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Representative: Shoji Izawa, President and Representative Director

Securities Code: 365A, TSE Standard Market

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## Notice of Decision to Voluntarily Adopt International Financial Reporting Standards (IFRS)

Izawa Towel Co., Ltd. (the "Company") hereby announces that, at the meeting of its Board of Directors held today, it resolved to voluntarily adopt International Financial Reporting Standards (IFRS) in place of Japanese GAAP for its consolidated financial statements and consolidated statutory financial statements, beginning with the fiscal year ending February 28, 2029 (March 1, 2028 to February 28, 2029).

### 1. Reasons for Voluntary Adoption of IFRS

The Company and its group companies (the "Group") have decided to voluntarily adopt IFRS, having determined that doing so will improve the international comparability of financial information in capital markets, facilitate dialogue with stakeholders including overseas investors, further enhance the level of group management, and contribute to strengthening a global management foundation in view of future business development.

### 2. Overview of Voluntary Adoption of IFRS

|                                |                                                                                                                                                                                |
|--------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| (1) Timing of Initial Adoption | From the first quarter of the fiscal year ending February 28, 2029 (March 1, 2028 to May 31, 2028) onward                                                                      |
| (2) Scope of Application       | Consolidated financial statements and consolidated statutory financial statements<br>(Japanese GAAP will continue to apply to non-consolidated financial statements as before) |
| (3) Date of Transition to IFRS | March 1, 2027                                                                                                                                                                  |
| (4) Comparative Period         | Fiscal year ending February 29, 2028                                                                                                                                           |

The earnings forecast for the fiscal year ending February 28, 2029, scheduled to be announced with the financial results for the fiscal year ending February 29, 2028, is expected to be prepared in accordance with IFRS. The impact on the financial statements as a whole will be announced separately once the details have been finalized following a thorough review.

3. **Accounting for Goodwill and Ensuring Transparency of Underlying Profit**

Under Japanese GAAP, goodwill is systematically amortized over a specified period. Under IFRS, goodwill is not systematically amortized but is instead tested for impairment annually and whenever there is an indication of impairment. As a result of this difference, the Group expects that the annual goodwill amortization expense of approximately ¥200 million that it has recorded to date will no longer be incurred after the voluntary adoption of IFRS. The Company will strive to present underlying profit trends appropriately and ensure transparency in its explanations so that investors can distinguish the impact on profit arising from these differences in accounting standards from underlying improvements in earnings power resulting from business activities themselves.

4. **Consideration of the Application of Hedge Accounting**

The Group uses forward foreign exchange contracts to manage foreign exchange risk associated with purchases of merchandise from overseas. Under Japanese GAAP, the Group does not apply hedge accounting to these contracts and recognizes gains and losses arising from fair value measurement in profit or loss for each reporting period. In connection with its voluntary adoption of IFRS, the Group plans to review its overall accounting treatment, including its hedging policy. One possible option is to apply cash flow hedge accounting with forecast purchase transactions as the hedged items. If this option is adopted, the effective portion of the gains and losses on forward foreign exchange contracts would be recognized in other comprehensive income and incorporated into the acquisition cost of inventories when the purchases occur. This would allow the impact of foreign exchange fluctuations associated with purchases to be reflected more appropriately in the cost of sales and could help stabilize the gross profit margin.