



Supplementary Documentation to the financial report for the fiscal year ending March 2024

May 15, 2024

Eyes to the all machines

Highlights for the previous fiscal year ended March 2024

- **Revenue grew 48%** (490 million yen), **adjusted operating losses¹ decreased 21%** (420 million yen), and **ordinary losses decreased 87%** (0.5 million yen) compared to the previous year
- The initiatives focused on as the "**two pillars of growth**" are beginning to show results

A Customer commercialization : Business progressed due to growth in projects and subsequent expansion of product sales

- **Customer commercialization increased to a total of 8 projects**, and the areas such as drones and autonomous driving are expanding
- **Product-related revenue² achieved 40 times the previous year's revenue** (270 million yen) as harvesting

B Solution: Established the business foundation, and **discussed/agreed with partners on a policy to introduce digital twin solutions**

¹ Operating profit (losses) plus government R&D subsidy income occurring every year, a profit figure that serves as an indicator of business profitability

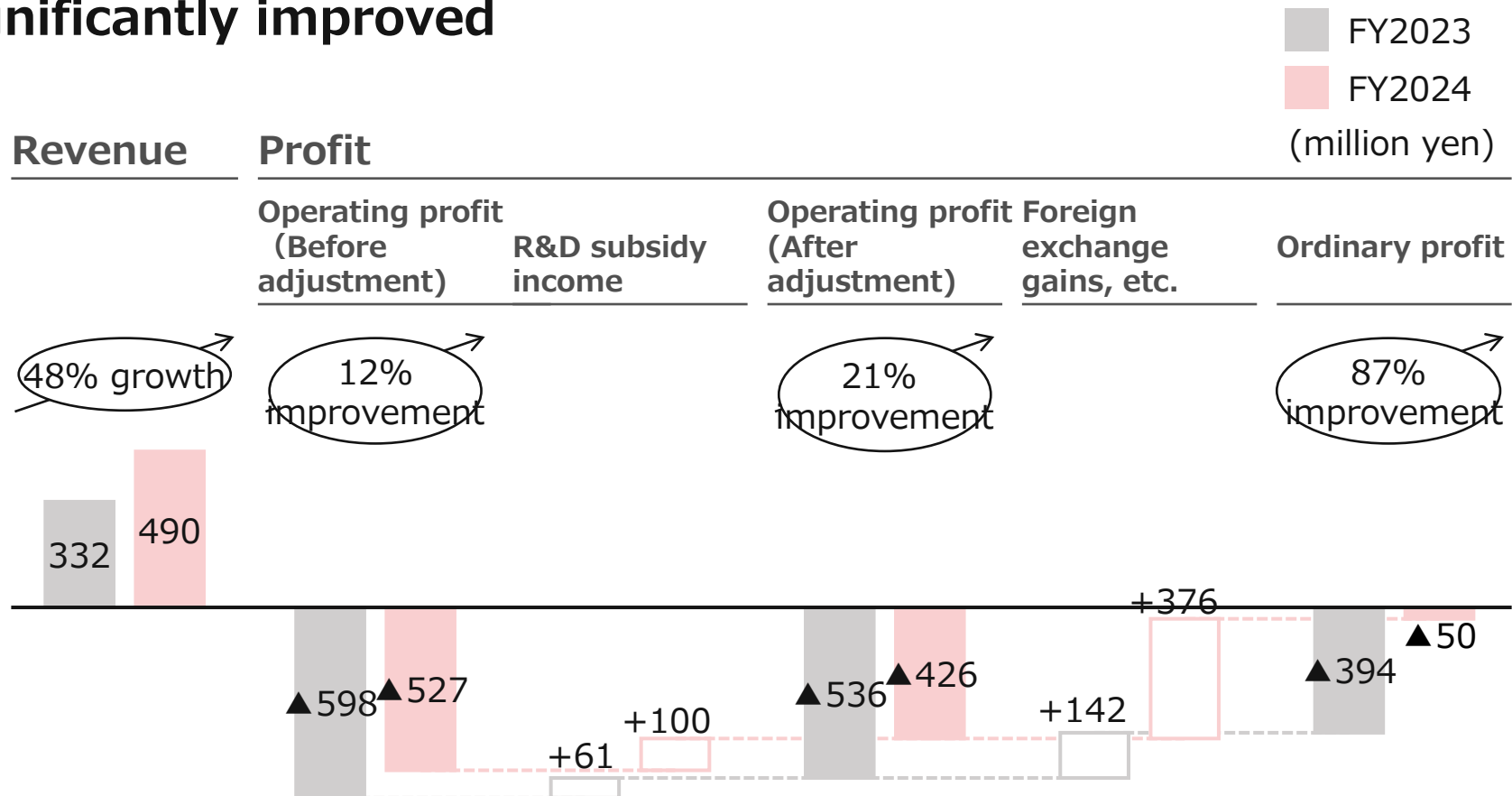
² Revenue from contracts that enable customer commercialization (product sales and internal/external service operations) using Kudan's technology

Forecast for the current fiscal year ending March 2025

- Plans to continue to focus on the "two pillars of growth"
 - A Customer commercialization: Accelerated project growth**, due to the contribution of productization packages as "priming"
 - B Solution:** Promote ecosystem collaboration and **expand into robotics and autonomous driving areas**
- In addition, **initiatives** to support the "two pillars of growth" **are also being carried out**
 - C Integration with AI and semiconductors:** Kudan's Artificial Perception aims to be a technological foundation that integrates Artificial Intelligence and semiconductors, solving fundamental issues in 3D and spatial information processing with innovative methods
- For the current fiscal year, we forecast **revenue of 700 million yen** (43% growth over the previous year) and **adjusted operating losses of 350 million yen** (18% reduction over the previous year)

Full-year performance for the fiscal year ending March 2024 (vs. previous year)

