



Explanatory Documentation on Financing

June 3, 2024

Eyes to the all machines

Overview of the financing

- Financing of 3 billion yen (9.74% dilution rate) through share acquisition rights to **strengthen “two pillars of growth”** and promote **initiatives to support them**

	Business progress	Use of funds	
		Supplementation of previous financing ²	New use of funds
two pillars of growth A Customer commercialization B Solution	- Steady accumulation of customer commercialization - Growth of product-related revenue	- Strengthen productization packages as “priming” - Promotion of each project incl. WD	
	- Built an ecosystem and participation in government and public projects - Launch of order/agreement of digital twin projects in Europe	- Large scale digital twin projects in Europe and global expansion - Development of solution in the robotics area	- Development of solution in autonomous driving in the broadest sense - Business investment such as M&A³
Supporting initiatives C Integration with AI and semiconductors	- Built a collaboration structure with major semiconductor manufacturers - Customer commercialization with Intel		- Optimization development for major semiconductor manufacturers - Development of innovative technologies through technological integration with generative AI

¹ The estimated funding amount is based on the assumption that all subscription rights are exercised at the initial exercise price of 3,020 yen. There is no change to the forecast for the current financial year announced on 15 May 2024.

² In the financing by the 17th warrant with an amendment to the exercise price (third-party allotment), the funding amount was approximately ¥1.4 billion compared to the initial estimate of approximately ¥1.9 billion, and approximately ¥0.5 billion was not achieved.

³ Investment including M&A, to strengthen the company's development and technology embedding structure for larger-scale solution projects.

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

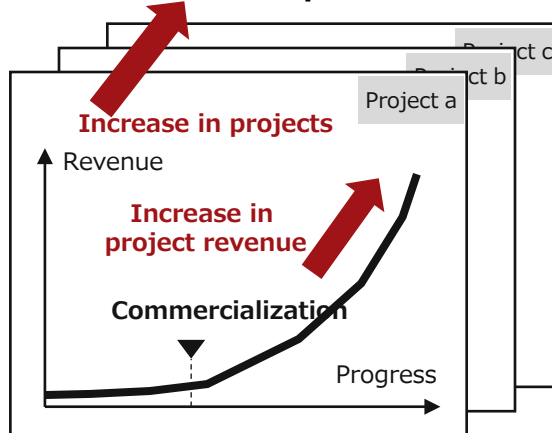
Continuation

Two pillars of growth

A

Customer commercialization¹

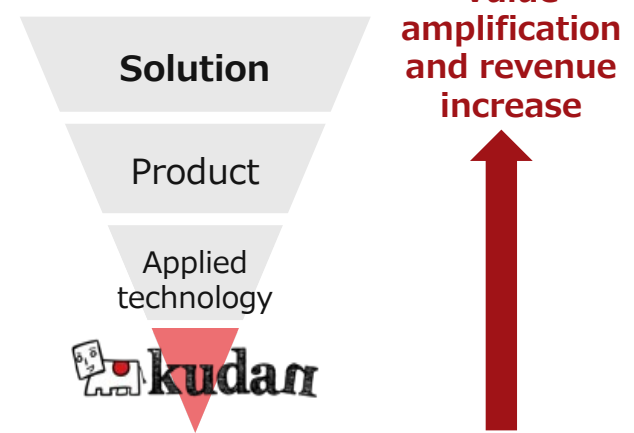
- Revenue expansion due to increased sales of customer products



B

Solution

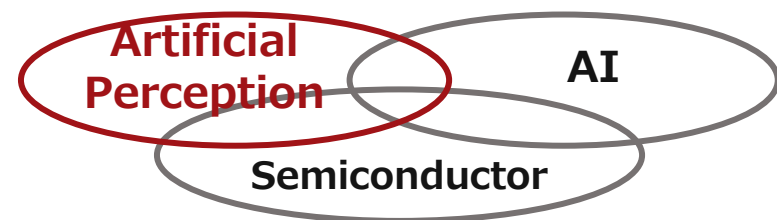
- Scaling projects through collaboration



