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Consolidated Financial Results For the Six Months Ended September 30, 2021 [Japanese GAAP]

November 12, 2021

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
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 Phone: +81-3-4405-1325
 Scheduled date of filing quarterly securities report: November 12, 2021
 Scheduled date of commencing dividend payments: None
 Availability of supplementary briefing material on quarterly financial results: Available
 Holding of quarterly financial results briefing session: Available

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

1. Financial Results for the Six Months Ended September 30, 2021 (April 1, 2021 to September 30, 2021)

(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	%
Six months ended September 30, 2021	110	(262.7)	(220)	—	(323)	—	(321)	—
September 30, 2020	30	(84.6)	(238)	—	(220)	—	(220)	—

(Note) Comprehensive income: Six months ended September 30, 2021 (328 million yen) (—%)
 Six months ended September 30, 2020 (223 million yen) (—%)

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended September 30, 2021	(41.64)	—
September 30, 2020	(30.22)	—

(Note) 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 September 30, 2021	1,219	1,147	94.1
As of March 31, 2021	1,540	1,458	94.4

(Reference) Equity: As of September 30, 2021: ¥1,147 million
 As of March 31, 2021: ¥1,454 million

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
Fiscal year ended March 31, 2021	Yen —	Yen 0.00	Yen —	Yen 0.00	Yen 0.00
Fiscal year ending March 31, 2022	—	0.00			
Fiscal year ending March 31, 2022 (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, 2022 (April 1, 2021 to March 31, 2022)

(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	300~ 350	134.6~ 173.7	—	—	—	—	—	—	—

Changes in earnings forecast subsequent to most recent announcement: None

(Note) Since there is a degree of uncertainty over the scope of the impact that the rapid and global expansion of the infectious disease caused by the COVID-19 pandemic has on its group's business, the company has disclosed the forecast of consolidated results for the fiscal year ending March 31, 2022, in a range format of Net sales.

We will not disclose the forecast of specific amounts of operating profit, ordinary profit and profit attributable to owners of parent at this time considering the impact of the COVID-19 and the expansion status of business development in the future, in order to fast and flexibly realize new investments including further management integration with Artisense and new employments.

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)
 Notice regarding important changes in subsidiaries during the fiscal period
- (2) Application of special accounting treatment in preparing the quarterly consolidated financial statements: Yes
 (Note) Please refer to p. 8 of the Attachment "Adoption of Special Accounting Treatments for Quarterly Consolidated Financial Statements."
- (3) Changes in accounting policies, changes in accounting estimates, and retrospective restatements
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|---|------|
| 1) Changes in accounting policies due to revisions of accounting standards, etc.: | Yes |
| 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 September 30, 2021: 7,736,000 shares
 - As of March 31, 2021: 7,680,800 shares
 - 2) Number of treasury shares at the end of the period:
 - As of September 30, 2021: 193 shares
 - As of March 31, 2021: 85 shares
 - 3) Average number of shares outstanding during the period (cumulative):
 - As of September 30, 2021: 7,729,758 shares
 - As of September 30, 2020: 7,297,070 shares

Consolidated Financial Statements and Relevant Notes

(1) Consolidated Balance Sheet

(Thousands of yen)

	As of March 31, 2021	As of September 30, 2021
Assets		
Current assets		
Cash and deposits	1,230,979	918,185
Accounts receivable–trade	75,609	—
Notes and accounts receivable - trade, and contract assets	—	49,078
Operational investment securities	—	11,879
Inventories	24,955	—
Other	28,117	41,342
Total current assets	1,359,662	1,020,486
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	0	0
Investments and other assets		
Investments securities	1,979	0
Long-term loan	176,753	196,264
Guarantee deposits	1,943	2,320
Total investments and other assets	180,677	198,585
Total non-current assets	180,677	198,585
Total assets	1,540,339	1,219,071
Liabilities		
Current liabilities		
Accounts payable–trade	30,129	22,068
Accounts payable–other	6,392	9,201
Income taxes payable	23,301	4,338
Provision for loss on order received	3,988	—
Deposits received	2,247	2,481
Other	15,823	33,926
Total current liabilities	81,881	72,016
Total liabilities	81,881	72,016
Net assets		
Shareholders' equity		
Share capital	1,620,355	21,140
Capital surplus	1,620,355	1,631,495
Retained earnings	(1,755,918)	(467,429)
Treasury shares	(452)	(982)
Total shareholders' equity	1,484,340	1,184,224
Accumulated other comprehensive income		
Foreign currency translation adjustment	(30,227)	(37,168)
Total accumulated other comprehensive income	(30,227)	(37,168)
Subscription rights to shares	4,344	—
Total net assets	1,458,458	1,147,055
Total liabilities and net assets	1,540,339	1,219,071

