IZAWA TOWEL

Financial Results

Feb / 2027 Q1 (FY2026 Q1)

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

July 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.

IZAWA TOWEL

Feb / 2027 (FY2026)

Q1 Results

FY26 Q1 Highlights

IZAWA TOWEL

1Q Record-High

Sales before rebate deductions	Gross profit margin before rebate deductions	Profit before goodwill amortization
2,633 million yen	**23.3%**	**235 million yen**

1Q Record-High

ROE(1)	Production ratio in India
29.3%	**21.0%**

Record-High

Stores that have introduced the Towel Laboratory
Exceeded 2,000 stores

(Note) 1. Calculated based on profit for the most recent 12 months

FY26 Q1 Financial Results

IZAWA TOWEL

(Unit: Millions of yen)

Millions of yen	FY25 1Q Actual	FY26 1Q Actual	Previous year	
			Increase (decrease)	YoY
Net sales	2,185	2,518	333	115.2%
Gross profit	467	500	33	107.1%
Gross profit margin	21.4%	19.9%	(1.5)p	—
Operating profit	98	76	(22)	77.6%
Operating profit margin	4.5%	3.0%	(1.5)p	—
Exchange gain (loss)	(324)	192	516	—
Ordinary profit (loss)	(238)	293	531	—
Profit (loss)	(137)	185	322	—
Profit (loss) before goodwill amortization	(86)	235	321	—
Reference				
Sales before rebate deduction	2,302	2,633	331	114.4%
Gross profit before rebates deduction	583	615	32	105.5%
Gross profit margin before rebate deduction	25.3%	23.3%	(2.0)p	—

Sales

< Overall >
- Achieved record-high sales in Q1 on a practical basis, due to the resolution of inventory adjustments in the previous fiscal year and production delays in India.

< ODM >
- Inventory adjustments at specific customers improved, and stable deliveries continued
- Production delays at partner factories in India related to U.S. tariff policies also normalized

< Character IP >
- Delivered multiple large-scale projects

< EC >
- Deliveries for Prime Day held in July shifted to Q2, but demand remained strong

Gross profit

- Gross profit margin deteriorated due to rising procurement costs driven by the weak yen
- The deterioration in the gross profit margin was hedged with forward exchange contracts, covering it at the ordinary profit level and below

Operating profit

- Prioritizing strategic investments (marketing, human resources, etc.) for medium- to long-term growth, operating profit decreased

Ordinary profit / Profit

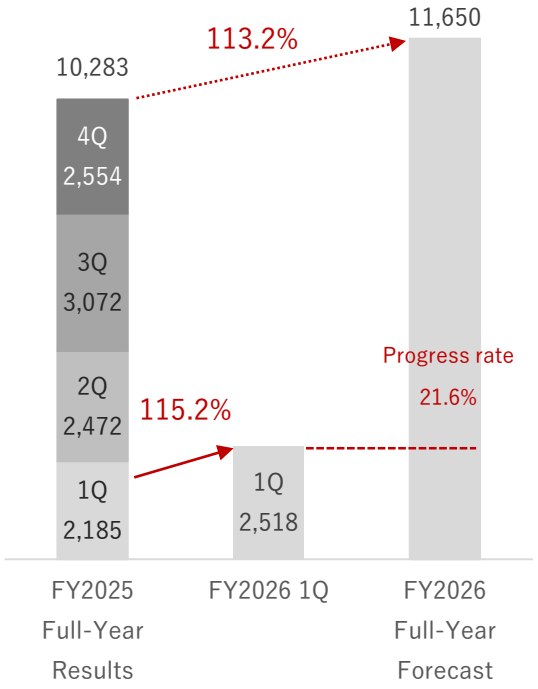
- Foreign exchange gains on forward exchange contracts and foreign currency deposits occurred due to the depreciation of the yen from the beginning of the period (3.61 yen/dollar)

FY26 Q1 Progress toward Full-Year Forecasts

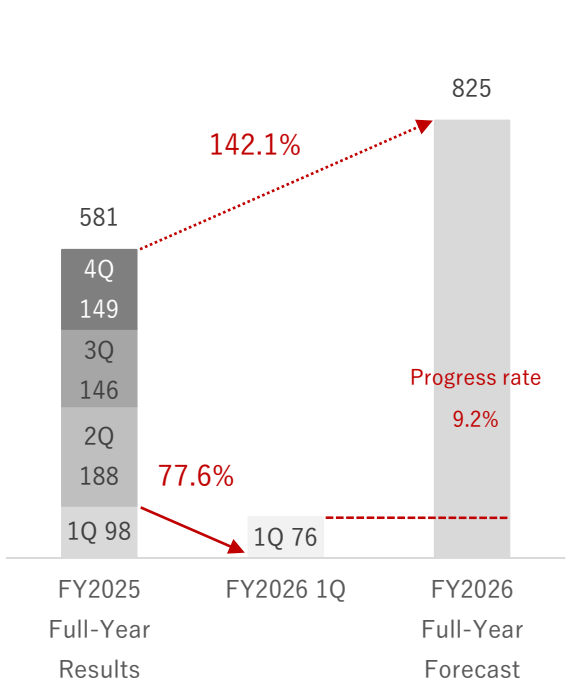
IZAWA TOWEL

(Unit: Millions of yen)

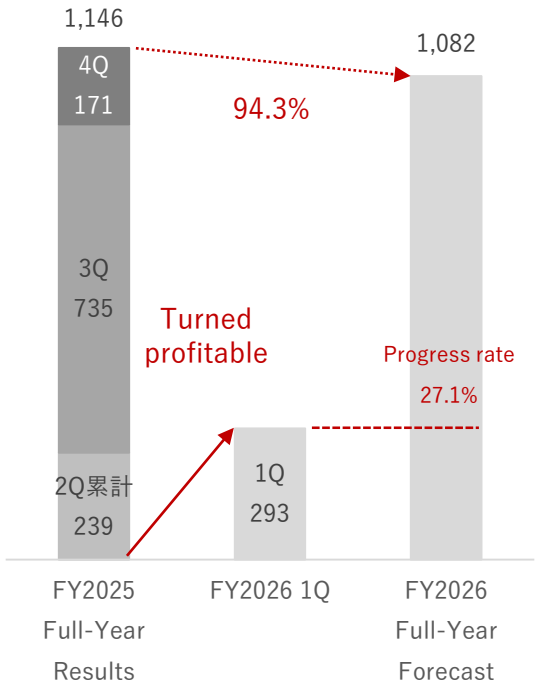
Net Sales



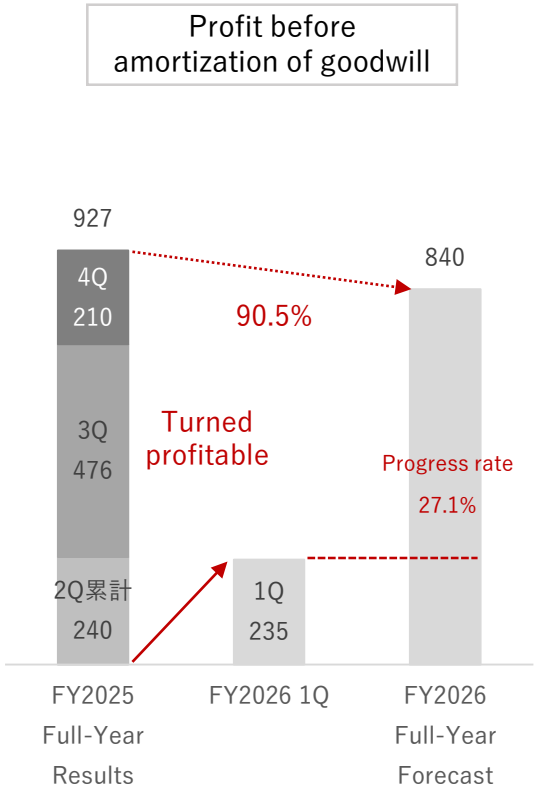
Operating profit



Ordinary profit



Profit before amortization of goodwill



- Achieved record-high sales in Q1 on a practical basis, due to the resolution of inventory adjustments in the previous fiscal year and production delays in India.

