE CREW etc

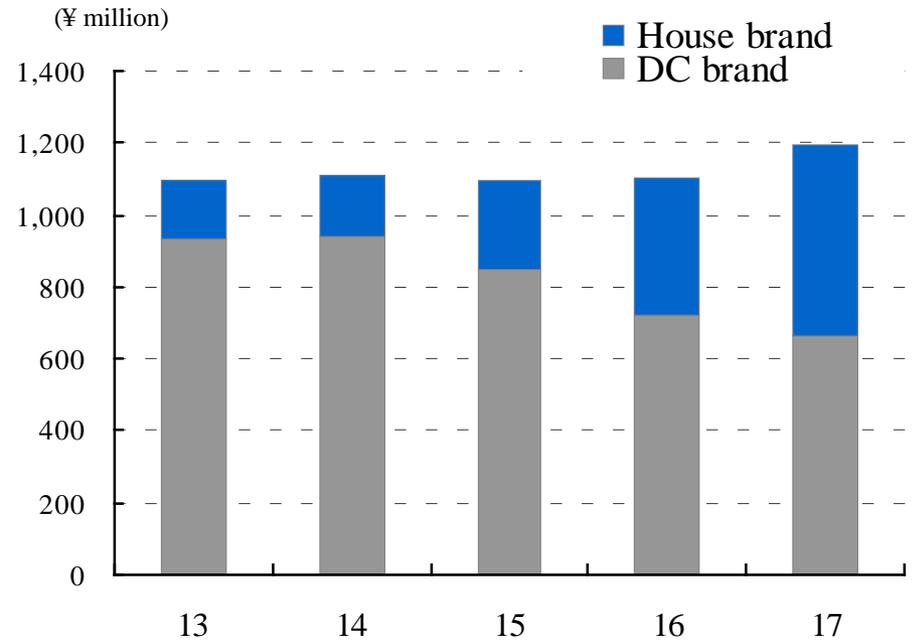


House brand

4D、BeadsBerry etc

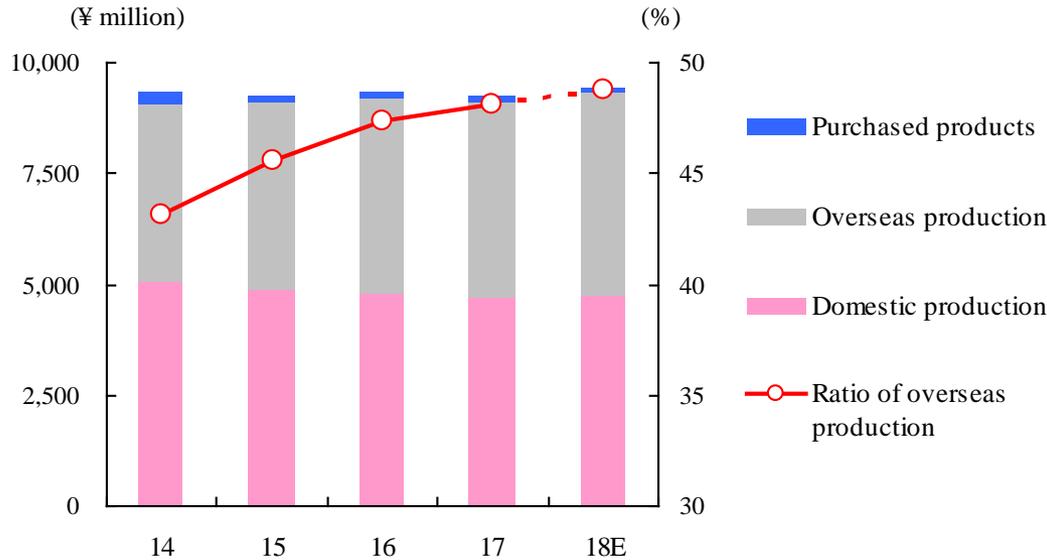


High-End products





Production(Non-Consolidated)



Composition	FY2017	FY2018E
Domestic production	50.6%	50.0%
Overseas production	48.1%	48.8%
Purchased products	1.3%	1.2%

Japan: Strengthen ability to respond Quick Response and small-lot multi-product by increasing wage and securing human resources

Overseas: Strengthen productivity and quality in new factory in Java, Indonesia



V Management Goals





Sales Strategy

- Increase peripheral business in products for Patients and Surgery.
- Gain share In West Japan.
- Develop and Sale of High-End and High Value-Added products.
- Cultivate Overseas Markets.