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

Consolidated Statement of Income

(Thousands of yen)

	For the six months ended September 30, 2020	For the six months ended September 30, 2021
Net sales	30,533	110,746
Cost of sales	18,107	61,200
Gross profit (loss)	12,425	49,545
Selling, general and administrative expenses	250,912	270,470
Operating loss	(223,487)	(220,925)
Non-operating income		
Interest income	5,048	8,479
Consulting fee income	—	3,271
Foreign exchange gains	15,534	—
Other	1,067	1,044
Total non-operating income	21,651	12,796
Non-operating expenses		
Interest expenses	1,035	—
Commission expenses	511	—
Foreign exchange losses	—	7,139
Share issuance costs	2,115	409
Share of loss of entities accounted for using equity method	—	107,448
Total non-operating expenses	3,662	114,997
Ordinary loss	(220,497)	(323,125)
Extraordinary income		
Gain on change in equity	—	2,320
Extraordinary income	—	2,320
Extraordinary loss		
Impairment losses	—	934
Extraordinary loss	—	934
Loss before income taxes	(220,497)	(321,740)
Income Taxes	0	126
Loss	(220,498)	(321,866)
Loss attributable to owners of parent	(220,498)	(321,866)

Consolidated Statement of Comprehensive Income

(Thousands of yen)

	For the six months ended September 30, 2020	For the six months ended September 30, 2021
Profit (loss)	(220,498)	(321,866)
Other comprehensive income		
Valuation difference on available-for-sale securities	(413)	—
Foreign currency translation adjustment	(1,847)	8,301
Share of other comprehensive income of entities accounted for using equity method	—	(15,243)
Total other comprehensive income	(2,260)	(6,941)
Comprehensive income	(222,759)	(328,807)
(Breakdown)		
Comprehensive income attributable to owners of parent	(22,759)	(328,807)
Comprehensive income attributable to non-controlling interests	—	—

(3) Consolidated Statement of Cash Flows

(Thousands of yen)

	For the six months ended September 30, 2020	For the six months ended September 30, 2021
Cash flows from operating activities		
Profit before income taxes	(220,497)	(321,740)
Depreciation	2,422	—
Loss (profit) on change in equity	—	(2,320)
Foreign exchange losses	(16,486)	6,917
Interest income	(5,048)	(8,479)
Interest expenses	1,035	—
Share issuance cost	2,115	409
Share of loss (profit) of entities accounted for using equity method	—	107,448
Impairment losses	—	934
Increase (decrease) in provision for loss on order received	—	(4,051)
Decrease (increase) in trade receivables	1,73,193	49,059
Decrease (increase) in operational investment securities	—	(9,900)
Increase (decrease) in trade payables	—	(8,060)
Other	(26,675)	3,293
Subtotal	(89,942)	(175,551)
Interest received	3	4
Interest paid	(774)	—
Income taxes paid	(985)	(8,599)
Income taxes refund	1	—
Cash flows from operating activities	(91,697)	(184,146)
Cash flows from investing activities		
Purchase of property, plant and equipment	(3,690)	(927)
Purchase of investment securities	(478,505)	—
Loan advances	—	(148,397)
Proceeds from collection of loans receivable	—	3,814
Payments of leasehold and guarantee deposits	(490)	(392)
Proceeds from refund of leasehold and guarantee deposits	6,818	—
Payments for asset retirement obligations	(792)	—
Cash flows from investing activities	(476,660)	(145,902)
Cash flows from financing activities		
Proceeds from issuance of shares	2,203,805	21,870
Repayments of long-term borrowings	(207,832)	—
Refund of deposits received	(235,964)	—
Purchase of treasury shares	—	(529)
Proceeds from issuance of share acquisition rights	10,862	—
Payments for purchase of treasury subscription right to shares	—	(4,344)
Cash flows from financing activities	1,770,871	16,996
Effect of exchange rate change on cash and cash equivalents	224	257
Net increase (decrease) in cash and cash equivalents	1,202,738	(312,794)
Cash and cash equivalents at beginning of period	496,470	1,230,979
Cash and cash equivalents at end of period	1,699,208	918,185