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

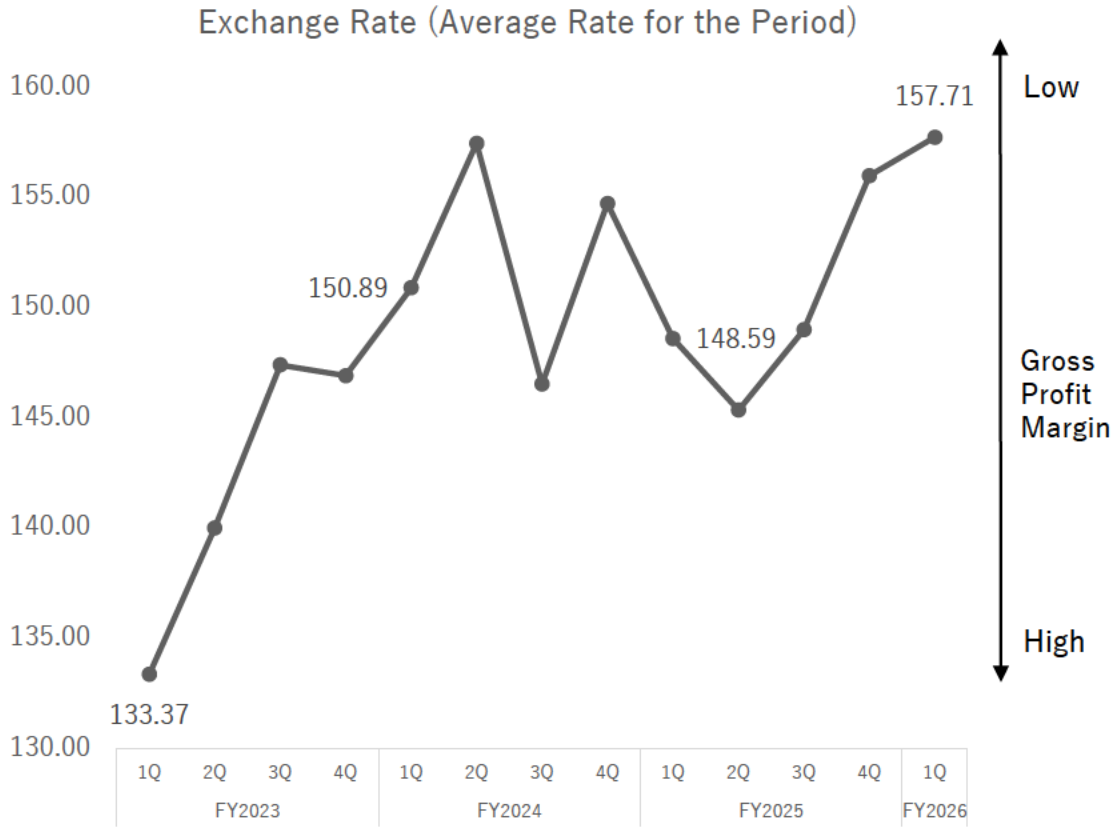
- Significant foreign exchange gains generated due to the depreciation of the yen

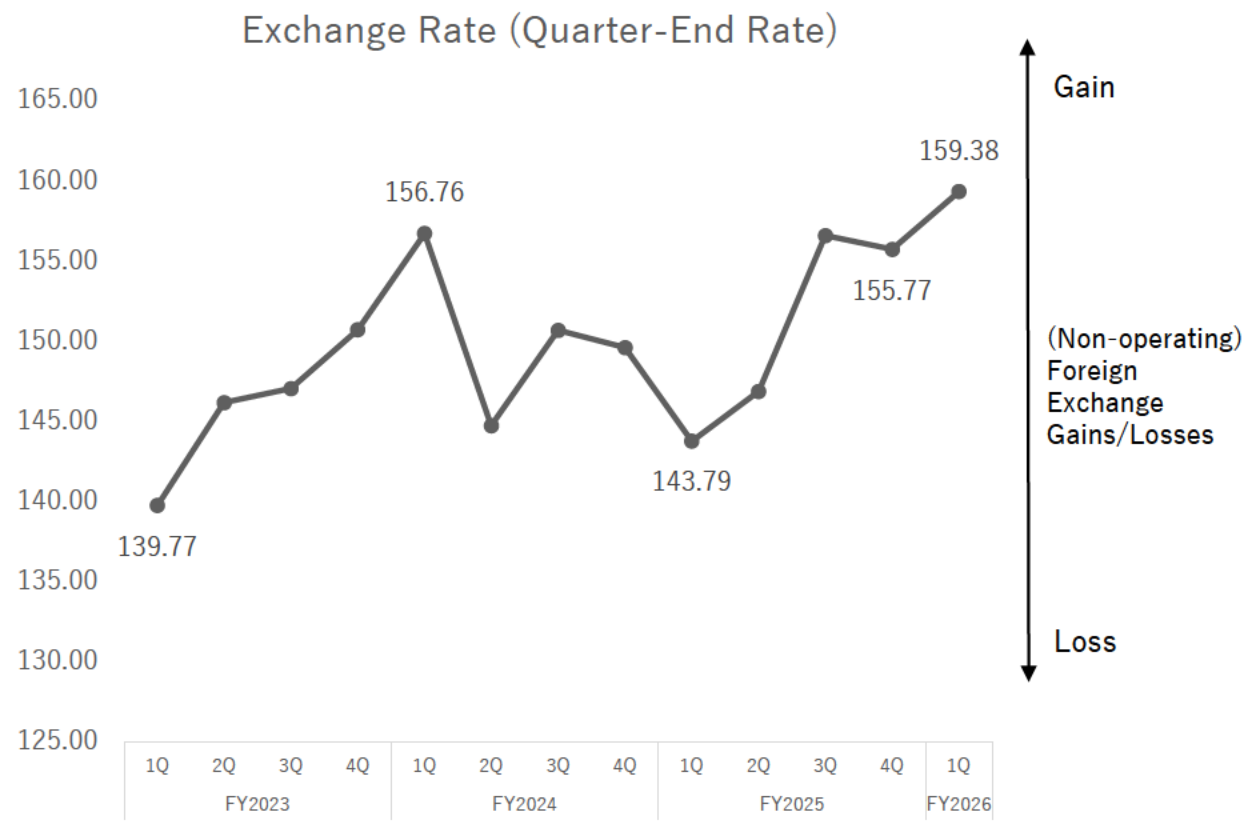
FY26 Q1 Exchange Rate Trends

IZAWA TOWEL

Exchange Rate (Quarterly)

・Average exchange rate for the Q1 was 157.71 yen, and the rate at the end of May was 159.38 yen



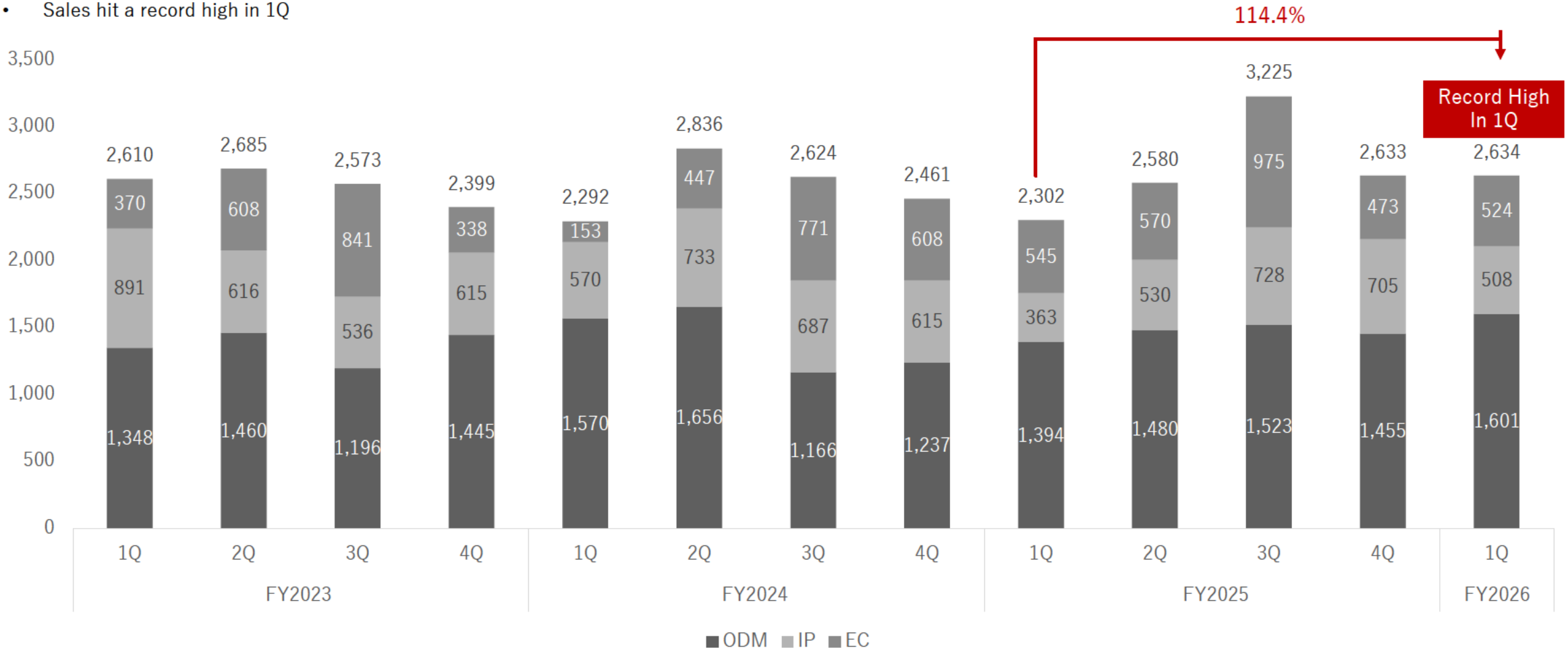


FY26 Q1 Sales before Rebate Deduction

IZAWA TOWEL

Sales before Rebate Deduction (Quarterly)

