



# Financial Results

Feb / 2027 Q2 (FY2026 Q2)

IZAWA TOWEL CO.,LTD. (Securities Code: 365A)

October 14, 2026

**[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.

# FY26 Q2 Key Points



- H1 net sales reached a record high<sup>(1)</sup> for a first half, while consolidated operating profit was 52 million yen due to higher procurement costs from the weak yen and other factors.
- Latest trend (September): stores on new e-commerce malls have opened and the gross profit margin is improving

1

Opened stores on new e-commerce malls

**Latest:** Rakuten Ichiba sales in September<sup>(2)</sup>

**28 million yen**

Ranked No. 1 in the daily face towel ranking within three weeks of opening on August 24. In September, after the opening, Amazon.co.jp sales<sup>(2)</sup> were also 148.2% YoY, showing growth without cannibalization.

2

Profit improvement in H2

Price and spec optimization  
**Full contribution in H2**

The gross profit margin improved in September on a monthly basis. Together with new e-commerce mall stores and the shift of production to India and Vietnam (Q2 India production ratio: 24.7%<sup>(3)</sup>), we aim to improve profit margins.

3

Voluntary adoption of IFRS

From the fiscal year ending February 28, 2029  
**IFRS adoption**

In addition to goodwill no longer being amortized, the Company will consider applying hedge accounting. Two subsidiaries in the U.S. and Hong Kong have also been consolidated from Q2.

4

Interim dividend of 21 yen resolved

Annual dividend forecast  
**42 yen**

(Interim: 21 yen; year-end: 21 yen)  
Semi-annual dividends targeting a DOE of 10%

(Note) 1. Record-high net sales are compared with past non-consolidated results (H1).

2. Rakuten Ichiba sales are tax-included sales amounts from Rakuten Ichiba data converted to a tax-excluded basis. Amazon.co.jp sales are based on selling prices. September figures are preliminary monthly figures. For details, see p. 27 (Amazon.co.jp) and p. 28 (Rakuten Ichiba).

3. India production ratio is the share of India-made products in non-consolidated purchases.

# Feb / 2027 (FY2026) Q2 Results

# FY26 Q2 Consolidated Highlights



|                                                                                                     |                                                                         |                                                                                            |
|-----------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------|--------------------------------------------------------------------------------------------|
| <div>H1<br/>Record-High</div> <div>Sales before rebate deduction</div> <div>5,652 million yen</div> | <div>Gross profit margin before rebate deduction</div> <div>22.4%</div> | <div>Profit before goodwill amortization</div> <div>275 million yen</div>                  |
| <div>ROE <sup>(1)</sup></div> <div>21.6%</div>                                                      | <div>Production ratio in India<sup>(2)</sup></div> <div>23.0%</div>     | <div>Record-High</div> <div>Stores carrying Towel Laboratory</div> <div>3,000 stores</div> |

# FY26 Q2 Consolidated Financial Results



(Unit: Millions of yen)

| Consolidated Results (FY26 H1) <sup>(1)</sup>                  |        |                |
|----------------------------------------------------------------|--------|----------------|
|                                                                | Actual | % of net sales |
| Net sales                                                      | 5,380  | 100.0%         |
| Gross profit                                                   | 993    | 18.5%          |
| Selling, general and administrative expenses                   | 940    | 17.5%          |
| Operating profit                                               | 52     | 1.0%           |
| Foreign exchange gains (losses)                                | 277    | 5.1%           |
| Ordinary profit                                                | 308    | 5.7%           |
| Profit attributable to owners of parent                        | 174    | 3.2%           |
| Profit before goodwill amortization                            | 275    | 5.1%           |
| (Reference) Sales before rebate deduction                      | 5,652  | —              |
| (Reference) Gross profit before rebate deduction               | 1,265  | 22.4%          |
| (Reference) Operating profit + foreign exchange gains (losses) | 329    | 6.1%           |

| (Reference) Non-consolidated YoY comparison (H1)               |       |       |        |
|----------------------------------------------------------------|-------|-------|--------|
|                                                                | FY25  | FY26  | YoY    |
| Net sales                                                      | 4,657 | 5,359 | 115.1% |
| Gross profit                                                   | 1,081 | 973   | 90.0%  |
| Selling, general and administrative expenses                   | 795   | 900   | 113.2% |
| Operating profit                                               | 285   | 72    | 25.3%  |
| Foreign exchange gains (losses)                                | 4     | 278   | —      |
| Ordinary profit                                                | 238   | 361   | 151.7% |
| Profit                                                         | 139   | 228   | 164.0% |
| Profit before goodwill amortization                            | 240   | 328   | 136.7% |
| (Reference) Sales before rebate deduction                      | 4,882 | 5,631 | 115.3% |
| (Reference) Gross profit before rebate deduction               | 1,305 | 1,245 | 95.4%  |
| (Reference) Operating profit + foreign exchange gains (losses) | 290   | 350   | 120.7% |

| Consolidated (H1)                                                                                                                                                                                                                                                                                                                                                                                                                  |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p><b>Sales</b> Sales before rebate deduction of 5,652 million yen were a record high for a first half (vs. past non-consolidated results)</p> <p><b>Profit</b> Operating profit was 52 million yen due to higher procurement costs from the weak yen and upfront investments in the U.S. subsidiary</p> <p><b>FX</b> FX gains of 277 million yen on forward contracts and deposits secured ordinary profit of 308 million yen</p> |

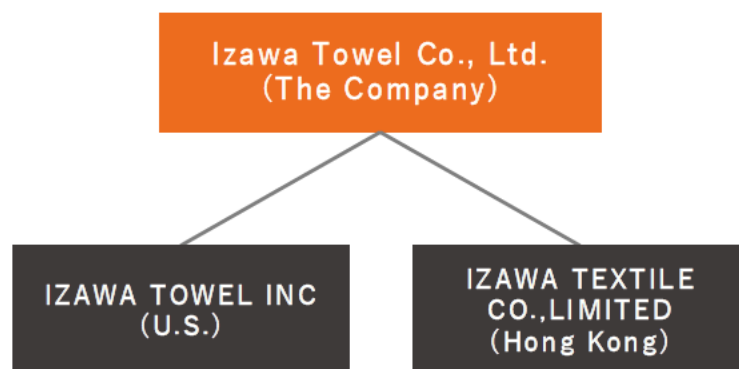
| Non-consol. (YoY)                                                                                                                                                                                                                                                                                                              |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p><b>Sales</b> Net sales were 115.1% YoY, driven by ODM and EC</p> <p><b>Profit</b> Operating profit fell 74.7% YoY to 72 million yen due to higher procurement costs from the weak yen and growth investments</p> <p><b>FX</b> Ordinary profit rose 51.7% YoY on FX gains of 278 million yen (prior year: 4 million yen)</p> |

(Note) 1. As the Company began preparing semi-annual consolidated financial statements from the current first half, consolidated comparisons with the same period of the previous fiscal year are not presented.  
2. Amounts are rounded down to the nearest million yen; ratios are calculated from the displayed figures. FY26 non-consolidated figures are the Company's stand-alone figures after the financial results were finalized.

# Transition to Consolidated Financial Results

Beginning with the six months ended August 31, 2026, two previously non-consolidated subsidiaries have been included in the scope of consolidation.

## Scope of Consolidation



## Reasons for Inclusion in Consolidation

### IZAWA TOWEL INC (U.S.)

As the Group's U.S. base, the subsidiary has begun full-scale expansion, including a broader lineup on Amazon.com and upfront advertising. The Company judged that its role in the Group's growth strategy and its qualitative materiality have increased. In addition, the subsidiary's business is expected to grow further, driven mainly by higher sales.

### IZAWA TEXTILE CO., LIMITED (Hong Kong)

Although it does not meet the materiality criteria, it was included to prepare the Group's scope of consolidation in advance of the voluntary adoption of IFRS.

## Transition Schedule

Q1: Disclosed on a non-consolidated basis

Q2: Consolidated effective March 1  
(beginning of the fiscal year)

Full year: Earnings forecast changed from  
non-consolidated to consolidated

# ■ Non-consolidated vs. Consolidated Results (H1)



(Unit: Millions of yen)

|                                     | The Company (Non-consolidated) | Subsidiaries and consolidation adjustments | Consolidated |
|-------------------------------------|--------------------------------|--------------------------------------------|--------------|
| Net sales                           | 5,359                          | 21                                         | 5,380        |
| Gross profit                        | 973                            | 20                                         | 993          |
| Operating profit                    | 72                             | (20)                                       | 52           |
| Ordinary profit                     | 361                            | (53)                                       | 308          |
| Profit                              | 228                            | (54)                                       | 174          |
| Profit before goodwill amortization | 328                            | (53)                                       | 275          |

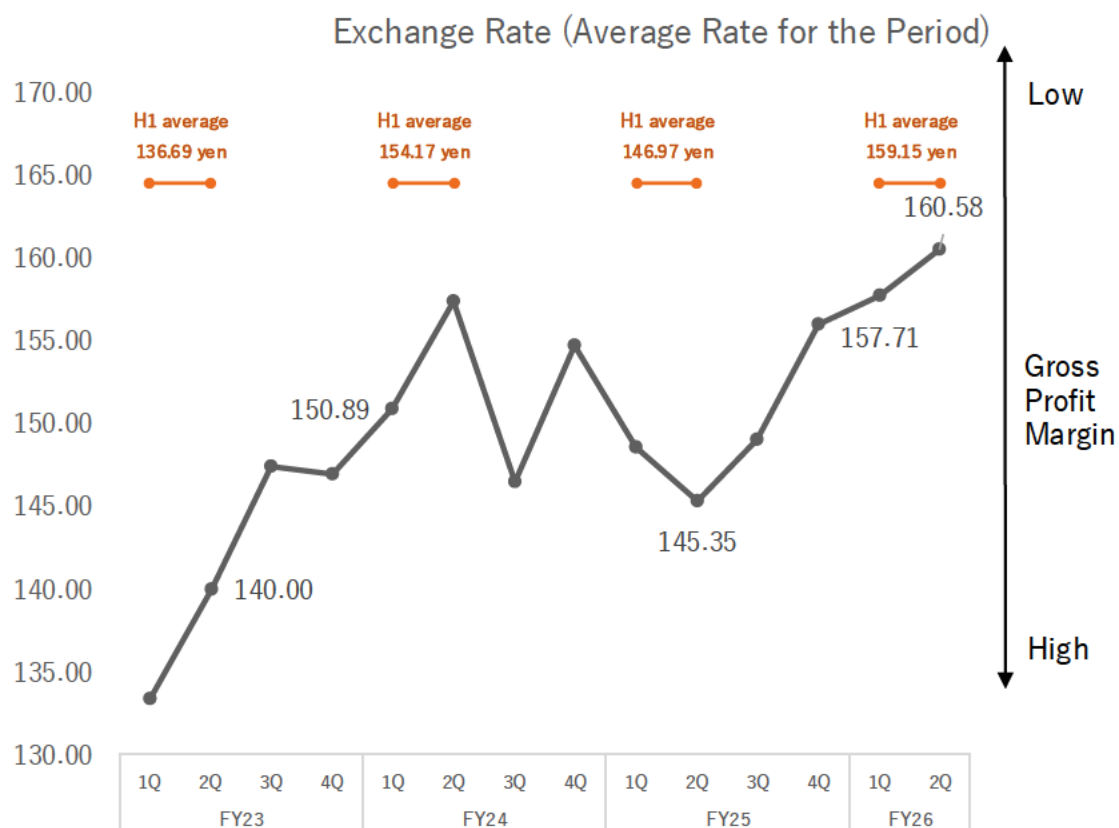
## Key Points

- The U.S. subsidiary recorded an operating loss due to upfront investments, such as advertising expenses, during the launch phase of sales on Amazon.com.
- Consolidation adjustments mainly consist of the elimination of intercompany transactions and unrealized profits, as well as the elimination of dividends received from subsidiaries (affecting ordinary profit and below).

