

May 31, 2024

Company Name	Kudan Inc.	
Representative	CEO	Daiu Ko
	(Securities code: 4425 TSE Growth)	
Inquiries	CFO	Kohei Nakayama
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Notification concerning the reduction of share capital and the appropriation of surplus funds, partial amendments to the articles of association and change of directors and auditor

Kudan Inc. (henceforth in this document as “Kudan”) announces that at its Board of Directors Meeting today, it has resolved to introduce a proposal regarding the reduction of share capital and the appropriation of surplus funds, partial amendments to the articles of association and change of directors and auditor at its 10th Annual General Shareholders Meeting to be held on June 26th, 2024, as outlined below.

1. Reduction of share capital and appropriation of surplus funds

(1) Purpose of the reduction of share capital and appropriation of surplus funds

The purpose of the reduction in share capital and appropriation of the surplus funds is to reduce the tax burden by reducing the amount of share capital, improve its financial standing by compensating for the deficit in the retained earnings brought forward, and to maintain its flexibility and mobility for the future capital strategy.

Specifically, the share capital will be reduced and the resulting amount will be transferred to other capital surplus as per Article 447, Paragraph 1 of the Companies Act. In addition, as per Article 452 of the Companies Act, a part of the other capital surplus following the increase will be appropriated to compensate for the deficit in the retained earnings brought forward.

Since only the amount of share capital will be reduced without changing the total number of issued shares, the number of shares owned by shareholders will not be affected.

Moreover, the decrease in the amount of share capital consists of a transfer between accounts in the net assets section of the balance sheet, and since there is no change in its net assets or the total number of issued shares, there will be no change to the amount of net assets per share.

(2) Details regarding the reduction of share capital

Of the capital of JPY 740,310,241 as of 30 April 2024, JPY 730,310,241 is to be reduced to JPY 10,000,000 and the entire amount of capital to be reduced is to be transferred to other capital surplus. However, if the subscription rights issued by Kudan are exercised during the period up to the effective date of the reduction in the amount of capital, the amount of capital will be reduced by the same amount as the increase in capital due to the issue of new shares upon

exercise of such subscription rights, so that the final amount of capital on the effective date of the reduction in the amount of capital will be JPY10,000, 000.

(3) Details regarding the appropriation of surplus funds

If the decrease in the amount of share capital as detailed in Section (2) above is approved, the other capital surplus of JPY 436,121,487 arising from the reduction of share capital will be transferred to compensate for the deficit in the retained earnings brought forward.

1) The item and the amount of surplus funds to be decreased

Other capital surplus: JPY 436,121,487

2) The item and the amount of surplus funds to be increased

Retained earnings brought forward.: JPY 436,121,487

(4) Schedule for the reduction of share capital and appropriation of surplus funds (planned)

1) Resolution of the Board of Directors : May 31st, 2024

2) Resolution of General Shareholders Meeting: June 26th, 2024 (planned)

3) Date of public notice of creditor opposition: July 26th, 2024 (planned)

4) Creditor opposition deadline: August 26th, 2024 (planned)

5) Effective date: September 1st, 2024 (planned)

(5) Future outlook

Since this transaction is a transfer between accounts in the net assets section of its balance sheet, it will not change the total amount of net assets nor affect its business performance. This matter is subject to approval at the 10th Annual General Shareholders Meeting scheduled to be held on June 26th, 2024

2. Partial amendment to the Articles of Association

(1) Purpose of the amendment

To add a business purpose to Article 2 (Purpose) of the current Articles of Association with effect from 26 June 2024, in order to respond to the expansion of the scope of business and to clarify the nature of the business of Kudan and its subsidiaries.

(2) Details of the amendments to the Articles of Association

The details of the amendment are shown in the Annex.

(3) Schedule of partial amendments to the Articles of Association (planned)

1) Date of the General Meeting of Shareholders: 26 June 2024 (planned)

2) Effective date: 26 June 2024 (planned)

(Reference)

The amendment will be made in conjunction with the launch of sales of productization packages for digital twin and robotics, but the products are being introduced to "priming" for accelerated customer commercialization, and there will be no change to the business strategy in which we aim to increase sales and profits in the future, mainly through sales of software licenses.

3. Change of directors

(1) Candidates for directors (Directors who are Audit and Supervisory Committee Members are excluded)

Name	New Title (planned)	Current Title
Tomo Ohno	Managing Director	Same as the left
Daiu Ko	Managing Director & CEO	Same as the left
Kohei Nakayama	Director & CFO	Same as the left
Tian Hao	Director & COO	Same as the left
Yusuke Shibata	External Director	Same as the left

(2) Candidates for directors serving as Audit and Supervisory Committee Member

Name	New Title (planned)	Current Title
Shinichi Misawa	External Director Audit and Supervisory Committee Member	Same as the left
Takashi Miida	External Director Audit and Supervisory Committee Member	-

The appointment of two directors serving as Audit and Supervisory Committee Member is being proposed in order to increase the number of members of the Audit and Supervisory Committee from the current three to four in order to enhance the company's audit function and strengthen the audit structure.

