

Translation

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**Consolidated Financial Results
For the Nine Months Ended December 31, 2022
[Japanese GAAP]**

February 14, 2023

| | | | | | | | |
|---|---|--|--|--|--|-------------------|--|
| Company name: | Kudan Inc. | | | | | | |
| Stock exchange listing: | Tokyo Stock Exchange | | | | | | |
| Code number: | 4425 | | | | | | |
| URL: | http://www.kudan.eu/japan | | | | | | |
| Representative: | Daiu Ko, Managing Director, Chief Executive Officer | | | | | | |
| Contact: | Kohei Nakayama, Director, Chief Financial Officer | | | | | | |
| Phone: | +81-3-4405-1325 | | | | | | |
| Scheduled date of filing quarterly securities report: | | | | | | February 14, 2023 | |
| Scheduled date of commencing dividend payments: | | | | | | None | |
| Availability of supplementary briefing material on quarterly financial results: | | | | | | Available | |
| Holding of quarterly financial results briefing session: | | | | | | None | |

(Amounts of less than one million yen are rounded down.)

1. Financial Results for the Nine Months Ended December 31, 2022 (April 1, 2022 to December 31, 2022)

(1) Consolidated Operating Results (Cumulative)

(Percentage changes are in comparison with the same period of the previous fiscal year.)

| | Net sales | | Operating profit | | Ordinary profit | | Profit attributable to owners of parent | |
|-------------------------------------|-------------|-------|------------------|---|-----------------|---|---|---|
| | Million yen | % | Million yen | % | Million yen | % | Million yen | % |
| Nine months ended December 31, 2022 | 223 | 23.0 | (477) | — | (315) | — | (323) | — |
| December 31, 2021 | 181 | 270.1 | (330) | — | (698) | — | (2,219) | — |

(Note) Comprehensive income: Nine months ended December 31, 2022 (418 million yen) (—%)
Nine months ended December 31, 2021 (2,177 million yen) (—%)

| | Basic earnings per share | Diluted earnings per share |
|-------------------------------------|--------------------------|----------------------------|
| | Yen | Yen |
| Nine months ended December 31, 2022 | (38.71) | — |
| December 31, 2021 | (285.58) | — |

(Note) 1. Diluted earnings per share was negative and therefore is not indicated.

(2) Consolidated Financial Position

| | Total assets | Net assets | Equity ratio |
|-------------------------|--------------|-------------|--------------|
| | Million yen | Million yen | % |
| As of December 31, 2022 | 1,133 | 853 | 75.1 |
| As of March 31, 2022 | 770 | 637 | 82.8 |

(Reference) Equity: As of December 31, 2022: 850 million yen
As of March 31, 2022: 637 million yen

2. Dividends

| | Annual dividends | | | | |
|--|------------------|-----------------|-----------------|-------------|-------------|
| | 1st quarter-end | 2nd quarter-end | 3rd quarter-end | Year-end | Total |
| Fiscal year ended March 31, 2022 | Yen — | Yen 0.00 | Yen — | Yen 0.00 | Yen 0.00 |
| Fiscal year ending March 31, 2023 | — | 0.00 | — | — | — |
| Fiscal year ending March 31, 2023 (Forecast) | | | | 0.00 | 0.00 |

(Note) Changes in dividend forecast subsequent to most recent announcement: None

3. Earnings Forecast for the Fiscal Year Ending March 31, 2023 (April 1, 2022 to March 31, 2023)

(Percentage changes are in comparison with the same period of the previous fiscal year)

| | Net sales | | Operating profit | | Ordinary profit | | Profit attributable to owners of parent | | Basic earnings per share | |
|-----------|-------------|------|------------------|---|-----------------|---|---|---|--------------------------|--|
| | Million yen | % | Million yen | % | Million yen | % | Million yen | % | Yen | |
| Full year | 500 | 83.8 | (350) | — | (300) | — | (315) | — | (39.95) | |

(Note) Changes in earnings forecast subsequent to most recent announcement: None

Notes:

(1) Important changes in subsidiaries during the quarterly consolidated fiscal period (cumulative): None
 (Change in scope of consolidation of specified subsidiaries)
 New companies: — (company name)
 Excluded companies: — (company name)

(2) Application of special accounting treatment in preparing the quarterly consolidated financial statements: Yes

(3) Changes in accounting policies, changes in accounting estimates, and retrospective restatements
 1) Changes in accounting policies due to revisions of accounting standards, etc.: None
 2) Changes in accounting policies other than the above: None
 3) Changes in accounting estimates: None
 4) Retrospective restatements: None

(4) Number of issued shares (common shares)
 1) Number of issued shares at the end of the period (including treasury shares):
 As of December 31, 2022: 8,490,767 shares
 As of March 31, 2022: 8,230,067 shares
 2) Number of treasury shares at the end of the period:
 As of December 31, 2022: 402 shares
 As of March 31, 2022: 215 shares
 3) Average number of shares outstanding during the period (cumulative):
 As of December 31, 2022: 8,356,355 shares
 As of December 31, 2021: 7,771,304 shares