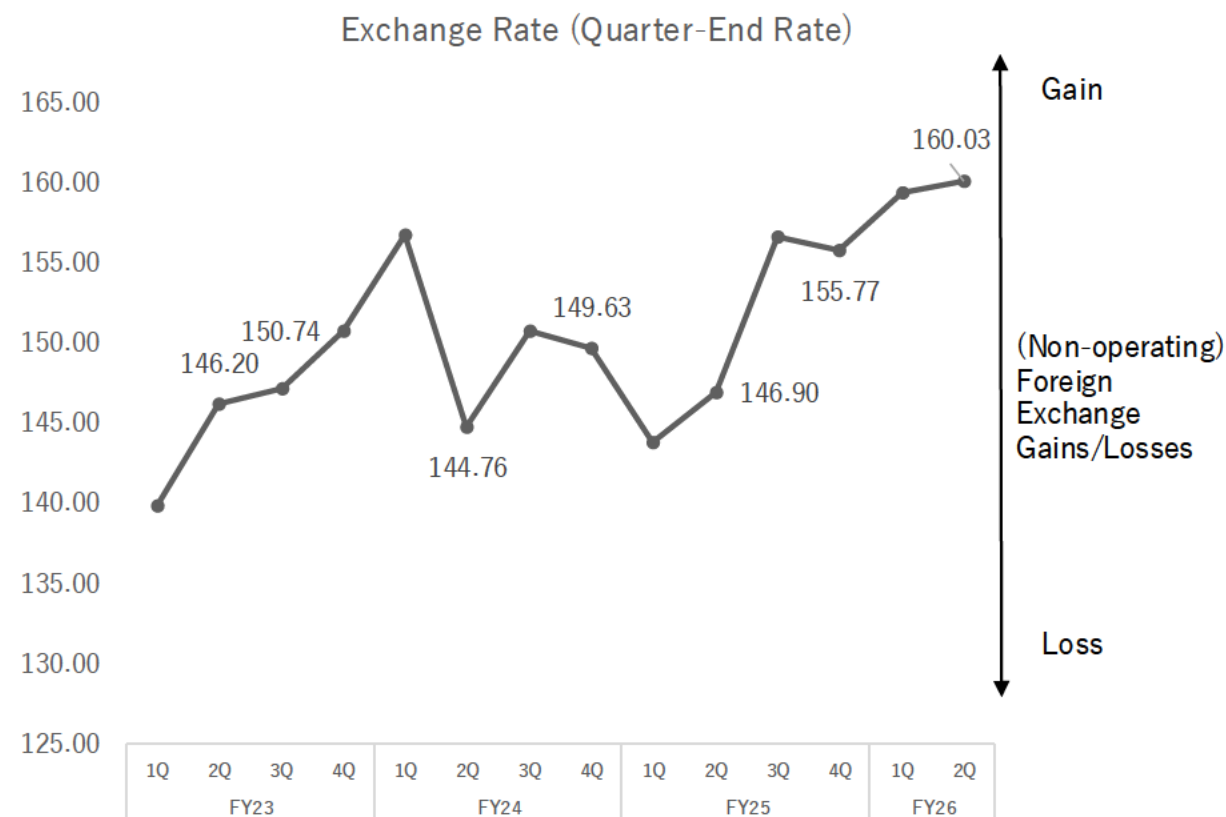
# FY26 Q2 Exchange Rate Trends

## Exchange Rate (Quarterly)

- Q2 average: 160.58 yen; end of August: 160.03 yen
- H1 average: 159.15 yen (prior year: 146.97 yen)



\*Red: H1 (Mar.–Aug.) average rate for each fiscal year

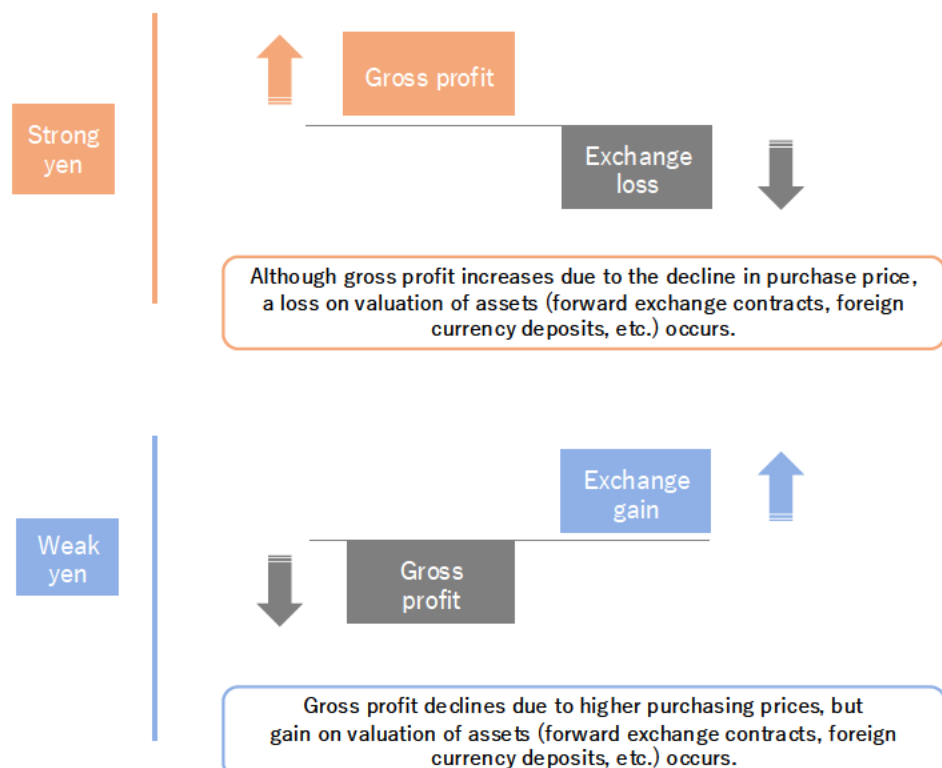


\*Labels: Rates at the end of Q2 and at fiscal year-end (shown as the previous fiscal year-end for the following year). The rate at the end of the fiscal year preceding FY23 was 136.33 yen.

# Impact of Exchange Rate Fluctuations on Our Business

- We execute short- and medium-term forward exchange contracts to equalize monthly foreign currency payment rates.
- As hedge accounting is not applied (Japanese GAAP), FX always affects gross profit and non-operating income/expenses (foreign exchange gains/losses)
- The period-average rate affects gross profit; the period-end (incl. quarter-end) rate affects FX gains/losses.
- As of the end of Q2, forward exchange contracts totaled \$38 million at an average rate of ¥144.07.

## FX impact <sup>(1)</sup>



## FX sensitivity (H2; per 1-yen weaker yen vs. USD) <sup>(2)</sup>

|                                                                                   |                                                                                                                                |                                                                                       |
|-----------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------|
| <b>Operating profit</b><br><b>-30 million yen</b><br>Increase in purchasing costs | <b>Foreign exchange gains (losses)</b><br><b>+40 million yen</b><br>Settlement gains on forward contracts<br>• Valuation gains | <b>Ordinary profit</b><br><b>+9 million yen</b><br>Operating profit + FX gains/losses |
|-----------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------|

The impact on ordinary profit is limited, as higher procurement costs from the weak yen are offset by gains on forward exchange contracts.

With the voluntary adoption of IFRS (from the fiscal year ending February 2029), we will consider applying hedge accounting.

Taking this opportunity, we will consider applying hedge accounting. If applied, FX effects on purchases could be reflected more appropriately in cost of sales, potentially helping to stabilize the gross profit margin (see p. 24).

(Note) 1. The concept is for illustrative purposes only and does not fully reflect all FX impacts.

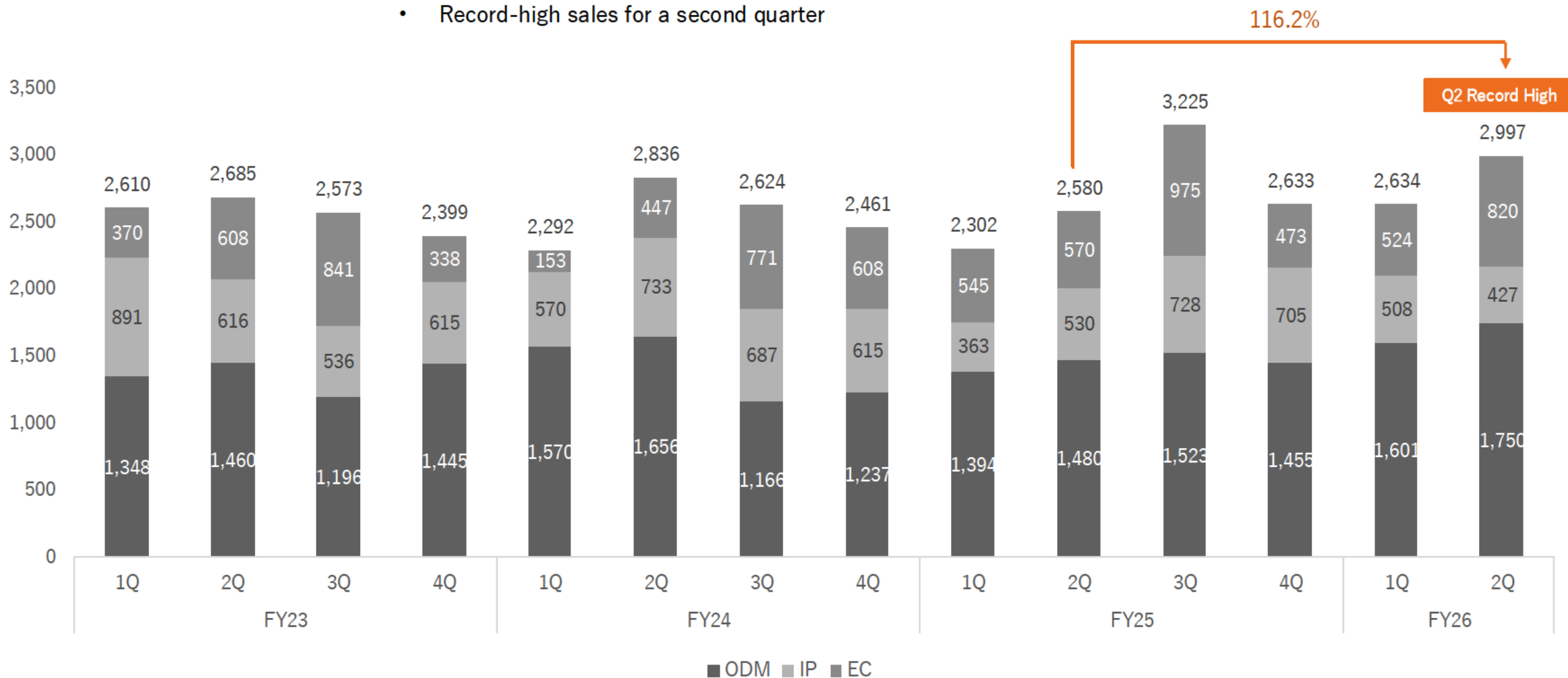
2. FX sensitivity is a non-consolidated estimate (assuming 1-yen depreciation of the yen from September 2026 to February 2027; forward exchange contracts are those outstanding at the end of Q2). Rounded to the nearest million yen.

3. See p. 38 for the relationship between historical exchange rate trends and the gross profit margin / FX gain (loss) ratio.

# FY26 Q2 Sales before Rebates Deduction (Non-consolidated)

## Sales before Rebate Deduction (Quarterly)

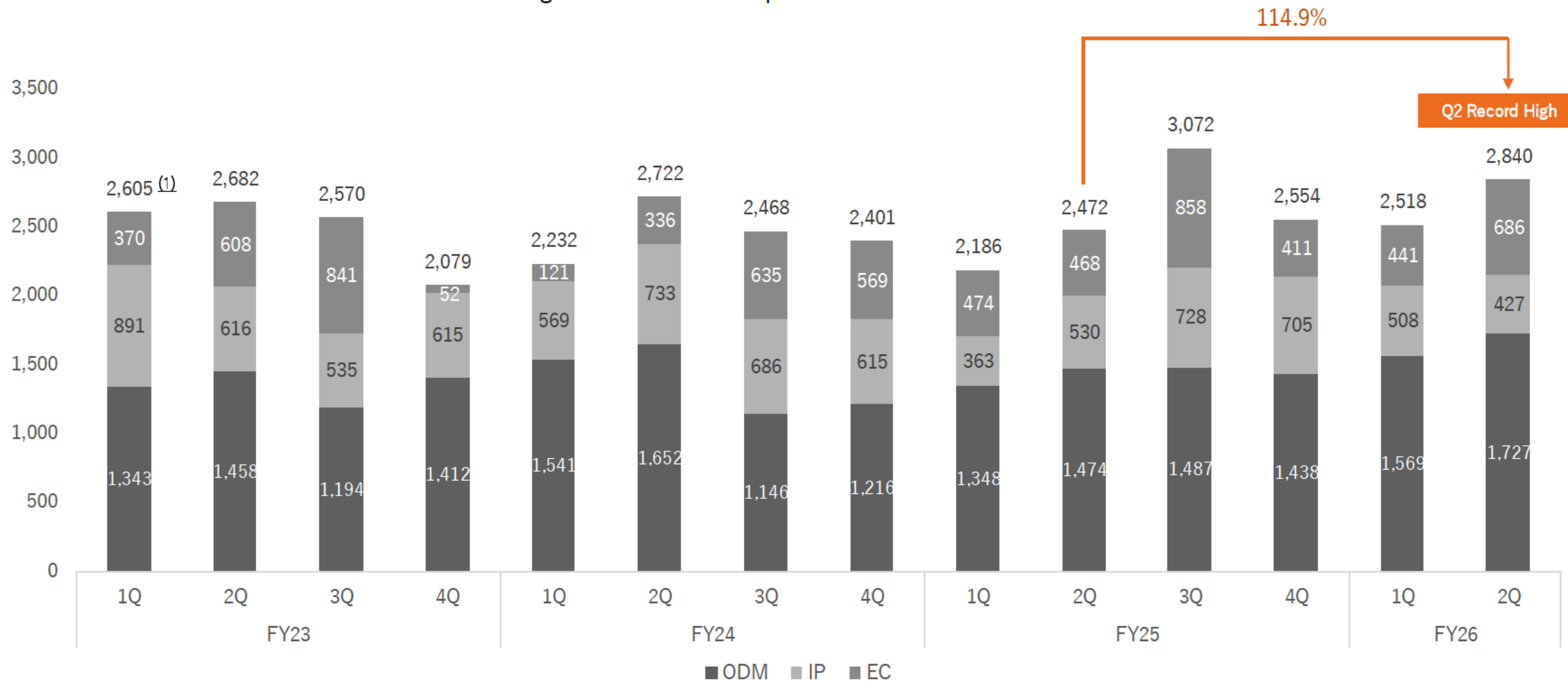
- Sales before rebate deduction were 2,997 million yen, 116.2% of the same quarter of the previous fiscal year (ODM 118.3%, IP 80.7%, EC 143.7%)
- Record-high sales for a second quarter



