BRIDGE REPORT Bridge Salon

Kudan Inc. (4425)	

Corporate Information

Exchange	TSE Growth
Industry	Information and communications
Managing Director & CEO	Daiu Ko
Address	1-23-14 Jinnan, Shibuya-ku Tokyo
Year-end	End of March
URL	https://www.kudan.io/

Stock Information

Share Price	Shares Outstanding (end of term)		Total market cap	ROE Act.	Trading Unit
¥1,055	11,284,967 shares		¥11,905 million	-30.7%	100 shares
DPS Est.	Dividend yield Est.	EPS Est.	PER Est.	BPS Act.	PBR Act.
0.00	-	-	-	¥277.26	3.8 x

*The share price is the closing price on November 19. All figures were taken from the brief report on the financial results for the second quarter of the fiscal year ending March 2026. ROE and BPS are the results in the previous fiscal year. As it is difficult to forecast foreign exchange gains and losses, which have a significant impact on ordinary income and net income, the company has decided not to disclose specific forecast figures for these items at this time. Accordingly, EPS is not disclosed.

Earnings Trend

Fiscal Year	Sales	Operating Income	Ordinary Income	Net Income	EPS	DPS
Mar. 2022 (Actual)	271	-433	-681	-2,237	-283.74	0.00
Mar. 2023 (Actual)	332	-598	-394	-413	-49.30	0.00
Mar. 2024 (Actual)	490	-527	-50	-69	-7.88	0.00
Mar. 2025 (Actual)	517	-800	-743	-801	-72.85	0.00
Mar. 2026 (Estimate)	920 ～1,020	-770 ～-730	-	-	-	0.00

*Unit: yen, million yen. Net income is profit attributable to owners of the parent. Hereinafter the same shall apply. The earnings forecasts are that of the company. The company will not disclose the exact forecast figures of ordinary income and net income due to the difficulty in estimating foreign exchange gain or loss, which have a significant impact on them.

This report briefly describes the financial results for the first half of the term ending March 2026 of Kudan Inc.

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Key Points

- **Kudan Inc. is a company that carries out research and development of deep technology specializing in the algorithms for artificial perception (AP), which corresponds to the "eyes" of machines (computers and robots). Its strengths and characteristics include the capability of flexibly responding to the growth of diverse demand, which is expected in the future, and a group of professionals in AP.**

- **While the number of products released by clients increased until the fiscal year ended March 2025 and Kudan's performance improved for medium/long-term growth, the sales from product licenses for robots in commercialization projects were sluggish due to the insufficient maturity levels of complementary technologies and eco-systems. In the fiscal year ending March 2026, they switched to a growth strategy of adopting new technologies and complementary technologies for offering solutions in order to improve their profitability and growth potential to keep up with the market pace. The key points are "the expansion of software technologies for spatial perception" and "the utilization of the hardware package," and they keep concentrating on the improvement of productivity based on the "digital twin" technology, which duplicates a real-world item in the digital space, and "robotics," where robots perceive real space digitally.**

- **In the first half of the fiscal year ending March 2026, sales grew considerably. Sales rose 170.2% year on year to 400 million yen, and operating loss was 416 million yen (437 million yen in the previous fiscal year). While the market is changing rapidly, their business strategies started this fiscal year: "the expansion of software technologies" and "the utilization of the hardware package" have turned out to be effective. The digital twin and robot businesses of Kudan, which has secured a leading-edge position in the market, have accelerated.**

- **The earnings forecast has been revised upwardly. In the fiscal year ending March 2026, sales grew steeply by 557-656% year on year. Their growth strategies "the utilization of the hardware package" and "the expansion of software technologies" have progressed smoothly, so sales are growing in multiple aspects. The accounting for entrusted governmental projects has been finalized.**

- **Through the upward revision to the forecast sales, the projected profit has increased by 80 to 120 million yen, but due to the delay in cost reduction, etc., the forecast annual profit has increased by only 0-40 million yen. On the other hand, the reduction of costs, including fixed costs, will be completed by the end of this fiscal year, so it is expected that profitability will improve significantly by the end of this fiscal year, and in the fiscal year ending March 2027, the sales growth will contribute and annual deficit will shrink considerably by 300-350 million yen. As adjusted operating loss is expected to be 350-400 million yen, they consider that the prospect for moving into the black will become clear.**

- **In the first half of the fiscal year ending March 2026, sales grew significantly by 2.7 times year on year. In the external environment, the development of existing technologies has subsided, and the market is currently in the innovation phase where the shift in demand is accelerated and there is growing demand for next-generation technologies, such as photorealistic technologies for producing digital twins and leading-edge algorithms in**

robotics. Like this, the market environment is gradually changing to the one where Kudan can exert its leading-edge strengths. In addition, the internal factor in rapid sales growth is the increase of projects thanks to the expansion of technical and business domains through the shift to "the expansion of software technologies" and "the utilization of the hardware package." In the fiscal year ended March 2024, too, sales grew considerably in the second half, but sales did not keep growing. We wonder how sales will behave this fiscal year, and would like to pay attention to the trend from the third quarter.

1. Company Overview

Kudan Inc. is a company that carries out R&D of deep technology (or deep tech), specializing in algorithms for artificial perception (AP) which acts as the eyes of machines, such as computers and robots.
Working in pairs with artificial intelligence (AI), which serves as the brain of machines, to complement each other as deep tech, AP helps machines evolve to function autonomously. The company operates business based on its unique milestone model focused on the deep tech that has an impact on a wide range of industries through highly sophisticated technological innovations.

[1-1 Corporate history]

Mr. Tomohiro Ohno, currently serving as a Managing Director, became convinced of the prospects and growth potential of the AP technology when working at Andersen Consulting (currently Accenture PLC) and set up Kudan Limited in the United Kingdom in January 2011, at which he pursued his own research and development on the Simultaneous Localization and Mapping (SLAM) technology that provides a basis for the AP technology.
In November 2014, he established Kudan Inc. intending to extend the administrative department through business expansion while moving further ahead with his research and development. The company started offering evaluation software for demonstration of the Kudan SLAM technology in December 2016 and officially began to provide Kudan SLAM in the term ended in March 2018.
It got listed on the Market of the High-Growth and Emerging Stocks (Mothers) of the Tokyo Stock Exchange (TSE) in December 2018. In April 2022, the company got listed on the Growth Market of TSE, through market reclassification.
Consisting of four inside directors, Managing Director & CEO Daiu Ko, who joined the company after working for Toyota Motor Corporation and McKinsey & Company, Managing Director Tomohiro Ohno, Kohei Nakayama, a director and CFO, and Tian Hao, a director and COO, Kudan's management team places a heavy emphasis on swiftness.

[1-2 Corporate philosophy]

Kudan's corporate philosophy is "**to stand alone, and dare to create what is new and different**."

The philosophy guides the company into avoiding following suit and daring to challenge the generally accepted wisdom. Embracing the philosophy, the company aims to expand its business and research and development, raise shareholder interests, and become a one-of-a-kind company in the market by formulating policies that enable them to stand out from all other companies.

While adopting a corporate vision of "Eyes to the All Machines," Kudan aims to become a player that offers technology essential for full autonomy and automation, goals that all kinds of machines and devices will strive to reach.

[1-3 Market environment]

In recent years, the increasing need for automation of operations in every industry and advancement of hardware technology, including sensors and semiconductors complementary to algorithms, have been rapidly spreading and practically utilizing the AP algorithms.

In addition, the impact of the spread of COVID-19 has resulted in soaring demand for saving labor and working remotely for operations that require neither human interaction nor group work in all industries. The growth of demand for automation

technology, such as robotics, autonomous driving, and drones, is significant particularly in the fields of logistics, manufacturing, construction, retail, etc.