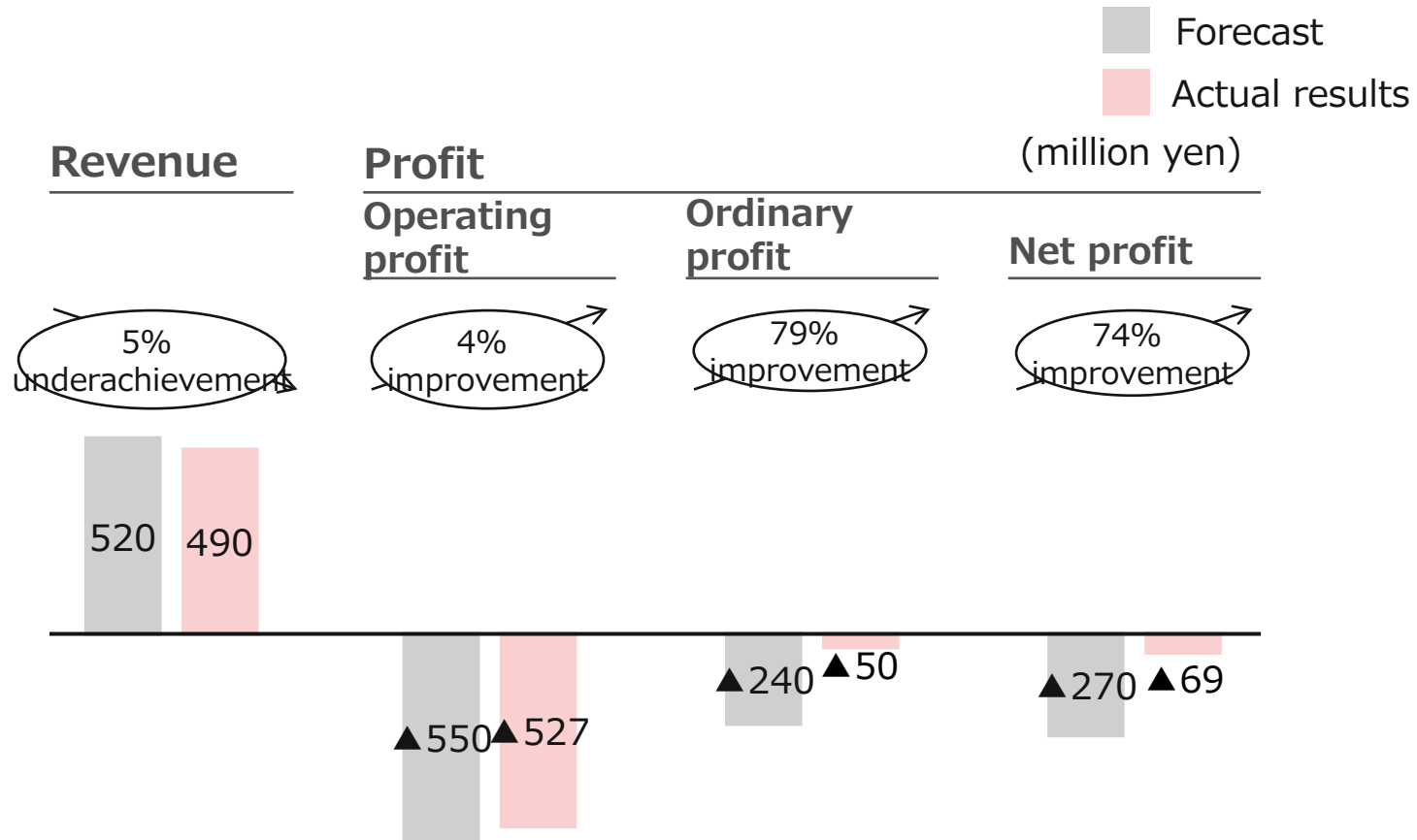
- Significant growth in revenue and improvement in operating losses
- Adjusted operating profit, an indicator of business profitability, including subsidy income¹ occurring every year, **has improved**
- In addition, **ordinary profit** including foreign exchange gains **has significantly improved**



¹ Subsidies for research and development from foreign governments

Full-year performance for the fiscal year ending March 2024 (vs. forecast)

- Revenue slightly underachieved, but all profit indicators are positive due to improved profitability



Full-year performance for the fiscal year ending March 2024 (summary)

(million yen)	FY2023 Actual result	FY2024 Forecast	FY2024 Actual result
Net Sales	332	520	490
Operating Profit	△598	△550	△527
Ordinary Profit	△394	△240	△50
Profit Attributable to Owners of Parent	△413	△270	△69
(Reference) Adjusted operating profit¹	△536	△451	△426

1 Operating profit (losses) plus government R&D subsidy income occurring every year, a profit figure that serves as an indicator of business profitability
2 Major breakdown of non-operating and extraordinary losses/income (million yen): (FY2023) Foreign exchange gains 146, Subsidy income 61, Impairment losses 20 (FY2024) Foreign exchange gains 384, Subsidy income 100, Impairment losses 18

Continuation of growth strategies from the previous fiscal year and new initiatives from the current fiscal year

- In addition to the "two pillars of growth," focus on initiatives to support

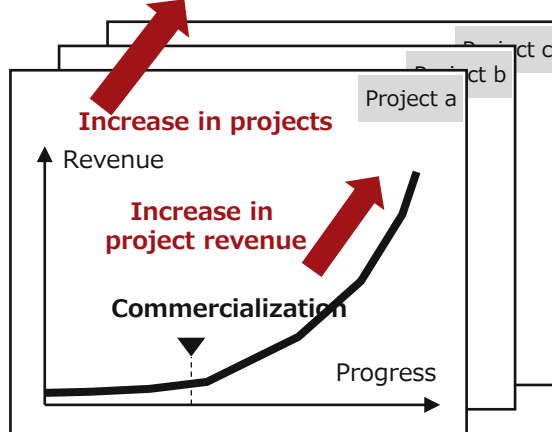
Continuation

Two pillars of growth

A

Customer commercialization¹

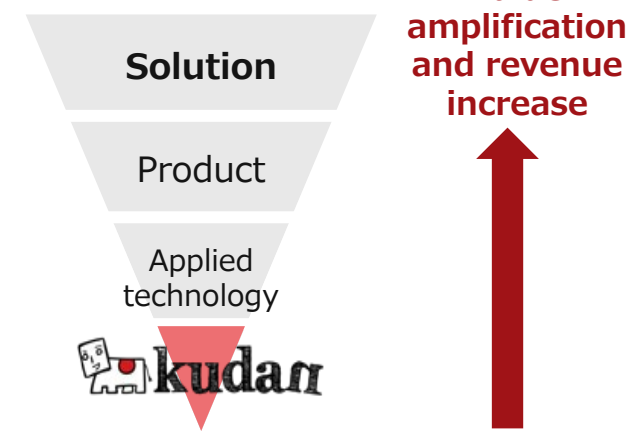
- Revenue expansion due to increased sales of customer products



B

Solution

- Scaling projects through collaboration



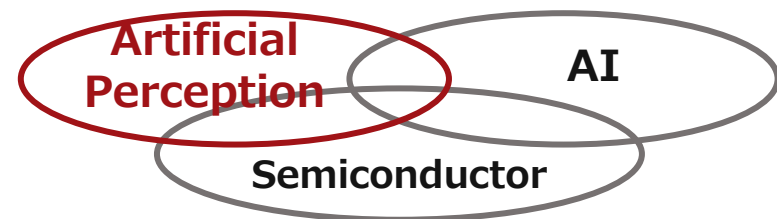
New

Supporting initiatives

C

Integration with AI and semiconductors

- Expand business opportunities through "high value-added by integrating AI" and "high efficiency by integrating semiconductors"



¹ The tipping point in projects where Kudan's direct customers adopt its technology in their products and decide to release the customers' products