# FY26 Q2 Sales Trends (Non-consolidated)

## Net Sales (Quarterly)

- Net sales were 2,840 million yen, 114.9% year-on-year (ODM 117.1%, IP 80.7%, EC 146.8%)
- Record-high sales for a second quarter

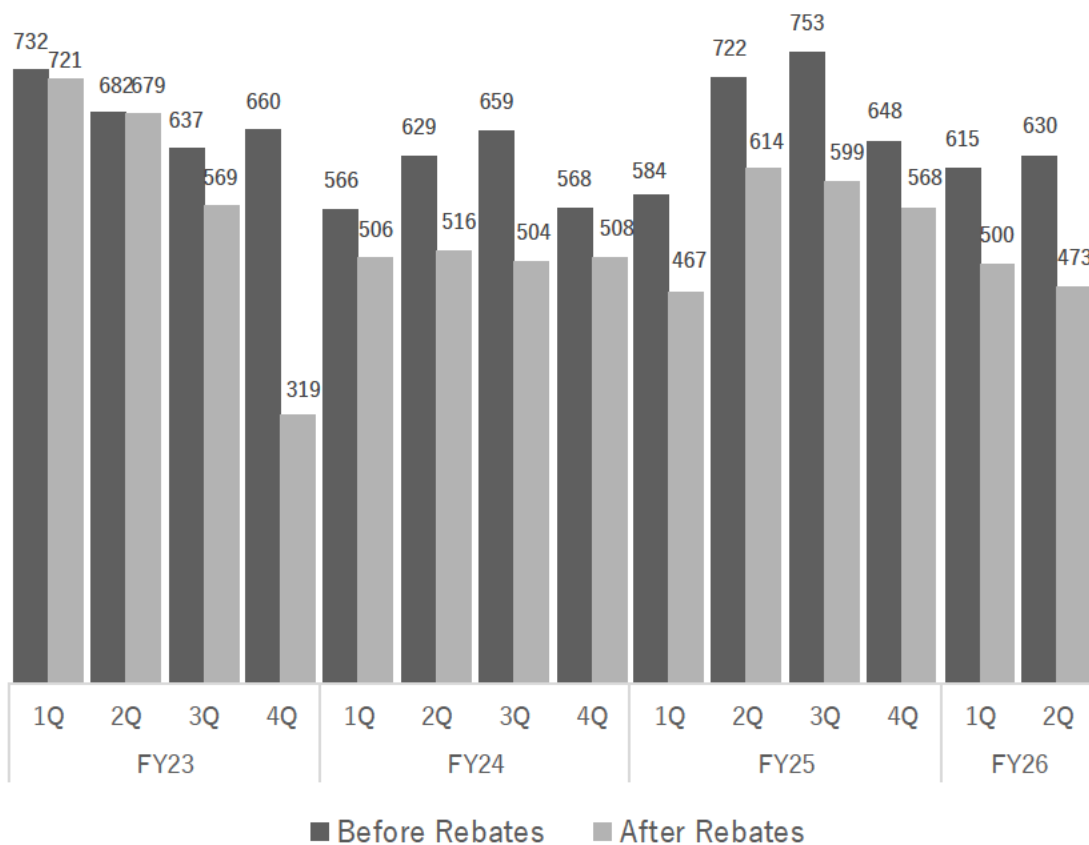
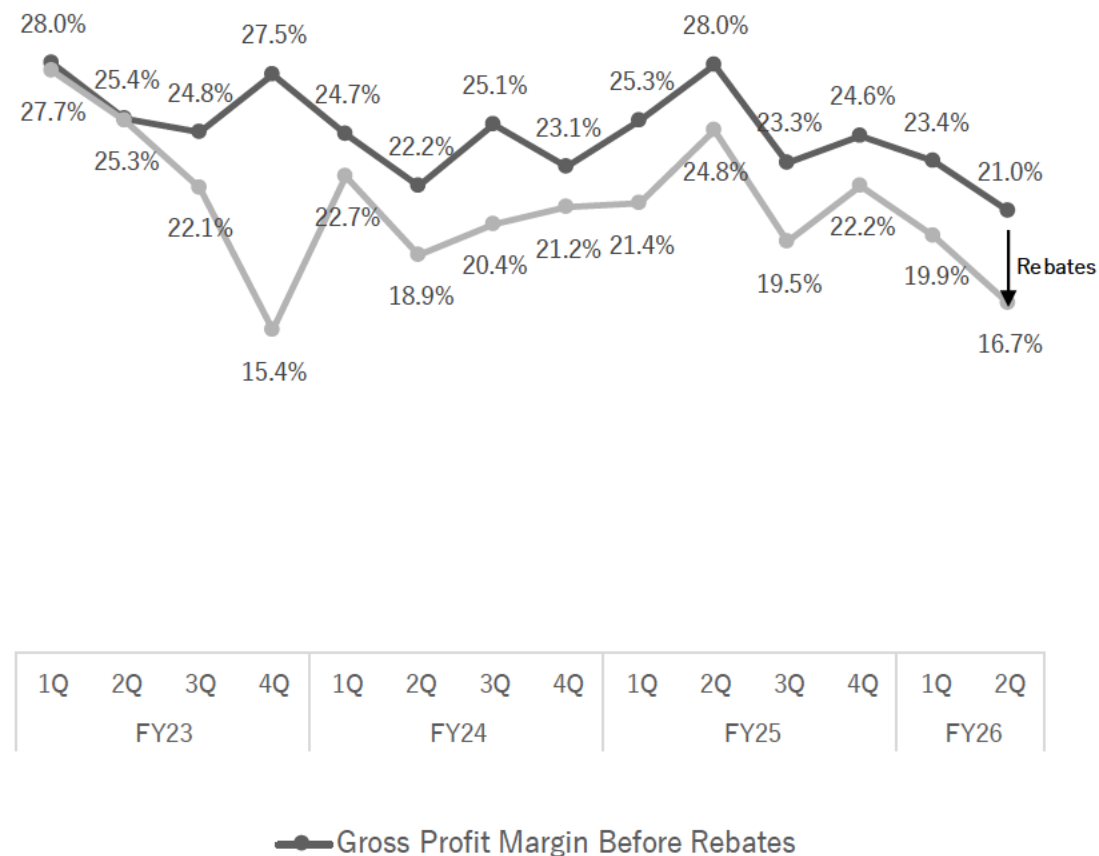


(Note) 1. As the company was preparing for listing, the total monthly financial results were aggregated (before rebates were applied).  
 2. Quarterly trends are shown on a non-consolidated basis for continuity.

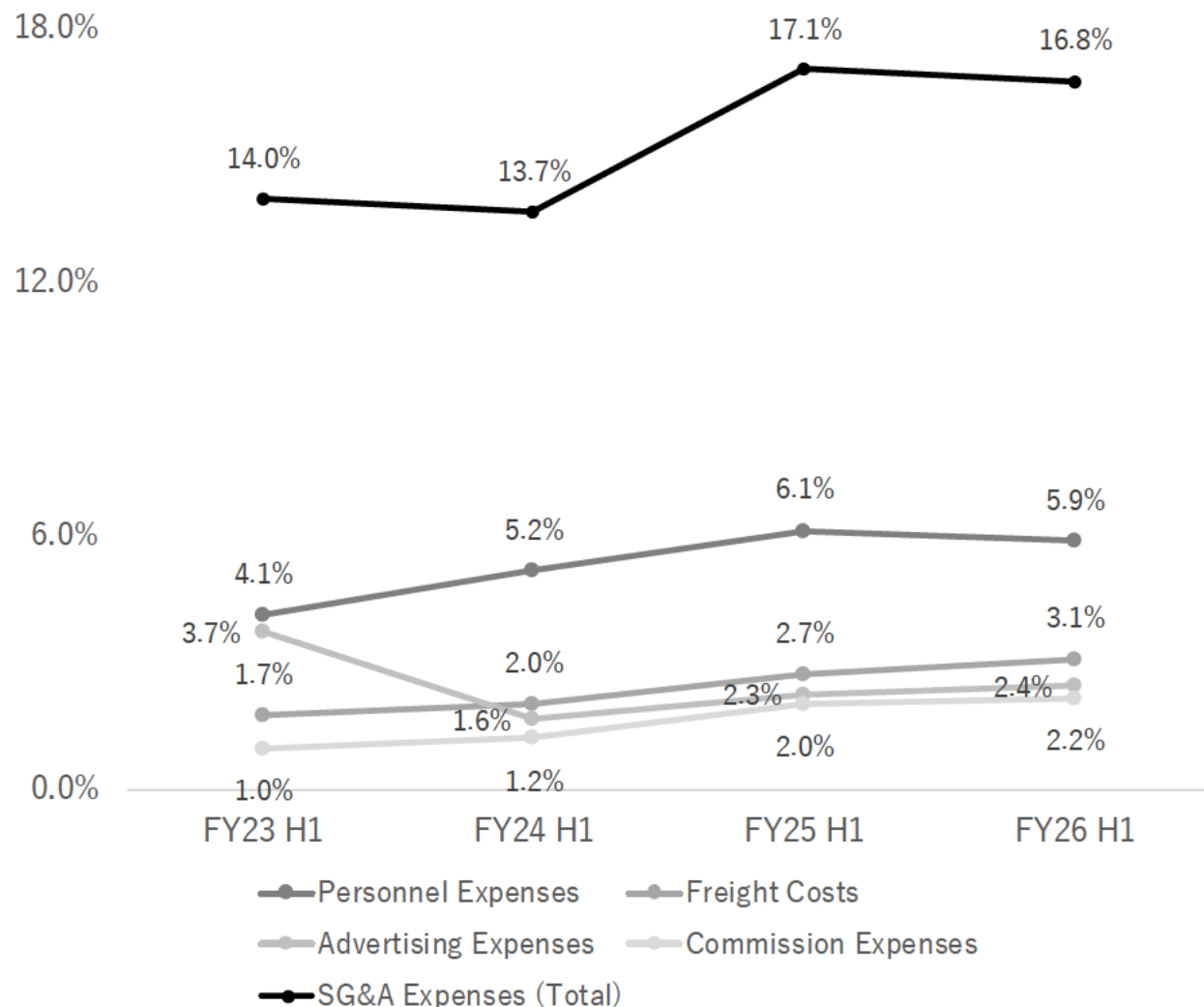
# FY26 Q2 Gross Profit & Margin Trend (Non-consolidated)

## Gross Profit (Quarterly)

- Before rebate deduction: Gross profit was 630 million yen, gross profit margin was 21.0%
- After rebate deduction: Gross profit was 473 million yen, gross profit margin was 16.7%



# ■ FY26 H1 Trends in SG&A-to-Net Sales Ratio (Non-consolidated)



## Freight Costs

- Impact of increased domestic logistics

## Advertising Expenses

- i-TOWEL branding expenses
- Active web marketing for Towel Laboratory

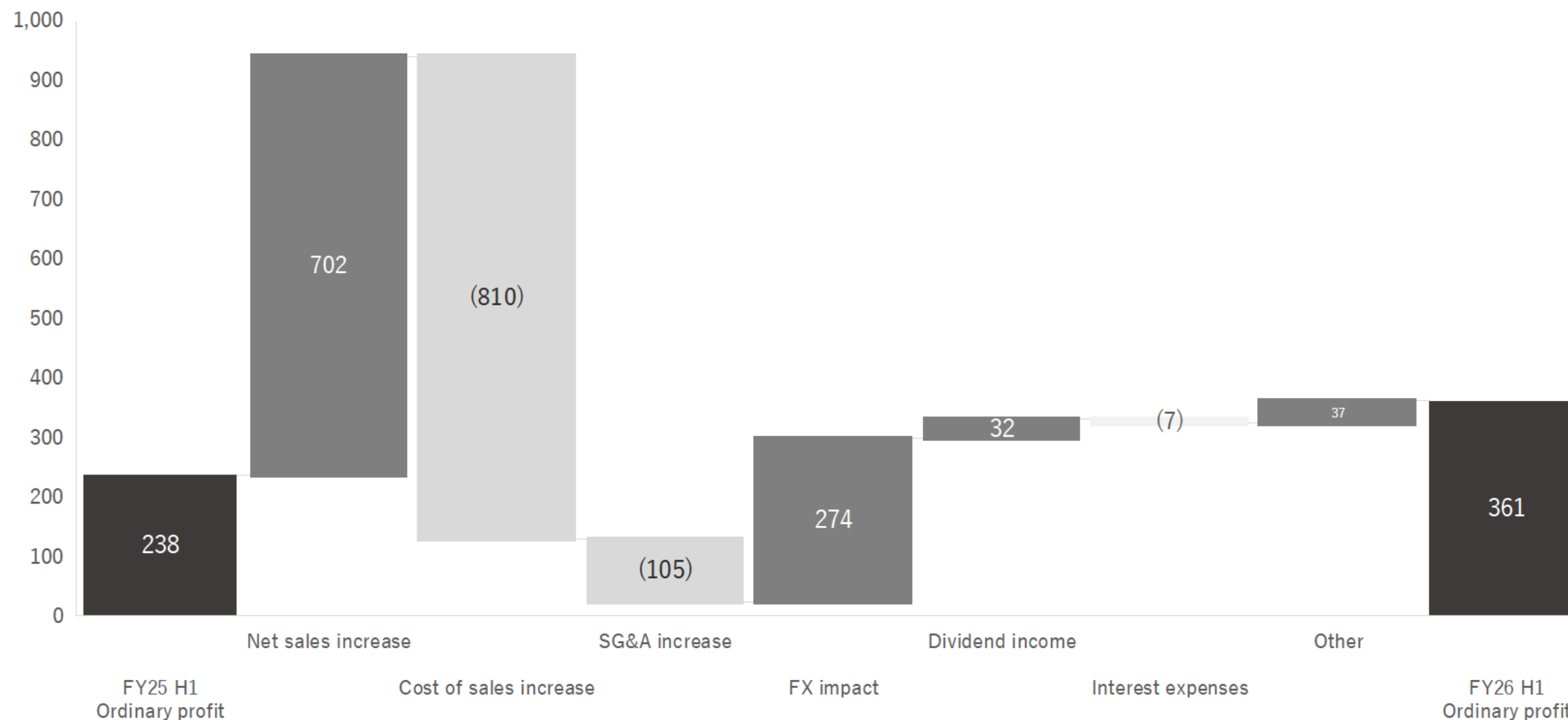
## Commission Expenses

- Patent-related expenses
- Recruitment agency fees for staffing expansion

# FY26 H1 Analysis of Changes in Ordinary Profit (Non-consolidated)



(Unit: Millions of yen)



(Note) 1. As this is the first year of consolidation, figures are shown on a non-consolidated basis for a like-for-like comparison (FY26 figures are stand-alone figures after the financial results were finalized).