Target technology/device	Economic impact
AI	GDP in 2030 is expected to be 9.8% (11.2 trillion dollars) to **14% (15.7 trillion dollars) higher** with an impact of AI than without.
Autonomous driving systems	It is projected that the passenger economy (*) will stand at **800 billion dollars in 2035 and 7 trillion dollars in 2050** globally when autonomous cars are put into practice. The economic impact is broken down into Mobility as a Service (MaaS) for consumers (3.7 trillion dollars), MaaS for businesses (3.0 trillion dollars), and newly emerging driverless vehicle services (0.2 trillion dollars). *The passenger economy: economic and social value realized by level-5 fully autonomous cars
Digital twins	"Digital twins," which reproduce real-world objects and situations in virtual space as "twins," are increasingly used for simulations as well as the optimization and evaluation of effects, impacts and risks in a variety of fields, such as manufacturing and healthcare. It is expected that **the scale of the global digital twin market, which was 283 billion yen in 2020,** will grow to **3,914.2 billion yen by 2025.**
Drones	The market scale of the drone business in Japan is forecasted to be 193.2 billion yen in FY 2020, up 37% from the year before, and reach **642.7 billion yen in FY 2025 (about 3.3 times larger than that of FY 2020)**. Drone services were the strongest market in FY 2019 with a 68% year-on-year increase to 60.9 billion yen followed by the drone body market which grew 37% year on year to 47.5 billion yen and the drone peripheral services market which showed a 46% year-on-year rise to 32.6 billion yen. These three markets are expected to continue booming, with the market scales for FY 2025 are estimated at **442.6 billion yen (about 7.3 times greater than that of FY 2019) for the services market, 122.9 billion yen (about 2.6 times greater than that of FY 2019) for the body market, and 77.1 billion yen (about 2.4 times greater than that of FY 2019) for the peripheral services market**, respectively, in descending order.

* The part concerning AI, autonomous driving systems, and drones were quoted from the "Reference material 2: Case studies for estimating the economic impact of advanced technology" used at the 10th meeting for discussing new governance models for realizing Society 5.0 as posted on METI's website, and the part concerning digital twins was quoted from the "2023 White Paper on Information and Communications in Japan (digital twins)" by the Ministry of Internal Affairs and Communications. The red and bold parts were provided by Investment Bridge Co., Ltd.

In addition to these applications that are already under development, there are many areas where AP (Artificial Perception) technology will be applied and integrated in the future by supporting various advanced technologies, and it is expected that AP (Artificial Perception) technology will be implemented in society at a speed beyond what was previously expected.

[1-4 Business content]

Kudan has issued a license for Kudan SLAM, a software for integrating such algorithms as SLAM, which is the mission-critical technology of AP, into hardware, and grants it to customers.
It is essential to learn about AP (Artificial Perception) and SLAM to understand the business and technological superiority of Kudan.
Below are descriptions of AP and SLAM.

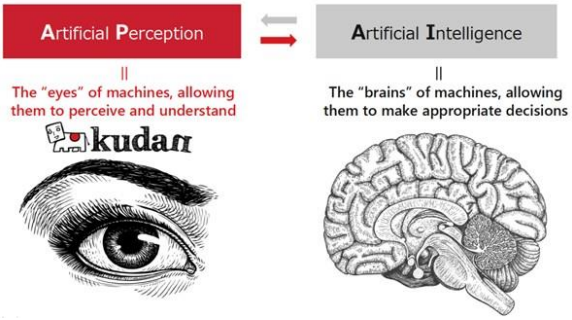
<What is AP?>

Artificial perception (AP) is a technology put forward by Kudan Group that is carrying out research and development thereof.

The evolution of AI (artificial intelligence), a technology that replaces the human brain, is remarkable.
However, the recent evolution of AI is mainly limited to "Internet AI" that does not directly operate in the real (physical)

space. At the same time, the demand for "embodied AI" that can directly affect the real space is expected to increase significantly in the future. Machines (computers and robots), which have remained in the Internet space for a long period of time, are heading toward autonomous functions in the real space.

However, autonomous actions and functions of machines cannot be realized by AI alone. It can only be realized by mutually linking and complementing AI (Artificial Intelligence) with the advanced technology AP (Artificial Perception), which is equivalent to the "eyes" for understanding the surroundings. AP (Artificial Perception) is an essential technology that gives machines advanced visual capabilities like human eyes.
With the evolution of AI, the need for AP technology that connects machines and the real world is expected to grow even more in the future.

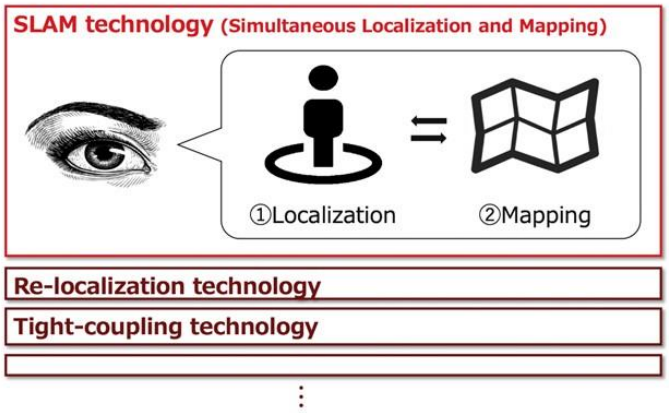


(Taken from the reference material of the company)

<What is SLAM?>
"SLAM: Simultaneous Localization and Mapping" plays a key role in enabling the AP (Artificial Perception) to fully demonstrate its required capabilities.

Robots are wandering about in deep darkness as they lack sight. So that they can accurately travel under such circumstances, it is indispensable for them to obtain the map of the place where they should drive and find out their current location on the map.

SLAM is a technology for each computer to concurrently "estimate the self-location (localization: checking where you are)" and "produce an environmental map (mapping: checking your surroundings)" in the real environment based on data input from external sensors, such as cameras and lidar.
It is possible to record how you have travelled in a new environment while producing a map (tracking) and recognize where you are based on a previously produced map (re-localization).
Unlike GPS and beacons, which detect the position from external radio waves, robots perceive their surroundings and location based on visual information (camera and Lidar) like humans, which enables usage in an even broader variety of environments, situations and use cases.



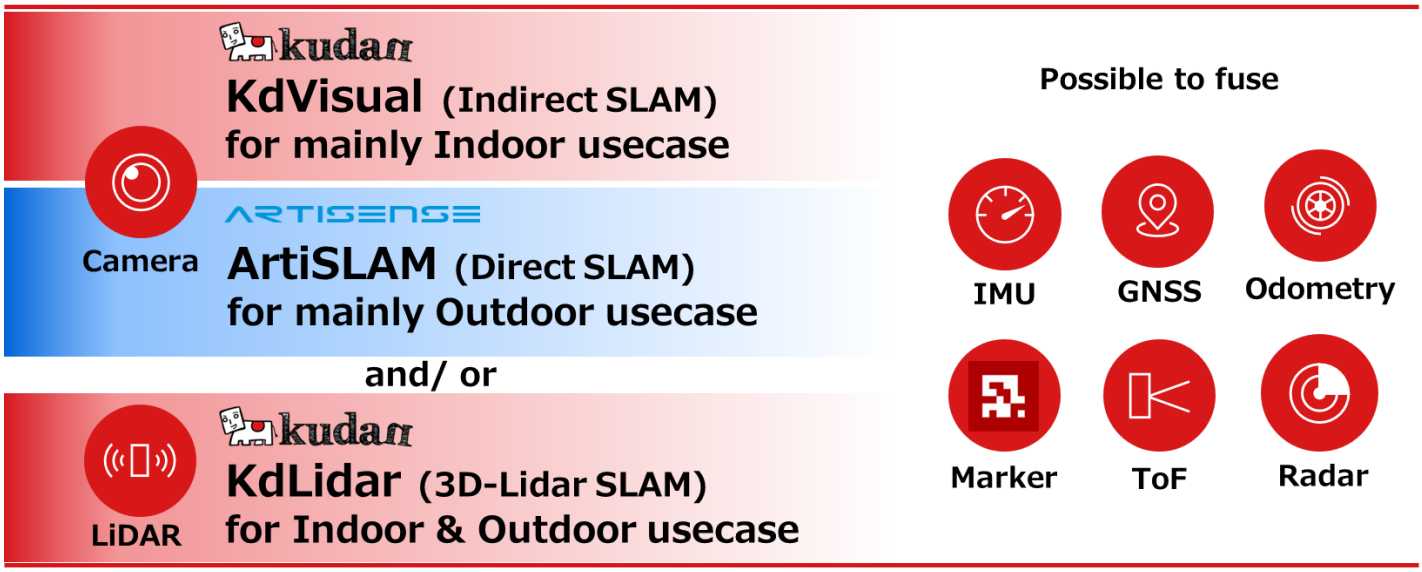
(Taken from the reference material of the company)

Taking a car applied with the SLAM technology as an example, the technology localizes the car based on a computer program of mathematically processing the distance that the car has travelled, camera images, and sensor information provided by Lidar, which is a sensor using laser light, and outputting three-dimensional information (such as the direction, distance, and size) and kinesthesia (such as the location and movement) on a real-time and precise basis and, at the same time, makes a three-dimensional map based on data on the surroundings amassed by the sensors.

