

[REFERENCE TRANSLATION]

Please note that this translation is to be used solely as reference and the financial statements in this material are unaudited.
In case of any discrepancy between this translation and the Japanese original, the latter shall prevail.

October 14, 2026

Consolidated Financial Results for the Six Months Ended August 31, 2026 (Under Japanese GAAP)

Company name: Izawa Towel Co., Ltd.
 Listing: Tokyo Stock Exchange
 Securities code: 365A
 URL: <https://www.izawa-towel.com/>
 Representative: Shoji Izawa, President and Representative Director
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 Scheduled date to file semi-annual securities report: October 14, 2026
 Scheduled date to commence dividend payments: November 13, 2026
 Preparation of supplementary material on financial results: Yes
 Holding of financial results briefing: Yes (For institutional investors and analysts)

(Yen amounts are rounded down to millions, unless otherwise noted.)

1. Consolidated financial results for the six months ended August 31, 2026 (from March 1, 2026 to August 31, 2026)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Six months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
August 31, 2026	5,380	—	52	—	308	—	174	—
August 31, 2025	—	—	—	—	—	—	—	—

Note: Comprehensive income: For the six months ended August 31, 2026: ¥179 million [—%]

For the six months ended August 31, 2025: ¥— million [—%]

	Basic earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
August 31, 2026	18.37	17.97
August 31, 2025	—	—

Note: As the Company began preparing semi-annual consolidated financial statements from the six months ended August 31, 2026, figures for the six months ended August 31, 2025, as well as year-on-year changes, are not presented.

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
As of	Millions of yen	Millions of yen	%
August 31, 2026	7,854	3,403	43.3
February 28, 2026	—	—	—

(Reference) Equity: As of August 31, 2026: ¥3,403 million

As of February 28, 2026: ¥— million

Note: As the Company began preparing semi-annual consolidated financial statements from the six months ended August 31, 2026, figures as of February 28, 2026 are not presented.

2. Cash dividends

	Annual dividends per share
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	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended February 28, 2026	—	0.00	—	40.00	40.00
Fiscal year ending February 28, 2027	—	21.00			
Fiscal year ending February 28, 2027 (Forecast)			—	21.00	42.00

Note: Revisions to the forecast of cash dividends most recently announced: None

3. Consolidated earnings forecasts for the fiscal year ending February 28, 2027 (from March 1, 2026 to February 28, 2027)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	11,650	—	825	—	1,082	—	638	—	68.58

Note: Revisions to the earnings forecasts most recently announced: None

Note: As the Company began preparing semi-annual consolidated financial statements from the six months ended August 31, 2026, figures for the six months ended August 31, 2025 and the fiscal year ended February 28, 2026, as well as year-on-year changes, are not presented.

*** Notes**

(1) Significant changes in the scope of consolidation during the period: Yes

Newly included: 2 companies (IZAWA TEXTILE CO.,LIMITED and IZAWA TOWEL INC)

Excluded: — companies

(2) Application of special accounting methods for preparing semi-annual consolidated financial statements: Yes

(3) Changes in accounting policies, changes in accounting estimates, and restatement

(i) Changes in accounting policies due to revisions to accounting standards and other regulations: None

(ii) Changes in accounting policies due to other reasons: None

(iii) Changes in accounting estimates: None

(iv) Restatement: None

(4) Number of issued shares (common shares)

(i) Total number of issued shares at the end of the period (including treasury shares)

As of August 31, 2026	10,000,000 shares
As of February 28, 2026	10,000,000 shares

(ii) Number of treasury shares at the end of the period

As of August 31, 2026	891,000 shares
As of February 28, 2026	114,400 shares

(iii) Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)

Six months ended August 31, 2026	9,498,885 shares
Six months ended August 31, 2025	10,000,000 shares

* Semi-annual financial results reports are exempt from review conducted by certified public accountants or an audit firm.

* Proper use of earnings forecasts, and other special matters

The forward-looking statements, including earnings forecasts, contained in this document are based on information currently available to the Company and certain assumptions deemed reasonable by the Company, and are not intended as a commitment by the Company to achieve them. Actual results may differ materially due to various factors. For the assumptions underlying the earnings forecasts and precautions regarding their use, please refer to "1. Qualitative Information on the Semi-annual Financial Results (3) Explanation of Consolidated Earnings Forecasts and Other Forward-looking Information" on page 3 of the attached materials.

(How to obtain supplementary materials on financial results)

Supplementary materials on financial results are scheduled to be posted on the Company's website.

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1. Qualitative Information on the Semi-annual Financial Results

Beginning with the semi-annual period under review, the Group has included IZAWA TOWEL INC in the scope of consolidation due to its increased significance, and IZAWA TEXTILE CO.,LIMITED as part of the review of the Group's scope of consolidation in preparation for the voluntary adoption of International Financial Reporting Standards (IFRS), and has prepared semi-annual consolidated financial statements. Accordingly, no comparative analysis has been conducted with the same semi-annual period of the previous fiscal year or the end of the previous fiscal year.