2. Consolidated ordinary profit for FY26 H1 was 308 million yen.

# FY26 Consolidated Earnings Forecast



With the transition to consolidated reporting, the Company withdrew its non-consolidated forecast of April 14, 2026 (initial forecast) and announced a consolidated forecast. After incorporating the two subsidiaries and updating the assumed exchange rate, the differences did not reach the threshold for disclosing a revision, so the forecast figures are the same as the non-consolidated forecast.

(Unit: Millions of yen; EPS in yen)

| Category                                                        | Net sales | Operating profit | Ordinary profit | Profit attributable to owners of parent | Basic earnings per share <sup>(1)</sup> |
|-----------------------------------------------------------------|-----------|------------------|-----------------|-----------------------------------------|-----------------------------------------|
| Current forecast (consolidated)                                 | 11,650    | 825              | 1,082           | 638                                     | 68.58                                   |
| (Reference) Previous forecast (non-consolidated) <sup>(2)</sup> | 11,650    | 825              | 1,082           | 638                                     | 63.85                                   |
| (Reference) H1 consolidated results                             | 5,380     | 52               | 308             | 174                                     | 18.37                                   |

## Approach to Consolidated Earnings Forecasts

### ① Consolidated plan

Prepared a consolidated plan by adding consolidation adjustments, such as the elimination of intercompany transactions, to the business plans of the two subsidiaries (INC and ITEX)



### ② Revised assumed exchange rate

Revised the assumed exchange rate to the average of the most recent 12 months (USD 1 = JPY 156.74) and calculated consolidated results including the two subsidiaries



### ③ Consolidated forecast announced

As the differences from the non-consolidated forecast did not reach the threshold requiring disclosure of a revision, the forecast is set at the same amounts. In H2, we will pursue profit improvement initiatives (p. 17) to achieve it.

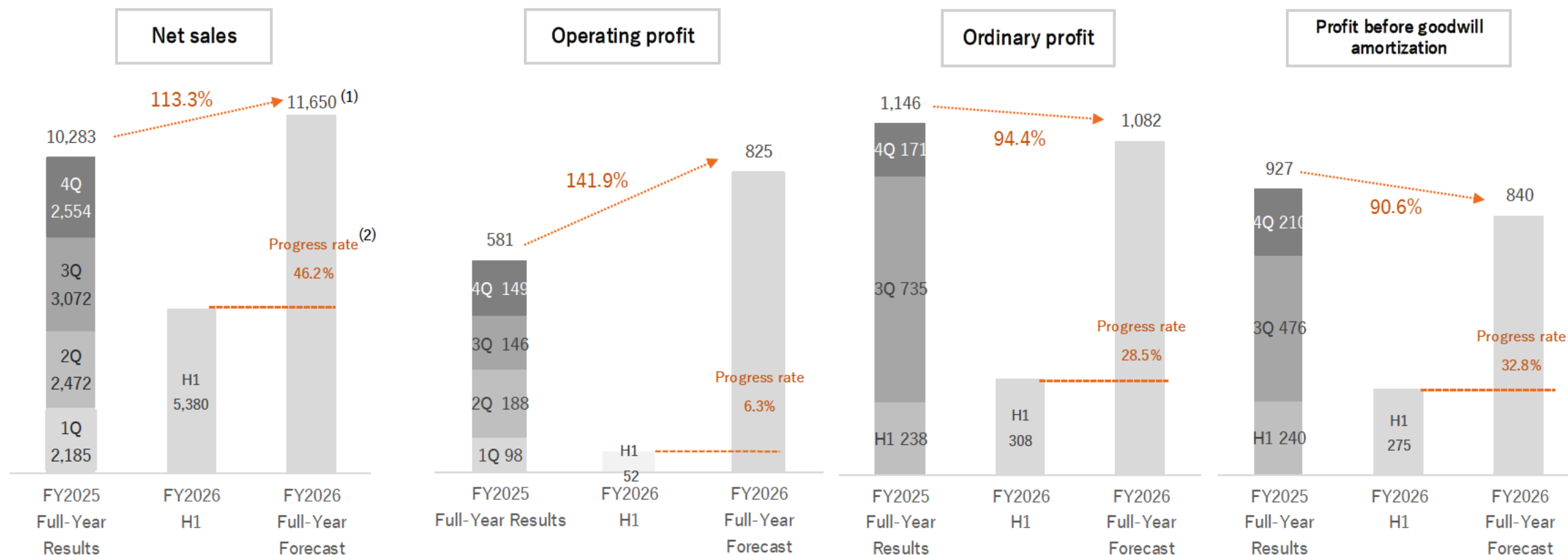
(Note) 1. Although profit attributable to owners of parent is unchanged from the previous forecast, basic earnings per share has increased because it reflects the decrease in the average number of shares outstanding during the period resulting from share repurchases.

2. "(Reference) Previous forecast (non-consolidated)" is the earnings forecast announced on April 14, 2026 (initial forecast).

# FY26 Q2 Progress toward Full-Year Forecasts (Consolidated)



(Unit: Millions of yen)



- Achieved record-high sales before rebate deduction for a first half, driven by growth in ODM and EC (consolidated)

- Purchasing costs increased due to the depreciation of the yen
- Prioritized strategic investments (marketing, human resources, etc.) for medium- to long-term growth

- Foreign exchange gains generated due to the depreciation of the yen

(Note) 1. The full-year forecast is the consolidated earnings forecast (the same amounts as the non-consolidated forecast announced on April 14, 2026, as the differences from revising the assumed exchange rate, etc. did not reach the disclosure threshold). See the previous page for details.

2. Progress rates are for reference only

3. YoY changes are not presented as this is the first year of consolidation

# Profit Improvement Initiatives for H2

While the H1 consolidated operating margin was only 1.0% due to higher purchasing costs from the weak yen and growth investments, net sales before rebates deduction hit a record high for a first half. In H2, we will improve margins through three measures: "optimizing prices and specifications," "opening stores on new e-commerce malls," and "shifting production sites."

## 1 Optimizing prices and specifications (renewal)

Review specifications and prices when renewing existing products to set margins appropriate for current exchange rates

Timing of contribution

### Full contribution in H2

Switching to renewed products step by step, improving margins throughout H2

Current situation

### Margin improved in September<sup>(1)</sup>

The gross profit margin already improved in September alone, and the effects of renewals are expected to appear gradually.

## 2 Opening stores on new e-commerce malls

Began opening stores on new e-commerce malls (Rakuten Ichiba, ZOZOTOWN) to raise profit margins

Rakuten Ichiba sales in September (store opened August 24)

### 28 million yen<sup>(1)</sup>

Ranked No. 1 in the daily face towel ranking within three weeks of opening

Amazon.co.jp sales (Q2 YoY)

### 115.4%<sup>(1)</sup>

About half of Rakuten Ichiba purchasers are women in their 30s–50s, adding a customer base different from Amazon's.

## 3 Shifting production sites (China → India/Vietnam)

Shifting production from China to India and Vietnam to cut procurement costs (eligible items are duty-free under Economic Partnership Agreements)

India production ratio (purchase value basis)

### Q1 21.0% → Q2 24.7%<sup>(2)</sup>

FY25 full year 19.6% → FY26 H1 23.0%

Policy for H2

### Phased transfer

Expand eligible items step by step while assessing quality and lead times, reducing procurement costs over the medium to long term

(Note) 1. The September gross profit margin trend is based on non-consolidated preliminary monthly figures. Rakuten Ichiba sales are tax-included sales amounts from Rakuten Ichiba data converted to a tax-excluded basis (see p. 28); for Amazon.co.jp sales, see p. 27.

2. India production ratio is the share of India-made products in non-consolidated purchases.

# FY26 Q2 Consolidated Financial Position



(Unit: Millions of yen)

| Consolidated (as of August 31, 2026) <sup>(1)</sup> |                |                   |
|-----------------------------------------------------|----------------|-------------------|
|                                                     | Actual results | Composition ratio |
| Assets                                              | 7,854          | 100.0%            |
| Current assets                                      | 3,937          | 50.1%             |
| Cash and deposits                                   | 1,091          | 13.9%             |
| Trade receivables <sup>(2)</sup>                    | 1,873          | 23.9%             |
| Inventories                                         | 530            | 6.8%              |
| Non-current assets                                  | 3,917          | 49.9%             |
| Goodwill                                            | 3,023          | 38.5%             |
| Liabilities                                         | 4,451          | 56.7%             |
| Current liabilities                                 | 1,731          | 22.0%             |
| Current portion of long-term borrowings             | 230            | 2.9%              |
| Non-current liabilities                             | 2,720          | 34.6%             |
| Long-term borrowings                                | 2,720          | 34.6%             |
| Net assets                                          | 3,403          | 43.3%             |
| Treasury shares                                     | (635)          | (8.1%)            |

| (Reference) Non-consolidated comparison with previous fiscal year-end |                  |                  |                                 |
|-----------------------------------------------------------------------|------------------|------------------|---------------------------------|
|                                                                       | End of Feb. 2026 | End of Aug. 2026 | vs. end of previous fiscal year |
| Assets                                                                | 8,476            | 7,917            | 93.4%                           |
| Current assets                                                        | 4,279            | 3,846            | 89.9%                           |
| Cash and deposits                                                     | 1,126            | 934              | 82.9%                           |
| Trade receivables                                                     | 2,145            | 1,866            | 87.0%                           |
| Inventories                                                           | 510              | 511              | 100.3%                          |
| Non-current assets                                                    | 4,197            | 4,071            | 97.0%                           |
| Goodwill                                                              | 3,123            | 3,023            | 96.8%                           |
| Liabilities                                                           | 4,340            | 4,506            | 103.8%                          |
| Current liabilities                                                   | 1,505            | 1,786            | 118.7%                          |
| Current portion of long-term borrowings                               | 230              | 230              | 100.0%                          |
| Non-current liabilities                                               | 2,835            | 2,720            | 95.9%                           |
| Long-term borrowings                                                  | 2,835            | 2,720            | 95.9%                           |
| Net assets                                                            | 4,136            | 3,411            | 82.5%                           |
| Treasury shares                                                       | (81)             | (635)            | 779.6%                          |

(Note) 1. As the Company began preparing semi-annual consolidated financial statements from the current first half, consolidated figures are not compared with the end of the previous fiscal year.

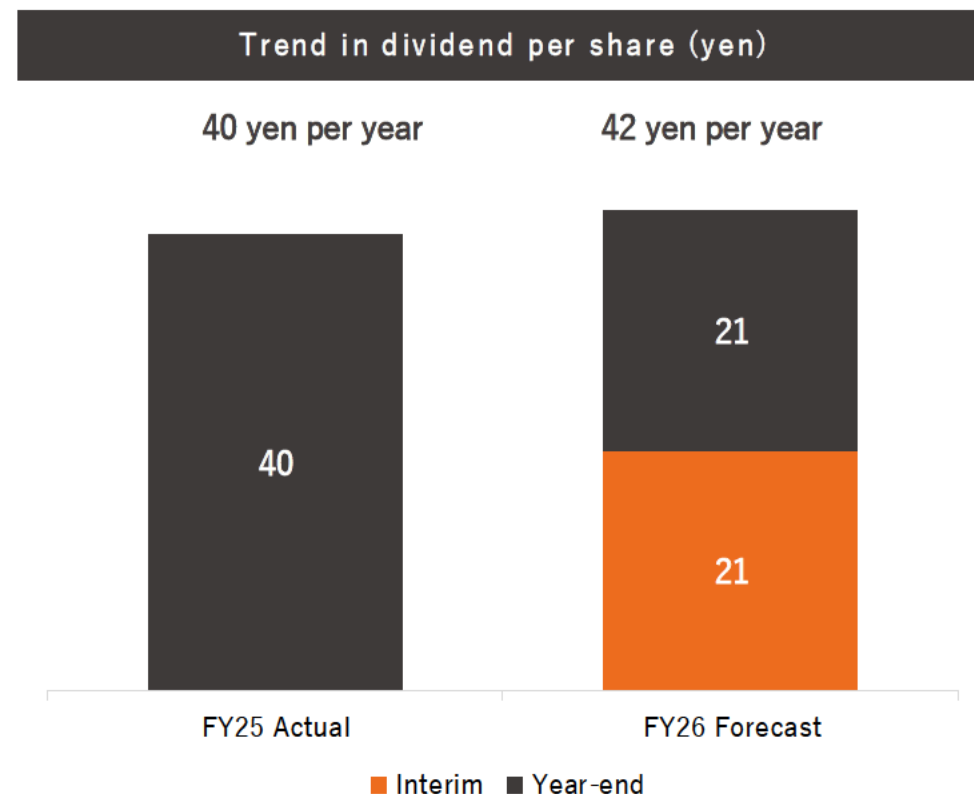
2. Trade receivables = Accounts receivable - trade + Electronically recorded monetary claims - operating

# Shareholder Returns ① Dividends (Interim Dividend)

Resolved an interim dividend of 21 yen per share with a record date of August 31, 2026. The annual dividend forecast of 42 yen (interim: 21 yen; year-end: 21 yen) is unchanged.

| Details of Interim Dividend |                   |                                                   |                                         |
|-----------------------------|-------------------|---------------------------------------------------|-----------------------------------------|
|                             | Resolved amount   | Most recent dividend forecast<br>(April 14, 2026) | Previous year results<br>(FY25 interim) |
| Record date                 | August 31, 2026   | August 31, 2026                                   | August 31, 2025                         |
| Cash dividends per share    | 21.00 yen         | 21.00 yen                                         | 0.00 yen                                |
| Total amount of dividends   | 191 million yen   | —                                                 | —                                       |
| Effective date              | November 13, 2026 | —                                                 | —                                       |
| Dividend source             | Retained earnings | —                                                 | —                                       |
| Dividend Policy             |                   |                                                   |                                         |

- Target DOE (annual dividends ÷ shareholders' equity at the end of the previous fiscal year) of 10%
- Semi-annual dividend payout consisting of interim and year-end dividends



\* The FY25 year-end dividend of 40 yen includes a 1-yen commemorative dividend for the listing. The FY26 year-end dividend is a forecast.