- Sales before rebate deduction were 2,634 million yen, 114.4% of the same quarter of the previous fiscal year (ODM 114.9%, IP 139.8%, EC 96.3%)
- Sales hit a record high in 1Q

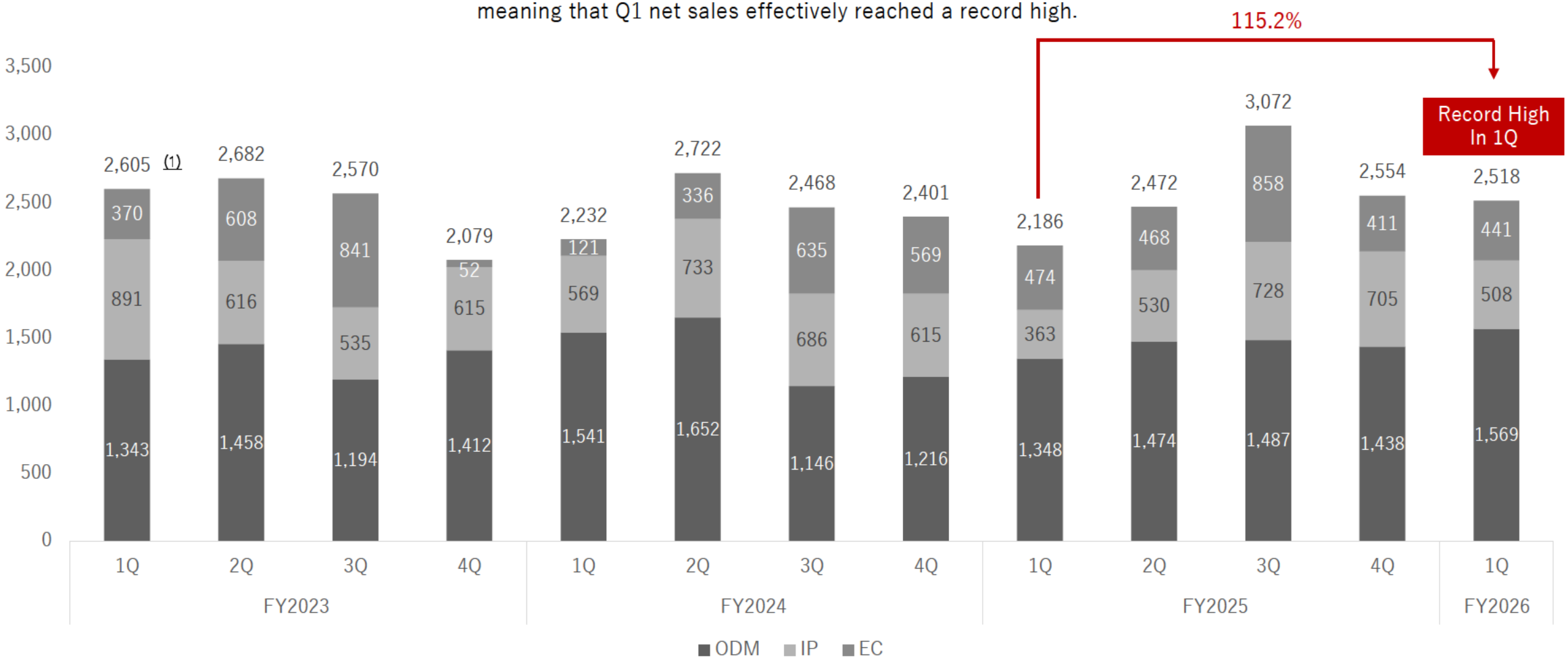


FY26 Q1 Sales Trends

IZAWA TOWEL

Sales (Quarterly)

- Net sales were 2,519 million yen, 115.2% year-on-year (ODM 116.4%, IP 139.8%, EC 93.0%)
- In the fiscal year ended February 29, 2024, rebate processing was conducted in a lump sum in Q4, meaning that Q1 net sales effectively reached a record high.



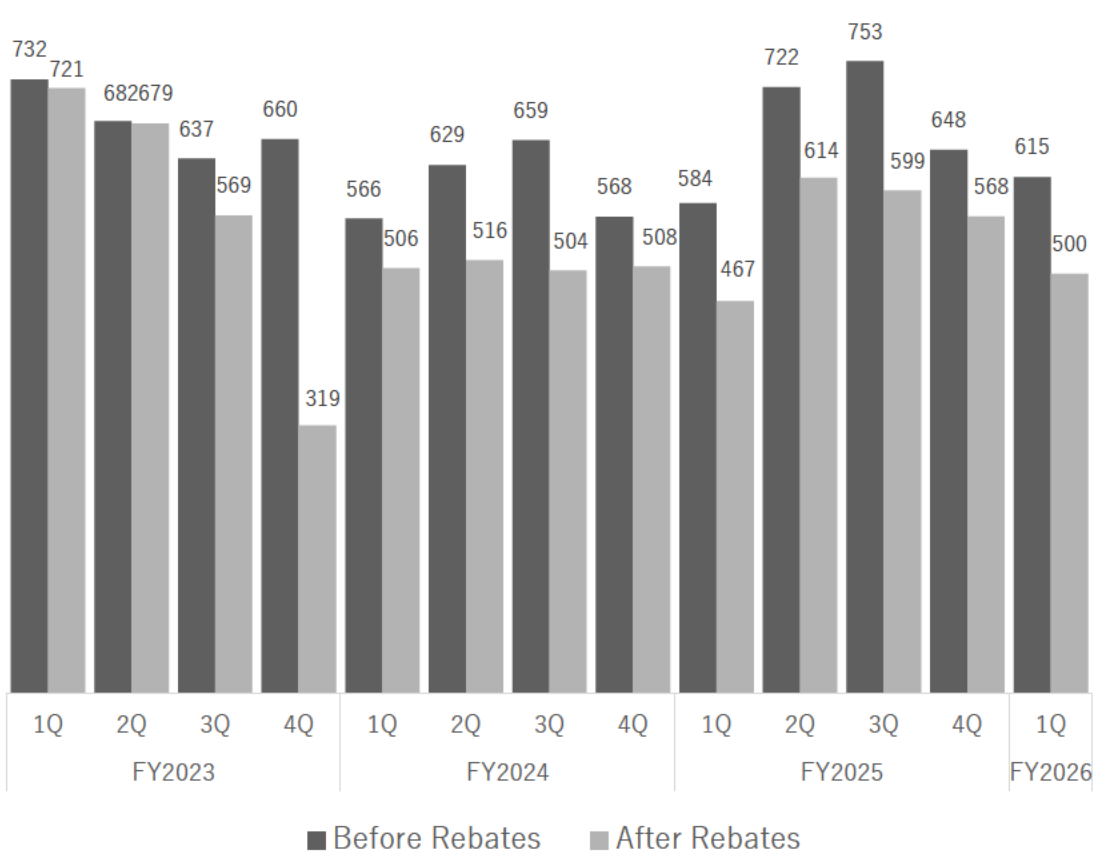
(Note) 1. As the company was preparing for listing, the total monthly financial results were aggregated (before rebates were applied).

