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To Whom It May Concern:

Company Name: MUSCAT GROUP Inc.
Representative: Ryo Okubo, Representative Director
(Securities code: 195A, TSE Growth Market)
Inquiries: Yuhei Morioka, Director and
General Manager of Administration Division
(Telephone: +81-3-6684-2373)

Notice Regarding Difference Between Consolidated Financial Results and Previous Fiscal Year Results and Recording of Deferred Income Taxes (Loss)

MUSCAT GROUP Inc. hereby announces that there was a difference between the full-year consolidated financial results for the fiscal year ending March 2026 (April 1, 2025 to March 31, 2026) announced today and the results for the previous fiscal year (April 1, 2024 to March 31, 2025), as described below. As the Company has not disclosed financial results forecasts for ordinary profit and profit attributable to owners of parent for the period, the changes are compared with the actual results of the previous fiscal year.
In addition, the Company also announces that it recorded 205 million yen in deferred income taxes (loss) due to the reversal of deferred tax assets in the fourth quarter of the fiscal year ending March 2026 (January 1, 2026 to March 31, 2026).

1. Difference Between Full-Year Consolidated Financial Results for the Fiscal Year Ending March 2026 and Previous Fiscal Year Results

(1) Difference Between Full-Year Consolidated Financial Results for the Fiscal Year Ending March 2026 and Previous Fiscal Year Results

	Ordinary profit	Profit attributable to owners of parent
Previous results (A) (Fiscal year ended March 2025)	Million yen 95	Million yen 112
Current results (B) (Fiscal year ending March 2026)	(451)	(368)
Difference (B-A)	(546)	(480)
Rate of change (%)	-	-

(2) Reasons for the Difference

Regarding ordinary profit, selling, general and administrative expenses increased significantly due to system construction costs associated with the transition to a holding company structure, advisory fees related to M&A promotion, and marketing investments to accelerate the growth of each brand. In addition, net sales were lower than expected due to a decrease in orders resulting from the acceleration of in-house marketing by clients in the Brand Partner segment. Furthermore, soaring raw material costs and logistics costs in the production processes of various in-house brands, as well as the impact of foreign exchange fluctuations, put pressure on overall profits. As a result, ordinary profit decreased by 546 million yen compared to the previous fiscal year, resulting in an ordinary loss of 451 million yen.

Regarding profit attributable to owners of parent, in addition to the recording of the ordinary loss mentioned above, the Company recorded a total of 710 million yen in gain on sale of shares of subsidiaries as extraordinary income following the share transfers of NADESIKO CO.ltd and Ricecurry LS,Inc., which were consolidated subsidiaries. On the other hand, as extraordinary losses, the Company recorded an impairment loss on goodwill of 304 million yen and a business withdrawal loss of 26 million yen related to the businesses of the former RiLi Inc. (RiLi casting business and apparel business) operated within WinC Inc., as well as 30 million yen in expenses related to the change of trade name. Furthermore, as described in "2. Recording of Deferred Income Taxes (Loss)," the Company reversed deferred tax assets and recorded 205 million yen in deferred income taxes (loss) based on the restructuring of the profit structure for intra-group transactions following the transition to a holding company structure. As a result, profit attributable to owners of parent decreased by 480 million yen compared to the previous fiscal year, resulting in a loss attributable to owners of parent of 368 million yen.

2. Recording of Deferred Income Taxes (Loss)

The Company transitioned to a holding company structure during the fiscal year ending March 2026. For the purpose of promoting optimal group management under this structure, the Company restructured the system design and profit structure for intra-group transactions, including management guidance fees between the parent and subsidiaries for the fiscal year ending March 2027. As a result of a careful review of the recoverability of deferred tax assets, the Company reversed deferred tax assets and recorded 126 million yen in deferred income taxes.

While existing businesses such as MiiS and MOVE.eBike at WinC Inc., a consolidated subsidiary of the Company, are expected to see increases in both net sales and profit, the Company carefully considered the recoverability of deferred tax assets in light of future plans that incorporate the restructuring of the profit structure in intra-group transactions between the parent and subsidiary for the fiscal year ending March 2027, as well as upfront investments for future new brand development. As a result, the Company recorded 79 million yen in income taxes-deferred by reversing deferred tax assets.

In addition, as a result of offsetting this with several other factors, a total of 111 million yen was recorded as income taxes-deferred (loss) for the fiscal year ending March 2026.

The impact on financial results from the recording of income taxes-deferred (loss) is reflected in the "Consolidated Financial Results for the Fiscal Year Ended March 31, 2026 [Japanese GAAP]" announced today.