# Shareholder Returns ② Share Repurchases

From February to June 2026, the Company repurchased a total of 900,000 shares (641 million yen), of which 560 million yen was repurchased in the current fiscal year.

| Details of Repurchases                               |                                                                                          |                 |                   |
|------------------------------------------------------|------------------------------------------------------------------------------------------|-----------------|-------------------|
| Method                                               | Period                                                                                   | Shares Acquired | Acquisition Price |
| Open market purchase                                 | February 1 to March 31, 2026                                                             | 300,000 shares  | 205 million yen   |
| Off-auction own share repurchase trading (ToSTNeT-3) | June 26, 2026                                                                            | 600,000 shares  | 436 million yen   |
| Total                                                |                                                                                          | 900,000 shares  | 641 million yen   |
| Of which, current fiscal year                        | March to June 2026 (81 million yen acquired in February was in the previous fiscal year) |                 | 560 million yen   |

| Treasury Shares Held                        |                                                                          |
|---------------------------------------------|--------------------------------------------------------------------------|
| Balance of holdings (as of August 31, 2026) |                                                                          |
| <b>891,000 shares</b>                       | Acquisition: 900,000 shares<br>Exercise of stock options: (9,000) shares |
| Percentage of total number of issued shares |                                                                          |
| <b>8.91%(1)</b>                             |                                                                          |

## Overview of Shareholder Returns (FY26)

### Dividends<sup>(2)</sup>

Annual 42 yen (forecast) = interim 21 yen + year-end 21 yen

Total dividends: 382 million yen (forecast)

Semi-annual dividends targeting a DOE of 10%

### Share repurchases

Current fiscal year: 560 million yen  
(March to June 2026)

Current-year portion of the total 900,000 shares / 641 million yen (February to June 2026)

### Total shareholder returns

**943 million yen**

= Total dividends of 382 million yen + share repurchases of 560 million yen

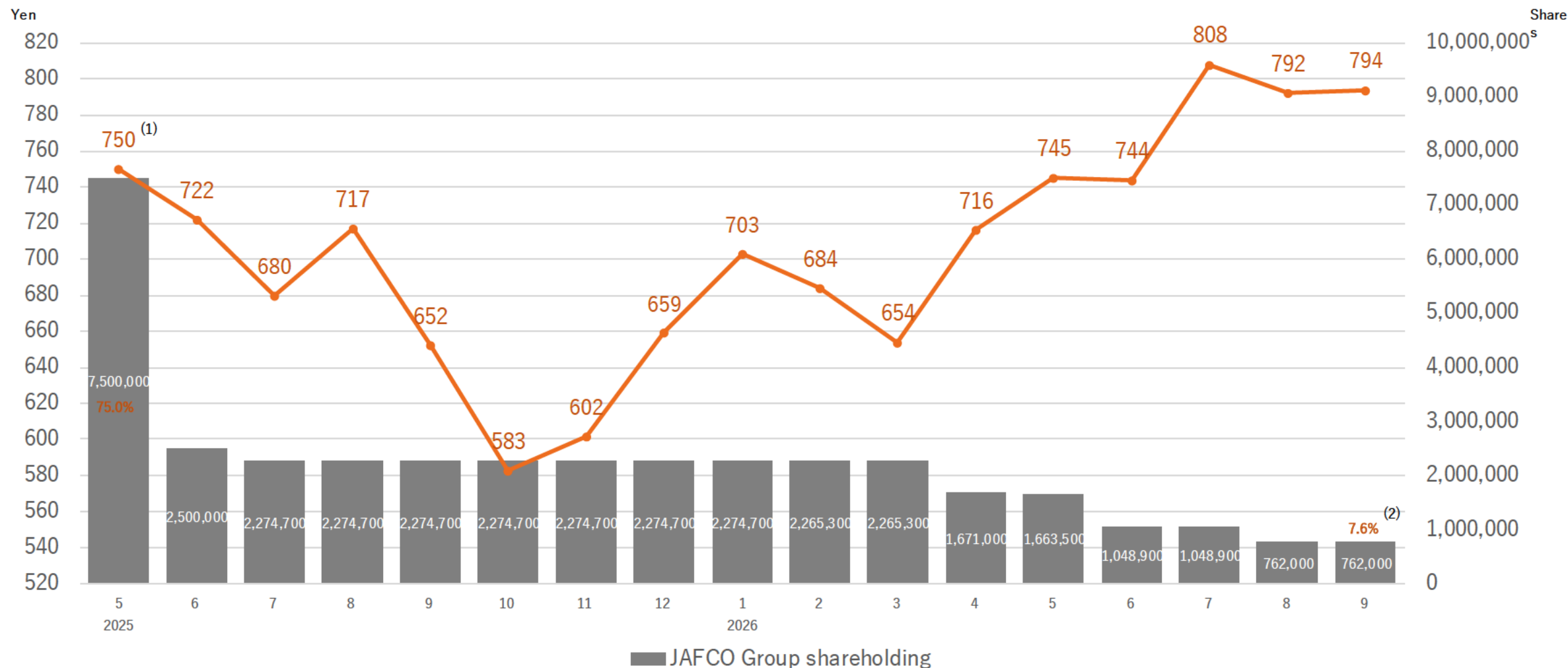
Dividends are forecasts; share repurchases are the current-year amount (March to June 2026).

(Note) 1. Percentage of total number of issued shares = Shares held of 891,000 ÷ Total number of issued shares of 10,000,000

2. Total dividends (forecast) = Interim dividend of 191 million yen (resolved) + Year-end dividend of approx. 191 million yen (21 yen × 9,109,000 shares eligible for the year-end dividend)

# Changes in JAFCO Group's Shareholding Ratio

Due to the listing and the release of the lock-up, JAFCO Group's ratio decreased from 75% to 7.6%, easing concerns over overhang.



(Note) 1. Offering price prior to listing  
2. Prepared by the Company based on Large Shareholding Reports

# Voluntary Adoption of IFRS

# Decision to Voluntarily Adopt IFRS

The Board of Directors resolved on October 14, 2026 to voluntarily adopt IFRS for the consolidated financial statements from the fiscal year ending February 28, 2029 (FY28).

| Start of Adoption                                                                     | Scope of Application                                                                                                    | Purposes of Voluntary Adoption                                                                                                                                                                                                                                                                                                                           |
|---------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>FY28</b><br>Fiscal year ending February 28, 2029, from Q1 (starting March 1, 2028) | <b>Consolidated financial statements</b><br>Non-consolidated financial statements will continue to follow Japanese GAAP | <ul style="list-style-type: none"><li>● Improving international comparability of financial information</li><li>● Facilitating dialogue with stakeholders, including overseas investors</li><li>● Further enhancing the level of group management</li><li>● Strengthening a global management foundation in view of future business development</li></ul> |

| Timing of IFRS Adoption           |                            |                                                            |                                  |
|-----------------------------------|----------------------------|------------------------------------------------------------|----------------------------------|
|                                   | FY26 (current fiscal year) | FY27                                                       | FY28                             |
| Consolidated disclosure           | Japanese GAAP              | Japanese GAAP                                              | IFRS (disclosed from FY28 Q1)    |
| Transition to IFRS                |                            | Comparative period (comparative information based on IFRS) | First year of IFRS adoption      |
| Earnings forecasts <sup>(1)</sup> |                            | FY28 forecast announced with the FY27 results              | Earnings forecasts based on IFRS |

▲ IFRS transition date  
(March 1, 2027)

|               |                                                                                                                                                                                                                                      |
|---------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Vision</b> | Looking ahead to a potential future transition to the Prime Market <sup>(3)</sup> , we will promote internationally comparable financial reporting and enhance governance, <b>aiming to be a company chosen by global investors.</b> |
|---------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

(Note) 1. The FY28 earnings forecast is scheduled to be announced with the FY27 financial results and prepared under IFRS.  
2. The impact on the financial statements as a whole will be announced once finalized after careful review.  
3. The transition to the Prime Market indicates a future direction; its timing and other details have not been determined.

# Major Changes from IFRS Adoption

The main differences between the accounting standards and their expected impact on profit are as follows:

## 1 Accounting treatment of goodwill

### Japanese GAAP

Amortized systematically over a set period  
(Approx. 200 million yen per year)



### IFRS

Not amortized; tested for impairment annually and whenever there is an indication of impairment

### (Reference) Consolidated H1 (Millions of yen)

Operating profit

52

+

Goodwill amortization <sup>(2)</sup>

100

=

Operating profit before goodwill amortization

152

Underlying profit trends are shown regardless of goodwill amortization

## 2 Accounting treatment of forward exchange contracts (hedge accounting)

### Japanese GAAP

Hedge accounting is not applied; mark-to-market gains/losses on forward exchange contracts are recognized in profit or loss each period



### IFRS (to be considered in the future)<sup>(1)</sup>

Application of cash flow hedges to be considered as one option (hedging forecast purchase transactions)

### (Reference) Accounting treatment assuming cash flow hedges were applied

Valuation gains/losses on forward contracts (effective portion) are

Recorded in net assets (other comprehensive income)



At the time goods are purchased

Reflected in purchasing costs (cost of sales)

FX effects could be reflected more appropriately in cost of sales, potentially helping to stabilize the gross profit margin.

(Note) 1. The application of cash flow hedges has not been decided. Whether to adopt them, and the related policy, will be announced once determined.  
2. Goodwill amortization for H1 was 100,769 thousand yen (shown rounded down to the nearest million yen)  
3. The impact on the financial statements as a whole will be announced after a detailed review

## Topics since the Previous Quarter

## ODM Production

### First collaboration between "Towel Laboratory" and "salut!"

Co-developed towels and bath mats in original colors with "salut!", the household goods brand of PAL CO., LTD.  
Launched on August 21 at 11 stores nationwide and online



Fluffy and Springy Face Towel: 550 yen / Mini Bath Towel: 990 yen  
Smooth & Pleasant Bath Mat: 880 yen (all prices include tax)

### Obtained a patent for proprietary "woven pile fabric" technology

Developed a pile fabric that achieves a cotton-like feel and superior water absorption and quick-drying properties despite being 100% polyester, through a proprietary weave structure and manufacturing process

Patent Number: Patent No. 7919104  
Registration Date: September 3, 2026  
Title of the invention: WOVEN PILE FABRIC AND METHOD FOR PRODUCING THE SAME

Cotton-like  
Texture on skin

Excellent  
Water absorption and quick-  
drying properties

Even after 50 washes  
High durability without wearing  
out

Easy to recycle /  
in a closed loop

Intended uses: Wiping sweat during sports, gyms, outdoors such as mountain climbing, the beach, and pools, and wiping hands on the go

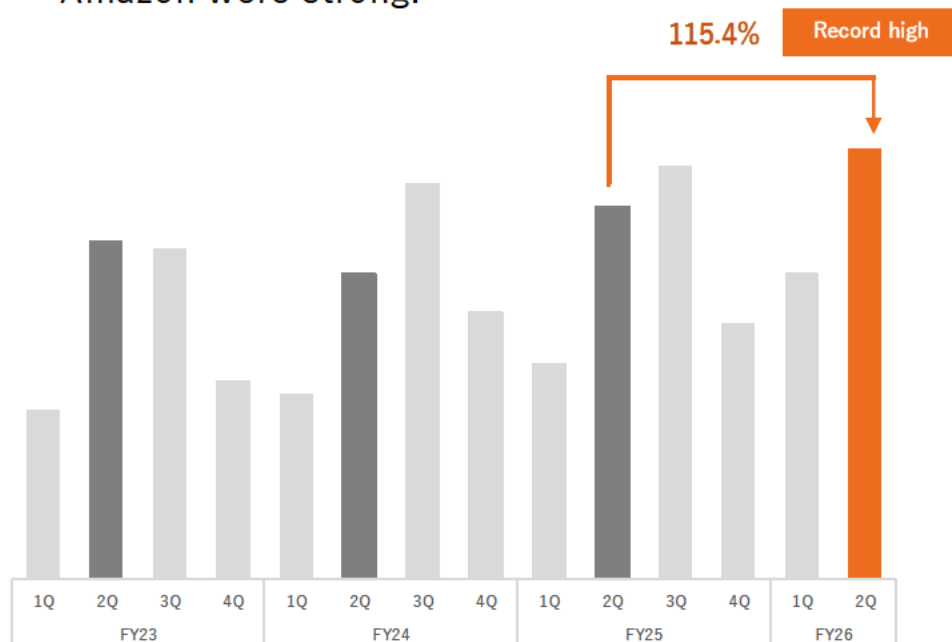
#### **Status of inquiries <sup>(1)</sup>**