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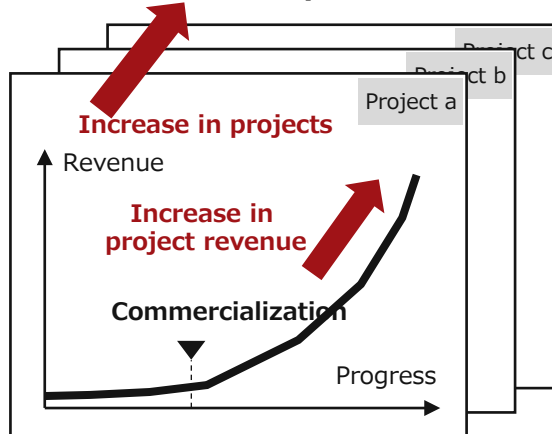
Continuation

Two pillars of growth

A

Customer commercialization¹

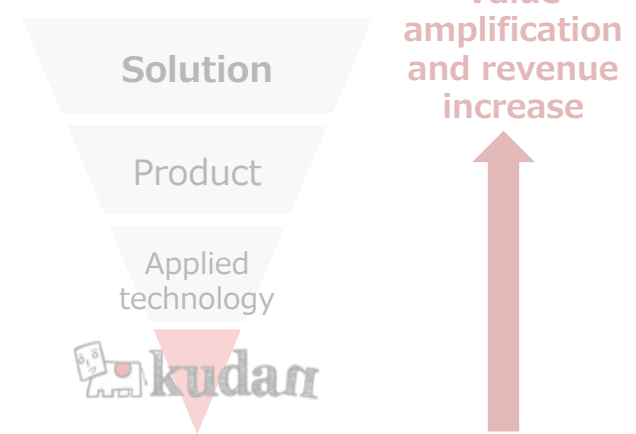
- Revenue expansion due to increased sales of customer products



B

Solution

- Scaling projects through collaboration



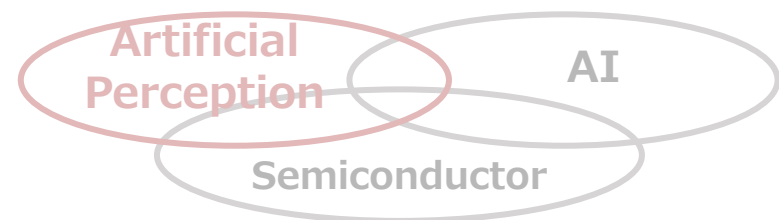
New

Supporting initiatives

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Integration with AI and semiconductors

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¹ The tipping point in projects where Kudan's direct customers adopt its technology in their products and decide to release the customers' products

Introduced productization packages for robots, and increased the number of projects in preparation

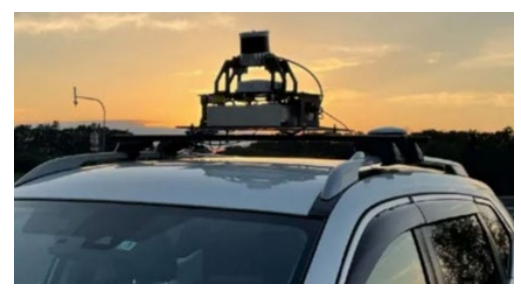
- As "priming" for customer commercialization, the productization package¹ was introduced for digital twin followed by the productization package for robots², and the number of projects has been increased

Introduction of a productization package as "priming"

Increase in the number of projects in each area

Digital twin
(mapping)

Market launch in 3Q FY23

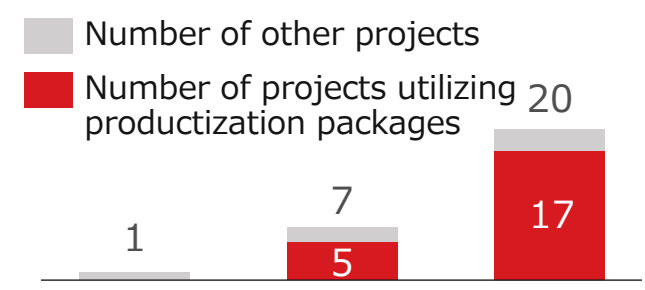


Robot²

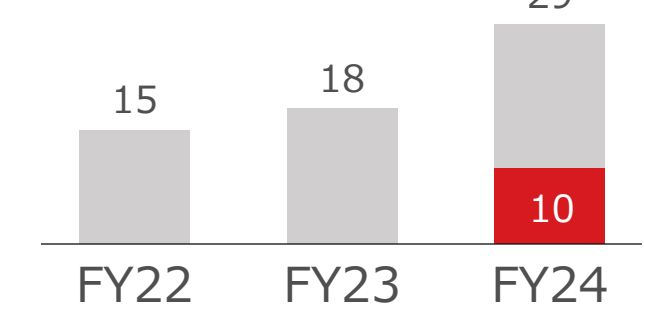
Market launch in 4Q FY24



Achievements



Expect to increase the number of projects in the future



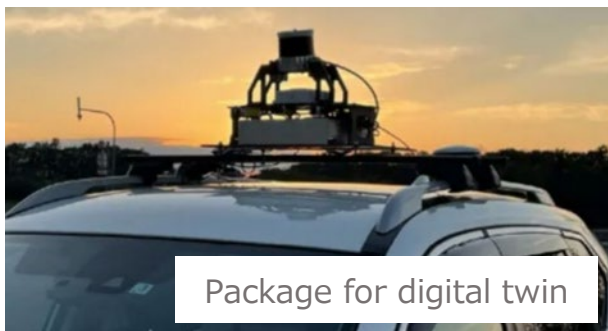
¹ Package that shortens the development and test operation period of customer products and directly enables practical use as products

² Robotics in the broadest sense, including drones and autonomous driving

Improved "quality of projects" even in the preparation development phase

- In addition to the use of productization packages, the accumulation of cross-sectional knowledge has greatly improved the efficiency of development projects

Productization packages become implementation samples, improving implementation support capabilities



Accumulation of knowledge¹ through cross-sectional technical methods to provide effective support



Reduced development support costs²
(▲24%)

Shortened development lead time³
(▲37%)

1 Knowledge that can be applied across areas, such as sensor selection and fusion methods and parameter tuning, has been accumulated, and horizontal deployment of successful and unsuccessful cases can be effectively realized

2 Man-hours of support per project (FY2023 vs. FY2024)

3 Development lead time per project (FY2023 vs. FY2024)

A
Customer commercialization

Customer commercialization is expected to make progress while expanding its areas

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- While there were **4 new projects** in the previous fiscal year, **the expansion of the area into drones and autonomous driving is progressing**
- Expect progress in all areas and a significant increase in new projects** in the current fiscal year

Progress in expanding customer commercialization projects

	FY2023	FY2024	FY2025	
Digital twins	UCS	Dates Metron	Coming soon	
Drones		Inertial Lab		
		Avestec ²		
		日系ドローン企業		
Robots ¹	Intel		Coming soon	Coming soon
	Movel AI		Coming soon	Coming soon
	Whale Dynamic ³			
Drones		Avestec ²		
Autonomous driving		Whale Dynamic ³		