Consolidated Financial Statements and Relevant Notes

(1) Consolidated Balance Sheet

| | (Thousands of yen) | |
|--|----------------------|-------------------------|
| | As of March 31, 2022 | As of December 31, 2022 |
| Assets | | |
| Current assets | | |
| Cash and deposits | 604,424 | 994,030 |
| Notes and accounts receivable - trade, and contract assets | 89,647 | 30,523 |
| Operational investment securities | 42,864 | 32,964 |
| Inventories | — | 808 |
| Other | 17,518 | 58,691 |
| Total current assets | <u>754,455</u> | <u>1,117,018</u> |
| Non-current assets | | |
| Property, plant and equipment | | |
| Facilities attached to buildings, net | 0 | 0 |
| Tools, furniture and fixtures, net | 0 | 0 |
| Vehicles, net | 0 | 0 |
| Total property, plant and equipment | <u>0</u> | <u>0</u> |
| Investments and other assets | | |
| Guarantee deposits | 15,694 | 16,140 |
| Total investments and other assets | <u>15,694</u> | <u>16,140</u> |
| Total non-current assets | <u>15,694</u> | <u>16,140</u> |
| Total assets | <u>770,149</u> | <u>1,133,159</u> |
| Liabilities | | |
| Current liabilities | | |
| Accounts payable—trade | 15,249 | — |
| Contract liabilities | 14,438 | 25,726 |
| Accounts payable—other | 16,914 | 24,903 |
| Short-term borrowings | — | 200,000 |
| Income taxes payable | 38,158 | 229 |
| Deposits received | 13,908 | 5,593 |
| Other | 26,779 | 16,440 |
| Total current liabilities | <u>125,448</u> | <u>272,894</u> |
| Non-current liabilities | | |
| Deferred tax liability | 6,716 | 6,716 |
| Total non-current liabilities | <u>6,716</u> | <u>6,716</u> |
| Total liabilities | <u>132,164</u> | <u>279,610</u> |
| Net assets | | |
| Shareholders' equity | | |
| Share capital | 897,861 | 325,862 |
| Capital surplus | 2,205,848 | 945,976 |
| Retained earnings | (2,382,691) | (242,580) |
| Treasury shares | (1,060) | (1,508) |
| Total shareholders' equity | <u>719,957</u> | <u>1,027,749</u> |
| Accumulated other comprehensive income | | |
| Foreign currency translation adjustment | (95,256) | (190,121) |
| Valuation difference on available-for-sale securities | 13,284 | 13,284 |
| Total accumulated other comprehensive income | <u>(81,972)</u> | <u>(176,837)</u> |
| Subscription rights to shares | — | 2,636 |
| Total net assets | <u>637,985</u> | <u>853,548</u> |
| Total liabilities and net assets | <u>770,149</u> | <u>1,133,159</u> |

(2) Consolidated Statement of Income and Consolidated Statement of Comprehensive Income

Consolidated Statement of Income

(Thousands of yen)

| | For the nine months ended December 31, 2021 | For the nine months ended December 31, 2022 |
|--|--|--|
| Net sales | 181,797 | 223,609 |
| Cost of sales | 104,090 | 109,892 |
| Gross profit | 77,707 | 113,717 |
| Selling, general and administrative expenses | 408,647 | 591,165 |
| Operating loss | (330,939) | (477,447) |
| Non-operating income | | |
| Interest income | 13,494 | 2 |
| Consulting fee income | 4,897 | — |
| Foreign exchange gains | 24,358 | 102,161 |
| Subsidy income | — | 61,839 |
| Other | 1,249 | 480 |
| Total non-operating income | 44,000 | 164,483 |
| Non-operating expenses | | |
| Interest expenses | — | 2,192 |
| Commission expenses | 7,931 | 596 |
| Share of loss of entities accounted for using equity method | 403,780 | — |
| Other | — | 28 |
| Total non-operating expenses | 411,711 | 2,817 |
| Ordinary loss | (698,650) | (315,782) |
| Extraordinary income | | |
| Gain on change in equity | 2,320 | — |
| Extraordinary income | 2,320 | — |
| Extraordinary loss | | |
| Impairment losses | 1,472,720 | 7,460 |
| Loss on step acquisitions | 50,183 | — |
| Other | — | 0 |
| Extraordinary loss | (1,522,904) | 7,460 |
| Loss before income taxes | (2,219,234) | (323,242) |
| Income Taxes | 126 | 242 |
| Loss | (2,219,360) | (323,485) |
| Loss attributable to owners of parent | (2,219,360) | (323,485) |

Consolidated Statement of Comprehensive Income

(Thousands of yen)

| | For the nine months ended December 31, 2021 | For the nine months ended December 31, 2022 |
|--|--|--|
| Profit (loss) | (2,219,360) | (323,485) |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | 13,284 | — |
| Foreign currency translation adjustment | 7,621 | (94,865) |
| Share of other comprehensive income of entities accounted for using equity method | 21,131 | — |
| Total other comprehensive income | 42,036 | (94,865) |
| Comprehensive income | (2,177,323) | (418,350) |
| (Breakdown) | | |
| Comprehensive income attributable to owners of parent | (2,177,323) | (418,350) |
| Comprehensive income attributable to non- controlling interests | — | — |