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November 12, 2026

To Whom It May Concern:

Company Name: MUSCAT GROUP Inc.
Representative: Ryo Okubo, Representative Director
(Securities code: 195A, TSE Growth Market)
Inquiries: Yuhei Morioka, Executive Officer and General Manager of Administration Division
(TEL. 03-6684-2373)

Notice Regarding Recording of Extraordinary Losses

MUSCAT GROUP Inc. hereby announces that it has recorded extraordinary losses for the second quarter (interim period) of the fiscal year ending March 31, 2027 (April 1, 2026 to September 30, 2026), as described below.

1. Recording of Extraordinary Losses

(1) Loss on valuation of investment securities

Regarding the listed shares (KLab Inc. shares) among the investment securities classified as "available-for-sale securities" held by the Company, the market value at the end of the interim consolidated accounting period declined by 50% or more compared to the acquisition cost. Accordingly, the Company has recorded a loss on valuation of investment securities of 133 million yen as an extraordinary loss due to impairment.

Since the Company applies the reversal (araigae) method for interim periods to the valuation of investment securities, the amount recorded for the full fiscal year may fluctuate depending on the market value at the end of the current fiscal year. There is no change in the business alliance with KLab Inc.

Regarding the "Growth-Return Treasury-Related Investment" announced in the "Notice Regarding the Start of New Financial Strategy 'Growth-Return Treasury-Related Investment'" dated February 13, 2026, there is no change in the policy, but no new investments are planned at this time. In addition, regarding the KLab Inc. shares, the Company continues to hold them at this time. However, as stated in the aforementioned notice, the Company has not set a predetermined holding period or disposal timing, and its policy is to sell them if it determines that capital gains are necessary, depending on market conditions and investment decisions; there is no change to this policy.

(2) Impairment loss

Regarding the business of the former MOVE Inc. (currently the electric-assist bicycle sales business operated within WinC Inc.), which the Company made a consolidated subsidiary in November 2024 and announced its dissolution through an absorption-type merger in the "Notice Concerning Merger Between Wholly Owned Subsidiaries" dated February 14, 2025, (hereinafter referred to as the "MOVE Business"), the Company had recorded goodwill based on the company's excess earning power.
However, although the MOVE Business is highly regarded by customers for its products, the domestic electric-assist bicycle market is in a downward trend. In addition, because it is a high-unit-price product with low purchase frequency, it is difficult for social media buzz to translate into actual purchases. Furthermore, since the retail sales channels of the business do not overlap with the existing wholesale network of the MUSCAT GROUP, the anticipated synergies in sales channels with the existing brands of the MUSCAT GROUP remained limited. As a result, business recovery has not progressed, and net sales and operating profit for the interim consolidated accounting period have remained significantly below the initially planned business targets. In response to this, we reviewed our business plan and determined that it would be difficult to achieve the initially projected earnings. Consequently, we have reduced the book value of the goodwill and property, plant and equipment, etc. related to the MOVE Business to their recoverable amounts and recorded an impairment loss of 183 million yen (comprising 158 million yen in goodwill and 24 million yen in property, plant and equipment, etc.) as an extraordinary loss. The recoverable amount is measured based on value in use, which is set to zero as the value in use based on future cash flows is negative.

In the "Niche Top Strategy" promoted by the MUSCAT GROUP, we believe it is essential that the markets we enter are themselves growing and that synergies can be achieved between SNS, e-commerce, and retail sales channels. Based on this, in future M&A activities, we will place particular emphasis on these factors of "market growth potential" and "synergies between sales channels" when making investment decisions. Regarding the future policy for the MOVE Business, we are considering ways to leverage its brand value and will announce our decision as soon as it is finalized.

2. Impact on Business Performance

This extraordinary loss does not affect operating profit or adjusted EBITDA. Furthermore, this extraordinary loss does not involve any cash outflow, and as a result of this impairment, no amortization of goodwill related to the MOVE Business will be incurred from the third quarter of the fiscal year ending March 31, 2027, onwards. For the full-year consolidated financial results forecast for the fiscal year ending March 31, 2027, please refer to the "Notice Regarding Revision of Full-Year Consolidated Financial Results Forecast" released separately today.

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