Profit Strategy

- Driving the strategy of Higher Quality and Value-Added products.
- The shift to Overseas Production.
- The minimization of Exchange Risk

Equalization of the fluctuations in foreign exchange rates by reservation of exchange contracts

Sales Strategy



FY2014

(3 terms ago)

net sales **¥16,214 million**

FY2017

(Previous term)

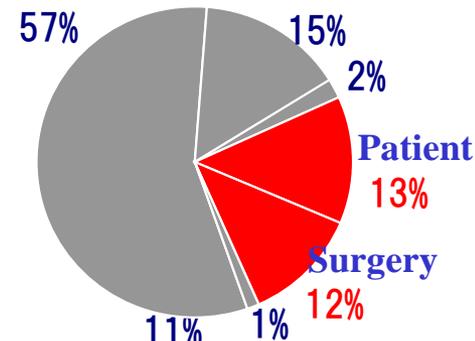
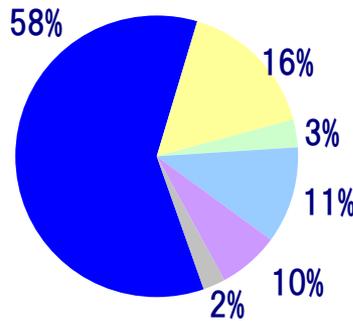
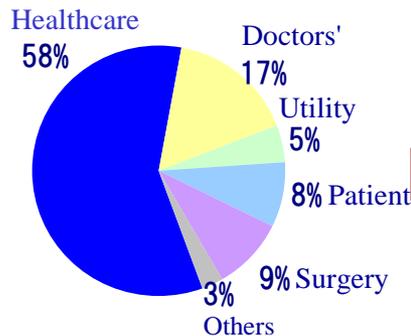
¥17,017 million

FY2020E

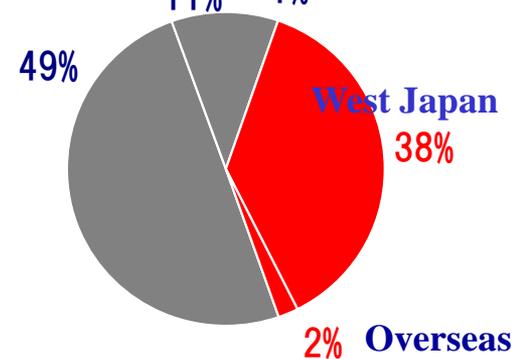
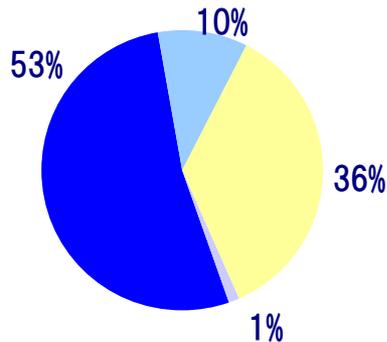
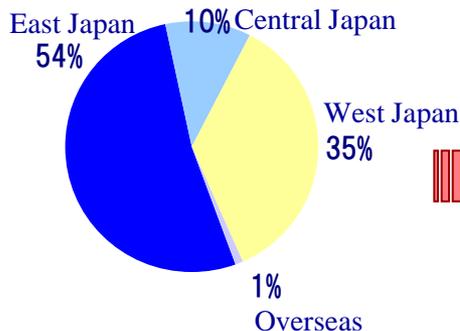
(3 terms later)