In the case of cars, SLAM enables drivers to obtain basic information for safe travel by car by using a three-dimensional map drawn from time to time by the technology while driving cars, even if they have no information in advance on road conditions (such as the location of cars driving in the front, back, left, and right of their cars, how fast the cars in all directions drive, the road width, and the number of road lanes).
Differing from GPS, which detects a position with external radio waves, and beacons, it recognizes the self-position in a stand-alone manner, so it can be used in a broader range of environments, situations, and cases.

SLAM is the most critical technology for AP, and what are extremely important are precision and processing speed when it comes to ensuring the safety in autonomous cars. Such technological issues have been pointed out as obstacles to using SLAM for general purposes.

In this regard, GrandSLAM offered by the Kudan Group is comprised of three different SLAM algorithms, each of which has its own unique strengths.



(Taken from the reference material of the company)

Kudan Indirect Visual SLAM, for example, is capable of processing information over 10 times faster with less processing power than the most prominent open-source software of camera-based SLAM technology. Compared to other solutions that can generally give only centimeter-level localization precision, such as 5 cm, the precision of Kudan Indirect Visual SLAM can be as small as millimeters.
By combining these algorithms, etc., the company aims to further improve the function with higher speed and higher precision both indoors and outdoors, using multiple sensors, such as cameras and Lidar, together by integrating the systems through clock synchronization between the sensors (a process called tight coupling).
This technological superiority has been enhanced further by the acquisition of Kudan Germany (former Artisense Corporation) as its subsidiary as mentioned later.

Kudan began offering Kudan Indirect Visual SLAM under the name of Kudan SLAM in the term ended March 2018. Then, it started to provide Kudan 3D-Lidar SLAM in March 2020. The company has been striving to broaden the customer base in the following three areas:

Area	Example customers
Augmented reality (AR) and virtual reality (VR) application area	Optical sensor manufacturers, optical equipment manufacturers, mixed reality (MR) glasses manufacturers, telecommunications equipment manufacturers, electrical equipment manufacturers, e-commerce platforms, computer games producers etc.
Robotics and IoT area	Optical equipment manufacturers, heavy industrial and industrial robot manufacturers, electrical equipment manufacturers, transportation equipment manufacturers, signal processing internet protocols (IPs), etc.
Application area targeting cars and maps	Car components manufacturers, digital map companies, spatial information consulting companies, etc.

Like this, having both Visual SLAM and Lidar SLAM, Direct SLAM and Indirect SLAM in Visual SLAM, and having a hybrid technology combining them is a major strength of the company.

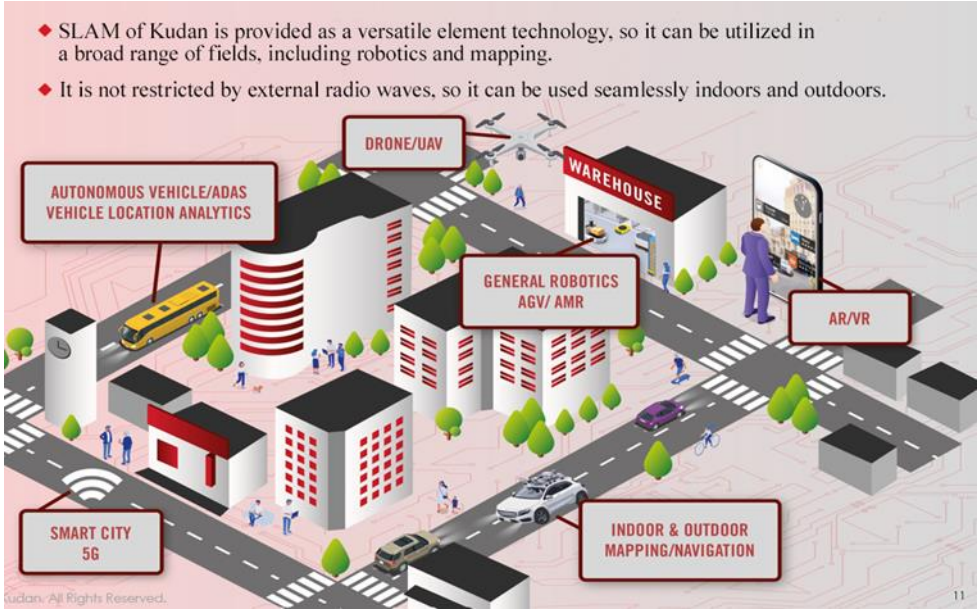
<Growing number of fields in which AP can play roles>

Using one of the existing technologies called computer vision (a set of base technologies of sensor and image processing mainly on a two-dimensional basis) as the foundation after reconstructing it, Kudan has developed its own unique AP technology.

As AP is the base technology necessary for every kind of device that uses cameras and three-dimensional sensors, the company expects that it will be the base technology adopted to diverse next-generation solutions on a cross-cutting basis.

It has been a technology essential for automatic control of all autonomous machines as robotics in a broad sense, including industrial robots, domestic robots, next-generation mobility such as cars, and flying machines such as drones, just to name a few.

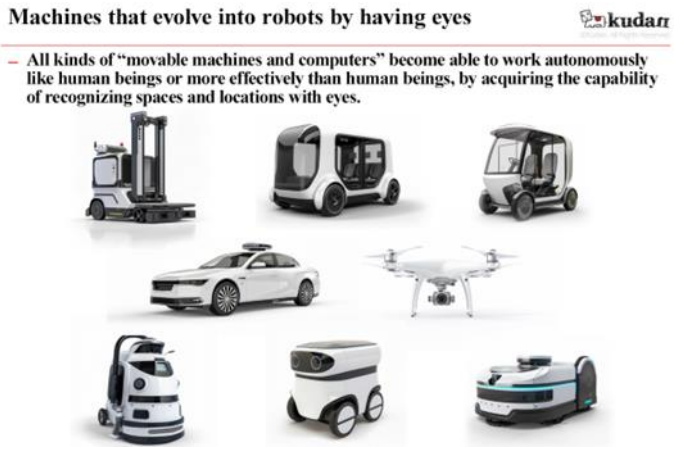
It will also be required for spatial perception in AR and VR that will serve as user interfaces of next-generation computers. In addition, the technology will be applied to an extremely wide range of purposes as the base technology for next-generation digital maps, dynamic maps (a dynamic mapping system that swiftly reflects the conditions of the reality environment), digital twin (information on the virtual space synchronized with the reality environment on a real time basis), and the like.

