

Disclaimer: This document is an English translation of the original Japanese document and is provided for reference purposes only. In the event of any discrepancy between this translation and the Japanese original, the Japanese original shall prevail.

October 14, 2026

Company name: Izawa Towel Co., Ltd.

Representative: Shoji Izawa, President and Representative Director

Securities Code: 365A, TSE Standard Market

Contact: Takuto Miyoshi, Director, CFO

TEL: +81-6-6690-1338

## Notice Regarding Transition to Consolidated Financial Reporting and Announcement of Consolidated Earnings Forecasts

Izawa Towel Co., Ltd. (the "Company") has previously treated its U.S. subsidiary, IZAWA TOWEL INC, and its Hong Kong subsidiary, IZAWA TEXTILE CO., LIMITED, as non-consolidated subsidiaries because they were immaterial both quantitatively and qualitatively. The Company hereby announces that it has decided to include these subsidiaries in the scope of consolidation and transition to consolidated financial reporting beginning in the second quarter of the fiscal year ending February 28, 2027, as detailed below. In connection with this transition, the Company also announces that its earnings forecasts for the fiscal year ending February 28, 2027 have been changed from non-consolidated to consolidated figures.

### 1. Changes in the Scope of Consolidation

#### (1) Overview of the Subsidiaries Concerned

| Name                               | IZAWA TOWEL INC<br>(U.S. subsidiary)                                                                                                 | IZAWA TEXTILE<br>CO., LIMITED<br>(Hong Kong subsidiary)                                                  |
|------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------|
| Address                            | 970 W. 190th Street,<br>Suite 920, Torrance,<br>California 90502, USA                                                                | Suite 1019, 10/F,<br>Chinachem Golden<br>Plaza, 77 Mody Road,<br>Tsimshatsui East,<br>Kowloon, Hong Kong |
| Representative's title and<br>name | CEO Shoji Izawa                                                                                                                      | CEO Shoji Izawa                                                                                          |
| Main business activities           | Sales of towel products<br>in general and other<br>textile products in<br>overseas markets,<br>production management,<br>and trading | Same as IZAWA TOWEL<br>INC                                                                               |
| Capital stock                      | US\$10,000                                                                                                                           | HK\$200,000                                                                                              |
| Date of establishment              | January 2, 2025                                                                                                                      | June 21, 2016                                                                                            |
| Fiscal year-end                    | December 31 (planned to                                                                                                              | June 30 (planned to                                                                                      |

|                               |                        |                                                                                                                                                                                                                     |                                                                                                                  |
|-------------------------------|------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------|
|                               |                        | change to the end of February starting with the fiscal year ending February 28, 2027)                                                                                                                               | change to the end of February starting with the fiscal year ending February 28, 2027)                            |
| Relationship with the Company | Capital relationship   | 100% owned by the Company                                                                                                                                                                                           | 100% owned by the Company                                                                                        |
|                               | Personnel relationship | Shoji Izawa, President and Representative Director of the Company, concurrently serves as CEO of the subsidiary, and Takuto Miyoshi, Director and CFO of the Company, concurrently serves as CFO of the subsidiary. | Shoji Izawa, President and Representative Director of the Company, concurrently serves as CEO of the subsidiary. |
|                               | Business relationship  | The Company sells its products to the subsidiary.                                                                                                                                                                   | The Company sells its products to the subsidiary.                                                                |

(Note) As the fiscal year-ends of the consolidated subsidiaries differ from the interim consolidated balance sheet date, the interim consolidated financial statements have been prepared using financial statements based on provisional closing conducted as of the interim consolidated balance sheet date. The Company plans to change the fiscal year-ends of both subsidiaries to the end of February, the same as its own, from the fiscal year ending February 28, 2027, and the difference in fiscal year-ends is expected to be eliminated from the consolidated financial statements for that fiscal year.

Operating results and financial position of IZAWA TOWEL INC for the last three years  
(Unit: thousands of yen)

| Fiscal year             | FY ended Dec. 2023 | FY ended Dec. 2024 | FY ended Dec. 2025 |
|-------------------------|--------------------|--------------------|--------------------|
| Net assets              | –                  | –                  | 133,254            |
| Total assets            | –                  | –                  | 142,772            |
| Net sales               | –                  | –                  | 2,855              |
| Operating profit (loss) | –                  | –                  | (32,258)           |
| Ordinary profit (loss)  | –                  | –                  | (32,258)           |
| Net profit (loss)       | –                  | –                  | (22,233)           |

(Notes) 1. Figures denominated in U.S. dollars have been translated into yen at the average exchange rate for the period for profit and loss items, and at the exchange rate as of the fiscal year-end for net assets and total assets.

2. Since the subsidiary was established in January 2025, only figures for the fiscal

year ended December 2025 (the first fiscal year) are presented.

