

May 17, 2024

Company Name	Kudan Inc.	
Representative	CEO	Daiu Ko
	(Securities code: 4425 TSE Growth)	
Inquiries	CFO	Kohei Nakayama
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The transcript of the question and answer in the financial report presentation meeting for institutional investors and analysts is now available online

Kudan Inc. (henceforth in this document as “Kudan”) held the financial report presentation for institutional investors and analysts on May 16, 2024. In order to disclose information to investors in a timely manner, the English-translated transcript of the question and answer session is available in this release.

【FY2024 (full-year) financial report presentation meeting for institutional investors and analysts】

1. Date: Thursday, May 16, 2024
2. Speakers: Daiu Ko, CEO
Kohei Nakayama, CFO
Tian Hao, COO

▼▼Financial report presentation video can be viewed from below (Japanese only)▼▼

https://youtu.be/Lv_BljmrZng

▼▼Financial report presentation transcript can be viewed from below (English)▼▼

<https://contents.xj-storage.jp/xcontents/AS02977/bd034a0a/c819/40e8/bb42/088515a1a387/20240515151909159s.pdf>

▼▼Supplementary documentation to the financial report for FY2023 can be viewed from below (English)▼▼

<https://contents.xj-storage.jp/xcontents/AS02977/31d25f0e/1e2a/4786/b388/5e919d2a995c/20240515151838976s.pdf>

【List of questions and answers】

1. What would be the estimated foreign exchange gain if the current exchange rate level continues throughout this fiscal year? Also, what would be the tax burden rate for this fiscal year?

If the exchange rate at the beginning of the period continues for a year, foreign exchange gains or losses will hardly occur. When the exchange rate moves towards a stronger foreign currency, foreign exchange gains arise from intra-group receivables and payables, with the significant impacts coming from the pound and the US dollar.

Regarding the tax burden rate, since taxable income at each location is currently negative, basically no corporate tax is incurred based on profits, resulting in a minimal tax amount. Given the significant amount of carried forward tax losses, we expect this situation to continue for the time being. Besides corporate taxes based on profits, some taxes based on capital amounts are incurred, but their volume is not substantial.

2. Despite significant growth in revenue this fiscal year, could you please explain the factors leading to only a slight improvement in operating profit and loss?

As for the current business situation, we have achieved a lot of customer commercialization moving towards harvesting. However, there are still many ongoing projects in preparation phase, and the transition towards harvesting is progressing. Although this transition is proceeding very well, ongoing investments in supporting customer commercialization, developing solutions, and integrating AI and semiconductors are causing the projected improvement in operating profit and loss for this period to be modest.

However, looking ahead, we expect the highly profitable product-related sales to continue growing, accelerating the resolution of operating losses and profit expansion.

3. Could you also provide an estimate of the medium-term scale for sales other than product-related sales?

Currently, the business is progressing very smoothly, and we anticipate significant growth in sales through customer commercialization and solution development.

As a milestone, we aim to achieve approximately 10 billion yen in total sales by around 2030 and to drive future growth. With a revenue structure centered on license sales, we aim to achieve a very high operating profit margin of over 50%.

4. How do you anticipate revenue from the initiatives in advanced and futuristic robotics?

We have been engaged in various initiatives in the field of futuristic robotics, and recently, especially in the previous and current fiscal periods, these efforts have begun to flourish as substantial projects and are emerging as showcases for such technologies. We provide core technologies for various next-generation solutions as deep technologies. Collaborating with our partners to introduce futuristic technologies and new robotics as showcases to the world is considered to have a significant ripple effect on society.

While there are contributions to revenue, the increased appeal from a technological perspective is expected to have a substantial ripple effect on our business as well, further propelling the progress of our projects.

5. Could you provide an update on Whale Dynamic's business situation and your company's future revenue projections?

Regarding Whale Dynamic's business situation, we are currently developing businesses together in China and in the Middle East, Europe, and the United States in areas such as mapping, autonomous mobility, and autonomous driving technology.

Whale Dynamic's business and our related projects have been going very well. For example, they are developing an autonomous convenience store solution with a company named Robomart in the United States, with an order for 100 units. Additionally, they have secured orders for outdoor delivery robots, automated transport robots, and self-driving vehicles ranging from several dozen to 100 units with multiple companies.

Given the estimated market size of tens of trillions of yen for robots and autonomous driving, we expect our direct transactions with Whale Dynamic to continue growing. Additionally, we plan to expand our partnerships with Whale Dynamic's partners and ecosystems, such as Baidu and TIER IV, further driving revenue growth.

6. With the integration of artificial perception and artificial intelligence, what are the specific future prospects and impacts on Kudan's business?

Regarding future prospects, many of you are likely familiar with and increasingly using generative AI. The latest large-scale language models are evolving rapidly and are particularly adept at handling text, images, and videos, often being used for these purposes. We are currently working on integrating our artificial perception technology to apply such AI to fully 3D spatial information, moving beyond text and flat surfaces.

As AI evolves, this innovation will create new areas of opportunity, allowing AI to demonstrate its full potential in various fields involving 3D spaces, thereby bringing significant value.

For example, in the field of digital twins, we expect AI to have a substantial impact across various industries, significantly expanding our business opportunities.

7. Please provide the number of employees as of the end of March 2024, and your hiring plans for the fiscal year ending March 2025.

At the end of the previous fiscal year, our employee numbers remained steady at around 40-50. For this fiscal year, while we expect some increase in staff due to significant business progress, we do not anticipate a significant acceleration in hiring, expecting to recruit around 5-10 new employees.

8. It has been mentioned that there were delays in large-scale projects for DAMS. Will these be reflected in the sales for the fiscal year ending March 2025, and if so, what will be the scale of these projects?

Regarding large projects, we have broadly agreed with partners and customers. While schedules are delayed due to various adjustments, DAMS projects are expected to commence this fiscal year as well as the previous fiscal year and revenue will be recognized progressively according to deliveries on each milestone, etc. this fiscal year onwards.

9. Will it be possible to achieve operating profitability by the fiscal year ending March 2026?

Regarding achieving operating profitability, we believe it is only a matter of time as long as our business progresses as we have explained. Especially concerning product-related sales, the profit margin is expected to be very high, so as long as this growth continues, early profitability is achievable. We aim to proceed with our business with this perspective in mind.

As for the specific timing, there is a possibility of achieving profitability in the next fiscal year ending March 2026. However, we would like to present a concrete outlook based on the progress of our business results this fiscal year.

※If you have any inquiries regarding the contents of the financial report presentation, please feel free to contact us at Kudan's contact form below. Also, if you would like to have an interview with us, please let us know as well.

■Company Details

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Representative: CEO Daiu Ko

■For more details, please contact us from [here](#).