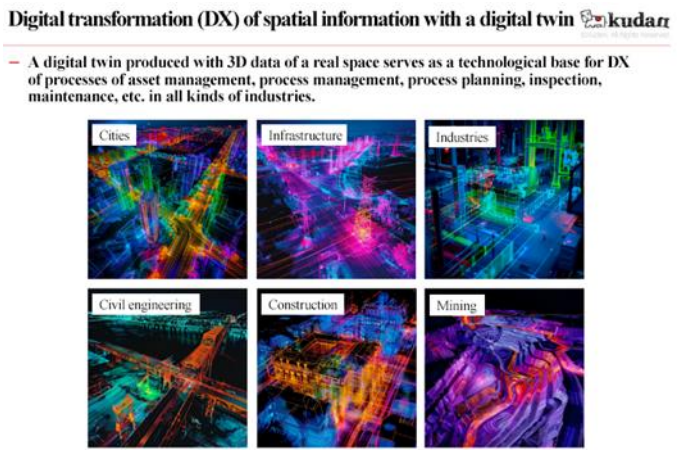


(Taken from the reference material of the company)

Among these technologies, Kudan places robotics and digital twins at the center of next-generation solutions they aim to realize, believing that the true potential, which is not limited or inefficient, will be released through authentic “eyes of a machine.”

For instance, many autonomous mobile robots equipped with SLAM currently in use work with 2D Lidar SLAM. However, 2D Lidar can grasp the surrounding information only in a two-dimensional way, which poses challenges, such as limitations on the environment for robot usage.
In contrast, 3D-Lidar SLAM using Kudan’s Visual SLAM and 3D Lidar enables three-dimensional perception of the environment, allowing robots to autonomously travel in a broader variety of environments.



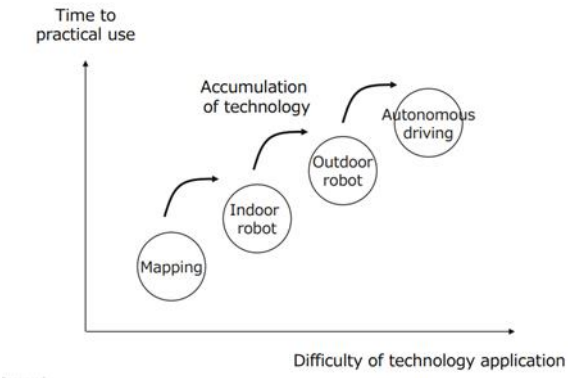


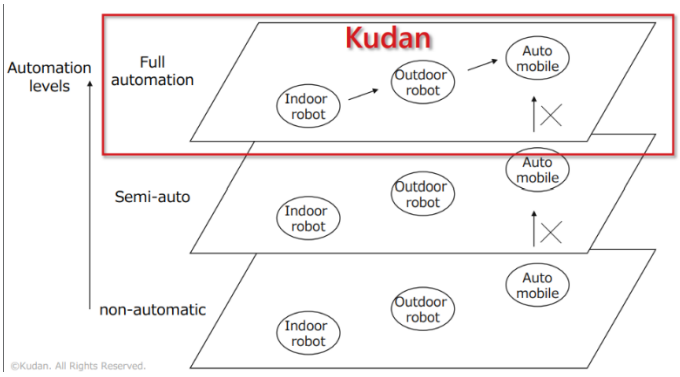
[1-5 The company's vision]

<Technical Strategy and Management Strategy>

◎ Technology Strategy

The company is targeting only achieving full automation. Full automation is difficult to achieve by merely accumulating non-automated and semi-automated technologies. By focusing on this, the company is accumulating technology while achieving full automation in each area in stages, “mapping” → “indoor robot” → “outdoor robot” → “autonomous driving,” in order to realize applied technology with a high degree of difficulty.





(Taken from the reference material of the company)

<Examples of practical application>

Amid such circumstances, the practical application of technologies is starting to show progress through the customer commercialization and Kudan’s technologies are gradually starting to reach the market.

***Robotics**

・**Autonomous Mobile Robots (AMR)**	・**Automated driving vehicles for delivery and sale**
Provided to NVIDIA and Intel in the United States. Kudan offers the SLAM algorithm for business use to platforms for robot developers. This algorithm was adopted on an Intel platform in 2022 as the first case of an algorithm for business use in the semiconductor industry.	Kudan provides the technological base to the Chinese company Whale Dynamic, and services to Robomart, a company in the U.S. They will realize highly accurate perception even with a low-cost sensor composition, forging ahead with practical application as a step toward automated driving services with a high cost-performance and high social demand.
	

(Taken from the reference material of the company)

***Digital Twins**

・**Forest management**	・**Solution for photo-real 3D digital twins**
Provided to the Finnish Ministry of Agriculture and Forestry and Cornell University in the U.S. Kudan is currently developing a solution for digitizing a vast amount of information on trees through 3D scans of large forests and making a database for forest management, such as preservation and logging.	Provided to the Chinese company XGRIDS. It allows the user to freely move within the digital twin created by scanning the real world, displaying photo-real pictures. It is anticipated to bring innovation to various types of industries, such as construction, real estate and manufacturing.
	

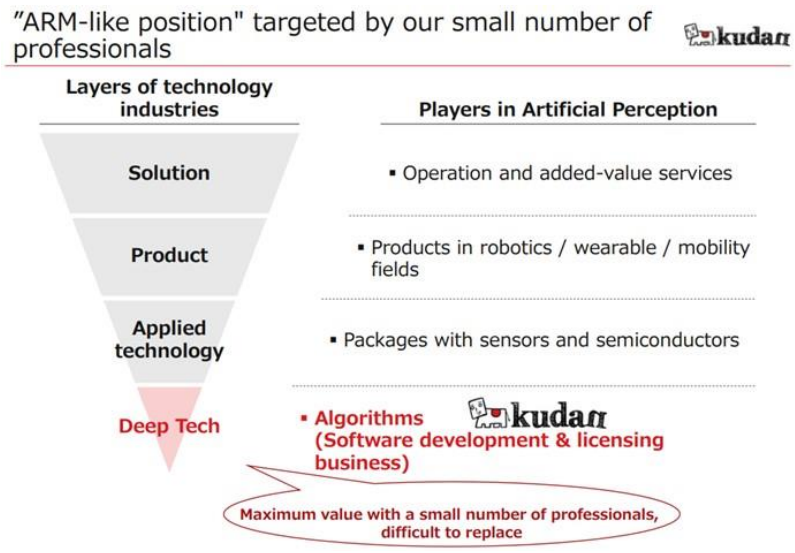
(Taken from the reference material of the company)

Many other projects are underway, including public, non-public and anonymous ones.

◎ Management Strategy

Based on the technology strategy, the company is focusing on algorithm research, software development, and licensing in Deep Tech, which is equivalent to the fundamental technology located in the deepest technological layer below solutions, finished products, and applied technology.

With overwhelming technological strength as its weapon, the company is promoting customer acquisition globally and aiming for “maximization of corporate value with a select few employees” and “positioning that is difficult for customers to replace.”



(Taken from the reference material of the company)

[1-6 Competitive superiority]

(1) Technological features

Kudan believes that its AP technology has enormous advantages in taking in not only the existing demand for product development but also demand for research and development on highly novel and complex future technologies, because the AP technology can help the company strategically take in technological demand fueled by continuous advancement and wider applications of the technology in mid-/long-term.

According to the company, the AP technology has the following five features.
Kudan can flexibly fulfill future demand, which is expected to grow and be diverse, by combining their sophisticated and flexible research and development capabilities that they cultivated by focusing on the AP field:

Feature	Overview
(1) Uniqueness of the algorithms	The Kudan Group possesses diverse families of technologies that consist of uniquely developed algorithms. Regarding how to perceive image feature points (fairly noticeable local areas in an image) that provide the basis for perceiving three-dimensional geometric structures at an advanced level, for example, the company has developed a unique, high-speed and greatly precise method by integrating and hybridizing a high-speed perception method and a highly precise and stable perception method. Furthermore, the density of feature points perceiving within an image can be adjusted flexibly to optimize the precision of perceiving three-dimensional structure (a set of three-dimensional feature points) and the processing speed, according to the practical application environment. In addition, a wide range of unique mathematical models that guarantee the feasibility of the technology are integrated, including optimized calculation that increases the precision of a group of three-dimensional feature points perceived sequentially in a three-dimensional manner, and a high-speed matching method with already-known, stored data.
(2) Flexibility and powerful performance	The uniqueness of the algorithms allows high-speed processing (with a light calculation load) as well as realizes great perception precision (which means that deviation from a true value is slight) and robustness (which indicates that the technology performs stably regardless of the environment and conditions in which it is used). In addition, the AP technology will be able to deliver strong performance that is optimized for a myriad of practical applications as it is designed in a manner that allows users to make detailed adjustments to the perception precision, robustness, processing speed, data size, and other individual functions according to the conditions under which the technology is used and required specifications.