¥18,500 million

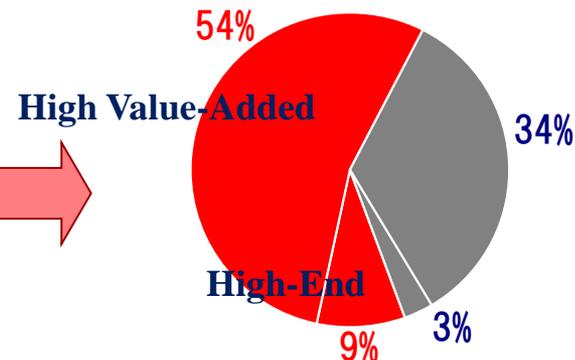
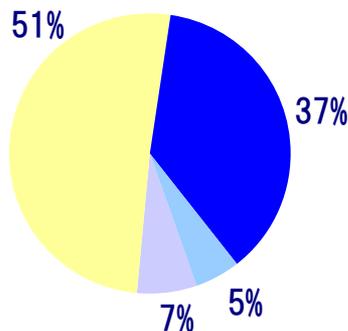
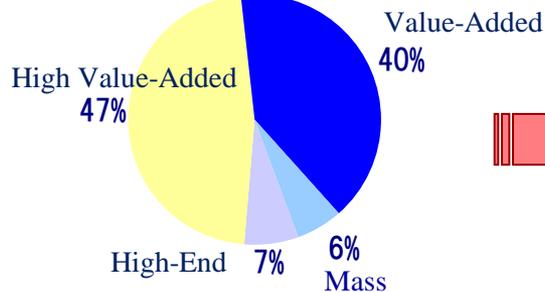
Item



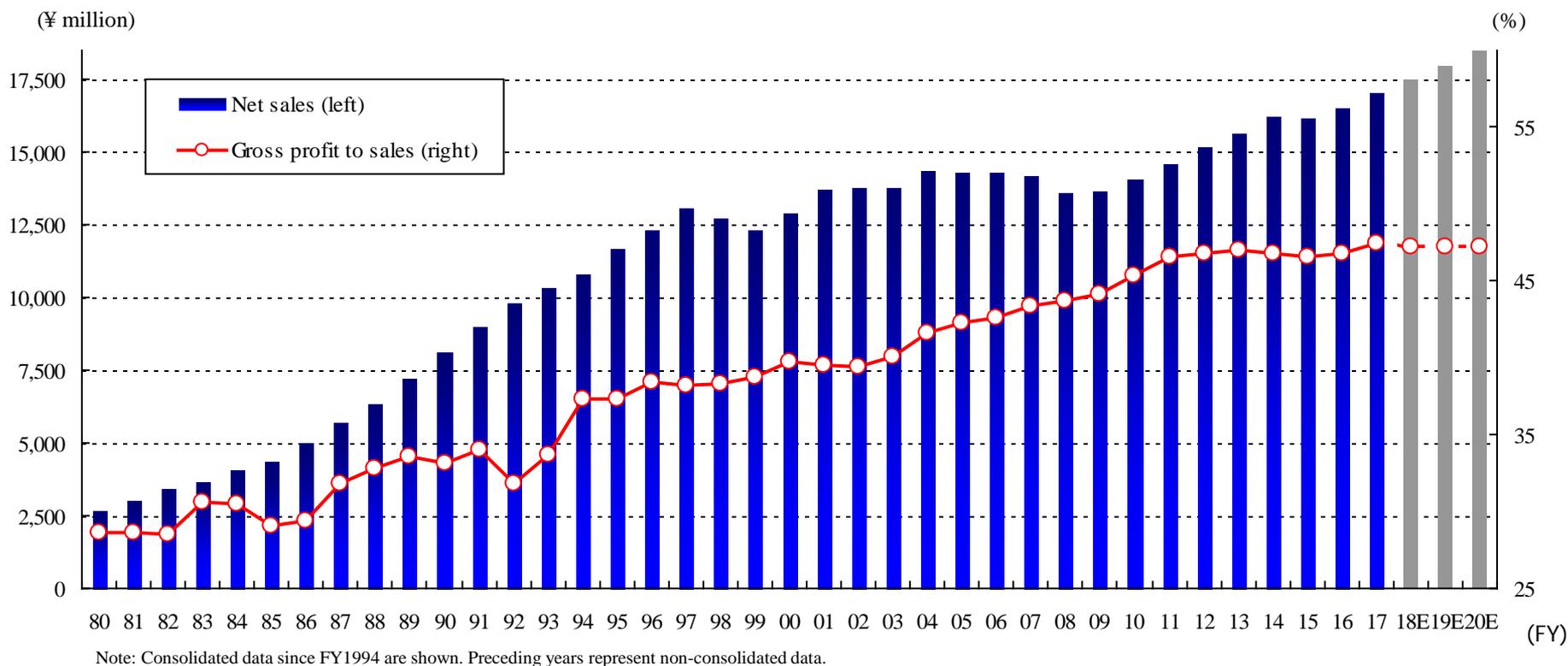
Region



Products



Trend of Business Records



(¥ million)