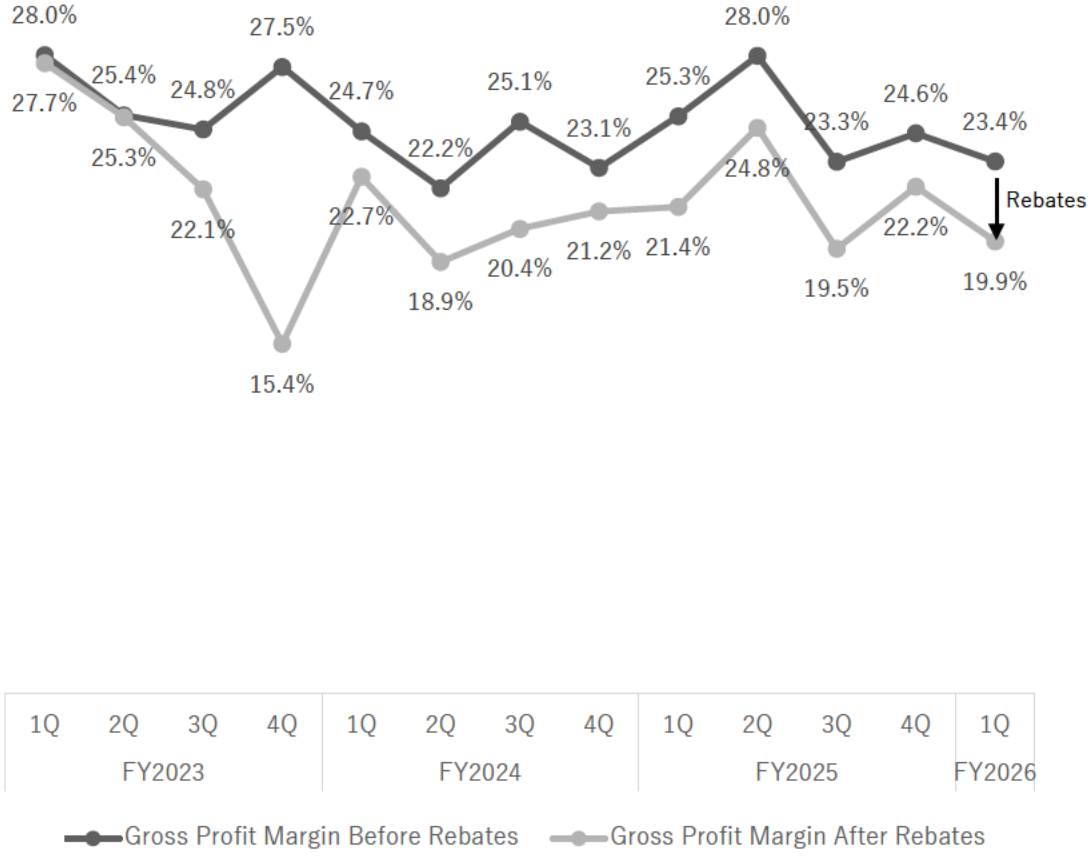
FY26 Q1 Gross Profit and Gross Profit Margin Trend

IZAWA TOWEL

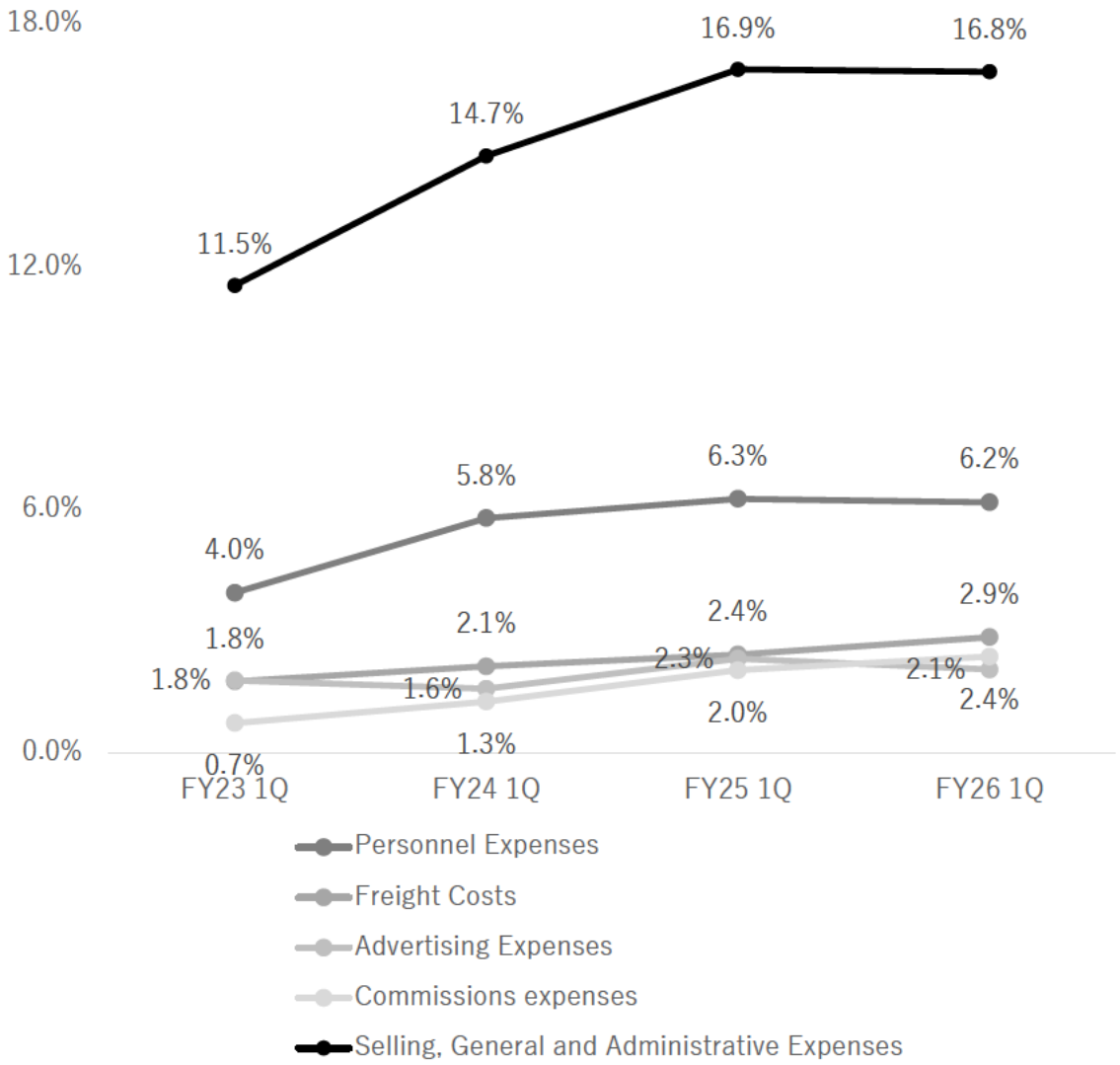
Gross Profit (Quarterly)

- Before rebate deduction: Gross profit was 615 million yen, gross profit margin was 23.4%
- After rebate deduction: Gross profit was 500 million yen, gross profit margin was 19.9%





Trends in Ratio of Selling, General and Administrative Expenses to Net Sales for the Cumulative FY26 Q1