(3) Flexibility in sensor use	As limiting the number of sensors can narrow the scope of applications of the AP technology, the Kudan Group's technology is designed to be compatible with various sensors. Specifically, it can function with a variety of cameras, the technology can be adjusted flexibly according to the number of cameras (such as monocular cameras, binocular cameras, and multiple cameras), and the data read format of optical sensors (such as whether to read data sequentially or simultaneously). Besides cameras, the technology can also be combined with a multitude of sensors, including three-dimensional sensors (such as Lidar and Time of Flight (ToF)), internal sensors (such as inertial measurement unit (IMU) and machine odometry), and position sensors (such as the Global Positioning System (GPS) and Beacon), which will allow advanced application of the technology while taking advantage of the strengths of each sensor.
(4) Flexibility in arithmetic processing environments	Flexibility in arithmetic processing platforms is also an important factor for applying the AP technology to a wider range of fields. As the Kudan Group's technology can work in multifarious arithmetic processing environments, it can be compatible with all kinds of processor designs and thus can speed up calculation processes by optimizing the software according to the kind of processor used (such as a central processing unit (CPU), a digital signal processor (DSP), and a graphics processing unit (GPU)). It can also function in a wide range of system environments through porting a software to major operating systems (such as Linux, Windows, MacOS, iOS, and Android).
(5) Flexibility in using part of the function	Complex fusion with other technologies is necessary for advanced applications of the AP technology. Parts of the function (software modules) of the Kudan Group's technology can be selected so that they are flexibly integrated into customers' existing software. The degree of dependence on processor designs (the degree of abstraction of software) of each part (software module) of the technology's function varies, and therefore it can be optimized flexibly either at a semiconductor level (with a lower abstraction degree) or at a software application level (with a higher abstraction degree).

(2) Global group of experts on AP

Researchers and engineers specializing in SLAM are a handful in the rare computer vision field. Among these, the company has many top-notch personnel with a doctoral degree, and as a group of AP professionals, it has built a strong foundation in both technology and business on a global basis.

Following the establishment of the Kudan Group in the UK in 2011 and the opening of its Tokyo office in 2014, the company invested in Kudan Germany (former Artisense Corporation) in 2020 and made it a subsidiary in the following year 2021.
The acquisition of Kudan Germany (former Artisense Corporation), a world-leading technology company, as a subsidiary and the deepening of the relationship with Professor Daniel Cremers of the Technical University of Munich further strengthens the company's competitiveness in terms of human resource acquisition and technology development.

(Overview of Kudan Germany)

Kudan Germany (former Artisense Corporation) was founded in 2016 jointly by Professor Daniel Cremers, who has delivered the world's best research results as the leader of the Technical University of Munich (TUM) that has a world-leading research group in AI and computer vision and as a leading expert on the autonomous driving technology, and Mr. Andrej Kulikov, a serial entrepreneur.
With such fields as autonomous driving, robotics, AR and VR, and drones being its application areas, Kudan Germany (former Artisense Corporation) provides AP algorithms that perceive the space and location, taking pride in its capability of putting camera-based visual SLAM into practice on a commercial level.

(3) Outstanding business achievements

The number of players in the market is more limited as M&A by major technology companies continues for companies that specialize in SLAM or have SLAM as their core business.
In this environment, the company is far ahead of existing companies in terms of the breadth of technology it offers, its track

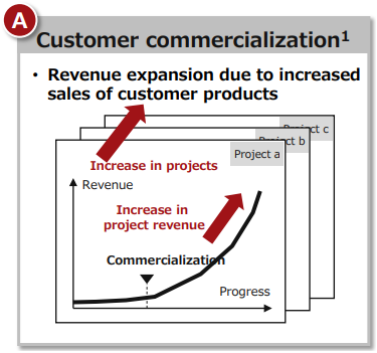
record of projects, and its recognition.
To date, the company has achieved development and partnerships with many top global companies and has been highly evaluated by the world's leading companies.

[1-7 Business model: Two key strategic initiatives for growth]

"Customer commercialization" and "End-solution building" have been positioned as two key strategic initiatives for growth.

(1) Acceleration and expansion of customer commercialization

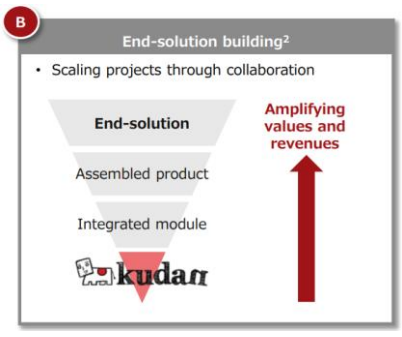
Currently, the majority of projects are in the evaluation and development phase, and the business is in the red due to upfront investment in research and development expenses.
A certain level of profitability and growth is expected for evaluation and development licenses/customer development support, and commercial-related revenue are expected to increase significantly as technology penetrates the market through the spread of customer products. Sales after commercialization by customers are mainly software license income. As a result, additional costs are negligible, and the increase in sales will contribute to profit. Therefore, a dramatic increase in profit can be expected.
At present, a total of 16 cases of practical application of the technologies have been achieved and Kudan's technologies are gradually starting to reach the market. Further acceleration is anticipated from now on.

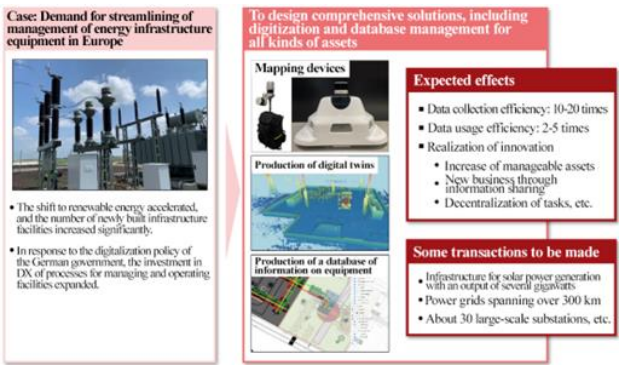


(Taken from the reference material of the company)

(2) Operation of the solution business

In response to the rising market demand, Kudan will cooperate with their ecosystem partners to provide solution packages for end customers, including operation and value-added services, to the market in addition to packages for products with embedded technologies, and forge ahead with social implementations. They will work toward upgrading project scale through collaboration.





(Taken from the reference material of the company)

2. Outline of Growth Strategy

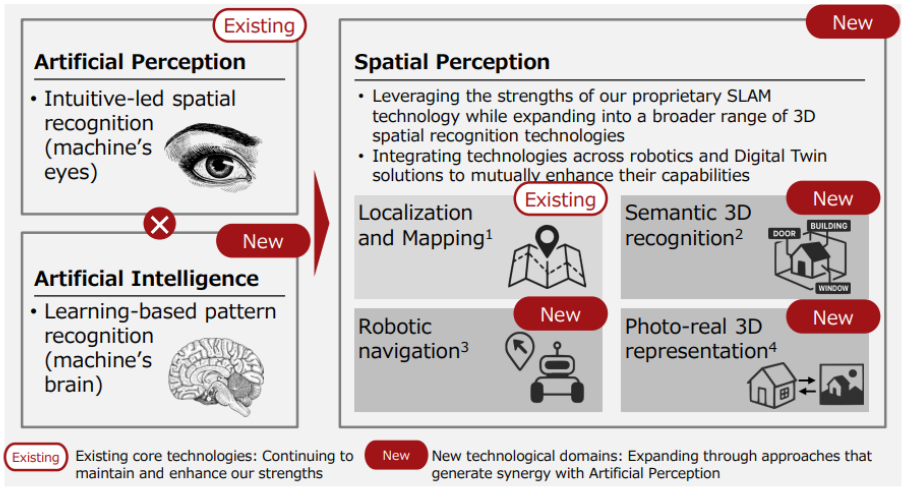
While the number of products released by clients increased until the fiscal year ended March 2025 and Kudan's performance improved for medium/long-term growth, the sales from product licenses for robots in commercialization projects were sluggish due to the insufficient maturity levels of complementary technologies and eco-systems. In the fiscal year ending March 2026, they switched to a growth strategy of adopting new technologies and complementary technologies for offering

solutions in order to improve their profitability and growth potential to keep up with the market pace.
The key points are “the expansion of software technologies for spatial perception” and “the utilization of the hardware package,” and they keep concentrating on the improvement of productivity based on the “digital twin” technology, which duplicates a real-world item in the digital space, and “robotics,” where robots perceive real space digitally.