1 Robotics in the broadest sense, including drones and autonomous driving

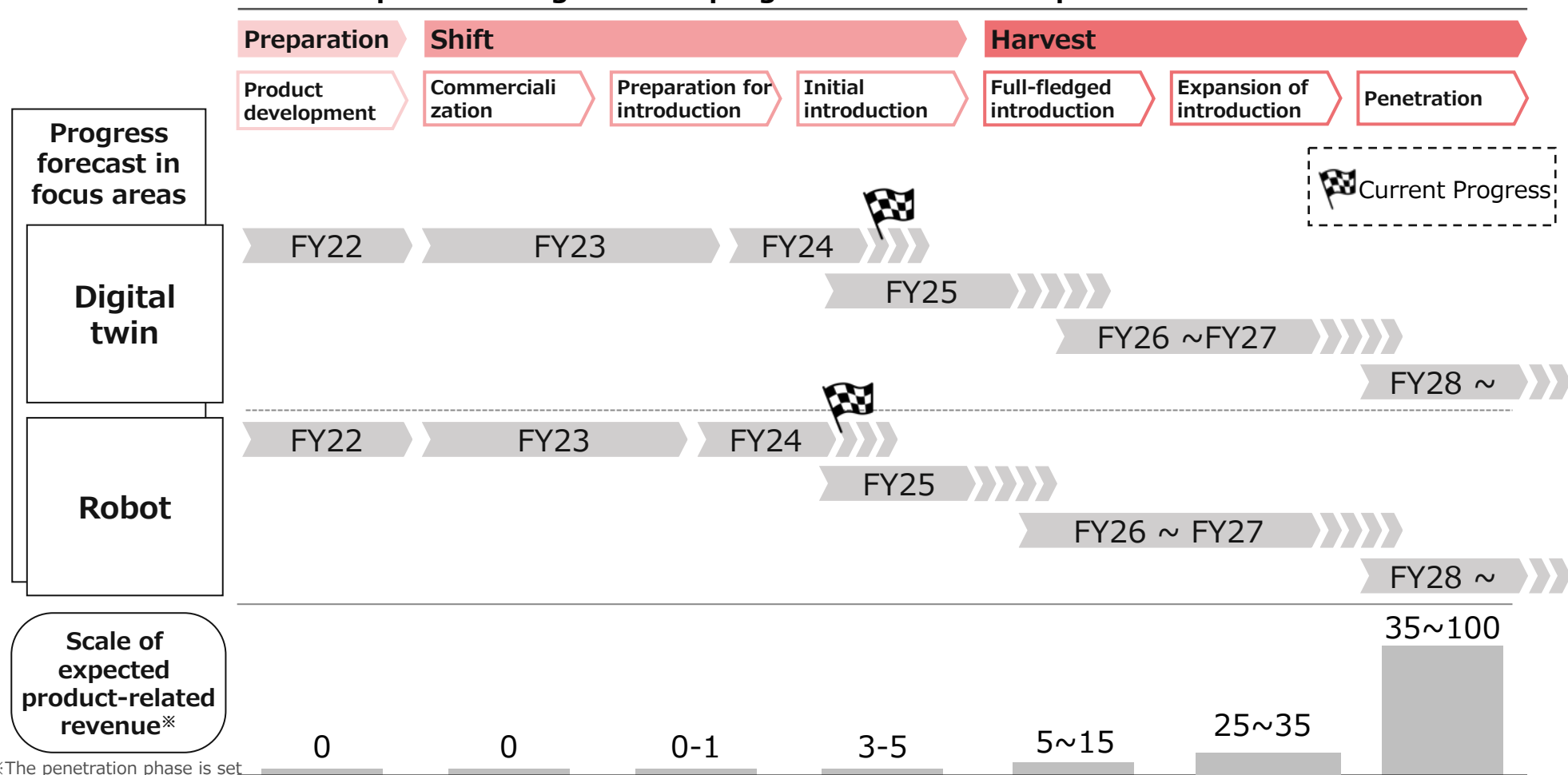
2 Both mapping function (point cloud generation) and robotics application (autonomous flight) are implemented

3 Expanded implementation to autonomous driving applications in FY2024

Business progress toward growth (short- and mid-term)

- Product-related revenue for this fiscal year are expected to be 250~400 million yen (**up to 50% growth**)
- Aiming to increase product-related revenue through the introduction and market penetration of customers' products, **Kudan will continue to strategically promote measures to accelerate it, using the progress stage of customers' products as an indicator**

Business phases along with the progress of customers' products

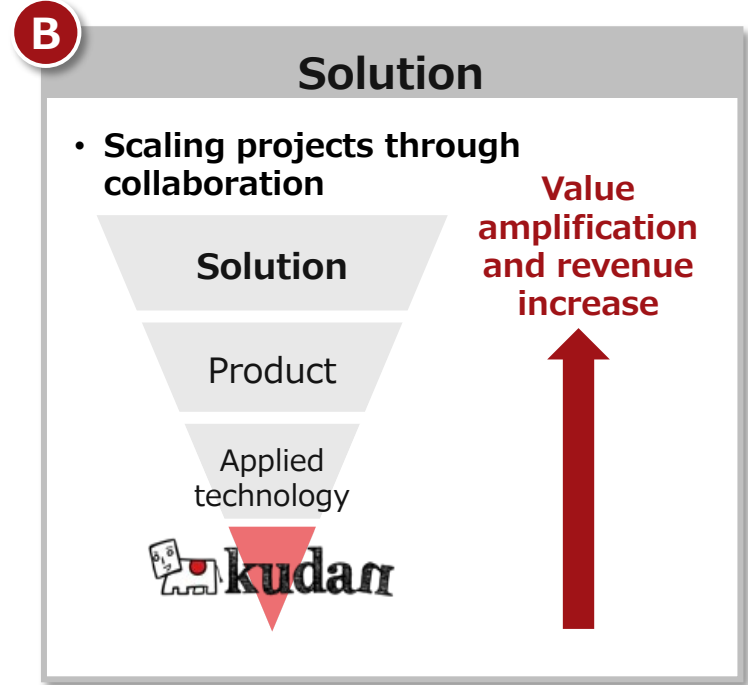
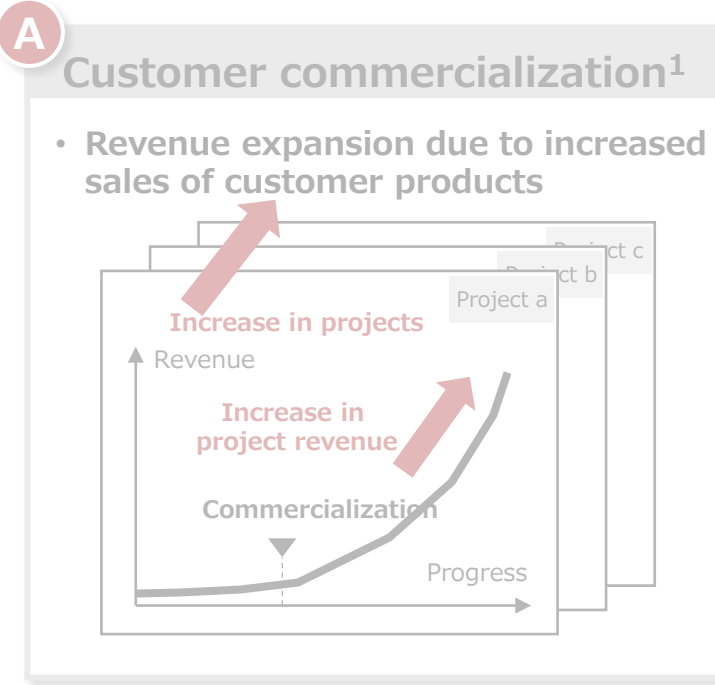