C

Integration with AI and semiconductors

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



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

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

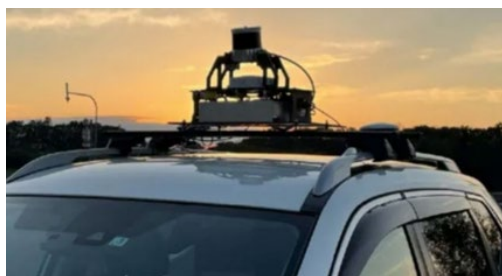
- As "priming" for customer commercialization, the productization package¹ was introduced for digital twin followed by the productization package for robots², and the number of projects has been increased

Introduction of a productization package as "priming"

Increase in the number of projects in each area

Digital twin
(mapping)

Market launch in 3Q FY23



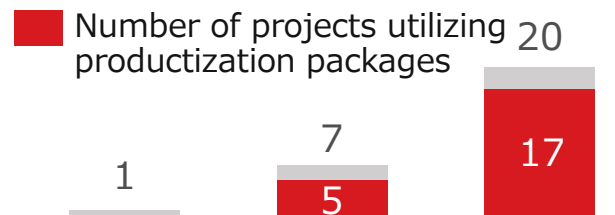
Market launch in 4Q FY24



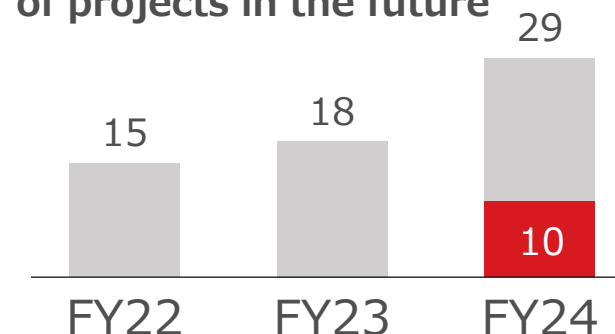
Robot²

Achievements

Number of other projects
Number of projects utilizing productization packages



Expect to increase the number of projects in the future



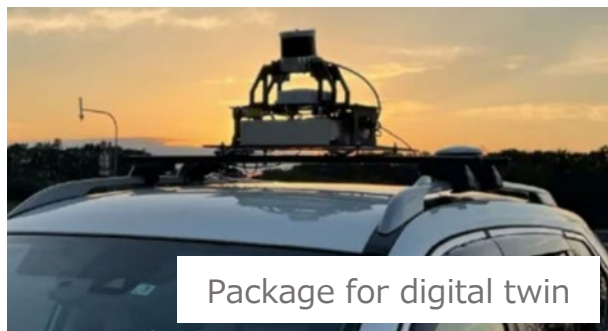
¹ Package that shortens the development and test operation period of customer products and directly enables practical use as products

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		
		Japanese drone company		
Robots ¹	Intel		Chinese robot company	Coming soon
	Movel AI		US robot company	Coming soon
	Whale Dynamic ³			
Drones		Avestec ²		
		Whale Dynamic ³		
Autonomous driving				

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

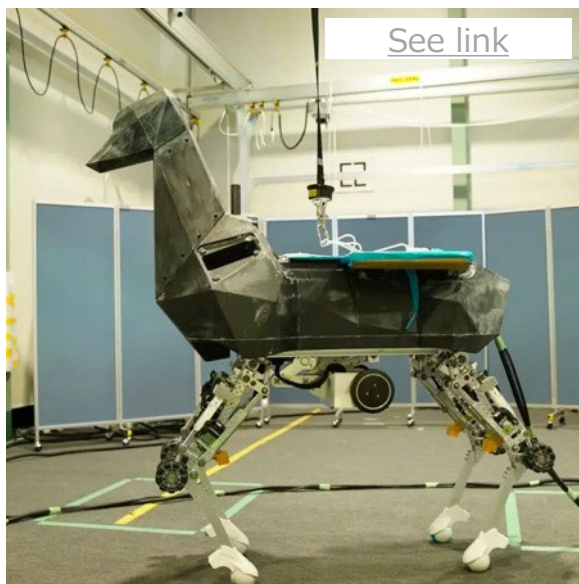
3 Expanded implementation to autonomous driving applications in FY2024

