Supplementary Document to the financial report for the fiscal year ended March 2025

Kudan Inc.　(TSE Growth : 4425)
May 15, 2025

Review of the Fiscal Year Ended March 2025

- **The market's recognition of our technological capabilities has advanced, and the implementation of our technology in commercial product has accelerated and steadily accumulated**
  - The number of customer commercialization projects[1] reached eight projects, marking a 200% YoY increase
- **On the other hand, some advanced customer commercialization outpaced market readiness, resulting in slower-than-expected customer product adoption**
  - Revenue came in at ¥510 million, falling short of the ¥700 million target
  - Due to the immaturity of complementary technologies and the broader ecosystem, licensing revenue from robotics commercialization projects showed limited growth, and delays occurred in public-sector Digital Twin projects in Europe
- **To better align with the pace of the market and improve profitability and growth potential, we shifted to a solution-oriented growth strategy encompassing new and complementary technologies, which led to one-time cost increases and worsened losses**
  - Due to organizational revisions and new development efforts, costs rose to ¥1.31 billion, exceeding the planned ¥1.13 billion
  - Along with a decline in revenue, adjusted operating profit worsened to ¥-750 million, compared to the original target of ¥-350 million[2]
- **Meanwhile, revenue and profit landed in line with the revised forecast**

1. A key milestone in which our direct customer adopts our technology in their product and decides to proceed with the product's release
2. Adjusted operating profit: A profitability indicator that adds recurring government R&D subsidies to operating profit (loss), offering a clearer view of core business performance

Outlook for the Fiscal Year Ending March 2026

- **Strengthen our new growth strategy to fundamentally enhance profitability and growth potential**
  - By integrating Artificial Intelligence (AI) with Artificial Perception (AP), we aim to evolve our capabilities into Spatial Perception (SP)
    - We will expand our core technologies for robotics and digital twins, enhancing their value and accelerating the penetration of technology
    - While maintaining software business as the core of our business, we will broaden and expand SW/HW packages to diversify our offerings
  - We aim to strengthen revenue and profit from development projects, reduce dependence on customer commercialization, and expect to launch large-scale projects within this fiscal year

- **We expect revenue to grow to ¥700 million this fiscal year (+35.3%), and aim to reduce the adjusted operating loss from ¥880 million to ¥590 million by the end of the fiscal year[1], with further loss reduction and improving of profitability from the next fiscal year onward**
  - To eliminate one-time transitional costs, we plan to reduce fixed costs (¥150 million) and development expenses for non-core technologies[1] (¥50 million)
  - We expect to improve profitability through increased revenue driven by the new growth strategy (¥80 million)

- **Under the new growth strategy, we will prioritize revenue and profit from development projects in the short term, while aiming for exponential growth in the mid- to long-term by expanding customer commercialization/product licensing in line with accelerating market trends**

1. While Kudan expects its underlying loss structure to improve to ¥590 million by the end of the fiscal year, the full-year adjusted operating loss is projected at ¥720 million. For details, see page 16.
2. Customer projects in the phase from pre-commercial proof-of-concept to product development.

Full-Year Financial Performance for FY2025 (Ended March 2025) (1/2)