Receiving inquiries from multiple companies, mainly in sports; exploring applications and commercialization

## Towel Laboratory

### Amazon.co.jp Sales Trends

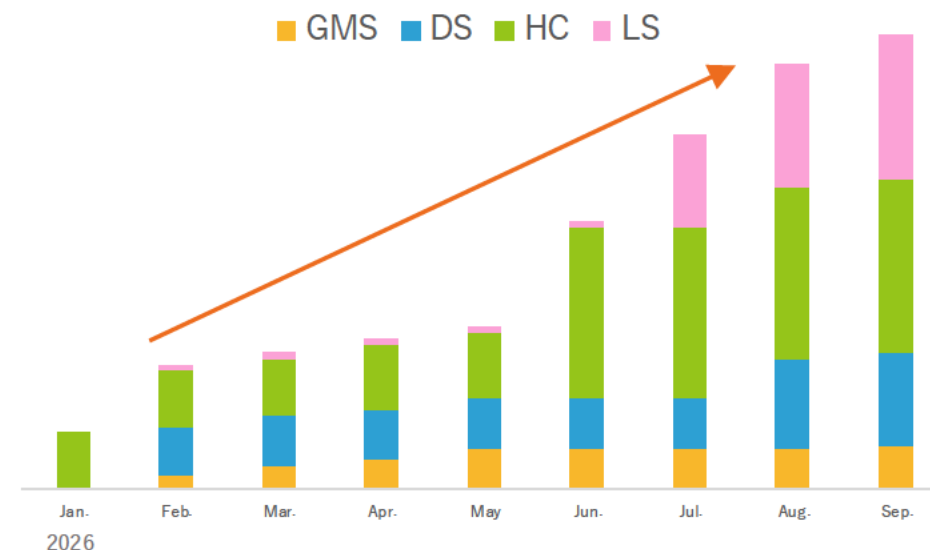
Not only sales of our products delivered to Amazon, but also sales to consumers on Amazon were strong.



### Progress of Towel Laboratory's Offline Sales

Number of stores carrying our products exceeded 3,000

This initiative, launched on January 1, 2026, has further expanded its store footprint, surpassing 3,000 stores in total.



## Towel Laboratory: Customer Base and Growth Potential on Rakuten Ichiba

Within about a month of opening, it reached top daily ranks in all three major Rakuten Ichiba categories (No. 1 in face towels). Homemakers (women in their 30s–50s) make up about half of purchasers; we aim to grow further by expanding the lineup.

Sales (Aug.–Sep. 2026, excl. tax) <sup>(1)</sup>

**30** million yen

Of which, September: 28 million yen

Share of purchasers who are women  
in their 30s–50s (Sep.) <sup>(2)</sup>

**50.7%**

Mainly homemakers (64.2% of purchasers are women)

Average spend per customer (Sep.) <sup>(1)</sup>

**4,533** yen

Amount per order (tax included)

### Rakuten Ichiba Ranking Record (Highest Daily Rank) <sup>(3)</sup>

Face towel

**1<sup>st</sup>**

Bath towel

**2<sup>nd</sup>**

Overall towels

**2<sup>nd</sup>**

In September's overall towel ranking, in the TOP 10 on **27 out of 30 days**  
In the TOP 10 on 29 of 30 days for both face towels and bath towels, firmly established near the top

### Growth Potential

**1**

**Stronger proposals to homemakers**

Promoting repeat purchases by proposing products and sets that are easy to use at home

**2**

**Leveraging influencers**

Plan to strengthen appeal to women and homemakers, the core towel buyers, via bloggers, Instagrammers, etc. (clearly disclosed as advertising)

**3**

**Expansion of product lineup**

Raise spend per customer by expanding popular series and sizes step by step

(Note) 1. Prepared by the Company from Rakuten Ichiba data. Sales are the cumulative total from August 20 (pre-opening) to September 30, converting tax-included sales amounts in Rakuten Ichiba data to a tax-excluded basis (recognition criteria differ from net sales in the financial statements). Spend per customer = Sales amount (tax included) ÷ Number of orders

2. The percentage of women in their 30s to 50s is based on the demographic attributes of Rakuten members (purchasers in September 2026).

3. Rakuten Ichiba Daily Ranking. Face towels ranked 1st on September 14, 2026; bath towels/overall towels ranked 2nd as of September 30. The number of days ranked in the TOP 10 was aggregated by the Company based on data published from September 1 to 30.

## Towel Laboratory: Expanding Commercial (B2B) Sales

Sales to corporate customers via Amazon Business are growing faster than overall sales. B2B demand offers significant upside; we will capture large-lot, recurring demand centered on Amazon Business and consider expanding to Rakuten Ichiba.

### Target Commercial Demand

**Hotels and Ryokans (Tourism)**  
High-quality towels for guest rooms and public baths

**Hospitals and nursing care facilities (medical)**  
Towels designed with hygiene management in mind

**Work sites and factories**  
Bulk purchase demand

**Restaurants, beauty salons, and sports facilities**  
Large-volume, continuous purchases

### Main Initiatives

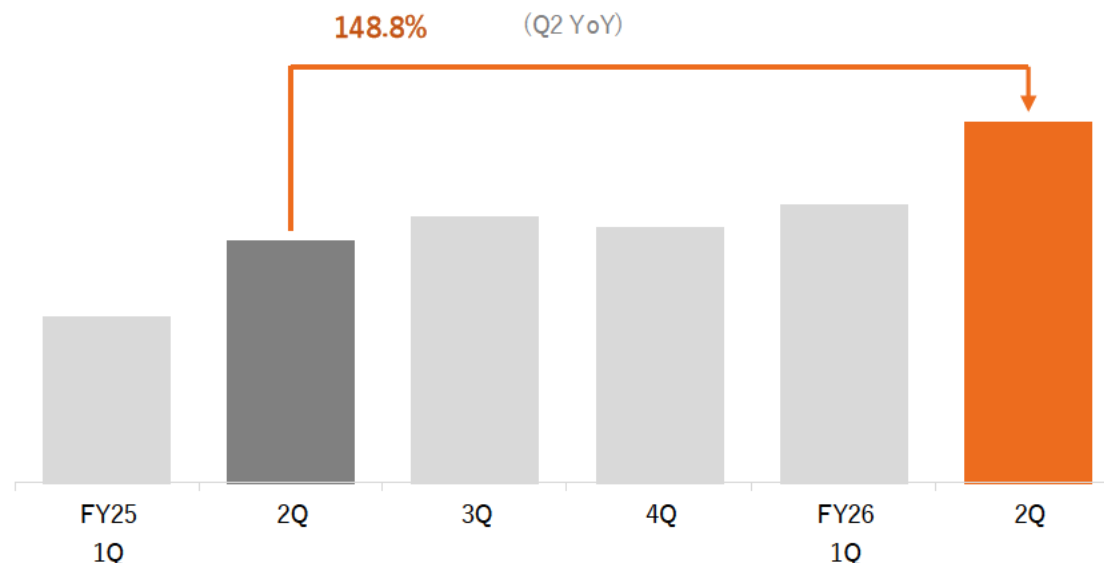
**1 Expansion of commercial products**  
Developing commercial products suitable for bulk purchasing, such as large-capacity packs

**2 Product rollouts by application**  
Expanding the lineup tailored to usage scenes, such as accommodation, medical, and nursing care

### Future Developments: Rakuten Ichiba

Considering expansion, including use of Rakuten Ichiba's "Business Discount" for corporate customers<sup>(2)</sup> (launched December 2024; eligible shops to be expanded gradually)

### Current Trend: Sales via Amazon Business (Quarterly)<sup>(1)</sup>



- Corporate sales are still small at about 2% of retail but growing faster than the total<sup>(3)</sup>
- Stable demand, with a higher share in regular months outside major sales events

(Note) 1. Quarterly trend in business (corporate) sales of our products on Amazon.co.jp (based on our sales; amounts not disclosed). YoY change and share of retail are on the same basis.

2. Rakuten Ichiba's "Business Discount" is based on information published by Rakuten Group.

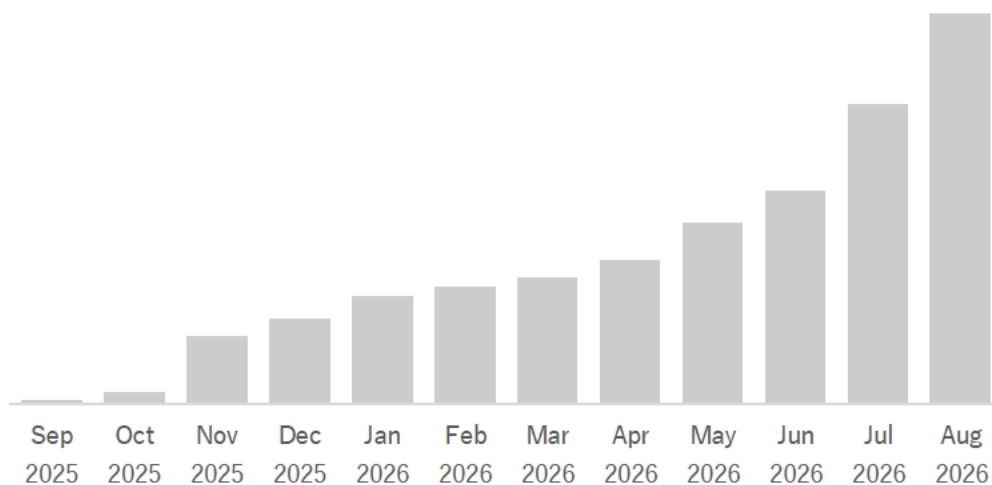
3. Recent trends are based on our analysis of the same data.

# Progress on Amazon.com in the U.S.

## Expanding Towel Laboratory Product Lineup

Towel Laboratory has expanded its product lineup, including the "America's 250th Anniversary Original Beach Towel," and sales are gradually growing.

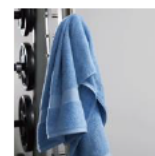
Amazon.com Sales Trend



### <Towel Laboratory Product Lineup>



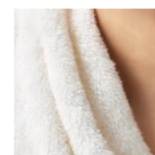
**Plush Light-Weight Towel**  
A well-balanced towel that combines volume and lightness



**Super Low lint Series**  
Highly durable Super Low-Lint Towel with minimal shedding



**Super Softness Series**  
Super Softness Towel with luxurious volume and a soft touch



**Long-Pile Plush Series**  
Super Long Pile Towel with a luxurious, smooth fabric that wraps your skin



**Beach Towel**  
In the massive U.S. market for beach towels, original products were jointly developed with Amazon.com

# ■ Strengthening the Structure of the U.S. Subsidiary



To expand the business of IZAWA TOWEL INC (U.S.), we strengthened its management system, including budget-vs-actual management, by hiring an experienced local manager and appointing our CFO as its CFO (September 24, 2026).

## Local hiring

### Local hiring of a manager

To expand IZAWA TOWEL INC's U.S. business, we locally hired a manager with a proven track record in growing sales

## CFO Appointment

On September 24, 2026, Takuto Miyoshi, CFO of the Company, was appointed CFO of IZAWA TOWEL INC

With the Company's CFO also serving as the subsidiary's CFO, we will strengthen the U.S. subsidiary's finance and accounting functions, including monthly budget-vs-actual management, and build a group management structure that supports consolidated reporting.

## Link to the Transition to Consolidated Reporting

Given the expanding U.S. business, including the hiring of a local manager, the subsidiary has been included in the scope of consolidation beginning with the six months ended August 31, 2026.

## Renewal of CI and Corporate Website

Refreshed our corporate identity (CI) and renewed our corporate website with a view to global expansion and the Company's next 100 years (September 25, 2026)

### New Logo



### Philosophy System

#### Mission

Providing comfortable towels for everyone's everyday life.

#### Vision

Creating towels that suit local preferences around the world. Rather than simply exporting Japanese standards to the world, we will create towels with new value best suited to each region.

#### Corporate Message

One Towel, One Quality

#### Our Philosophy

Rather than aiming to be the world's best, we create towels that stay close to communities and the daily lives of each and every person. Alongside the launch of our proprietary brand "i-TOWEL" following "Towel Laboratory," we will pursue global expansion under our new CI.

## i-TOWEL

On September 25, 2026, we launched "i-TOWEL," a high-margin proprietary premium brand following "Towel Laboratory"



i-TOWEL POP-UP STORE



### Brand Philosophy

#### Concept

A towel designed to be your favorite, not the world's best. Embodying our corporate message: "One Towel, One Quality"

#### R&D

The culmination of research since our founding in 1970. Comfort evaluated using objective indicators through industry-academia collaboration with the Faculty of Textile Science and Technology, Shinshu University

#### Symbol

The initial letter "i" represents our promise of the highest quality. Created from an original "towel font," layering the meanings of "I" (oneself) and "ai" (love).