Personnel Expenses

- Base salary increases and strengthening of personnel

Advertising Expenses

- Active web marketing for Towel Laboratory

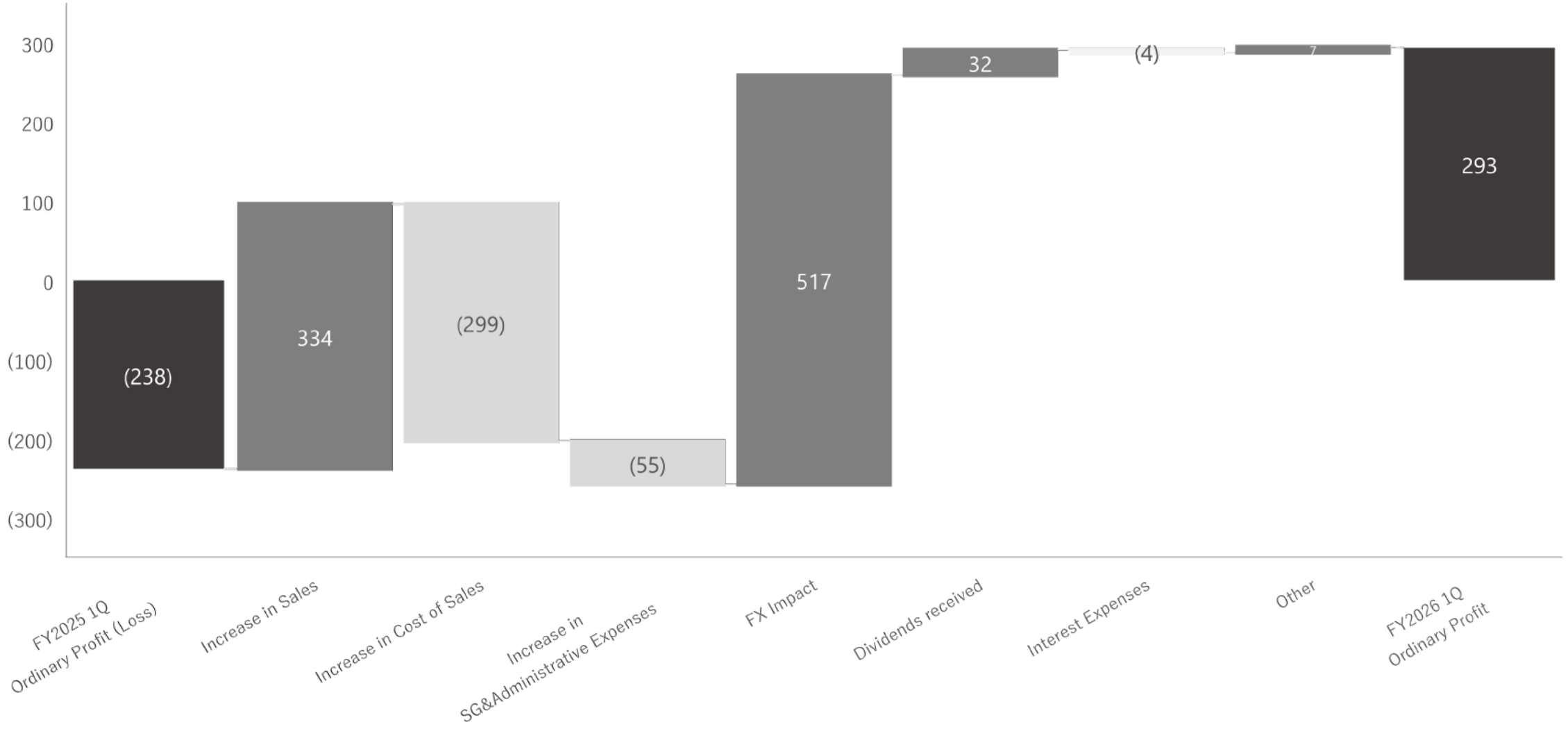
Commission Expenses

- Marketing strengthening expenses
- Agent expenses associated with strengthening personnel

FY26 Q1 Ordinary Profit（Loss） Fluctuation Analysis

IZAWA TOWEL

(Unit: Millions of yen)



FY26 Q1 Financial Position

IZAWA TOWEL

(Unit: Millions of yen)

Millions of yen	End of Feb. 2026		End of May. 2026		
	Actual results	Composition ratio	Actual value	Composition ratio	Compared to the end of the previous fiscal year
Assets	8,476	100.0%	8,164	100.0%	96.3%
Current assets	4,279	50.5%	4,028	49.3%	94.1%
Cash and deposits	1,126	13.3%	1,242	15.2%	110.3%
Trade receivables(1)	2,145	25.3%	1,761	21.6%	82.1%
Inventories	510	6.0%	522	6.4%	102.4%
Non-current assets	4,197	49.5%	4,135	50.6%	98.5%
Goodwill	3,123	36.8%	3,073	37.6%	98.4%
Liabilities	4,340	51.2%	4,361	53.4%	100.5%
Current liabilities	1,505	17.8%	1,526	18.7%	101.4%
Current portion of long-term borrowings	230	2.7%	230	2.8%	100.0%
Non-current liabilities	2,835	33.4%	2,835	34.7%	100.0%
Long-term borrowings	2,835	33.4%	2,835	34.7%	100.0%
Net assets	4,136	48.8%	3,802	46.6%	91.9%
Treasury shares	(81)	(1.0)%	(205)	(2.5)%	251.8%

(Note) 1. Notes and accounts receivable + electronically recorded monetary claims

Shareholder returns

IZAWA TOWEL

- For the fiscal year ending February 28, 2027, the Company plans to pay a dividend of 42 yen per share (interim dividend of 21 yen and year-end dividend of 21 yen).
- Conducted market purchases of 300,000 shares to acquire treasury stock from February 1, 2026 to March 31, 2026
- On June 26, 2026, executed a purchase of 600,000 shares through an off-auction own share repurchase transaction (ToSTNeT-3)

Dividend Overview

Target period	Fiscal Year Ending February 2027
Dividend type	Interim and year-end dividends
Dividend per share	42 yen (interim 21 yen, year-end 21 yen)
DOE	9.9%
Total dividends	Approximately 407 million yen

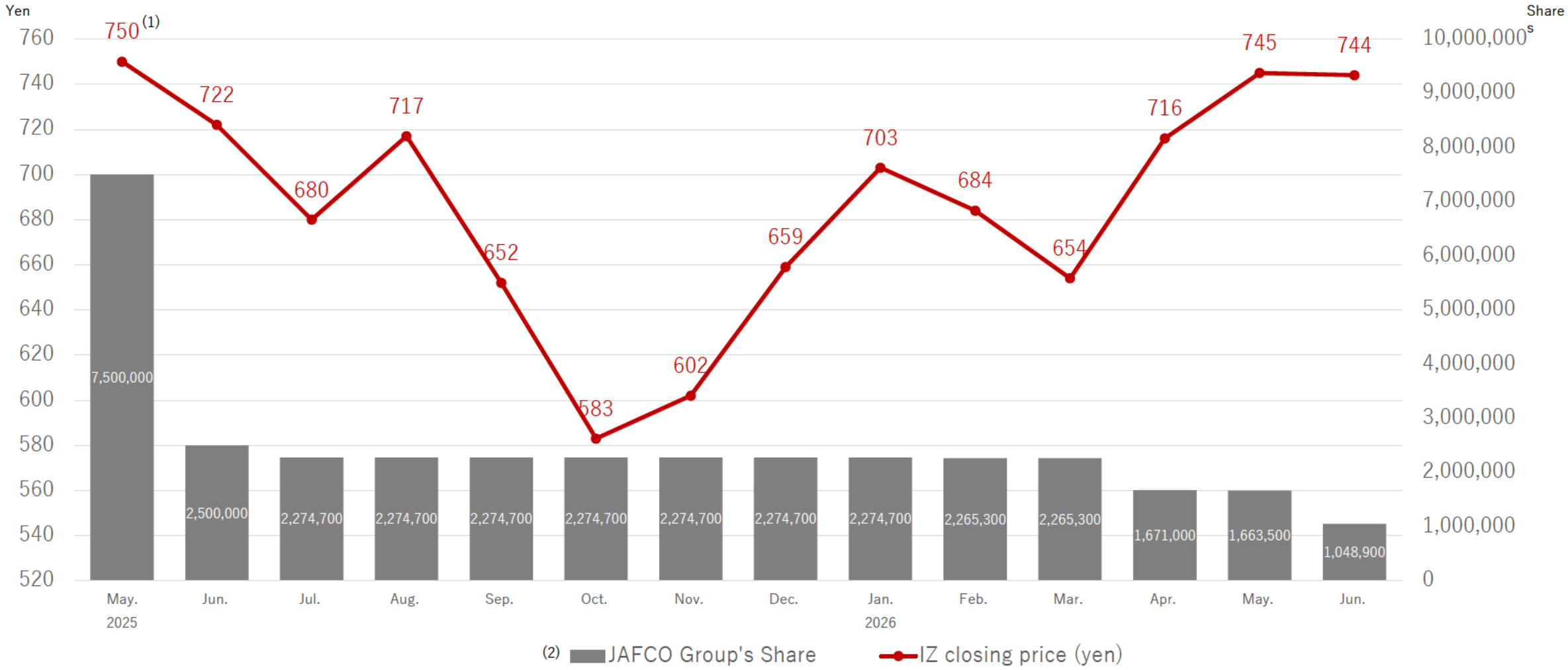
Status of Share Repurchases

Open market purchase	Period of repurchase	February 1, 2026 - March 31, 2026
	Total number of shares acquired	300,000 shares
	Total acquisition price	205 million yen
Off-auction own share repurchase trading (ToSTNeT-3)	Period of repurchase	June 26, 2026
	Total number of shares acquired	600,000 shares
	Total acquisition price	436 million yen
	Balance of holdings As of July 14, 2026	900,000 shares

Changes in JAFCO Group's Shareholding Ratio

IZAWA TOWEL

Due to the listing and the release of the lock-up, JAFCO Group's ratio decreased from 75% to 10.4%, easing concerns over overhang.



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

IZAWA TOWEL

Topics

Topics by Channel: ODM Production

IZAWA TOWEL

ODM Production

Received the PPIH Best Partner Award for the second consecutive year

We received the "Best Partner Award" and the "Best Fabric Partner Award" at the "2nd PPIH Partner Awards" hosted by Pan Pacific International Holdings Corporation (hereinafter, "PPIH").