Continuation of growth strategies from the previous fiscal year and new initiatives from the current fiscal year

- In addition to the "two pillars of growth," focus on initiatives to support

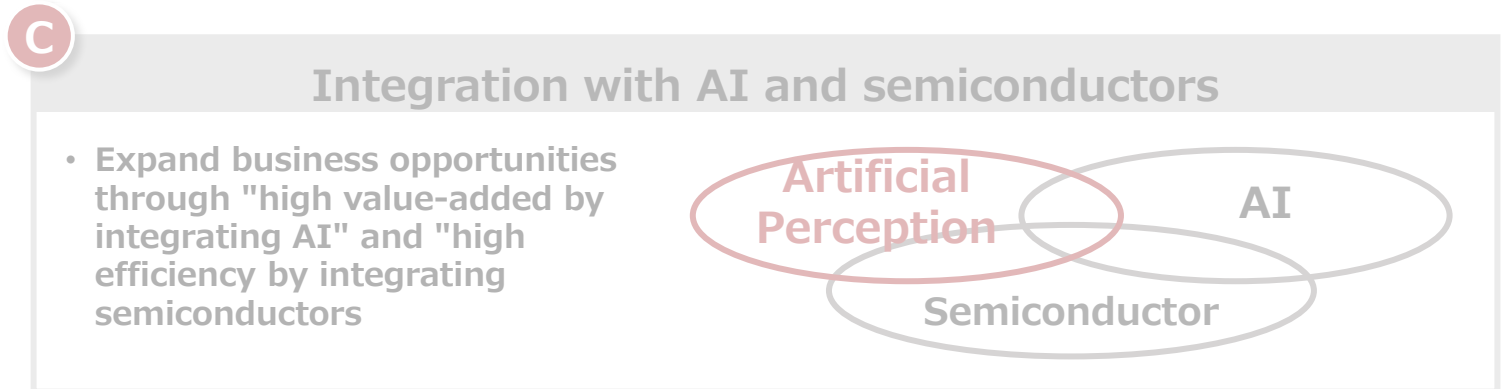
Continuation

Two pillars of growth



New

Supporting initiatives



¹ The tipping point in projects where Kudan's direct customers adopt its technology in their products and decide to release the customers' products

Utilize Kudan's Deep Tech as Solutions in digital twin area in the previous fiscal year

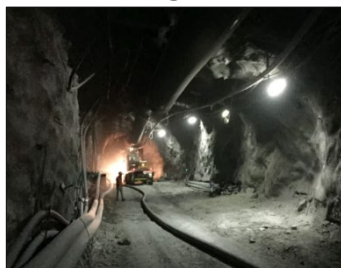
- Structured Kudan's spatial recognition technologies as **end customer solutions for facilities and infrastructure management DX**, and scaled up the projects

Digital twin demand is growing, driven by national DX policies in major countries

Energy facilities management



Infrastructure management



Building survey



Green cadastre

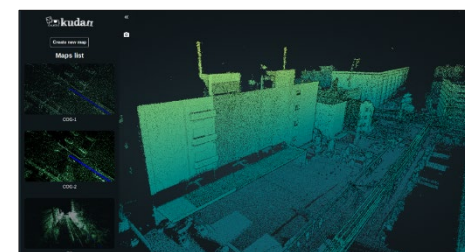


Launched DAMS¹, an integrated solution from digitization of all assets to database management, with partners²

Mapping equipment / scanning



3D digitization by point cloud



Information assignment / Database management



Expected Impact

- Data collection efficiency: 10~20x
- Data use efficiency: 2~5x
- Realization of innovation
 - Expand assets that can be managed
 - New business through information sharing
 - Work decentralization, etc.

¹ Assets are any equipment or buildings that need to be managed, and DAMS (Digital Asset Management Solution) can digitalize the management and operation of those assets.

² Established collaboration with 10+ companies for system integration, data management, survey, application development, etc. and developed and launched the solutions

Project orders and agreements for new energy facilities management in Europe are growing

- Photovoltaic infrastructure management projects are progressing, driven by **investment** trends that are gaining social and public momentum

Tailwind for growth of new energy facilities management projects in Europe

Acceleration of the decarbonization shift

- Increased decarbonization investment in industry and public sector, including the European Green Deal¹

The move away from Russian natural gas is rapidly increasing

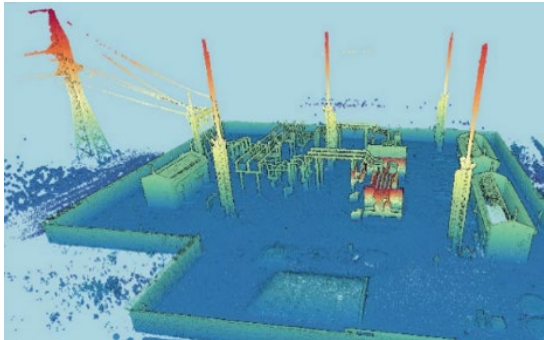
- Security measures are further boosting investment in new energy equipment

Kudan works with government and public sector projects

- Started collaboration with the German Ministry of Transport and Digital Infrastructure for expanding DX in Europe

Launch of solution projects

Ordered photovoltaic infrastructure (transmission networks and substations)



Although a policy agreement was reached for larger projects (Gigawatt-class infrastructure), due to adjustments delays in public projects, large projects' order received will be postponed from the previous fiscal year to the current fiscal year and onward²

¹ EU roadmap for zero carbon emissions by 2050, with public and private sector investment of 40 trillion a year planned.

² "large-scale solar power plants and infrastructure totaling 500 MW scale within the European region (including a transmission network of over 100 km and approximately 10 large-scale substations) and projects to large-scale gigawatt-scale solar power plants and infrastructure (including a transmission network of over 300 km and approximately 30 large-scale substations" in the release on Jan 30, 2024" haven't been ordered/launched, and expected to be the current fiscal year and onward.