[2-1 Key Points of the Update of Growth Strategy]

(1) Expansion of software technologies for spatial perception

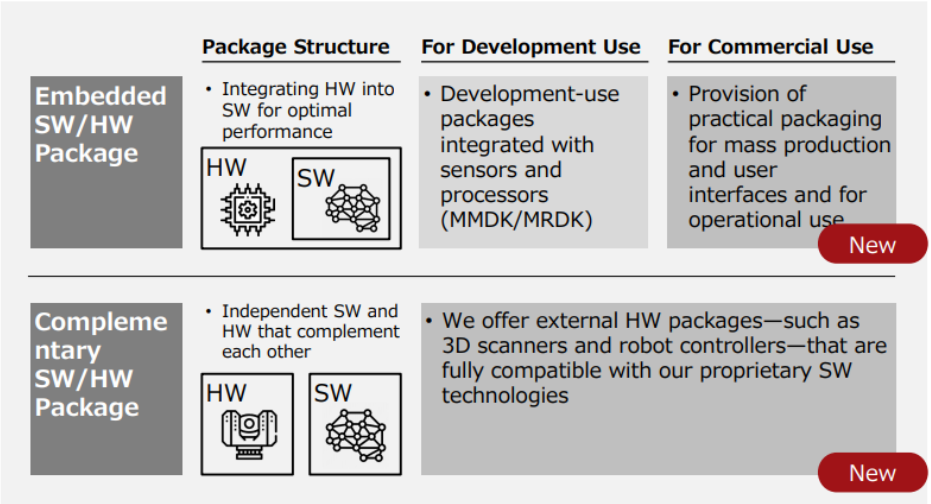
The company is expanding its core software capabilities by integrating artificial intelligence (AI) into its artificial perception (AP) technology, thereby evolving it into spatial perception.
In this domain, the company will continue to leverage its unique SLAM technology, while adopting a wide set of technologies for 3D spatial recognition. Additionally, it will link technologies for solutions to robotics and digital twins to streamline functions.
In addition to existing SLAM-related capabilities such as self-location estimation and environmental mapping, the company is working to develop new technological domains by generating synergies between artificial perception (AP) and artificial intelligence (AI). These efforts include methods for object recognition, segmentation, and semantic extraction from 3D data and maps, autonomous navigation such as route planning and obstacle avoidance, and photorealistic rendering of 3D data and maps using techniques such as novel view synthesis.
To reduce the reliance on customers’ products, the company is strengthening its solution-oriented approach while improving profitability during the development phase, thereby supporting the broader adoption of customers’ products with high dissemination potential. Organizational development and initial development efforts began in the fiscal year ended March 2025, with large-scale project implementation scheduled for the future.



(Taken from the reference material of the company)

(2) Utilization of the hardware package

The company positions its software business as the core business, aiming to maintain a revenue ratio of approximately 50% or higher as it expands operations. It is working to broaden both embedded SW/HW packages and complementary SW/HW packages that offer strong synergies in both technology and sales. By optimizing software and hardware integration, the company seeks to enhance its technological competitiveness and capture demand for related hardware, thereby strengthening both revenue and profit per project. In addition to development-oriented packages, commercial-use packages are also being expanded.



(Taken from the reference material of the company)

[2-2 Background of sales expansion]

In the first half of the fiscal year ending March 2026, sales grew considerably by 170% year on year.

This is because the development of existing technologies subsided in the external environment and the market is currently in the innovation phase. The shift in demand is accelerated and there is growing demand for next-generation technologies, such as photorealistic technologies for producing digital twins and leading-edge algorithms in robotics. Like this, the market environment is gradually changing to the one where Kudan can exert its leading-edge strengths.

In addition, the internal factor in rapid sales growth is the increase of projects thanks to the expansion of technical and business domains through the shift to “the expansion of software technologies” and “the utilization of the hardware package.” The profitability in the development phase has improved.

[2-3 Major products]

Major products in the fields of “digital twins” and “robotics” are as follows.

(1) Digital twins

In August 2025, Kudan released the next-generation digital twin solution “Kudan PRISM (Photo-Realistic Integrated Spatial Management).”

(Outline and features of Kudan PRISM)

In the field of maintenance and management of bridges, tunnels, plants, urban infrastructure, etc., the shortage of measures for coping with deterioration and skillful workers has become serious, and it is required to accurately grasp the current situation and maintain or manage them efficiently. The conventional “3D point cloud-centric” solutions had some significant issues: the heaviness of data, the slowness of display, restrictions on operability, and the difficulty in information linkage.

Kudan PRISM is a platform developed for solving these issues and accelerating the digital transformation (DX) in actual workplaces. Users can swiftly produce and use light, photorealistic 3D digital twins that have sematic information, and share and analyze spatial information intuitively and easily as it has been difficult so far.

It can be utilized in a broad range of fields, including the management of equipment and facilities, infrastructure inspection, robotics simulation, and smart city schemes. Based on the smooth photorealistic 3D display, the spatial perception technology of Kudan, and automatic processing with AI, it classifies, tags, and analyzes management subjects in a seamless manner. This realizes intuitive data management, information linkage, the streamlining of operations through automation, and the improvement in service quality.

(Cases of utilization)

Subject project	Outline
Management of facilities and equipment Maintenance and inspection of infrastructure	By promoting digital transformation (DX) in the fields where DX has been difficult, they automate and streamline business operations and make it possible to work remotely. Demand is expected to grow, as it is necessary to deal with the shortage of on-site workers and the deterioration of equipment infrastructure, which are common in advanced countries.
Smart city and anti-disaster projects	To sophisticate disaster simulation and anti-disaster design, which will be demanded further, and contribute to the protection of human lives and post-disaster restoration.

They provide NEXCO East Nippon Engineering Co., Ltd., which manages and operates expressways, with technical support for DX of road inspection and maintenance. PRISM e-Road (provisional name), which is being jointly developed, will offer smooth photorealistic 3D display, forward-looking spatial perception technologies, advanced data management, and information linkage.

(Future developments)

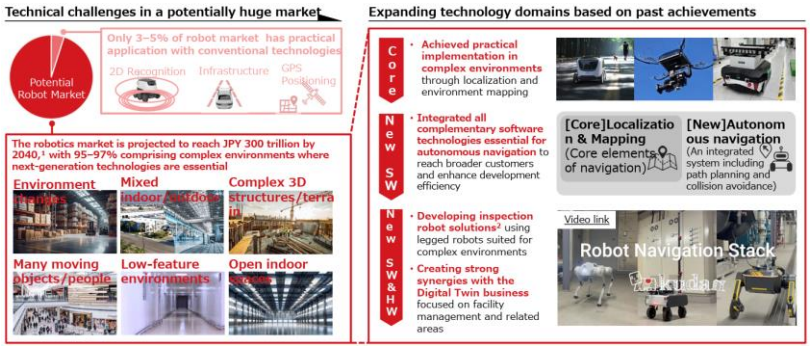
In Europe and Japan, the effects of management, inspection, maintenance, etc. of equipment have been already verified in the market, so they will offer the services on a full-scale basis and strive to increase commercial users in the fiscal year ending March 2026. The market of digital twins for civil engineering, real estate, infrastructure, distribution, and manufacturing has expanded steeply, and they forecast that its scale will reach 100 trillion yen (approx. 700 billion dollars) in 2040.