### Lineup (4 sizes × 8 colors)

| Size | Product Name      | Dimensions (cm) | Spec    | Price  |
|------|-------------------|-----------------|---------|--------|
| S    | Face Towel        | 34 × 80         | Premium | ¥1,320 |
| M    | Big Face Towel    | 40 × 90         | Premium | ¥1,980 |
| L    | Bath Towel        | 60 × 120        | Premium | ¥3,080 |
| X    | Global Bath Towel | 70 × 140        | Premium | ¥3,850 |

\*Prices include tax

### Sales Channels (Online / Pop-up Store)

| Online      | Amazon.co.jp / ZOZOTOWN             |
|-------------|-------------------------------------|
| 9/25-9/28   | Daikanyama T-SITE GARDEN GALLERY    |
| 10/1-10/31  | Shonan T-SITE                       |
| 10/14-10/20 | Nihombashi Mitsukoshi Main Store 5F |
| 11/3-11/18  | Yurakucho Marui 1F                  |

 **CI Renewal and Launch of New Brand "i-TOWEL"** (2026/09/25)

We renewed our corporate identity (CI) and website with a view to global expansion. Following "Towel Laboratory," we also launched "i-TOWEL," our proprietary premium towel brand, on September 25, 2026.

 **Obtained Patent for "Woven Pile Fabric" Using Proprietary Technology** (2026/09/15)

Izawa Towel has obtained a patent for "woven pile fabric" that achieves a cotton-like feel, excellent water absorption, quick-drying properties, and durability.

We will roll out highly functional 100% polyester towels that offer excellent recyclability for sports and outdoor use.

 **"Towel Laboratory" Opens Official Store on Rakuten Ichiba** (2026/08/24)

"Towel Laboratory," Izawa Towel's brand that has ranked No. 1 in sales on Amazon for four consecutive years, officially opened a store on Rakuten Ichiba on August 24, 2026.

Building on growing brand awareness in physical stores, we aim to acquire new customer segments, mainly women in their 30s to 50s.

## Exhibition Track Record

### Logmi IR Meet 2026 Summer <Ended>

Period: Saturday, June 20, 2026, 13:00–19:30

Venue: Shibuya Stream Hall

### 7th Asset Management EXPO [Kansai] <Ended>

Period : Friday, August 28 – Sunday, August 30, 2026, 10:00 – 17:00

Venue : INTEX Osaka, Hall 6



## Future Exhibition Schedule

### Logmi IR Meet 2026 Winter

Period: Sunday, December 13, 2026

Venue: Shibuya Stream Hall

### The 1st IR & Stock Investment Festival Tokyo "Kabu Fes"

Period: Friday, February 26 to Saturday, February 27, 2027

Location: Tokyo Big Sight, South Exhibition Hall, Hall 3

Supplementary Materials

# Accounting Treatment

# Impact of Rebate Recognition

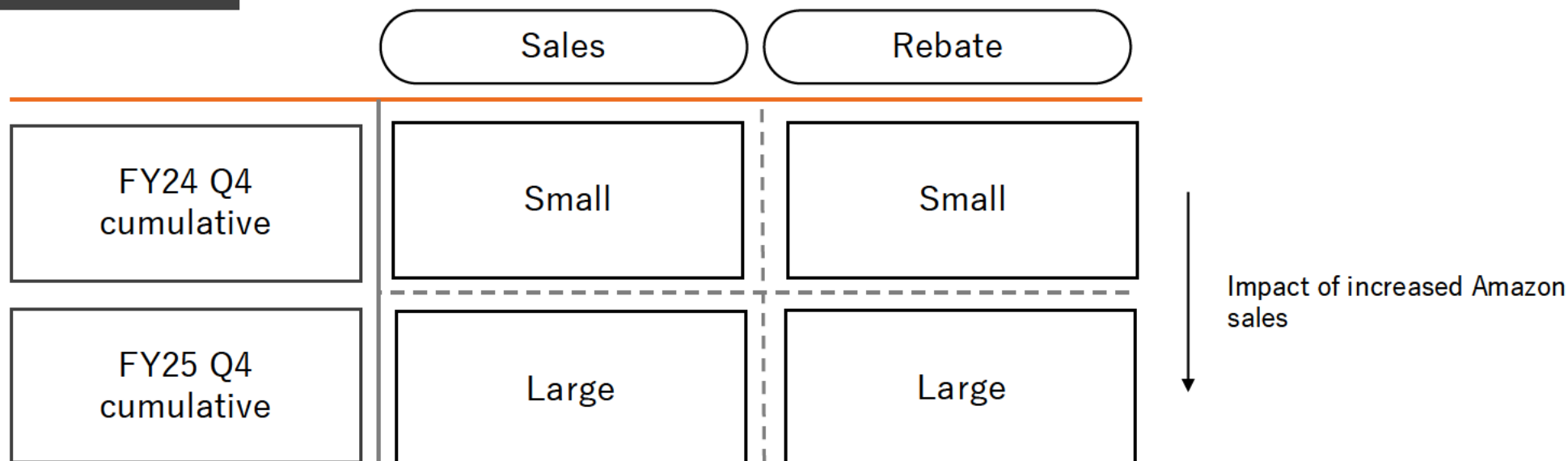
## Overview

Costs of (future) sales promotions and coupons run by our business partners are, in substance, rebates, because our payment obligation arises according to the volume sold. Accordingly, we deduct these costs from net sales in accordance with the Accounting Standard for Revenue Recognition.

<Excerpts from the Accounting Standard for Revenue Recognition>

63. Consideration Payable to a Customer Consideration payable to a customer includes cash amounts that an entity pays, or expects to pay, to a customer (or to other parties that purchase the entity's goods or services from the customer). It also includes credit or other items (e.g., coupons) that can be applied against amounts owed to the entity (or to other parties that purchase the entity's goods or services from the customer). An entity shall account for consideration payable to a customer as a reduction of the transaction price, unless the payment to the customer is in exchange for a distinct good or service that the customer transfers to the entity. If the consideration payable to a customer includes a variable amount, an entity shall estimate the transaction price in accordance with paragraphs 50 to 54.

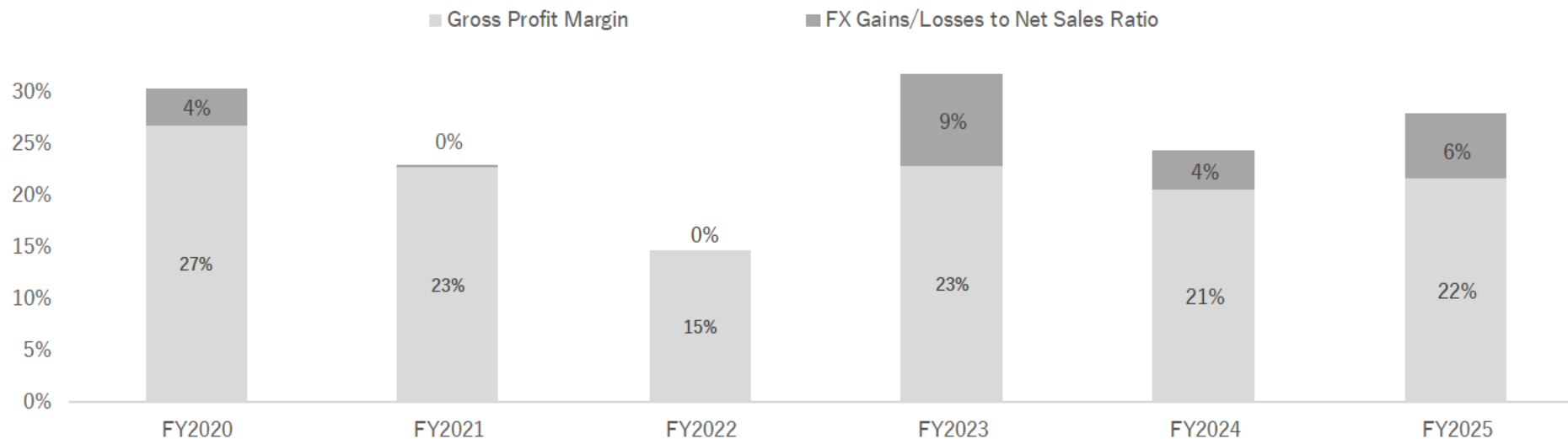
## Delivery for Big Sale



# (Reference) Exchange Rates and Profit Ratios

Relationship between Foreign Exchange Rate and Gross Profit Margin / Foreign Exchange Gain / Loss Ratio <sup>(1)(2)</sup>

|                                | Strong yen |            |            | Weak yen   |            |            |
|--------------------------------|------------|------------|------------|------------|------------|------------|
| Average rate during the period | 111.38 yen | 110.65 yen | 132.73 yen | 141.92 yen | 152.39 yen | 149.73 yen |
| Period-end Rate                | 106.25 yen | 115.55 yen | 136.33 yen | 150.74 yen | 149.63 yen | 155.77 yen |



Effect of delayed price hikes to gain market share

(Note) 1. The gross profit margin and FX gain (loss) ratio include factors other than exchange rates (price revisions, product mix, etc.) and do not show the FX impact alone.

2. Figures for FY2021 and before are based on simplified consolidated figures before the integration of subsidiaries.

Supplementary Materials

# Company Profile

# ■ Company Profile

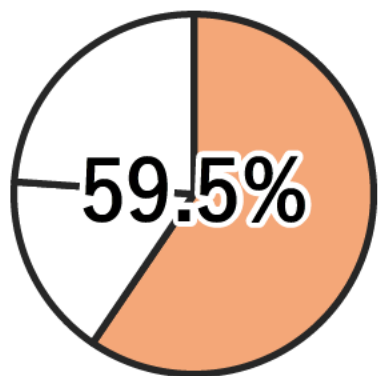


|                                         |                                                                  |
|-----------------------------------------|------------------------------------------------------------------|
| ■ Company Name                          | Izawa Towel Co., Ltd.                                            |
| ■ Head Office                           | 1-26-6 Ebisunishi, Shibuya-ku, Tokyo                             |
| ■ Founded                               | October 1970                                                     |
| ■ Listed Stock Exchange                 | Tokyo Stock Exchange Standard Market (Securities Code: 365A)     |
| ■ President and Representative Director | Shoji Izawa                                                      |
| ■ Number of Employees                   | 70 (as of August 31, 2026)                                       |
| ■ Consolidated Subsidiaries             | IZAWA TOWEL INC (U.S.)<br>IZAWA TEXTILE CO., LIMITED (Hong Kong) |

With our mission of "Providing comfortable towels for everyone's everyday life," we put the consumer's perspective first and remain committed to the comfort of towels as daily necessities. We are a fabless manufacturer operating in a single segment, the planning, manufacture, and sale of towel products and related items, centered on the planning and sale of towel products to retailers and character IP companies, and the sale of our own brands "Towel Laboratory" and "i-TOWEL" on e-commerce sites and Amazon.

# About Sales Channels

## ODM



We offer a wide range of products, from basic towels that are affordably priced as daily necessities to high-priced towels that leverage our technology.

Convenience stores

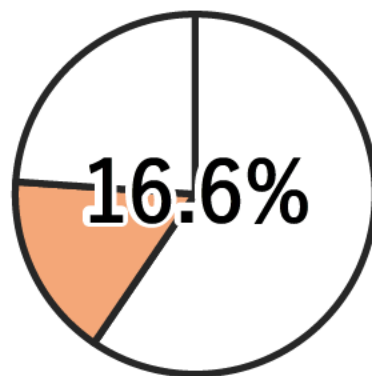
Discount stores

Home centers

General Merchandise Stores

Drugstores, etc.

## Character IP



Supplying towel products and miscellaneous goods with character patterns to entertainment business companies.