Solution initiatives in the areas of robotics and autonomous driving starting the current fiscal year

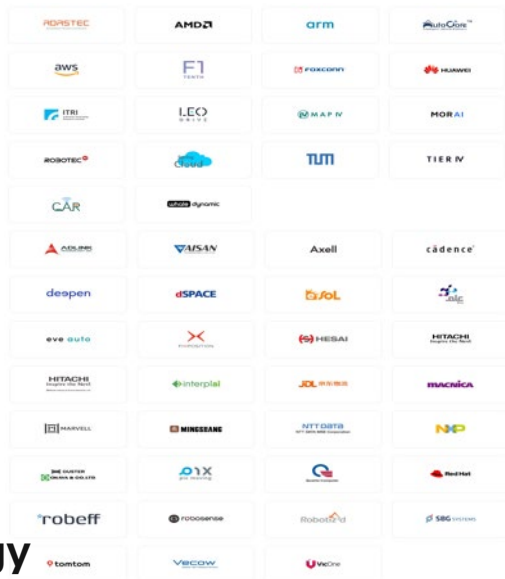
- **Focusing on solution initiatives from the current fiscal year to expand the ecosystem and collaboration, expecting a large number of public sector projects**

Participation in the ecosystem for autonomous driving¹



THE
AUTWARE
FOUNDATION

- **Join Autware¹**
- **Enter an ecosystem of 85 partners to collaborate and provide technology**



Begin collaboration with a Japanese autonomous driving company



Image



Image

- **Wide range of technical implementations, including public projects, are scheduled to begin this fiscal year**
- **Aim to realize solutions for autonomous driving in the broadest sense (outdoor robotics, logistics, mobility, etc.)**

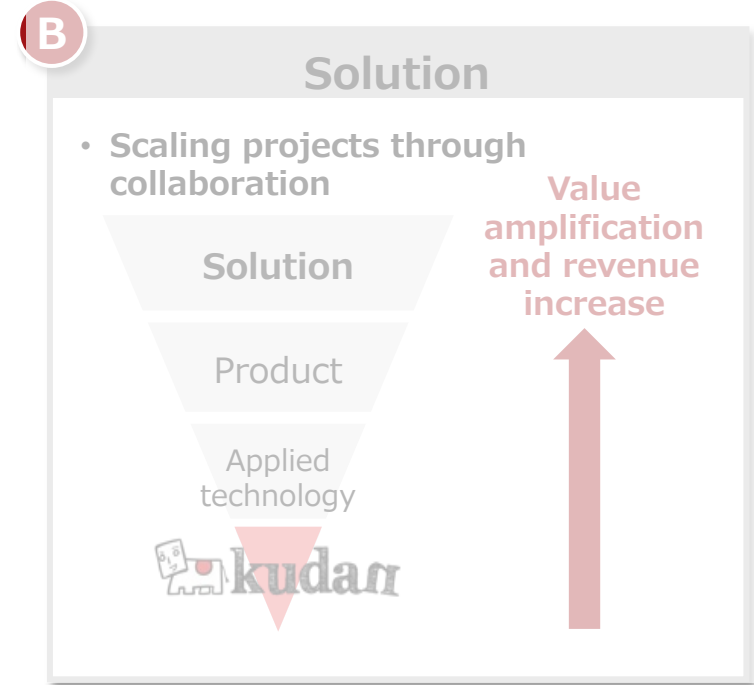
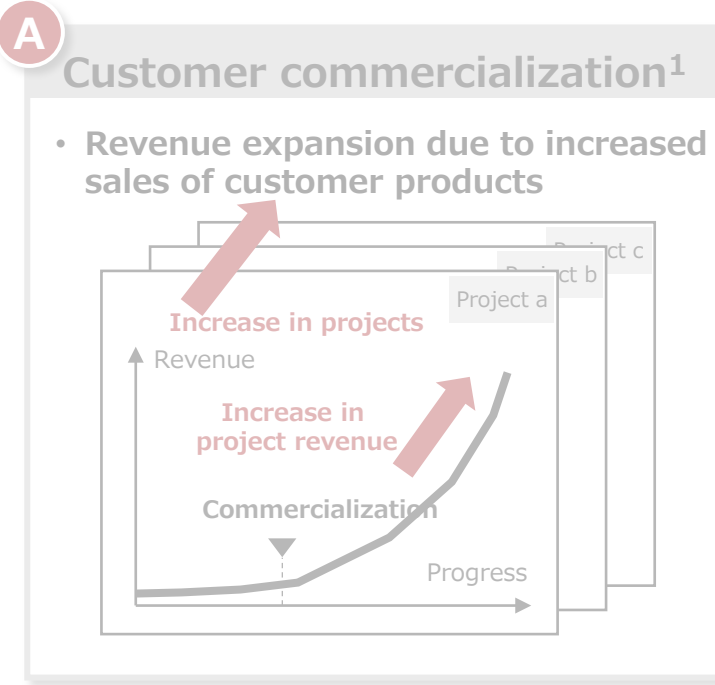
- **Consistently develop from deep technology to autonomous driving solutions available to end customers**
- **Discover end-market demand and accelerate the development speed of technology integration**

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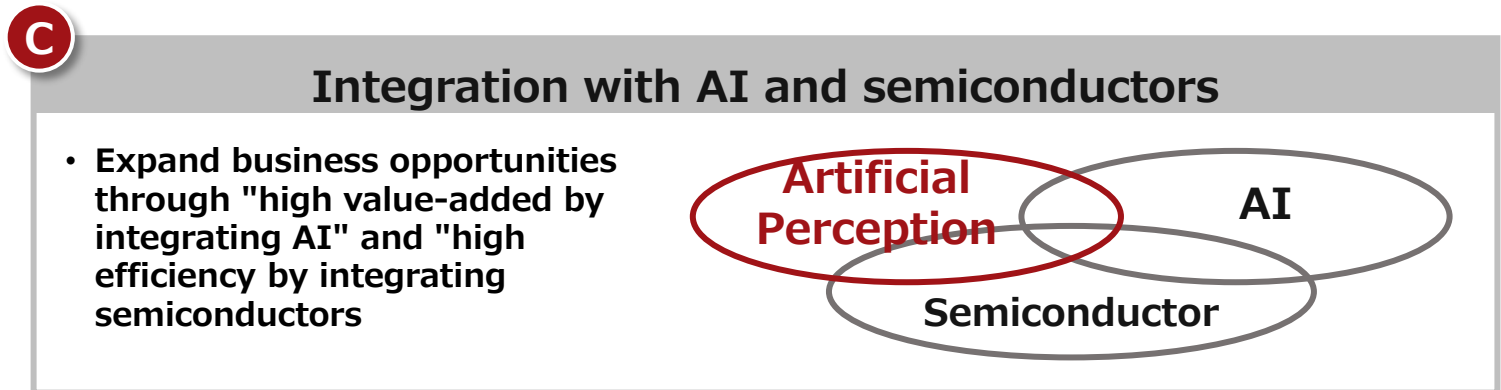
Continuation