(2) Robotics

They are proceeding with multiple projects globally, with the aim of expanding their technical domain, handling larger projects, and putting their technologies into practical use early.

The scale of the robot market is expected to grow to 300 trillion yen in 2040, but 95-97% of the amount cannot be achieved with conventional technologies only, and next-generation technologies are indispensable.

Kudan has put robots into practical use under a complex environment, in which it has been difficult to use robots, by estimating the self-location and producing an environmental map based on their unique core technologies. Based on such experiences, they will expand their technical domain by using new software and hardware, and put robots into practical use under a complex environment.



(Taken from the reference material of the company)

① Participation in governmental projects

As development leader, Kudan participated in the "R&D Project of the Enhanced Infrastructures for Post 5G Information and Communication Systems: Building a Software Development Platform for Robotics," which is hosted by New Energy and Industrial Technology Development Organization (NEDO) and participated in by leading companies in the construction industry. They engage in the R&D of a software development base in the robotics field of the construction market, and lead the development of core technologies for autonomous running of robots in Japan. The period and overall budget of this project are 3 years until FY 2027 and 10.3 billion yen, respectively.

The practical use and diffusion of their technologies are expected to accelerate. They aim to remain closely linked with governmental policies related to robots, and their technologies are expected to be applied to a broader range of industries.

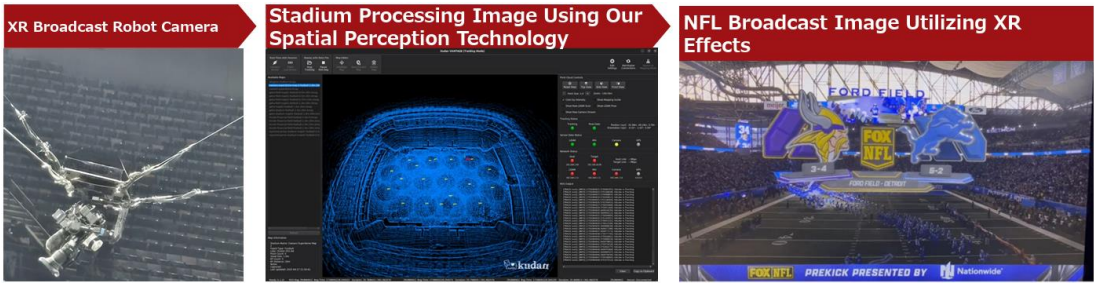
The Takaichi administration aims to intensively invest in 17 fields, and AI and semiconductors are main investment targets, so they will cement the cooperation with the government.

② Robotic cameras for broadcasting with the XR technology

A robotic camera for broadcasting with the XR technology is a LiDAR sensor-mounted overhead robotic camera on a wire whose location is recognized by their technologies. It can realize high-precision recognition with high-speed, wide-field, dynamic camerawork, and bring the experience of watching innovative XR videos to viewers.

Enlisting cooperation from Fox Sports and Skycam, they made this camera adopted at the world's top stadiums of NFL Super Bowl, etc. in 2024, and keep the camera used for broadcasting NFL games throughout the season in 2025.

They acquired a patent for a unique software technology utilizing spatial perception for low-cost robotic cameras that support the XR broadcasting with high visual effects, and officially released it while naming it Kudan VANTAGE. Going forward, they will aim to make this camera adopted at the venues of major global sports events, live concerts, etc., including stadiums, concert halls, and virtual studios.



(Taken from the reference material of the company)

Major projects in the fields of digital twins, robotics, etc. are as follows.

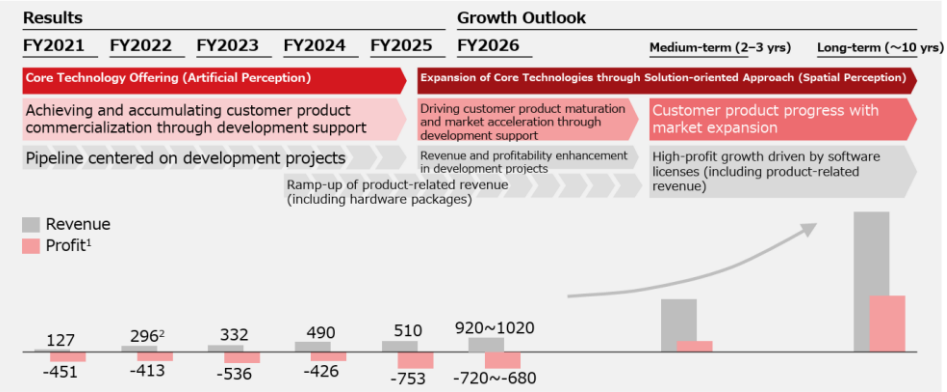
Other Projects Overview (excerpt) kudan

	Customer	Overview	Progress
Digital Twin	Major Infrastructure Management Company	DX for water and sewage facility management	Trial introduction of PRISM for customer scheduled to begin
	Major construction Machinery Company	DX for construction progress, equipment status, and safety management	Supporting introduction and expansion of PRISM
	Major Real Estate Facility Management company	DX for facility management automation and labor savings	Continuing introduction preparation based on strategic business support
	Construction Solutions	DX for construction site management	Technology provision for commercial solution development has begun
	Major telecommunications company	City-scale mapping solution deployment	Technology validation ongoing
	Major Automotive Company	Photorealistic technology for autonomous vehicle map generation	Technology provision and validation scheduled to begin
Robotics	Multiple Autonomous Delivery Robot	Localization under dynamic conditions and across indoor/outdoor environments	Additional introduction to high-difficulty factories decided, introduction preparation underway
	Inspection Robot	Localization for quadruped inspection robots	Technology provision initiated, supporting customer development
	Industrial computer	Autonomous navigation technology for AI robot development kits	Technology provision initiated, supporting customer development
	Major Automotive Company	Localization in GPS-degraded environments	Development and validation underway under various conditions for performance improvement
	Major Plant engineering company	Localization for heavy machinery remote operation in hazardous areas	Technology provision initiated, validation ongoing
	IT solutions	Localization for real-time product location management	Technology provision initiated, supporting customer development
	Manufacturing engineering	Localization for real-time product location management	Technology provision initiated, supporting customer development

(Taken from the reference material of the company)

[2-4 Medium- to Long-Term Growth Outlook]

In accordance with the growth strategy of expanding their technical domain, they aim to enhance growth with development projects and hardware packages in the short term and achieve a quantum growth by diffusing commercial technologies and providing more software licenses to keep up with the acceleration of market growth in the medium/long term.



(Taken from the reference material of the company)

3. First Half of the Fiscal Year ending March 2026 Earnings Results

[3-1 Overview of the consolidated results]

	FY 3/25 1H	Ratio to sales	FY 3/26 1H	Ratio to sales	YoY
Sales	148	100.0%	400	100.0%	+252
Gross Profit	116	78.7%	107	27.0%	-8
SG&A	554	374.0%	524	130.9%	-29
Operating Income	-437	-	-416	-	+21
Adjusted Operating Income	-390	-	-367	-	+23
Ordinary Income	-519	-	-287	-	+232
Interim Net Income	-553	-	-329	-	+224

*Unit: million yen. Interim net income is interim profit attributable to owners of the parent. Hereinafter the same shall apply.

Sales grew considerably. Operating losses shrunk.

Sales rose 170.2% year on year to 400 million yen, and operating loss was 416 million yen (437 million yen in the previous fiscal year). While the market is changing rapidly, their business strategies started this fiscal year: “the expansion of software technologies” and “the utilization of the hardware package” have turned out to be effective. The digital twin and robot businesses of Kudan, which has secured a leading-edge position in the market, have accelerated.