(Reference) Other advanced initiatives

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

Quadruped robot

Kawasaki Heavy Industries



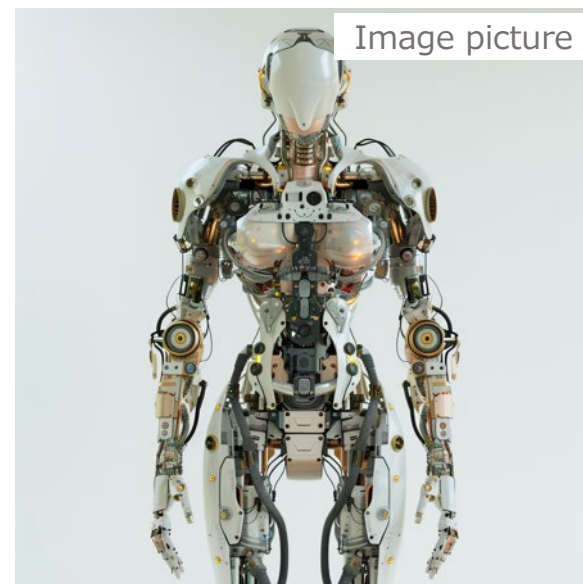
Lunar exploration vehicle

NASA ([*reference release](#))



Humanoid

U.S. robotics company



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

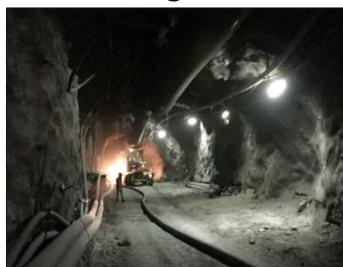
- Structured Kudan's spatial recognition technologies as **end customer solutions for facilities and infrastructure management DX**, and scaled up the projects

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

Energy facilities management



Infrastructure management



Building survey



Green cadastre

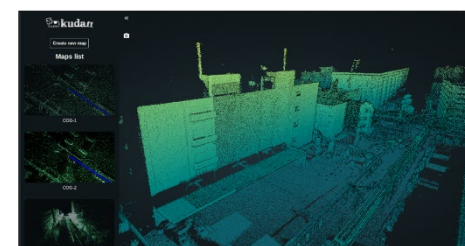


Launched DAMS¹, an integrated solution from digitization of all assets to database management, with partners²

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

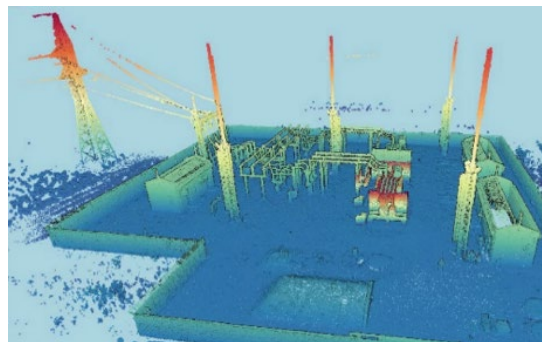
- Security measures are further boosting investment in new energy equipment

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

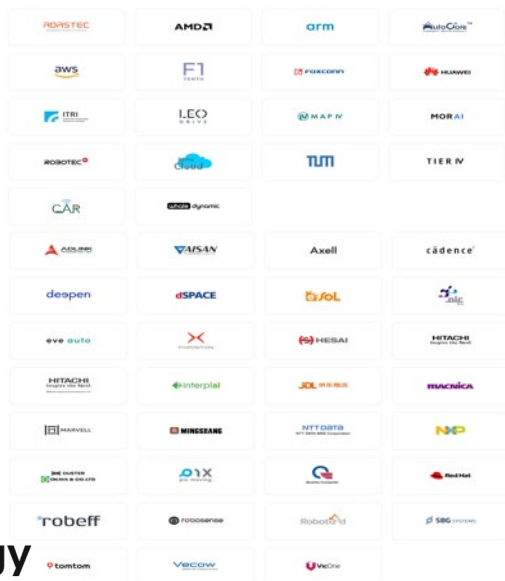
- Focusing on solution initiatives from the current fiscal year to expand the ecosystem and collaboration, expecting a large number of public sector projects