(1) Explanation of Operating Results

During the semi-annual period under review, the Japanese economy maintained a moderate recovery trend, supported by the continuing effects of improvements in employment and income conditions. However, the impact of continued price increases on private consumption, through weakening consumer sentiment and other factors, poses a downside risk to the Japanese economy. In addition to uncertainties surrounding overseas economies arising from U.S. trade policy, the situation in the Middle East, and other factors, there are concerns about the impact of natural disasters on economic activity. Developments in financial and capital markets, including rising interest rates following the Bank of Japan's rate hikes and fluctuations in exchange rates, also require close attention, and the outlook remains uncertain.

According to industry estimates, the domestic retail market for towels and towel products is worth ¥160 billion to ¥190 billion (Note 1). The Group expects the market to remain at this level or grow slightly going forward. Major retailers are also stepping up the development of private-label products. The Group believes that, for towels and towel products as well, such development is an effective means not only of securing a price advantage but also of achieving differentiation from competitors and creating unique offerings.

Looking at individual sales channels, the domestic e-commerce market continues to grow. Driven by demand for bulk purchases and a high level of convenience, the business-to-consumer (B2C) e-commerce market reached ¥26.1 trillion in 2024, up 5.1% year on year. In particular, the household goods, furniture, and interior furnishings segment is a major category with a market size of ¥2,561.6 billion and a high e-commerce penetration rate of 32.58%, and is expected to continue performing steadily (Note 2).

Under these circumstances, the Group has focused on identifying product needs through sales activities, gathering market information through store surveys and other means, conducting joint research through industry-academia collaboration, and developing new manufacturing methods, including yarn weaving techniques and the selection and innovative use of finishing agents. The Group is also working to advance research and development and expand sales, including by strengthening sales of new products on e-commerce websites. In addition, in response to concerns about the outlook for the Chinese economy and geopolitical risks, the Group is promoting the establishment of production operations in India and Vietnam alongside its China-centered production system to stabilize the supply chain by diversifying production locations.

As a result, net sales for the semi-annual period under review were ¥5,380,660 thousand, operating profit was ¥52,699 thousand, ordinary profit was ¥308,187 thousand, and profit attributable to owners of parent was ¥174,480 thousand.

(Note) 1. Cross Marketing Inc., "Towel Industry Market Survey Report"

(Note) 2. Ministry of Economy, Trade and Industry, Fiscal 2024 Digital Transaction Environment Development Project (Market Research on E-Commerce)

(2) Explanation of Financial Position

① Assets, liabilities and net assets

(Assets)

Total assets at the end of the semi-annual period under review amounted to ¥7,854,944 thousand. The main components were accounts receivable - trade of ¥1,863,503 thousand, cash and deposits of ¥1,091,593 thousand, and goodwill of ¥3,023,095 thousand.

(Liabilities)

Total liabilities at the end of the semi-annual period under review amounted to ¥4,451,475 thousand. The main components were accounts payable - trade of ¥604,596 thousand and long-term borrowings (including the current portion of long-term borrowings) of ¥2,950,000 thousand.

(Net assets)

Total net assets at the end of the semi-annual period under review amounted to ¥3,403,468 thousand. The main components were capital surplus of ¥2,704,937 thousand and retained earnings of ¥1,281,713 thousand, partially offset by treasury shares of ¥635,740 thousand.

② Cash flows

The balance of cash and cash equivalents at the end of the semi-annual period under review amounted to ¥1,091,593 thousand.

Cash flows for the semi-annual period under review and the main factors affecting them were as follows.

(Net cash provided by (used in) operating activities)

Net cash provided by operating activities was ¥559,959 thousand.

This was mainly attributable to cash increases from profit before income taxes of ¥308,187 thousand, a decrease in trade receivables of ¥272,695 thousand, an increase in trade payables of ¥148,021 thousand, and amortization of goodwill of ¥100,769 thousand, partially offset by a cash decrease from income taxes paid of ¥318,415 thousand.

(Net cash provided by (used in) investing activities)

Net cash used in investing activities was ¥20,396 thousand.

This was mainly attributable to a decrease in cash due to payments of ¥12,596 thousand for purchases of property, plant and equipment.

(Net cash provided by (used in) financing activities)

Net cash used in financing activities was ¥773,247 thousand.

This was mainly attributable to decreases in cash due to payments of ¥562,778 thousand for purchases of treasury shares and dividend payments of ¥395,087 thousand, partially offset by an increase in cash from a net increase of ¥300,000 thousand in short-term borrowings.

(3) Explanation of Consolidated Earnings Forecasts and Other Forward-looking Information

Following the transition to consolidated financial reporting beginning with the semi-annual period under review, the consolidated earnings forecast for the fiscal year ending February 28, 2027 is presented. The consolidated earnings forecast figures are the same as those in the non-consolidated earnings forecast for the fiscal year ending February 28, 2027 announced on April 14, 2026.