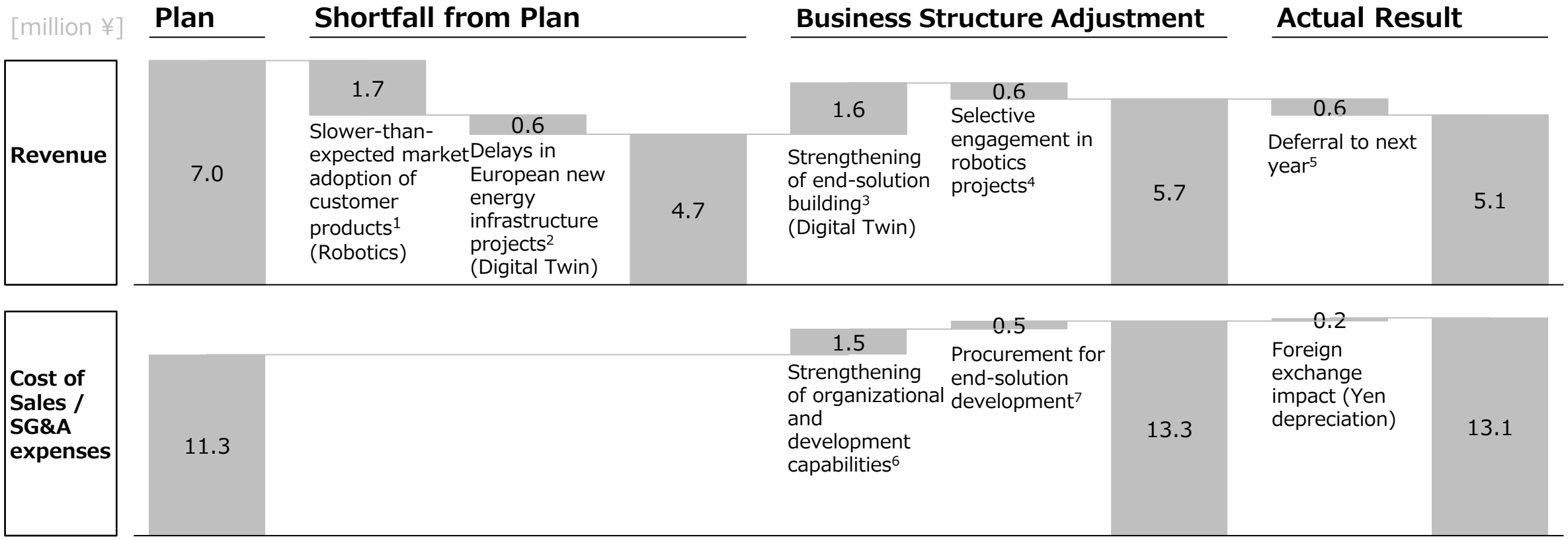
- Although revenue, operating profit, and adjusted operating profit fell short of the initial plan, results were in line with the revised forecast

[million ¥]	FY2024	FY2025			
	Results	Initial Forecast	Revised Forecast	Results	
Revenue	490	700	500 ~550	517	• The initial forecast was not achieved • Revenue increased YoY, driven by growth in the Digital Twin area (+5.4%)
Operating profit	△527	△430	△850 ~△820	△800	• Compared to the initial forecast, costs worsened due to organizational reinforcement and technology procurement associated with strategic realignment. • Compared to the revised forecast, profitability improved slightly as end-solution initiatives progressed following the strategic realignment
Ordinary profit[1]	△50	-	-	△743	• ¥46 million in R&D subsidies from the UK government was recorded as non-operating income • ¥21 million in foreign exchange gains was recorded from intra-group receivables and payables due to yen depreciation
Profit	△69	-	-	△801	• An impairment loss of ¥57 million was recorded due to development-related investments[3]
Adjusted operating profit	△426	△350	△800 ~△770	△753	• ¥46 million in R&D subsidy was adjusted from operating profit

1. In FY2024, foreign exchange gains totaled ¥384 million and government subsidies ¥100 million. In contrast, FY2025 saw only ¥21 million in foreign exchange gains due to limited yen depreciation, and subsidy income declined to ¥46 million due to a policy change in the UK and approval delays in Germany. As a result, non-operating income decreased significantly.
2. A profitability indicator that adds recurring government R&D subsidies to operating profit (loss), providing a clearer view of core business performance
3. R&D expenses and cost of revenue, including procurement of hardware and related components

Full-Year Financial Performance for FY2025 (Ended March 2025) (2/2)

- In response to shortfalls against the initial plan, we rebalanced key projects and aim to significantly improve operating profit and cash flow in the current and subsequent fiscal years