An individual sales representative also received the award at the same event, resulting in awards in both the corporate and individual categories. This marks the second consecutive year that we have received this award, following the first award last year.



Decision to increase production of the strong-selling Bic Camera co-developed "TAMENO Towel"

The "Towel for" series, released under BIC CAMERA INC.'s original brand "BIC IDEA", performed well.

We are continuing to increase production of these products.





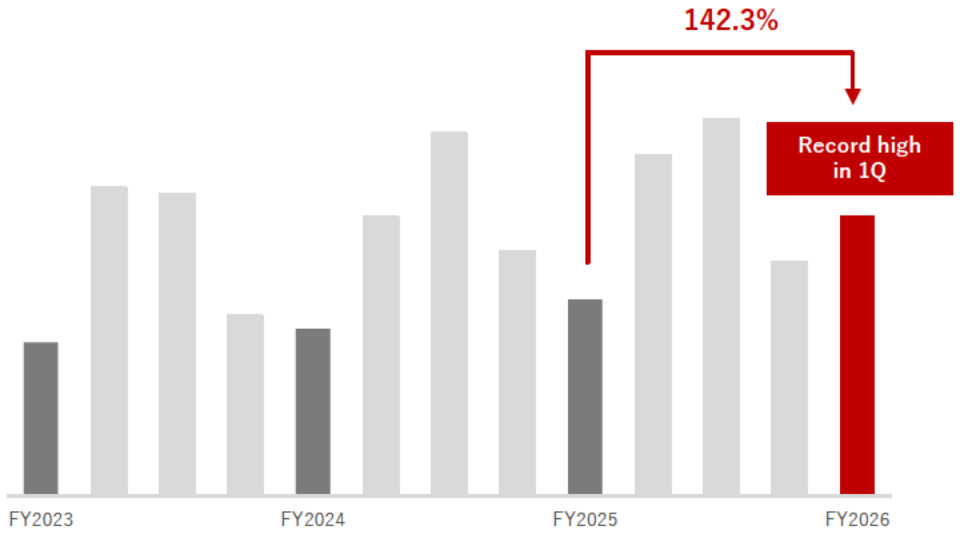
Topics by Channel: Towel Laboratory

IZAWA TOWEL

Towel Laboratory

Amazon.co.jp Sales Trends

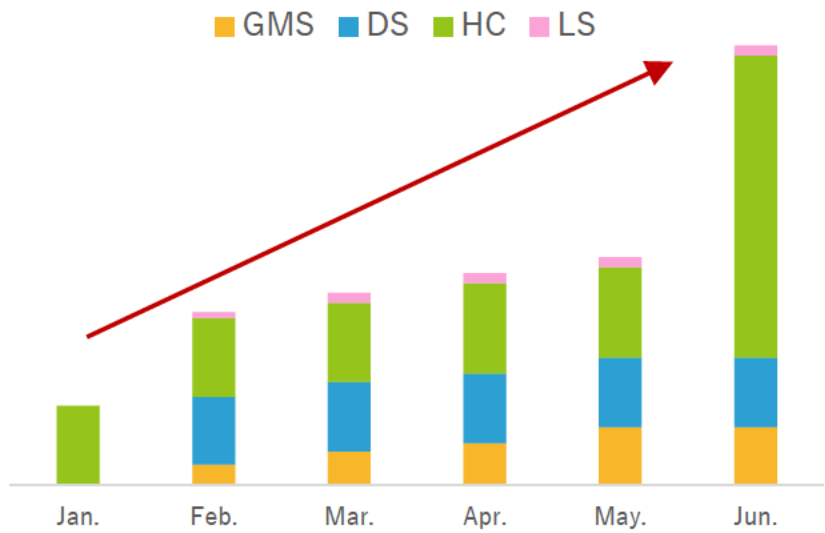
Not only sales of our products delivered to Amazon, but also sales to consumers on Amazon were strong.



Progress of Towel Laboratory's Offline Sales

Number of stores carrying our products exceeded 2,000

This initiative, launched on January 1, 2026, has further expanded its store footprint, surpassing 2,000 stores in total.



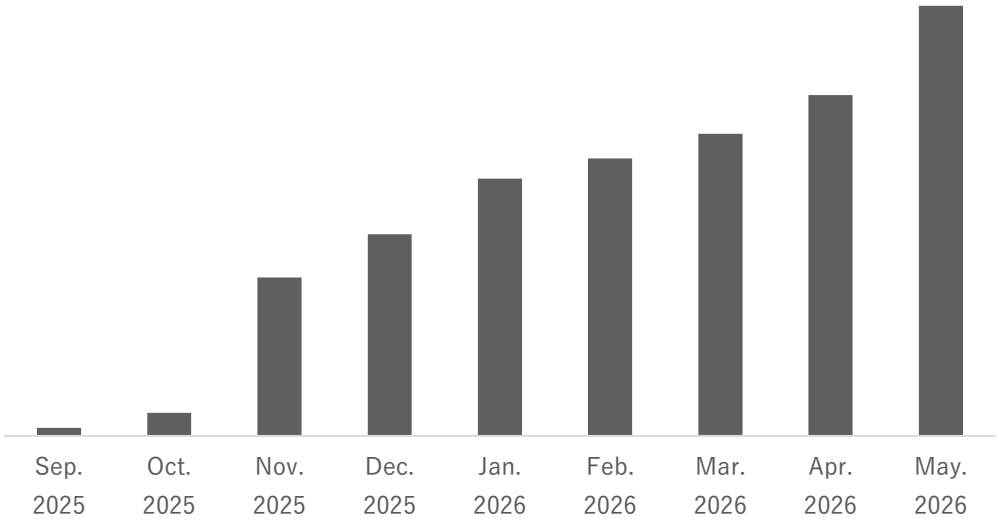
Progress on Amazon.com in the U.S.

IZAWA TOWEL

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



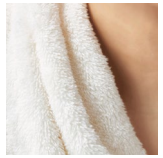
Super Low lint Series

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

An original beach towel co-developed with Amazon.com to commemorate America's 250th anniversary

IR News

IZAWA TOWEL

Selected as one of the "Top 15 Global Towel Companies" in an international market research report (2026/07/07)

In the latest global market research report "Towel Market Size and Share 2025 – 2034" published by the U.S. international market research firm "Global Market Insights Inc.", our company was selected as one of the 15 leading companies driving the global towel market.

An interview article following the full-year financial results has been published on "IR Agents" (2026/06/01)

URL: https://ir-agents.com/media/2026/06/01/365a-20260512/

*This article is exclusive to members of "IR Agents." To read the full text, membership registration for the service is required.

Introduction of our company on BS TV Tokyo's "Nikkei Special: Money no Manabi" (2026/05/25)

During the program, Mr. JACK, an investor, introduced our company as an attractive and noteworthy stock, highlighting our highly-rated towel products and high dividend yield.

IR Event Schedule

IZAWA TOWEL

Exhibition Track Record

Logmi IR Meet 2026 Summer <Ended>

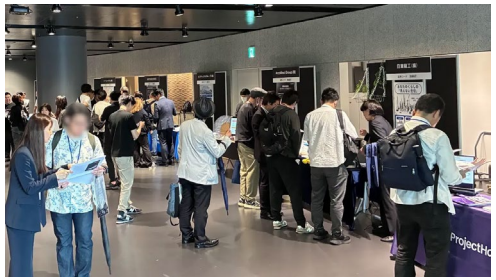
Period: Saturday, June 20, 2026, 13:00–19:30
Venue: Shibuya Stream Hall

IR Event for Individual Investors "logmi IR Meet 2026 Summer"
We participated in the event.