2. Semi-annual Consolidated Financial Statements and Main Notes

(1) Semi-annual Consolidated Balance Sheet

(Unit: thousands of yen)

As of August 31, 2026

Assets	
Current assets	
Cash and deposits	1,091,593
Electronically recorded monetary claims - operating	10,426
Accounts receivable - trade	1,863,503
Merchandise and finished goods	530,731
Forward exchange contracts	390,498
Other	51,073
Total current assets	3,937,827
Non-current assets	
Property, plant and equipment	730,093
Intangible assets	
Goodwill	3,023,095
Other	714
Total intangible assets	3,023,810
Investments and other assets	163,212
Total non-current assets	3,917,116
Total assets	7,854,944

(Unit: thousands of yen)

As of August 31, 2026

Liabilities	
Current liabilities	
Accounts payable - trade	604,596
Short-term borrowings	300,000
Current portion of long-term borrowings	230,000
Income taxes payable	138,247
Provision for bonuses	47,088
Other	411,542
Total current liabilities	1,731,475
Non-current liabilities	
Long-term borrowings	2,720,000
Total non-current liabilities	2,720,000
Total liabilities	4,451,475
Net assets	
Shareholders' equity	
Share capital	30,000
Capital surplus	2,704,937
Retained earnings	1,281,713
Treasury shares	(635,740)
Total shareholders' equity	3,380,911
Accumulated other comprehensive income	
Foreign currency translation adjustment	22,536
Total accumulated other comprehensive income	22,536
Share acquisition rights	21
Total net assets	3,403,468
Total liabilities and net assets	7,854,944

(2) Semi-annual Consolidated Statement of Income and Semi-annual Consolidated Statement of Comprehensive Income

Semi-annual Consolidated Statement of Income

(Unit: thousands of yen)

	For the six months ended August 31, 2026
Net sales	5,380,660
Cost of sales	4,387,642
Gross profit	993,017
Selling, general and administrative expenses	940,318
Operating profit	52,699
Non-operating income	
Interest income	993
Foreign exchange gains	277,285
Other	10,094
Total non-operating income	288,373
Non-operating expenses	
Interest expenses	28,814
Other	4,070
Total non-operating expenses	32,885
Ordinary profit	308,187
Profit before income taxes	308,187
Income taxes	133,706
Profit	174,480
Profit attributable to owners of parent	174,480

Semi-annual Consolidated Statement of Comprehensive Income

(Unit: thousands of yen)

	For the six months ended August 31, 2026
Profit	174,480
Other comprehensive income	
Foreign currency translation adjustment	5,314
Total other comprehensive income	5,314
Comprehensive income	179,794
(Comprehensive income attributable to)	
Comprehensive income attributable to owners of parent	179,794
Comprehensive income attributable to non-controlling interests	—

(3) Semi-annual Consolidated Statement of Cash Flows

(Unit: thousands of yen)

	For the six months ended August 31, 2026
Cash flows from operating activities	
Profit before income taxes	308,187
Depreciation	5,560
Amortization of goodwill	100,769
Interest and dividend income	(993)
Interest expenses	28,814
Financing expenses	1,000
Foreign exchange losses (gains)	(39,394)
Decrease (increase) in trade receivables	272,695
Decrease (increase) in merchandise and finished goods	(9,440)
Increase (decrease) in trade payables	148,021
Decrease (increase) in forward exchange contracts (assets)	80,511
Increase (decrease) in accounts payable - other	(30,192)
Increase (decrease) in provision for bonuses	8,198
Other	32,460
Subtotal	906,196
Interest and dividends received	993
Interest paid	(28,814)
Income taxes paid	(318,415)
Net cash provided by (used in) operating activities	559,959
Cash flows from investing activities	
Purchase of property, plant and equipment	(12,596)
Payments of leasehold and guarantee deposits	(7,800)
Net cash provided by (used in) investing activities	(20,396)
Cash flows from financing activities	
Net increase (decrease) in short-term borrowings	300,000
Repayments of long-term borrowings	(115,000)
Payments of financing expenses	(2,000)
Proceeds from disposal of treasury shares	2,745
Purchase of treasury shares	(562,778)
Dividends paid	(395,087)
Payments of listing expenses	(1,125)
Net cash provided by (used in) financing activities	(773,247)
Effect of exchange rate changes on cash and cash equivalents	43,374
Net increase (decrease) in cash and cash equivalents	(190,309)
Cash and cash equivalents at beginning of period	1,281,903
Cash and cash equivalents at end of period	1,091,593

(4) Notes to Semi-annual Consolidated Financial Statements

(Changes in accounting policies)

None.

(Application of special accounting methods for preparing semi-annual consolidated financial statements)

(Calculation of Tax Expenses)

Tax expenses are calculated by multiplying profit before income taxes for the semi-annual period by a reasonably estimated annual effective tax rate (after the application of tax effect accounting) for the fiscal year including the semi-annual period under review. However, where calculating tax expenses using the estimated effective tax rate would produce a significantly unreasonable result, the statutory effective tax rate is used.

(Segment information, etc.)

[Segment information]

The Group operates in a single segment whose principal business is the planning, manufacture, and sale of towel products and related items; therefore, segment information is omitted.

(Notes on significant changes in the amount of shareholders' equity)

None.

(Notes on going concern assumption)

None.