[3-2 Financial standing and cash flows]

◎ Balance sheet indicating major items

	End of Mar. 2025	End of Sep. 2025	Increase/ decrease		End of Mar. 2025	End of Sep. 2025	Increase/ decrease
Current Assets	2,882	2,502	-379	Current Liabilities	273	317	+44
Cash and deposits	2,593	2,201	-392	Total Liabilities	280	317	+37
Noncurrent Assets	528	531	+2	Net Assets	3,131	2,716	-414
Tangible Assets	0	1	+1	Capital and Capital Surplus	3,940	3,135	-805
Investment, Other Assets	528	529	+0	Retained Earnings	-205	273	+478
Total Assets	3,411	3,033	-377	Total Liabilities and Net Assets	3,411	3,033	-377

*Unit: million yen.

Total assets decreased 377 million yen from the end of the previous fiscal year to 3,033 million yen due to a decrease in cash and deposits.

Net assets decreased 414 million yen year on year to 2,716 million yen, mainly due to decreased capital surplus.

As a result, equity ratio decreased 2.3 points from the end of the previous fiscal year to 89.4%.

◎ Cash Flow

	FY 3/25 1H	FY 3/26 1H	Increase/decrease
Operating Cash Flow	-434	-394	+39
Investing Cash Flow	-37	-2	+35
Free Cash Flow	-471	-397	+74
Financing Cash Flow	1,850	0	-1,850
Cash and equivalents	3,094	2,201	-892

*Unit: million yen

The cash position decreased.

4. Fiscal Year ending March 2026 Earnings Forecasts

[4-1 Earnings forecasts]

	FY 3/25	FY 3/26 Before revision	FY 3/26 After revision
Sales	148	700	920～1,120
Operating Income	-437	-780	-770～-730
Adjusted Operating Income	-390	-720	-720～-680
Adjusted Operating Income (Term-end)	-390	-590	-520～-480
Ordinary Income	-519	-	-
Net Income	-553	-	-

*Unit: million yen. The forecasts were those released by the company. The company will not disclose the exact forecast figures of ordinary income and net income due to the difficulty in estimating foreign exchange gain or loss, which have a significant impact on them.

The earnings forecast has been revised upwardly, expecting sales to increase.

The earnings forecast has been revised upwardly.

Sales grew steeply by 557-656% year on year. Their growth strategies “the utilization of the hardware package” and “the expansion of software technologies” have progressed smoothly, so sales are growing in multiple aspects. The accounting for entrusted governmental projects has been finalized.

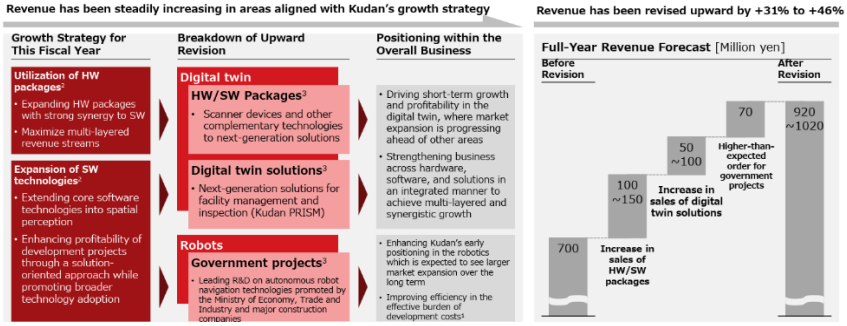
The revisions to the forecast operating loss and adjusted operating loss are minor, but it is expected that the adjusted operating loss as of the end of the fiscal year will improve significantly and deficit will shrink at an accelerated pace in the fiscal year ending March 2027.

[4-2 Outline of the upward revision]

(1) Sales growth

Regarding digital twins, the sale of scanners, etc. for mutually complementing next-generation solutions with the hardware/software package progressed. Regarding digital-twin solutions, the next-generation solution “Kudan PRISM” for managing and inspecting equipment contributed.

Regarding robots, the participation in the R&D of technologies for autonomous running of robots promoted by the Ministry of Economy, Trade and Industry and leading construction companies contributed.



(Taken from the reference material of the company)

(2) Improvement of the cost structure

In order to reduce recurring structural costs, they will curtail fixed costs by optimizing their organizations and freeze or outsource the development of other technologies than their core technologies, to optimize development processes throughout the year.

The project fell behind the initial plan, but they are expected to decrease costs as planed by the end of this fiscal year.

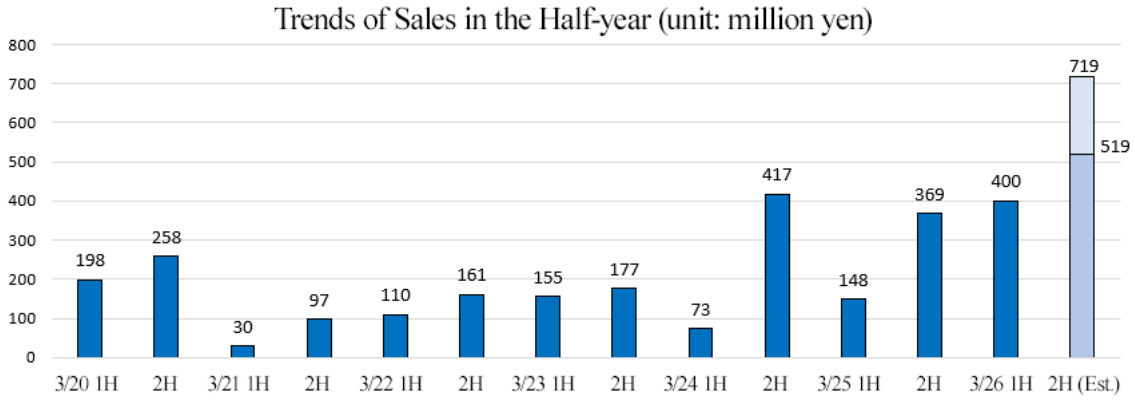
(3) Deficit will shrink, paving the way to profitability.

Through the upward revision to the forecast sales, the projected profit has increased by 80 to 120 million yen, but due to the delay in cost reduction, etc., the forecast annual profit has increased by only 0-40 million yen.

On the other hand, the reduction of costs, including fixed costs, will be completed by the end of this fiscal year, so it is expected that profitability will improve significantly by the end of this fiscal year, and in the fiscal year ending March 2027, the sales growth will contribute and annual deficit will shrink considerably by 300-350 million yen. As adjusted operating loss is expected to be 350-400 million yen, they consider that the prospect for moving into the black will become clear.

5. Conclusions

In the first half of the fiscal year ending March 2026, sales grew significantly by 2.7 times year on year. In the external environment, the development of existing technologies has subsided, and the market is currently in the innovation phase where the shift in demand is accelerated and there is growing demand for next-generation technologies, such as photorealistic technologies for producing digital twins and leading-edge algorithms in robotics. Like this, the market environment is gradually changing to the one where Kudan can exert its leading-edge strengths. In addition, the internal factor in rapid sales growth is the increase of projects thanks to the expansion of technical and business domains through the shift to “the expansion of software technologies” and “the utilization of the hardware package.” In the fiscal year ended March 2024, too, sales grew considerably in the second half, but sales did not keep growing. We wonder how sales will behave this fiscal year, and would like to pay attention to the trend from the third quarter.



<Reference: Regarding Corporate Governance>

◎ Organizational form and compositions of directors and auditors

Organizational form	Company with audit and supervisory committee
Directors	7 directors, including 4 outside ones
Audit & Supervisory Board Member	3, including 3 outside the company

◎ Corporate Governance Report
Last updated in June 27, 2025

<Basic Policy>
Our company recognizes that it is indispensable to establish corporate governance, in order to improve our corporate value, maximize the profits of shareholders, and foster good relationships with stakeholders.
Under this recognition, the Managing Directors, other Directors, and employees of our company will strive to tighten corporate governance by understanding their respective roles and developing and operating internal control systems.

<Reasons for not following the principles of the corporate governance code>
We follow all the basic principles of the corporate governance code.