FY2020E	
Net Sales	18,500
Operating Income	5,600



VI Rewarding shareholder -focused policies



日本ではじめてのナースのための心のコミュニケーションスペース「いとなギャラリー」



Shareholder-focused policies

- Improvement of transparency by proactive disclosure
- Interactive communication with investors
- Profit reimbursement by high dividends



Dividend policy

- Basic policy is to continue stable dividend payment with payout ratio of 50%

Share buyback

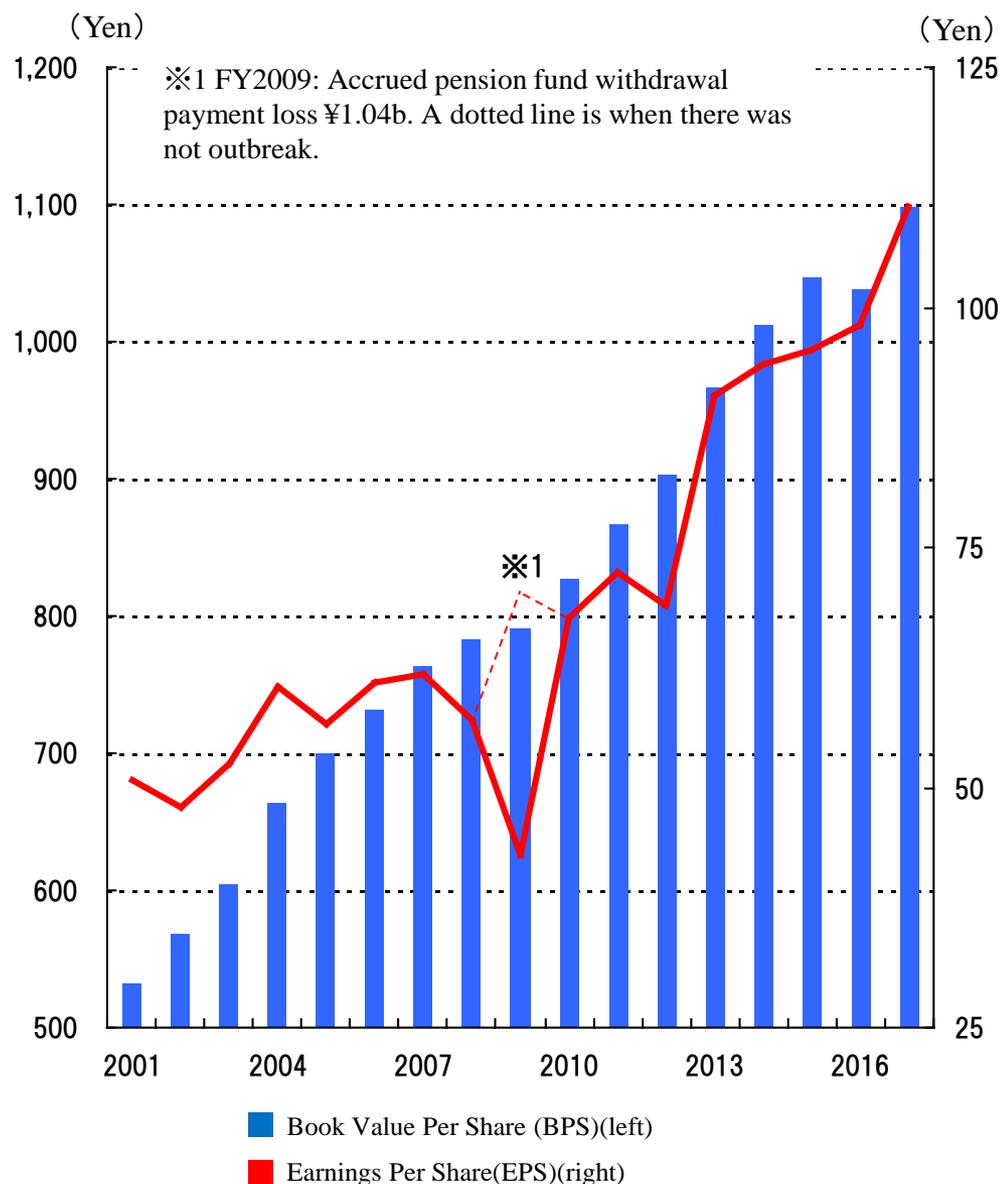
- Acquire expeditiously when our share is undervalued

