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Consolidated Financial Results For the Fiscal Year Ended March 31, 2023 [Japanese GAAP]

May 15, 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 Office
 Phone: +81-3-4405-1325
 Scheduled date of filing securities report: June 23, 2023
 Scheduled date of commencing dividend payments: None
 Availability of supplementary briefing material on financial results: Available
 Holding of financial results briefing session: Available

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

1. Financial Results for the Fiscal Year Ended March 31, 2023 (April 1, 2022 to March 31, 2023)

(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	%
Fiscal year ended								
March 31, 2023	332	22.4	(598)	—	(394)	—	(413)	—
March 31, 2022	271	112.7	(433)	—	(681)	—	(2,237)	—

(Note) Comprehensive income: Fiscal year ended March 31, 2023 (552 million yen) (—%)
 Fiscal year ended March 31, 2022 (2,288 million yen) (—%)

	Basic earnings per share	Diluted earnings per share	Profit/Equity	Ordinary profit/Total assets	Operating profit/Net assets
	Yen	Yen	%	%	%
Fiscal year ended					
March 31, 2023	(49.30)	—	(59.3)	(44.3)	(179.9)
March 31, 2022	(283.74)	—	(213.9)	(59.0)	(159.2)

(Reference) Share of profit (loss) of entities Fiscal year ended March 31, 2023 —
 accounted for using equity method: Fiscal year ended March 31, 2022 (403)

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

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of March 31, 2023	1,008	759	75.0	88.84
As of March 31, 2022	770	637	82.8	77.52

(Reference) Equity: As of March 31, 2023: 755 million yen
 As of March 31, 2022: 637 million yen

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Million yen	Million yen	Million yen	Million yen
Fiscal year ended March 31, 2023	(619)	(20)	870	852
March 31, 2022	(514)	(137)	9	604

2. Dividends

	Annual dividends					Annual dividends (Total)	Payout ratio (consolidated)	Dividends to net assets (consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
Fiscal year ended March 31, 2022	—	0.00	—	0.00	0.00	—	—	—
March 31, 2023	—	0.00	—	0.00	0.00	—	—	—
March 31, 2024 (Forecast)	—	0.00	—	0.00	0.00		—	

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	520	56.3	(560)	—	(520)	—	(550)	—	(63.47)

Notes:

(1) Important changes in subsidiaries during the consolidated fiscal period (cumulative): None

(Change in scope of consolidation of specified subsidiaries)

New companies: — (company name)

Excluded companies: — (company name)

(2) 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

(3) Number of issued shares (common shares)

1) Number of issued shares at the end of the period (including treasury shares):

As of March 31, 2023: 8,509,267 shares

As of March 31, 2022: 8,230,067 shares

2) Number of treasury shares at the end of the period:

As of March 31, 2023: 450 shares

As of March 31, 2022: 215 shares

3) Average number of shares outstanding during the period (cumulative):

As of March 31, 2023: 8,389,524 shares

As of March 31, 2022: 7,884,371 shares

(※) Financial results are not subject to audit by certified public accountants or auditing firm.

(※) Explanation for the appropriate use of performance forecasts and other special notes

The forward-looking statements such as performance forecasts indicated in this document are based on information currently available to the Company and certain assumptions that the Company judges to be reasonable. Actual results may differ materially due to various factors.

Consolidated Financial Statements and Relevant Notes

(1) Consolidated Balance Sheet

(Thousands of yen)