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

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
speed

Training data

Language & Writing

2D Images & Movies

3D & spatial data

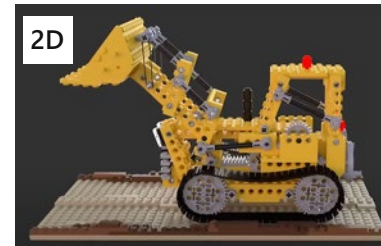
Advanced with abundant training data, and largely ahead of the technological curve

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



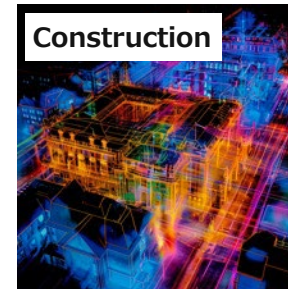
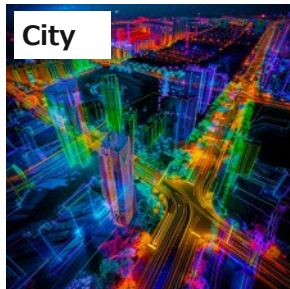
Artificial Perception (AP) solution

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)

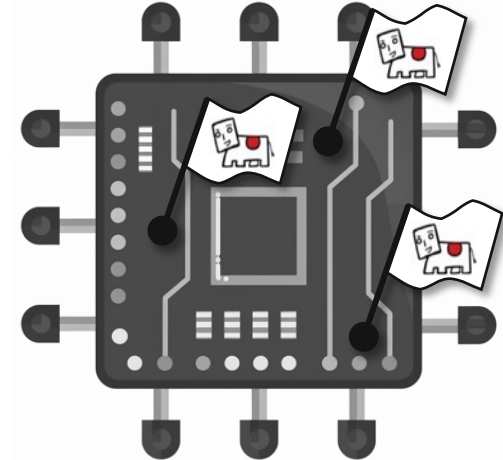


Hardware a
commonly used
program pattern as a
circuit



Restructure the
program to
maximize the
effective circuits

Hardware (semiconductor)



Reference: Semiconductor partner excerpts

Qualcomm



cā dence[®]



SYNOPSYS[®]

intel.

Financing details

Share issuance summary	Method of issuance	Third-party allocation of share acquisition rights
	Estimated amount※1	Approximately 3.0 billion yen
	Number of potential shares	1,000,000 shares
	Dilution rate※2	9.74%
	Exercise period	Three years
Exercise price	Initial exercise price	JPY3,020 Closing price on the trading day prior to the resolution date of the issuance
	Revision of exercise price	Revised to 94% of the closing price on the trading day prior to each exercise request made by the allotted party
	Maximum exercise price	N/A
	Minimum exercise price	60% of the closing price on the trading day prior to the resolution date of the issuance
Other	Voluntary claim	The issuing company can acquire share acquisition rights at 100% of the issuance price upon two weeks' prior notice after the date of issuance
	Request for acquisition	If the share price falls below the minimum exercise price after one year of issue, the holder of share acquisition rights can request the issuing company to acquire the share acquisition rights at 100% of the issue price.
	Restriction on transfer	Restricted for transfer
	Suspension of exercise clause	Exercise can be suspended at Kudan's discretion

※1 Amount assuming all share acquisition rights are exercised at the initial exercise price

※2 Percentage of total number of voting rights 102,718 (total number of shares issued 10,288,867) as of March 31, 2024

※3 The issuing company acquires the remaining share acquisition rights at 100% of the issue price at the end of the exercise period

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