Operating results and financial position of IZAWA TEXTILE CO.,LIMITED for the last three years (Unit: thousands of yen)

| Fiscal year      | FY ended Jun.<br>2023 | FY ended Jun.<br>2024 | FY ended Jun.<br>2025 |
|------------------|-----------------------|-----------------------|-----------------------|
| Net assets       | 23,504                | 47,595                | 64,063                |
| Total assets     | 114,485               | 81,140                | 97,504                |
| Net sales        | 578,322               | 473,490               | 444,115               |
| Operating profit | 19,895                | 21,656                | 24,227                |
| Ordinary profit  | 19,920                | 21,658                | 24,237                |
| Net profit       | 18,149                | 19,870                | 22,267                |

(Note) Figures denominated in Hong Kong dollars have been translated into yen at the average exchange rate for each period for profit and loss items, and at the exchange rate as of each fiscal year-end for net assets and total assets.

## **(2) Reasons for the Decision to Transition to Consolidated Financial Reporting**

The Company has determined that IZAWA TOWEL INC has increased in qualitative materiality because its role in the growth strategy of the Company and its group companies (the "Group") has become more important following the launch of full-scale expansion of the U.S. business. As the Group's business base in the U.S. market, IZAWA TOWEL INC has been expanding its product lineup on Amazon.com and making upfront investments in advertising and other activities. In addition, the subsidiary's business is expected to grow further, driven mainly by higher sales. The Company has therefore decided to include it in the scope of consolidation and transition to consolidated financial reporting. Although IZAWA TEXTILE CO.,LIMITED does not currently meet the quantitative or qualitative materiality criteria, the Company has decided to include it in the scope of consolidation as part of preparations to establish the Group-wide scope of consolidation in advance of the voluntary adoption of International Financial Reporting Standards (IFRS) from the fiscal year ending February 28, 2029, as separately announced by the Company today.

## **2. Timing of the Transition to Consolidated Financial Reporting**

The Company will begin preparing consolidated financial statements from the six months ended August 31, 2026 (the interim period). The subsidiaries have been included in the scope of consolidation effective March 1, 2026, the beginning of the fiscal year, and their profit and loss for the period from March 1, 2026 to August 31, 2026 (based on provisional closing conducted as of the interim consolidated balance sheet date) has been incorporated as profit and loss for the six months ended August 31, 2026. Disclosures

for the first quarter of the current fiscal year were made on the basis of non-consolidated financial statements.

### 3. Announcement of Consolidated Earnings Forecasts

In connection with the transition to consolidated financial reporting described above, the Company is withdrawing the non-consolidated earnings forecasts for the fiscal year ending February 28, 2027 announced on April 14, 2026, and announcing consolidated earnings forecasts as follows. The consolidated earnings forecasts were calculated by incorporating the results of the two consolidated subsidiaries and revising the assumed exchange rate to reflect recent levels. As the resulting differences from the previously announced non-consolidated earnings forecasts do not reach the thresholds that require disclosure of revisions to earnings forecasts, the consolidated earnings forecasts have been set at the same amounts as the non-consolidated earnings forecasts (i.e., the initial forecasts announced at the beginning of the fiscal year).

(Millions of yen, except for basic earnings per share, which is in yen)

| Category                                         | Net sales | Operating profit | Ordinary profit | Profit attributable to owners of parent | Basic earnings per share |
|--------------------------------------------------|-----------|------------------|-----------------|-----------------------------------------|--------------------------|
| Current forecast (consolidated)                  | 11,650    | 825              | 1,082           | 638                                     | 68.58                    |
| (Reference) Previous forecast (non-consolidated) | 11,650    | 825              | 1,082           | 638                                     | 63.85                    |

(Notes) 1. "(Reference) Previous forecast (non-consolidated)" refers to the earnings forecasts announced on April 14, 2026.

- Although profit attributable to owners of parent is unchanged from the previous forecast, basic earnings per share has increased because it reflects the decrease in the average number of shares outstanding during the period resulting from share repurchases.
- The exchange rate assumption underlying the earnings forecasts has been revised to US\$1 = ¥156.74 (the average for the period from September 2025 to August 2026) (the previously announced non-consolidated forecasts assumed US\$1 = ¥150).
- The above consolidated earnings forecasts have been prepared based on information currently available. Actual results may differ from the forecast figures due to various factors going forward.

#### **4. Other Information**

The Company has separately announced today its decision to voluntarily adopt International Financial Reporting Standards (IFRS) from the fiscal year ending February 28, 2029. The review of the scope of consolidation is also part of the development of the Group-wide accounting infrastructure in preparation for the voluntary adoption of IFRS. For details of the interim consolidated financial statements, please refer to the "Consolidated Financial Results for the Six Months Ended August 31, 2026 (Under Japanese GAAP)" released today.