	As of March 31, 2022	As of March 31, 2023
Assets		
Current assets		
Cash and deposits	604,424	852,076
Notes, accounts receivable – trade and contract assets	89,647	61,914
Operational investment securities	42,864	32,964
Inventories	4,758	—
Other	12,759	44,511
Total current assets	754,455	991,467
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		
Guarantee deposits	15,694	16,608
Total investments and other assets	15,694	16,608
Total non-current assets	15,694	16,608
Total assets	770,149	1,008,076
Liabilities		
Current liabilities		
Accounts payable–trade	15,249	183
Contract liabilities	14,438	—
Accounts payable–other	16,914	20,498
Short-term borrowings	—	200,000
Income taxes payable	38,158	804
Deposits received	13,908	6,131
Other	26,779	13,960
Total current liabilities	125,448	241,578
Non-Current liabilities		
Deferred tax liabilities	6,716	6,716
Total non-current liabilities	6,716	6,716
Total liabilities	132,164	248,294
Net assets		
Shareholders' equity		
Share capital	897,861	345,700
Capital surplus	2,205,848	965,814
Retained earnings	(2,382,691)	(332,666)
Treasury shares	(1,060)	(1,645)
Total shareholders' equity	719,957	977,203
Accumulated other comprehensive income		
Foreign currency translation adjustment	(95,256)	(234,535)
Valuation difference on available-for-sale securities	13,284	13,284
Total accumulated other comprehensive income	(81,972)	(221,251)
Share acquisition rights	—	3,829
Total net assets	637,985	759,781
Total liabilities and net assets	770,149	1,008,076

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

Consolidated Statement of Income

(Thousands of yen)

	For the fiscal year ended March 31, 2022	For the fiscal year ended March 31, 2023
Net sales	271,959	322,700
Cost of sales	147,310	156,261
Gross profit	124,649	176,509
Selling, general and administrative expenses	557,727	775,208
Operating profit	(433,078)	(598,699)
Non-operating income		
Interest income	13,498	6
Consulting fee income	4,897	—
Foreign exchange gains	124,264	146,186
Subsidy income	19,725	61,839
Other	1,249	498
Total non-operating income	163,635	208,531
Non-operating expenses		
Interest expenses	—	3,053
Share issuance cost	7,931	668
Share of loss of entities accounted for using equity method	403,780	—
Other	63	628
Total non-operating expenses	411,775	4,349
Ordinary profit (loss)	(681,217)	(394,518)
Extraordinary income		
Gain on change in equity	2,320	—
Total extraordinary income	2,320	—
Extraordinary Losses		
Impairment losses	1,474,759	20,338
Loss on step acquisitions	50,183	—
Other	—	0
Total extraordinary losses	1,524,943	20,338
Profit (loss) before income taxes	(2,203,841)	(414,857)
Income taxes-current	33,288	1,521
Income taxes-refund	—	(2,807)
Total income taxes	33,288	(1,285)
Profit (loss)	(2,237,129)	(413,571)
Profit (loss) attributable to owners of parent	(2,237,129)	(413,571)

Consolidated Statement of Comprehensive Income

(Thousands of yen)

	For the fiscal year ended March 31, 2022	For the fiscal year ended March 31, 2023
Profit (loss)	(2,237,129)	(413,571)
Other comprehensive income		
Valuation difference on available-for-sale securities	13,284	—
Foreign currency translation adjustment	(86,160)	(139,278)
Share of other comprehensive income of entities accounted for using equity method	21,131	—
Total other comprehensive income	(51,744)	(139,278)
Comprehensive income	(2,288,874)	(552,850)
(Breakdown)		
Comprehensive income attributable to owners of parent	(2,288,874)	(552,850)
Comprehensive income attributable to non-controlling interests	—	—

(3) Consolidated Statement of Changes in Equity

For the fiscal year ended March 31, 2022

(Thousands of yen)

	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Accumulated other comprehensive income			Issuance of share acquisition rights	Total net assets
						Valuation difference on available-for-sale securities	Issuance of share acquisition rights	Total accumulated other comprehensive income		
Balance at beginning of period	1,620,355	1,620,355	(1,755,918)	(452)	1,484,340	—	(30,227)	(30,227)	4,344	1,458,458
Changes during period										
Profit attributable to owners of parent			(2,237,129)		(2,237,129)					(2,237,129)
Capital reduction	(1,610,355)	1,610,355			—					—
Deficit disposition		(1,610,355)	1,610,355		—					—
Issuance of new shares	887,861	585,492			1,473,353					1,473,353
Purchase of treasury shares				(608)	(608)					(608)
Net changes in items other than shareholders' equity						13,284	(65,029)	(51,745)	(4,344)	(56,089)
Total changes during period	(722,494)	585,492	(626,773)	(608)	(764,384)	13,284	(65,029)	(51,745)	(4,344)	(820,473)
Balance at end of period	897,861	2,205,848	(2,382,691)	(1,060)	719,957	13,284	(95,256)	(81,972)	—	637,985