The History of Stock Value



	BPS (yen)	EPS (yen)	DPS (yen)
FY2001	532.5	50.8	12.5
FY2002	568.3	48.0	12.5
FY2003	604.0	52.4	15.0
FY2004	663.0	60.5	30.0
FY2005	700.0	56.7	30.0
FY2006	732.4	61.0	30.0
FY2007	764.3	61.9	30.0
FY2008	783.9	57.1	30.0
FY2009	791.0	42.9	30.0
FY2010	827.0	67.6	32.5
FY2011	866.1	72.3	35.0
FY2012	902.3	68.9	35.0
FY2013	966.2	90.8	45.0
FY2014	1,012.7	94.1	50.0
FY2015	1,046.6	95.6	* 100.0
FY2016	1,037.8	98.1	50.0
FY2017	1,099.2	110.5	60.0

*2015: DPS 100yen (commemorative 50yen)



Actual Dividends Paid

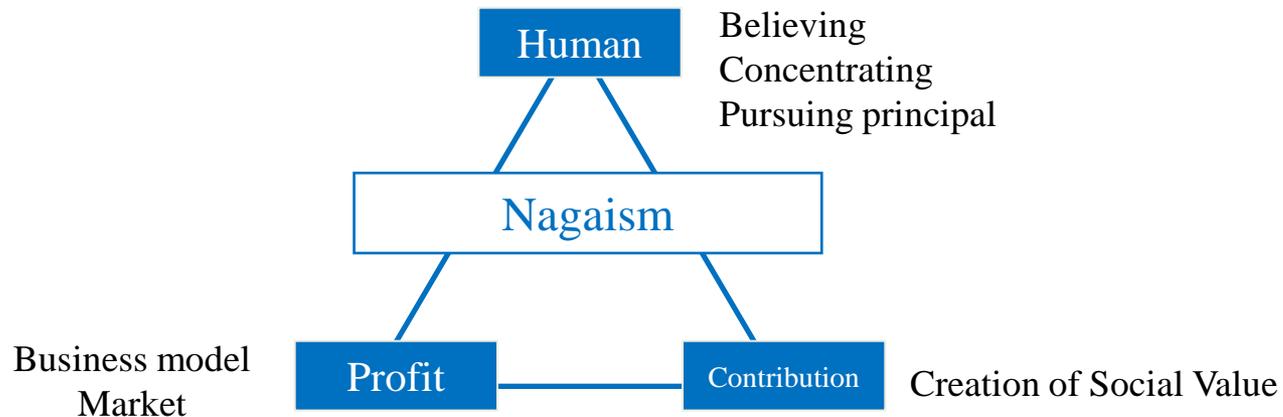


	Total dividend (Million yen)	Share buyback (Million yen)	Payout ratio (non-c, %)	Total return ratio (non-c, %)
FY2001	475	0	27.6	27.6
FY2002	475	0	29.3	29.3
FY2003	530	1,697	29.7	124.6
FY2004	744	0	36.5	36.5
FY2005	1,117	0	56.9	56.9
FY2006	1,117	0	53.4	53.4
FY2007	1,117	0	53.1	53.1
FY2008	1,083	1,077	56.6	111.2
FY2009	1,040	1,220	57.3	122.2
FY2010	1,127	0	51.4	51.4
FY2011	1,205	226	52.0	61.7
FY2012	1,205	0	55.1	55.1
FY2013	1,541	229	51.3	58.7
FY2014	1,712	0	54.4	E54.4
FY2015	*3,324	1,500	107.5	153.8
FY2016	1,662	0	52.5	52.5
FY2017	E 1,994	0	55.2	55.2

*2015: DPS 100yen (commemorative 50yen)



Our management philosophy are “Let us help the human life” and “Harmony”. We think that well-balanced growth with human, profit and philanthropy become the responsible corporate. Furthermore, we have our company spirit, “Nagaism”. We continue to specialize in medical / nurse / care business area, expanding its market and developing best products for our customers.





This material includes forecasts for the future.

These forecasts are based on the judgment of the Company's management concerning currently available information.

These future projections include assumptions or views based on assumptions, and therefore may be different from the actual outcome, depending upon future circumstances.

The expectations for future results stated by the Company or its management in this material do not represent any warranty that these expectations or particular results will be realized.

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