Two pillars of growth



New

Supporting initiatives



¹ The tipping point in projects where Kudan's direct customers adopt its technology in their products and decide to release the customers' products

Innovative value creation through the fusion of Artificial Perception and Artificial Intelligence

- Solve fundamental issues in 3D spatial information processing and impact on all 3D and spatial DX



Challenges in the evolution of Artificial Intelligence (AI)

Evolution
Training data speed

Language & Writing

2D Images & Movies

3D & spatial data

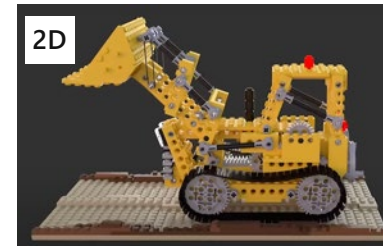
Advanced with abundant training data, and largely ahead of the technological curve

3D training data is difficult to acquire and lagging far behind technologically



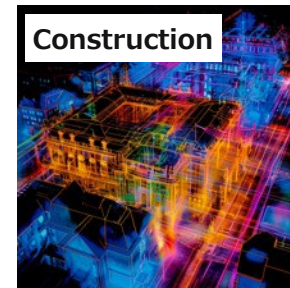
Artificial Perception (AP) solution

Generating 3D training data from 2D data fundamentally solves the issues in AI processing of 3D/spatial data



Semantic digital twins (digital twins implied by AI) bring disruptive value to all DX solutions involving 3D and spatial information

Analysis of spatial digital twin by generic AI, generation of metaverse by generative AI, etc.



In addition, the integration of semiconductors significantly improves processing efficiency

- Aiming with partners for a technological foundation that integrates artificial perception, artificial intelligence, and semiconductors as a trinity

The direction in which technology is advancing: the integration of algorithms and semiconductors ¹

Software (Artificial Perception·AI)

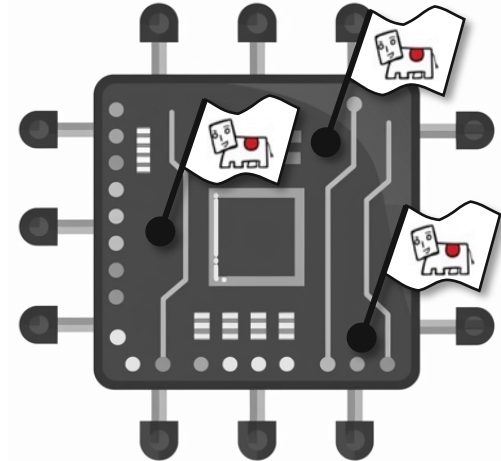


Hardware a
commonly used
program pattern as a
circuit



Restructure the
program to
maximize the
effective circuits

Hardware (semiconductor)



Reference: Semiconductor partner excerpts

Qualcomm



cā dence[®]



synopsys[®]

intel.

(Reference) Other highlighted projects (1/2)

Project excerpts

	Customer	Project overview	Release
Digital twin	 Major telecommunication	Digital twin for smart cities	
	 Major energy	Digital twin for facility management	See link
	 Ministry of Agriculture and Forestry, Finland	Digital twin for forest management and resource survey	
	 Major general electricity	Mapping devices for digital twin	
	   Many mapping-related	Mobile mapping devices for digital twin	
Robots	   Many robot-related	Automated industrial transport robot	Coming soon
	 Robot-related	Delivery robot	Coming soon
	 Major heavy industry	Automation of industrial outdoor logistics	
	 Major Japanese automobile manufacturer	Automated passenger car and robo-taxi service	
	 Major Japanese automobile manufacturer	Platform-based autonomous mobility	See link
	 EUSPA(European Union Space Program Agency)	Autonomous driving in environments with no GPS signal	
	 Major Media	Drone for special photography	
	 Kawasaki Heavy Industries	Quadruped robot	See link
	 U.S. Aerospace organizations	Lunar exploration robot	Coming soon
	 Robot-related	Autonomous movement of bipedal humanoid	

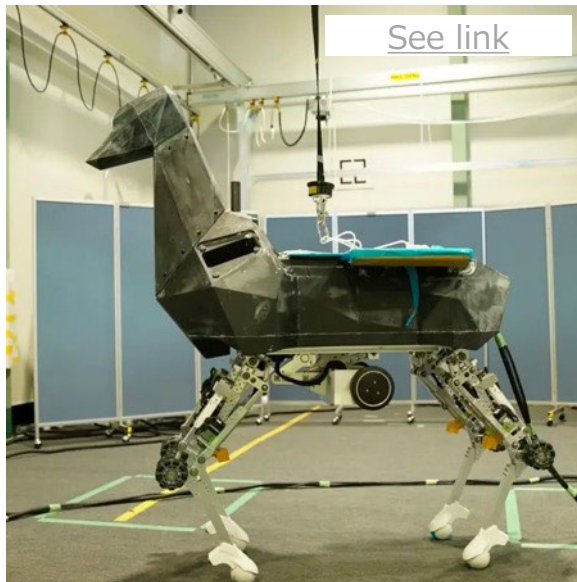
Details on next page

(Reference) Other highlighted projects (2/2)

- Expanding our initiatives in advanced and futuristic robotics fields, challenging more dynamic movements, unknown and complex environments