1. Revenue declined as market adoption of customer products from commercialization projects fell short of expectations
2. While previously disclosed energy infrastructure projects faced delays due to adjustments in public policy, growth in private-sector industrial and logistics projects exceeded expectations, leading to overall stronger-than-expected performance in Digital Twin projects
3. Strengthened development and sales efforts for Digital Twin solutions
4. Shift toward digital twin and human-assisted robotics, while narrowing focus to high-quality full-automated robotics projects
5. A portion of the expected revenue for the fiscal year has been deferred to the following year
6. Strengthened our workforce to support expanded development and sales of end-solutions
7. Procured additional resources related to external partnerships for end-solutions

Full-Year Forecast for FY2026 (Ending March 2026)

- With strategic realignment initiated in FY2025 taking effect, revenue is expected to increase significantly (+35.3% YoY)
- While adjusted operating profit is expected to improve to ¥-590 million by the end of the fiscal year, the full-year forecast remains at ¥-720 million, reflecting modest improvement compared to the previous year

[million ¥]	FY2025 Results	FY2026 Forecast	
Revenue	517	700	• Revenue growth is supported by the launch of large-scale projects enabled by Spatial Perception and the diversification of project offerings through SW/HW packages
Operating profit	△800	△780	• While profitability improvement is expected to gain momentum throughout the fiscal year, significant impact will be realized in the second half, with adjusted operating profit improving to ¥-650 million by the end of the fiscal year
Ordinary profit	△743	-	• As foreign exchange gains and losses are difficult to forecast, projections for ordinary profit and net profit have been omitted, as in previous years
Profit	△801	-	
Adjusted operating profit[1]	△753	△720	• We expect to receive ¥60 million in development subsidies from foreign governments

1. A profitability indicator that adds recurring government R&D subsidies to operating profit (loss), providing a clearer view of core business performance

FY2025 Highlight Project (1/5): Customer Commercialization Achievements

- As customer product development progressed, eight customer commercialization projects were successfully completed (+100% YoY), demonstrating accumulated achievements and establishing strong technical recognition in the market
- On the other hand, due to the immaturity of complementary technologies and the broader ecosystem, product licensing from robotics commercialization projects showed limited growth

Customer commercialization made significant progress, particularly in robotics across a wide range of fields

Yours Technologies	• Backed by Yamato Holdings. Designed for autonomous delivery robots capable of navigating complex indoor and outdoor environments
US Robots	• Part of a major Japanese automotive group. Developed for high-precision autonomous transport robots used in tasks such as truck loading
Vecow	• Adopted in the autonomous mobile robot development kit, “VTK SLAM Kit,” with compatibility for industrial standards including autonomous driving
Squad Robotics	• Implemented in autonomous cleaning robots such as the “SQR SW1,” designed to operate in high complex environments shared with human
US Robots	• Part of a global industry leader. Designed for autonomous transport robots operating in medical and commercial facilities, capable of handling complex environments shared with humans
HPC Systems	• Adopted in “NaviStart,” a positioning and autonomous transport system kit for industrial DX, leveraging local 5G technology
NexAIoT	• Designed for autonomous transport and service robots in factories, commercial buildings, and hospitality facilities, achieving both advanced functionality and cost efficiency
FOX Sports	• Implemented in robotic cameras for sports broadcasting, enabling immersive AR-powered viewing experiences—featured at the Super Bowl

Despite the substantial growth in customer commercialization, the increase in commercialization-related revenue has slowed