Speaker: Miyoshi CFO
Theme: Our Business Strengths and Future Growth Strategy
(Interview Format)

Click here for the transcript:
https://finance.logmi.jp/articles/385234





Future Exhibition Schedule

7th Asset Management EXPO [Kansai]

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

Place: INTEX Osaka, Hall 6

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

IZAWA TOWEL

Supplementary Materials

Accounting Treatment

Impact of Rebate Recognition

IZAWA TOWEL

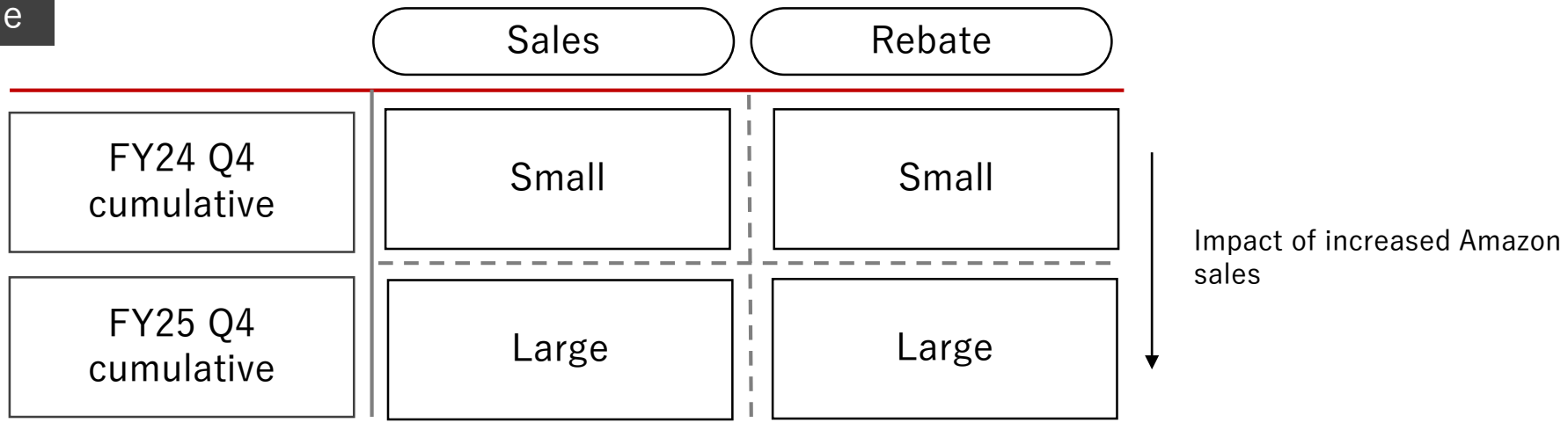
Overview

Since the cost of (future) sales and coupons implemented by business partners is considered a rebate, as the payment obligation arises according to the sales volume, we account for these costs by deducting them 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

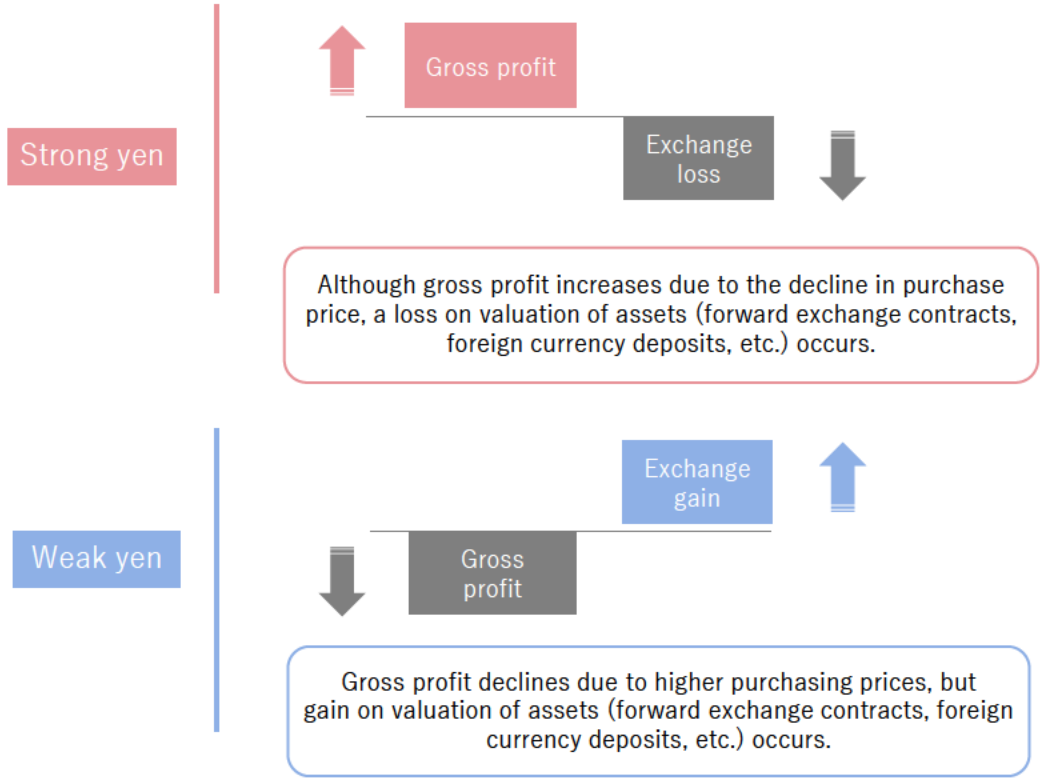


Impact of exchange rate fluctuations on the Company's business performance

IZAWA TOWEL

- We execute short- and medium-term foreign exchange forward contracts to equalize the payment rates of our monthly foreign currency purchases.
- Since we adopt the principal method for accounting treatment, it always affects gross profit and non-operating profit/loss (foreign exchange gains/losses).
- The average exchange rate during the period affects gross profit, and the exchange rate at the end of the period (including the end of the quarter) affects foreign exchange gains/losses.
- As of the end of the fourth quarter, the balance of forward exchange contracts was $45 million, with an average rate of ¥143.14.

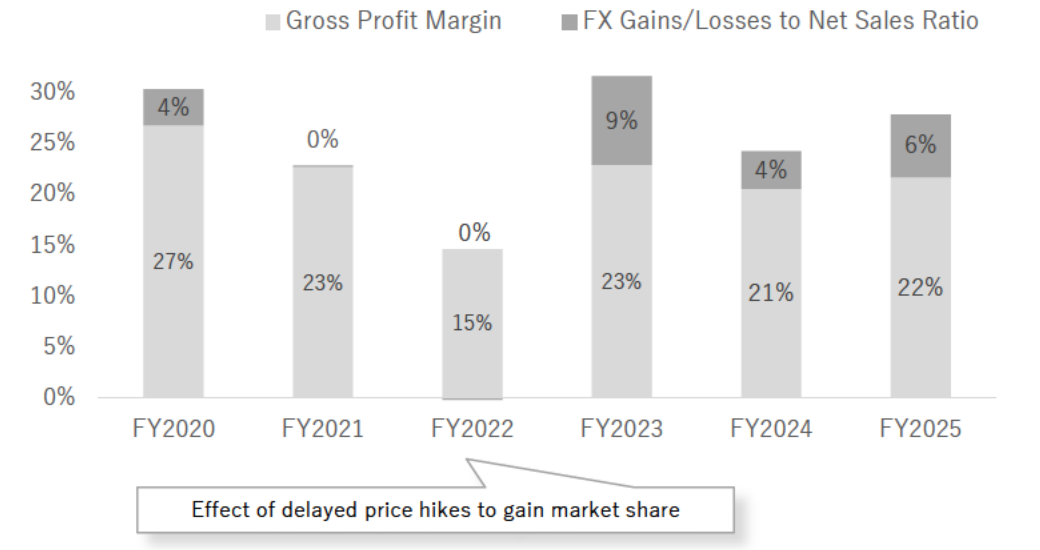
Foreign exchange impact (1)



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

(Unit : yen)

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



(Note) 1. The table is an image and does not fully reflect all the effects of exchange rates.
2. Figures for FY2021 and before are based on simplified consolidated figures before the integration of subsidiaries.

IZAWA TOWEL

Supplementary Materials

Company Profile

Company Profile

IZAWA TOWEL

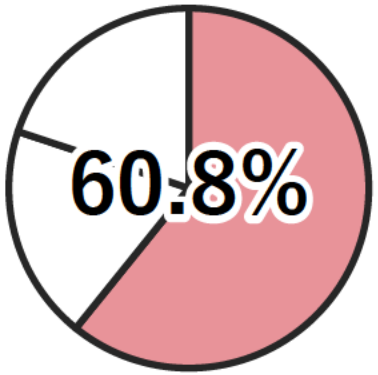
Company Name	Izawa Towel Co., Ltd.
Head Office	1-26-6 Ebisunishi, Shibuya-ku, Tokyo
Founded	October 1970
Listed Stock Exchange	Tokyo Stock Exchange Standard Market (Securities Code: 365A)
President and Representative Director	Shoji Izawa
Number of Employees	74 (as of May 31, 2026)
Subsidiaries (Non-consolidated)	IZAWA TOWEL INC (U.S.) IZAWA TEXTILE CO., LIMITED (Hong Kong)

We are a fabless manufacturer operating in a single segment, "planning, manufacturing, and sales of towel products." Our vision is to create a global standard for towels, ensuring that consumers can confidently choose our products, by prioritizing their perspective and continuously focusing on the comfort of towels as daily necessities. Our business revolves around the planning and sales of towel products to retailers and character IP businesses, as well as our own brand "Towel Laboratory" on our e-commerce site and Amazon.

