

February 14th, 2022

Company Name	Kudan Inc.	
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	(Securities code: 4425 TSE Mothers)	
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Notification concerning the recording of non-operating income, non-operating expenses and extraordinary losses

Kudan Inc. (henceforth in this document as “Kudan”) announces that it has recorded non-operating income, non-operating expenses and extraordinary loss for the third quarter of the fiscal year ending March 31, 2022, as follows.

1. Recording of non-operating income

As a result of the change of Pound and Euro exchange rate, foreign exchange gains of 24 million yen were recorded as non-operating income.

2. Recording of non-operating expenses

In accordance with the "Accounting Standard for Equity Method of Accounting", Kudan has recorded 403 million yen of share of loss of entities accounted for using equity method as non-operating expenses, including the inclusion of the profit and loss for the period of Artisense Corporation (headquarters in California, USA; henceforth in this document as “Artisense”), which was an equity method affiliate of Kudan.

Share issuance costs of 7 million yen were recorded as non-operating expenses due to Kudan's issuance of new shares in connection with the acquisition of Artisense on December 10, 2021.

3. Recording of extraordinary losses

With the acquisition of Artisense, Kudan has been able to further strengthen its exclusive position as a specialized independent company in the field of AP (Artificial Perception), which it has conventionally built up in terms of technological advantages at a global level, and Kudan has also achieved an improvement in the quality of its project portfolio, which contribute to accelerating the commercialization of the customers' products and expanding revenue opportunities for the mid- to long- term.

Meanwhile, at the time of the financial results for the fiscal year ended March 31, 2021, due to the impact of the COVID-19 pandemic and the postponed delivery of Artisense's new technology “VINS”, as well as the uncertainty of market recovery due to the continued impact of COVID-19 pandemic, the accounting assumption based on the conservative scenario of the future performance forecast was made and as a result, all of the investment securities and loans to Artisense for the fiscal year ended March 31, 2021, was written down.

In the third quarter of the current fiscal year, Kudan made a conservative estimate of future performance forecast in view of the acquisition of future technology and wrote down the entire

amount of goodwill associated with the acquisition of Artisense. As a result, an impairment loss of 1,472 million yen was recorded as an extraordinary loss.

In addition, a loss on step acquisitions of 50 million yen was recorded as an extraordinary loss through the acquisition.

The impact on the earnings of recording non-operating income, non-operating expenses and extraordinary losses described above is reflected in the “Consolidated Financial Results for the Third Quarter of the Fiscal Year Ending March 2022 [Japanese GAAP]” announced today.

■ Contact Information

For more details, please contact us from [here](#).