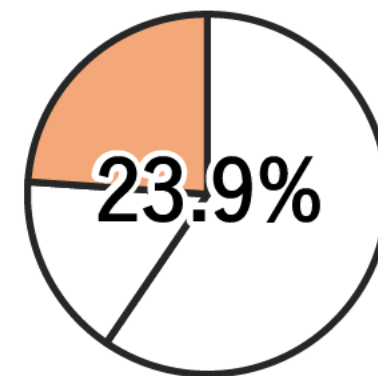


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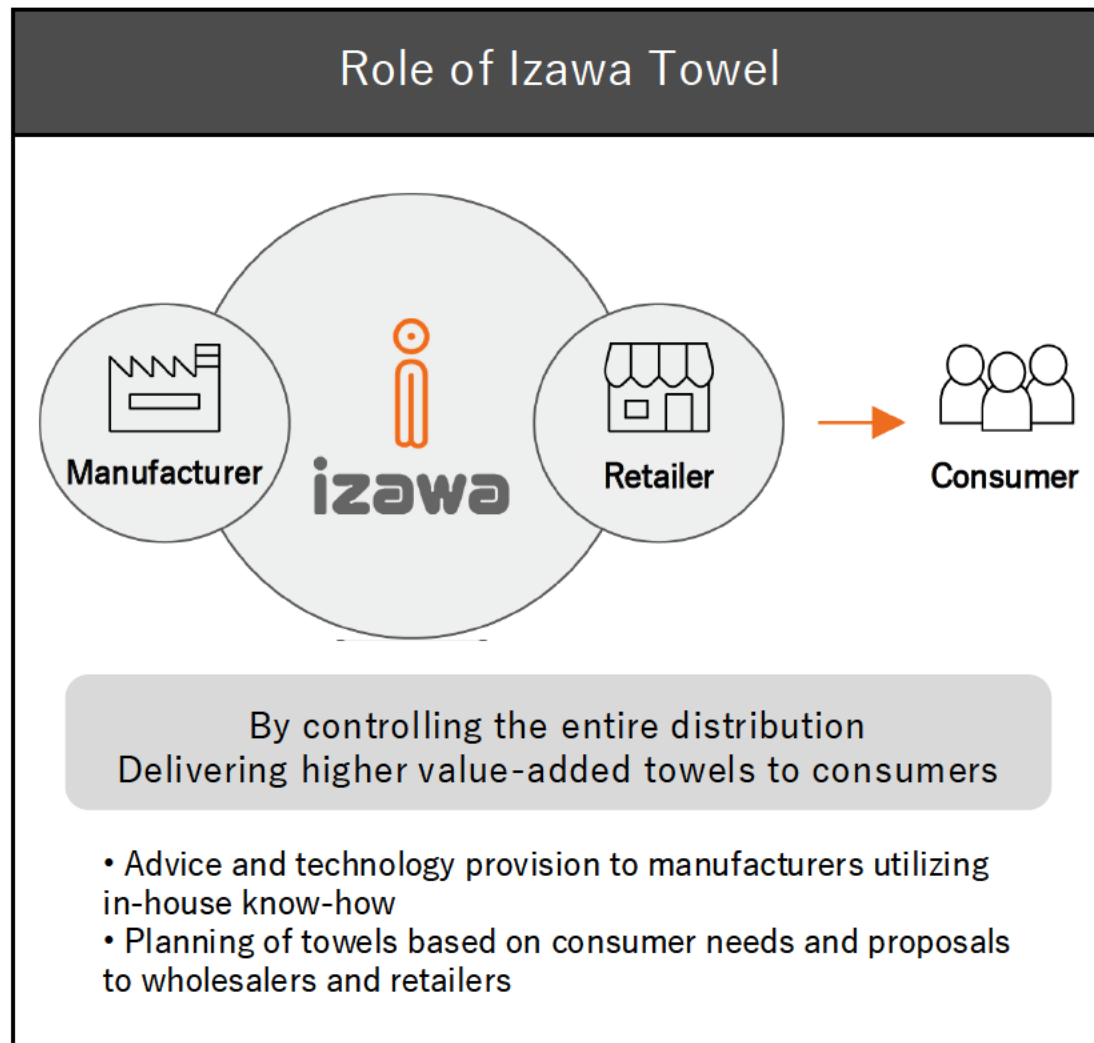
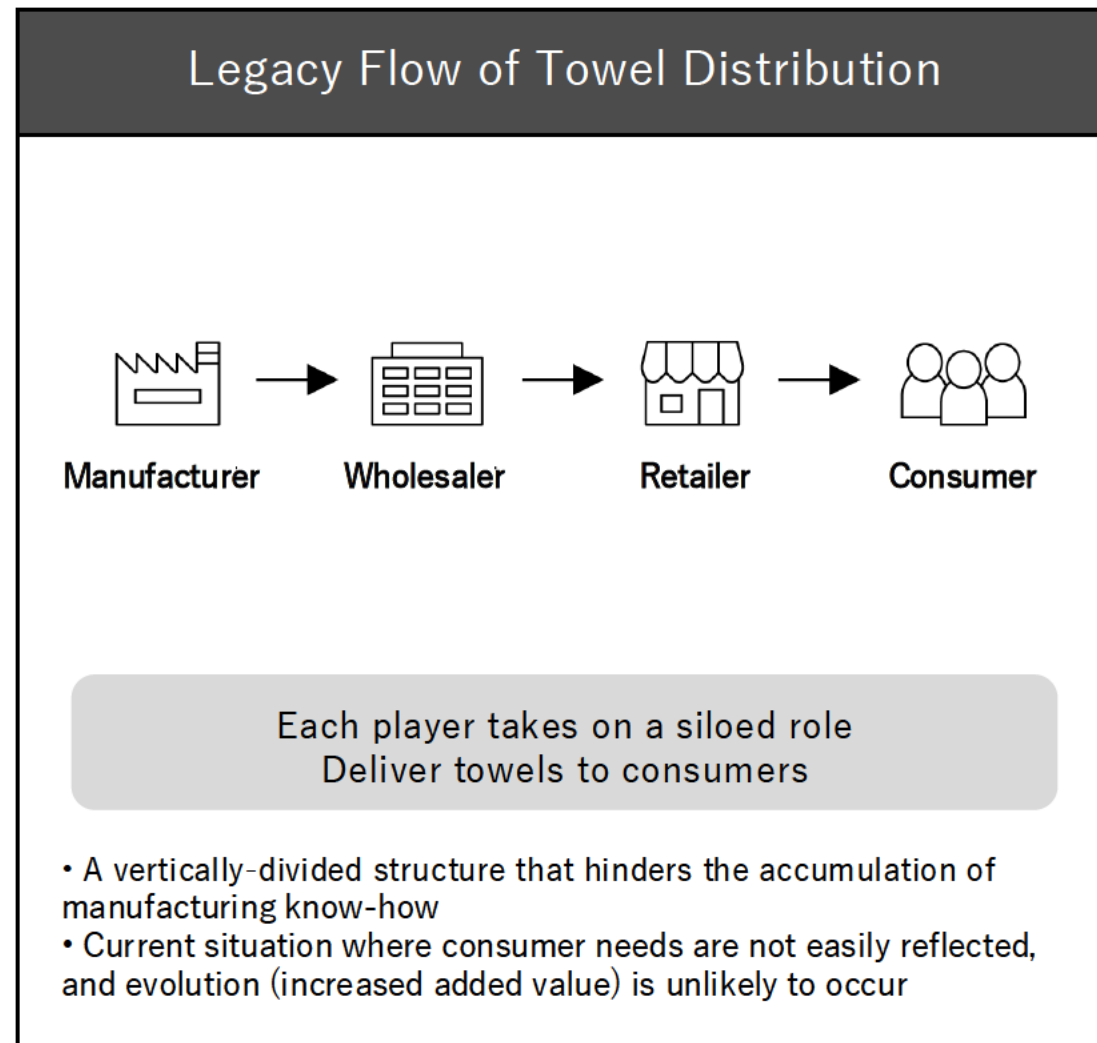
## e-commerce (Towel Laboratory)



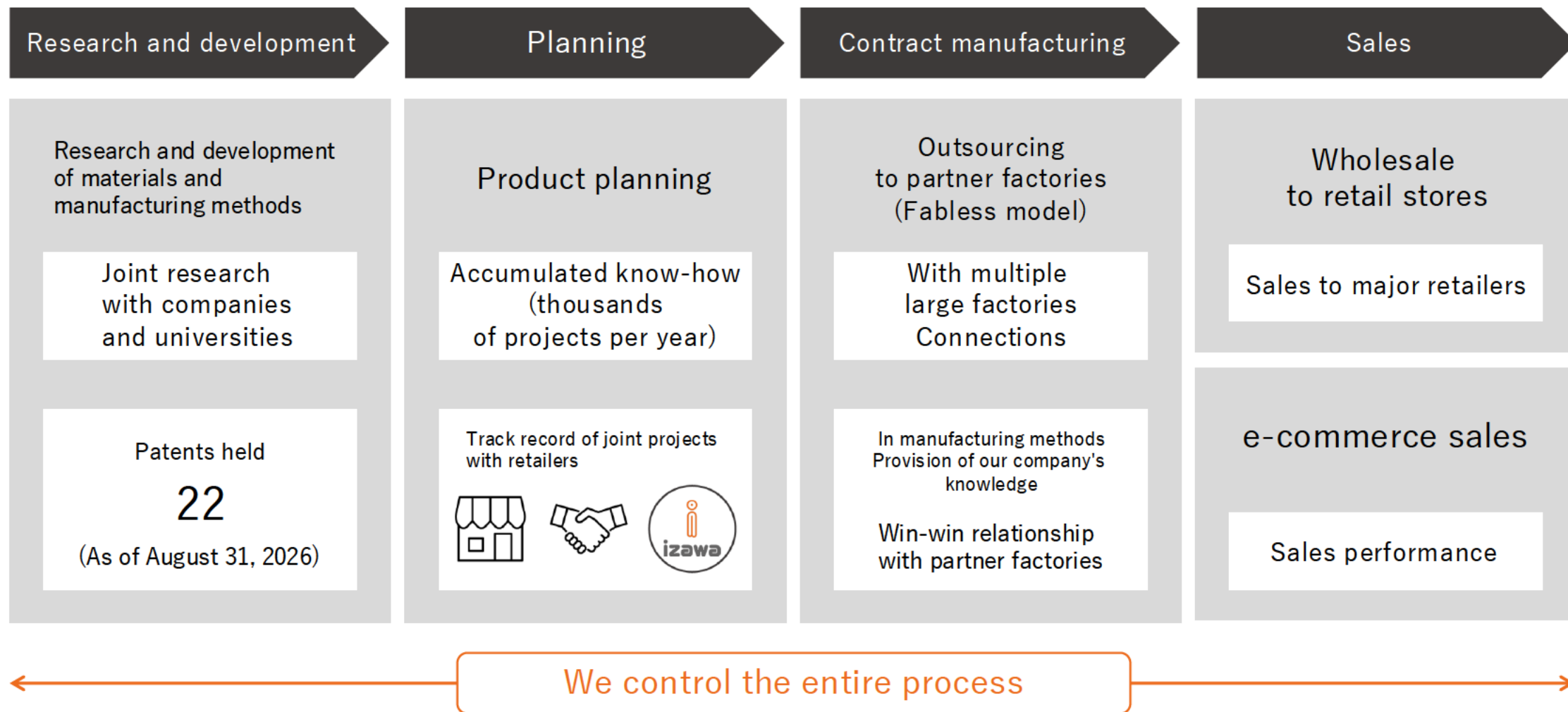
Towel products from "Towel Laboratory" are available on e-commerce sites and Amazon. Amazon's buy-in model (retail sales).



# Izawa Towel's Value Proposition



# Unique business model



## Unique research and development system that combines expertise and practicality

### Extensive research and development system

Joint research with companies and universities

Major textile manufacturer : New performance towel using synthetic fibers

Shinshu University : Objective evaluation of "softness"  
- Annual presentation of the above research at The Society of Fiber Science and technology, Japan

University of Fukui : Towel manufacturing utilizing supercritical technology  
- Izawa Towel's Sustainable Initiatives  
- Participation in the national project "NEDO"

Patents created with high technical capabilities <sup>(1)</sup>

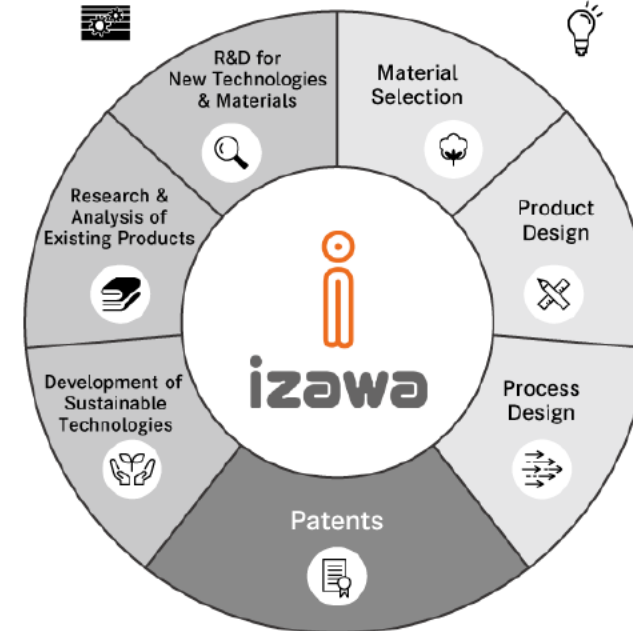
Patents held : 22

### Elements that build high technological capabilities

Data Accumulation through Research



Accumulated Know-How with Partner Factories

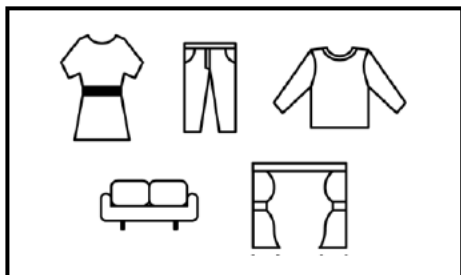


Accumulated Expertise in Quality & Manufacturing

# ■ The towel industry with high barriers to entry

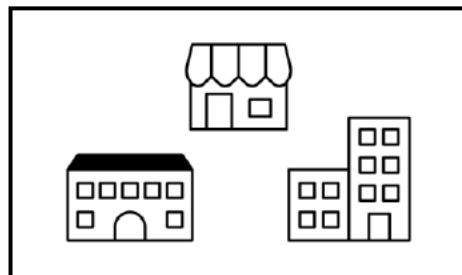
## The towel industry, which is difficult for other industries to enter

### Textile companies



Towel manufacturing involves complex processes that are completely different from those for apparel and other textile products, making it difficult to manufacture towels in-house at a reasonable price.

### Retailers



Retailers lack insight into consumer needs for towels and manufacturing know-how, making it difficult for them to complete planning, design, and outsourced manufacturing on their own.

High barriers to entry exist

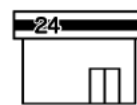


## Izawa Towel, which has already penetrated the retail industry

Convenience stores and GMS, etc., ahead of competitors, have acquired a high share in the towels they handle.



There are certain hurdles for major retailers to handle it themselves.



The Company's performance forecasts, plans, strategies, etc., contained in this document are forward-looking statements related to future performance, based on judgments made by the Company's management using currently available information, and include risks and uncertainties. Please note that actual results may differ from these forecasts due to various important factors, including the economic situation and market trends surrounding the Company's business.

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