About Sales Channels

IZAWA TOWEL

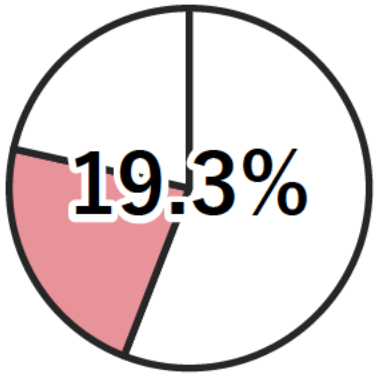
ODM



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.

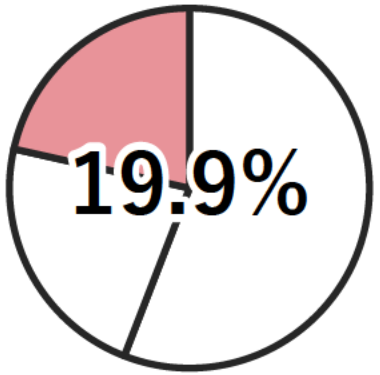


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APPROVAL NO.L652651

e-commerce (Towel Laboratory)



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



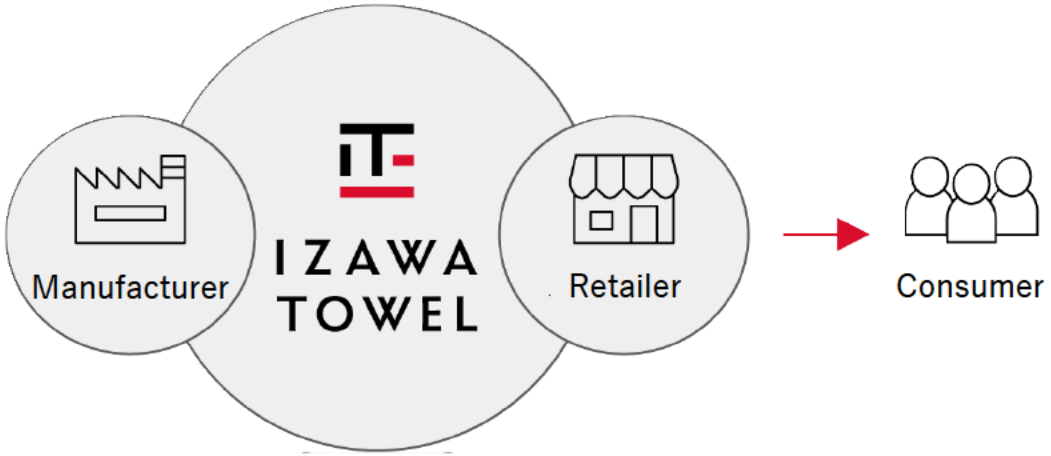


(Note) The percentages in the pie chart represent the share of each channel in net sales before rebate deductions for the cumulative first quarter of the fiscal year ending February 28, 2027.

Izawa Towel's Value Proposition

IZAWA TOWEL

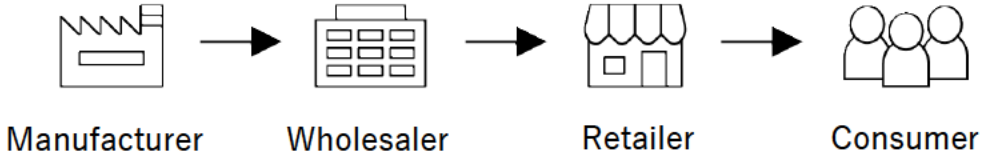
Role of Izawa Towel



By controlling the entire distribution
Delivering higher value-added towels to consumers

- Advice and technology provision to manufacturers utilizing in-house know-how
- Planning of towels based on consumer needs and proposals to wholesalers and retailers

Legacy Flow of Towel Distribution



Each player takes on a vertically integrated role
Deliver towels to consumers

- A vertically-divided structure that hinders the accumulation of manufacturing know-how
- Current situation where consumer needs are not easily reflected, and evolution (increased added value) is unlikely to occur

Unique business model

IZAWA TOWEL

Research and development	Planning	Contract manufacturing	Sales
Research and development of materials and manufacturing methods	Product planning	Outsourcing to partner factories (Fabless model)	Wholesale to retail stores
Joint research with companies and universities	Accumulated know-how (thousands of projects per year)	With multiple large factories Connections	Sales to major retailers
Number of patents held 21cases (As of May 31, 2026)	Track record of joint projects with retailers 	In manufacturing methods Provision of our company's knowledge Win-win relationship with partner factories	e-commerce sales
			Sales performance

We control the entire process

Unique research and development system that combines expertise and practicality

IZAWA TOWEL

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

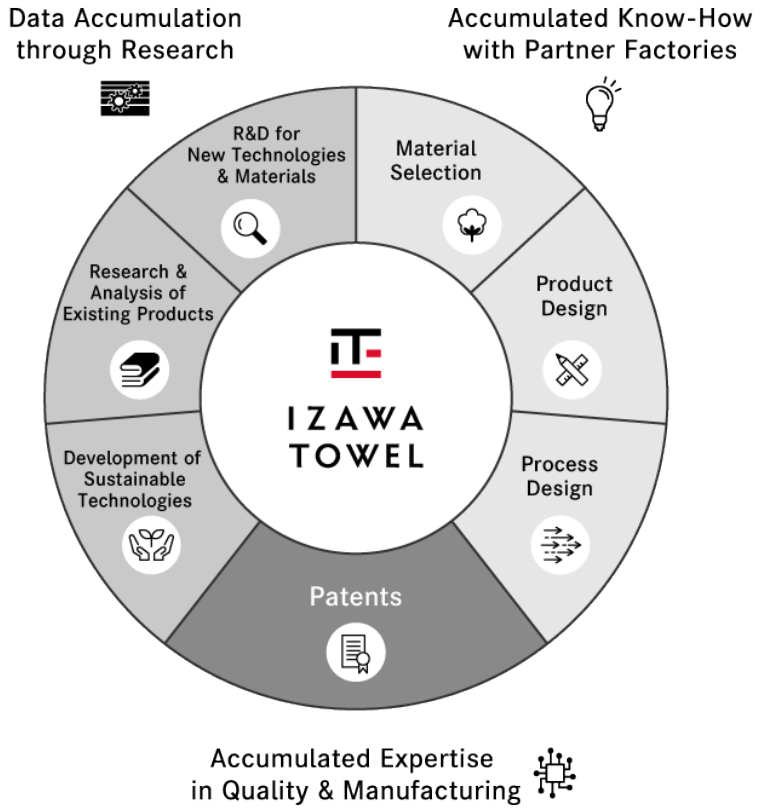
University of Fukui : Towel manufacturing utilizing supercritical technology

- Izawa Towel's Sustainable Initiatives
- Participation in the national project "NEDO"

Patents created with high technical capabilities (1)

Number of patents held: 21

Elements that build high technological capabilities



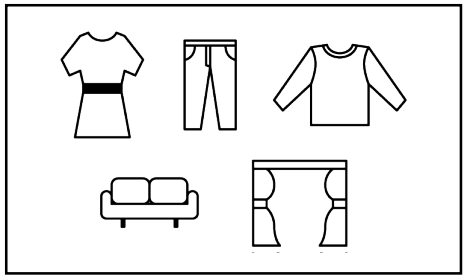
(Note) 1. As of May 31, 2026

Towel industry with high barriers to entry

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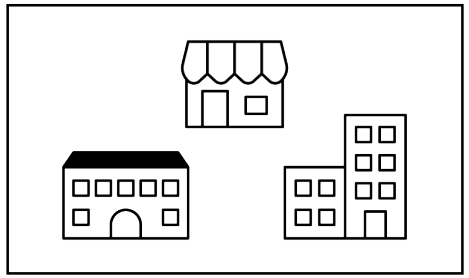
The towel industry, which is difficult for other industries to enter

Textile companies



Towels have a complex manufacturing process, and unlike clothes and because they are completely different from fabric products, in-house manufacturing at an appropriate price is difficult.

Retailers



consumer needs regarding towels and because we lack manufacturing know-how, it is difficult to complete planning, design, and manufacturing outsourcing.

High barriers to entry exist

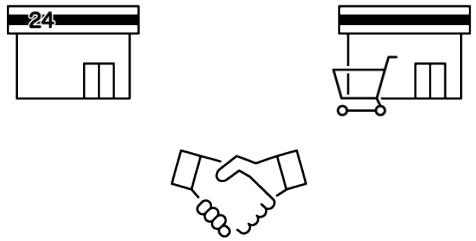


Izawa Towel, which has already penetrated the retail industry

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.



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Disclaimer

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