For the fiscal year ended March 31, 2023

(Thousands of yen)

	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Accumulated other comprehensive income			Issuance of share acquisition rights	Total net assets
						Valuation difference on available-for-sale securities	Issuance of share acquisition rights	Total accumulated other comprehensive income		
Balance at beginning of period	897,861	2,205,848	(2,382,691)	(1,060)	719,957	13,284	(95,256)	(81,972)	—	637,985
Changes during period										
Profit attributable to owners of parent			(413,571)		(413,571)					(413,571)
Capital reduction	(887,861)	887,861			—					—
Deficit disposition		(2,463,596)	2,463,596		—					—
Issuance of new shares	335,700	335,700			671,401					671,401
Purchase of treasury shares				(584)	(584)					(584)
Net changes in items other than shareholders' equity						—	(139,278)	(139,278)	3,829	(135,449)
Total changes during period	(552,161)	(1,240,034)	2,050,025	(584)	257,245	—	(139,278)	(139,278)	3,829	121,796
Balance at end of period	345,700	965,814	(332,666)	(1,645)	977,203	13,284	(234,535)	(221,251)	3,829	759,781

(4) Consolidated Statement of Cash Flows

(Thousands of yen)

	For the fiscal year ended March 31, 2022	For the fiscal year ended March 31, 2023
Cash flows from operating activities		
Profit before income taxes	(2,203,841)	(414,857)
Loss (profit) on change in equity	(2,320)	—
Foreign exchange losses(gains)	(124,016)	(145,848)
Interest income	(13,498)	(6)
Interest expenses	—	3,053
Share issuance cost	7,931	668
Share-based payment expenses	—	3,890
Share of loss (profit) of entities accounted for using equity method	403,780	—
Loss (gain) on step acquisitions	50,183	—
Impairment losses	1,474,759	20,338
Subsidy income	(19,725)	(61,839)
Increase (decrease) in provision for loss on order received	(4,051)	—
Decrease (increase) in notes and accounts receivable-trade and contract assets	(5,676)	35,945
Decrease (increase) in inventories	36,124	5,199
Decrease (increase) in investment securities for sale	(20,884)	9,900
Increase (decrease) in trade payables	(14,879)	(15,066)
Other	(84,716)	(70,969)
Subtotal	(520,830)	(629,591)
Interest received	8	6
Interest paid	—	(3,053)
Subsidies received	19,725	55,290
Income taxes paid	(13,870)	(44,504)
Income taxes refund	—	2,807
Cash flows from operating activities	(514,967)	(619,044)
Cash flows from investing activities		
Purchase of property, plant and equipment	(4,122)	(20,338)
Loan advances to subsidiaries and associates	(328,269)	—
Proceeds from collection of loans receivable	7,000	—
Payments of leasehold and guarantee deposits	(392)	—
Income from acquisition of shares of new consolidated subsidiary	188,301	—
Cash flows from investing activities	(137,481)	(20,338)
Cash flows from financing activities		
Proceeds from issuance of shares	22,112	668,955
Proceeds from borrowings	—	200,000
Purchase of treasury shares	(608)	(584)
Proceeds from issuance of share acquisition rights	—	1,717
Payments from the gain of own stock acquisition rights	(4,344)	—
Other, net	(7,763)	—
Cash flows from financing activities	9,395	870,087
Effect of exchange rate change on cash and cash equivalents	16,498	16,947
Net increase (decrease) in cash and cash equivalents	(626,554)	247,651
Cash and cash equivalents at beginning of period	1,230,979	604,424
Cash and cash equivalents at end of period	604,424	852,076