(3) Biography of the candidate for a new director

Name (Date of birth)	Career summary, positions, responsibilities, and significant concurrent positions
Takashi Miida (September 16, 1985)	September 2008 Joined Deloitte Touche Tohmatsu LLC September 2013 Miida certified public accountant office, Representative (present) July 2014 WORLD TROTTER Inc, Managing Director (present)

4. Change of accounting auditor

(1) Scheduled date of change

June 26, 2024 (date of the 10th Annual General Meeting of Shareholders)

(2) Outline of the accounting auditor to be appointed and retired

1) Outline of the accounting auditor to be appointed

Name	Toko Audit Corporation
Location	3F, Ageba Building, 1-1 Ageba-cho, Shinjuku-

	ku, Tokyo
Name of operating partner	Junya Abiko, Hiroyuki, Maekawa
Status of registration with the registration system for auditors of listed companies, etc.	Deemed registered in accordance with Article 3 (3) of the Supplementary Provisions of the Amended CPA Act.

2) Outline of the accounting auditor to be retired

Name	Ernst & Young ShinNihon LLC
Location	Hibiya Mitsui Tower, Tokyo Midtown Hibiya 1-1-2 Yuraku-cho, Chiyoda-ku, Tokyo
Name of operating partner	Takashi Sadatome, Yoshio Honma

(3) Reasons for selecting the company stated in (2) 1) as candidates for accounting auditor

The reasons why our Audit and Supervisory Committee of has nominated Toko Audit Corporation as a candidate for accounting auditor are as follows: in consideration of the number of years the current accounting auditor has been auditing us, the appointment of Toko Audit Corporation is expected to provide a new perspective on auditing, and the Audit and Supervisory Committee has comprehensively considered the expertise, independence, quality control system, auditing system, audit fees and other factors of the accounting auditor and determined that they are suitable for the position.

(4) Date of appointment of the retiring accounting auditor

September 20, 2018

(5) Opinions, etc. in audit reports, etc. prepared by the retiring accounting auditor over the last three years

Not applicable.

(6) Reasons and background leading to the decision or change

The Company's accounting auditor, Ernst & Young ShinNihon LLC, will retire from its position at the end of the 10th Annual General Meeting of Shareholders scheduled to be held on 26 June 2024. the Audit and Supervisory Committee believes that the accounting auditor is sufficiently equipped with a system to ensure that accounting audits are carried out appropriately and properly, but the Audit and Supervisory Committee decided to review the accounting auditor due to the long period of continuous auditing by the accounting auditor, and to consider the audit response and the appropriateness of audit costs commensurate with the scale of our business. As a result, the Audit and Supervisory Committee is appointing Toko & Co. as the new accounting auditor for the reasons stated in (3) above.

(7) Opinion on the reasons and background of (6) above

1) Opinion of the retiring accounting auditor

We have received a comment that there are no particular opinions.

2) Opinion of the Audit and Supervisory Committee

We have determined that this is appropriate.

Appendix: Details of amendment to the Articles of Association

(Underlining indicates amendment)

Current Articles of Association	Amendment plan
Chapter 1 General provisions (Purpose) Article 2 The objects of the Company shall be to engage in the following businesses 1. To control or manage the business activities of companies engaged in the following businesses and foreign companies engaged in equivalent businesses by owning shares or equity interests in such companies (1) Planning, development, production, manufacture, sale, import and export of software (2) Management of intangible property rights such as licenses relating to software (3) Investigation (market research, market analysis, advertising research, etc.), research, technical development, education and consultancy related to (1) and (2) above (4) All business incidental and related to (1) to (3) above 2. Planning, development, production, manufacture, sale, import and export of software 3. Accounting and financial management, personnel and labour management, information system management, real estate management and intellectual property management of group companies 4. Acquisition, holding, management and sale of securities 5. All businesses incidental and related to the above	Chapter 1 General provisions (Purpose) Article 2 The objects of the Company shall be to engage in the following businesses 1. To control or manage the business activities of companies engaged in the following businesses and foreign companies engaged in equivalent businesses by owning shares or equity interests in such companies (1) Planning, development, production, manufacture, sale, import and export of software <u>and hardware</u> (2) Management of intangible property rights such as licenses relating to software (3) Investigation (market research, market analysis, advertising research, etc.), research, technical development, education and consultancy related to (1) and (2) above (4) All business incidental and related to (1) to (3) above 2. Planning, development, production, manufacture, sale, import and export of software <u>and hardware</u> 3. Accounting and financial management, personnel and labour management, information system management, real estate management and intellectual property management of group companies 4. Acquisition, holding, management and sale of securities 5. All businesses incidental and related to the above