Quadruped robot

Kawasaki Heavy Industries



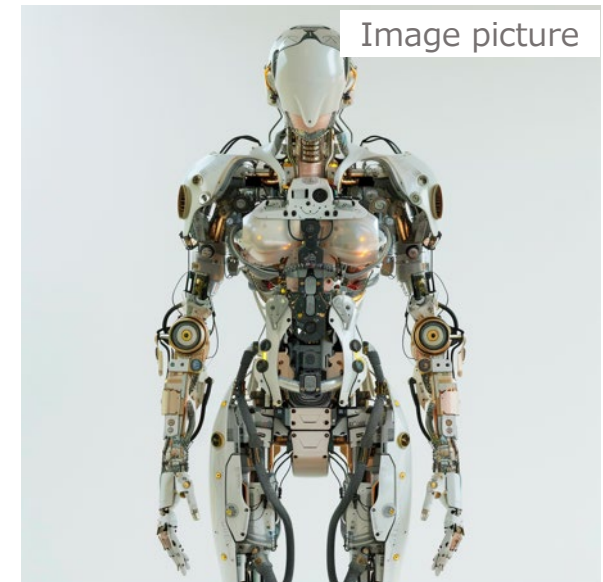
Lunar exploration vehicle

U.S. aerospace related organizations



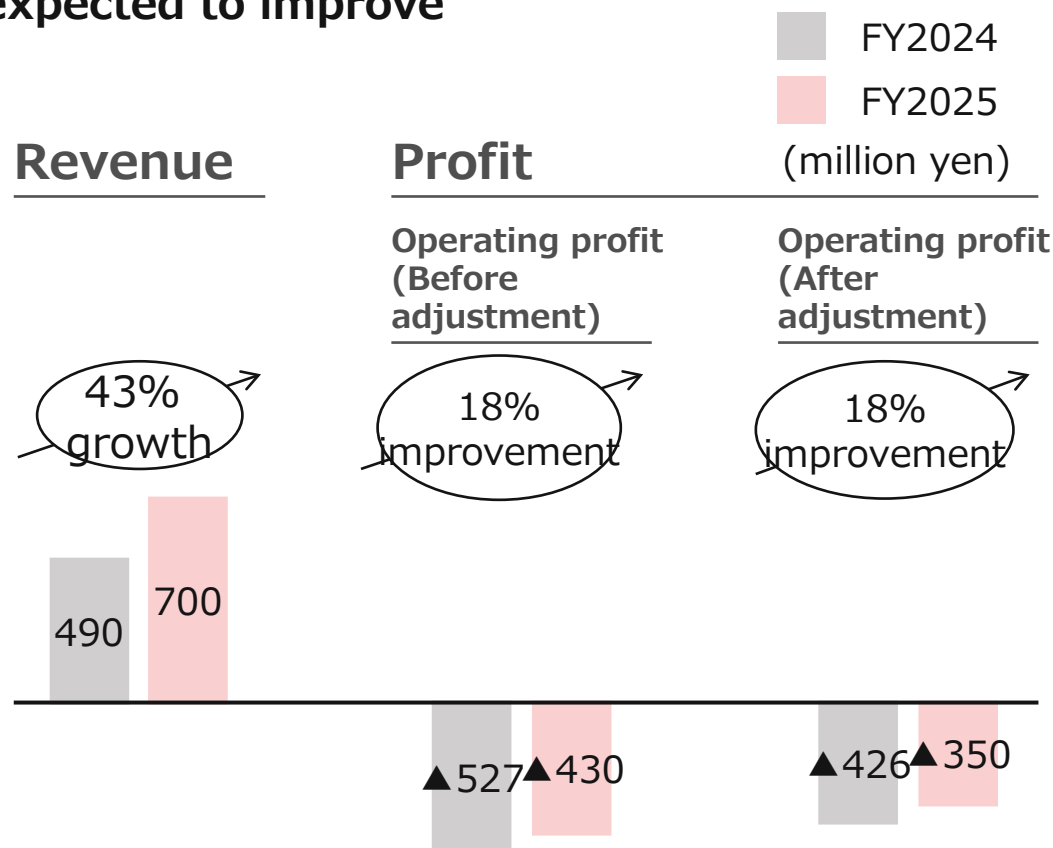
Humanoid

U.S. robotics company



Forecasts for the fiscal year ending March 2025

- Revenue growth through progress in the "two pillars of growth" of **A** commercialization and **B** solution
- Although investment in human resources and development will expand to a certain extent, **profits, including adjusted operating profit¹, which is an indicator of business profitability, are expected to improve**



¹ Operating profit (losses) plus government R&D subsidy income occurring every year, a profit figure that serves as an indicator of business profitability

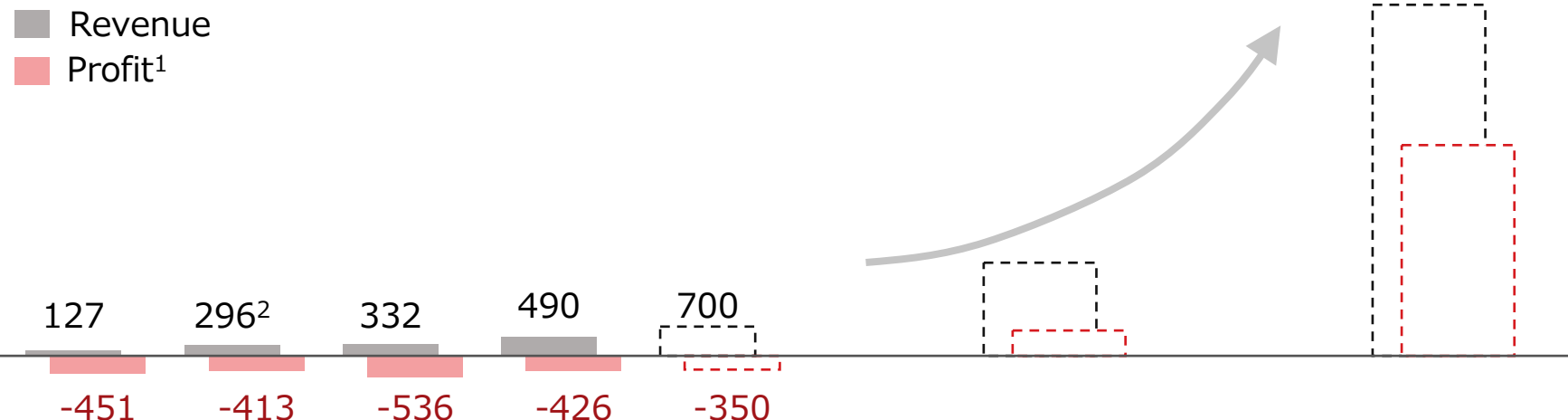
² Forecasts for ordinary profit and net profit are not disclosed due to difficulty in forecasting foreign exchange gains/losses, which have a large impact on ordinary profit and net profit

Future growth potential (mid- to long-term)

- Continuously push forward customer commercialization and progress of customer products to quickly achieve the transformation of the earnings structure
- Aim for dramatic profit growth by building up significant product-related revenue through market penetration of technology by expanding focus areas and spreading customer products

Mid- to long-term growth vision [million yen]

FY2021	FY2022	FY2023	FY2024	FY2025	Mid-term (3-5years)	Long-term (5~10years)
Selection and retention of prospective customer			Continuous customer commercialization in focus areas		Expansion of Focus Areas	
Development support for customer commercialization			Customer product progress (~introduction)		Customer product progress (~penetration)	



1. Adjusted operating profit

2. Revenue adjusted for the impact due to accounting standards change

- This document contains Kudan's plans, estimates and expectations for the future based on its current business situation and industry trends.
- All such projections for the future inherently involve uncertainty and a wide variety of risks.
- It is conceivable that risks both understood and unforeseen, uncertainties and other factors may cause actual results to differ from the projections contained within this document.
- Kudan offers no guarantee of the accuracy of its projections for the future and accepts that they may differ significantly from actual results.
- All projections for the future included in this document are based upon information available to Kudan as of May 15th, 2024, and may not be updated or changed to reflect future developments or changes in status.