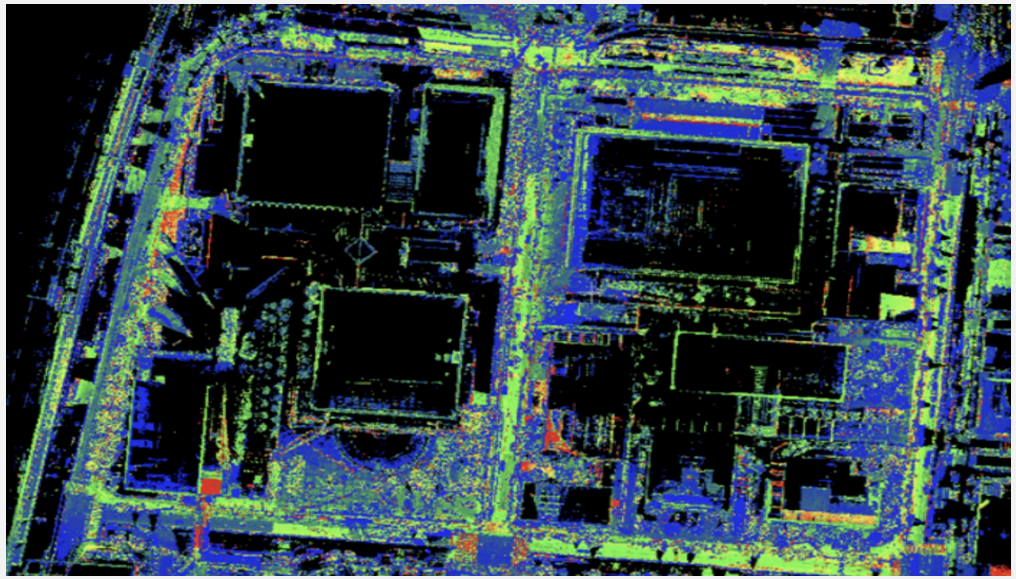
	Customer commercialization [projects]	Commercialization-related revenue [million ¥]
FY2023	4	0.3
FY2024	4	2.7
FY2025	8	2.9

FY2025 Highlight Project (2/5): High-Precision 3D Mapping (NTT InfraNet)

- In dense urban areas where satellite-based positioning systems are unstable, achieving high-precision 3D mapping has long been a challenge. However, this issue has been addressed by combining our SLAM technology with geospatial information held by NTT InfraNet, such as manhole locations
- This initiative is expected to contribute to solving social issues, including smart city development, urban infrastructure management, disaster prevention and response, and environmental impact reduction

Successful Proof of Concept for High-Precision 3D Mapping

- Efficient high-precision 3D mapping in dense urban areas where satellite positioning systems lose effectiveness due to clusters of high-rise buildings



Anticipated Directions for Solution Deployment

Smart City Development	• A foundational technology for autonomous driving and robotics • mobility optimization, urban management, and advancement of public infrastructure
Urban Infrastructure Management	• Improved management efficiency through digitization of road and bridge infrastructure • Application to national initiatives such as the Digital Lifeline Development Plan
Enhanced Disaster Prevention and Response	• Damage prediction, evacuation route optimization, and rapid recovery efforts • Reliable information even in environments where satellite positioning is unstable
Reduction of Environmental Impact	• Efficient urban planning and traffic management • Reduction of carbon emissions

FY2025 Highlight Project (3/5): Facility Asset Management for European Industries

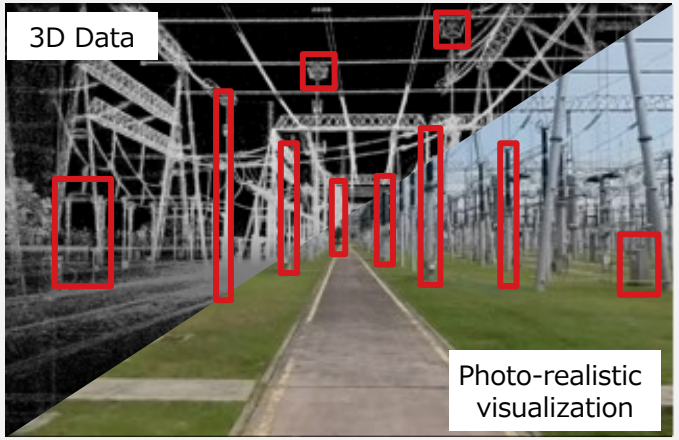
- Captured demand from industrial and logistics facilities and entered into a strategic business alliance with one of the world's leading multi-industry service providers
- By combining AI with photorealistic 3D digital twin technology, we are delivering an innovative solution for facility asset management that dramatically accelerates the digital transformation (DX) of our partners

Digital Asset Management Solution

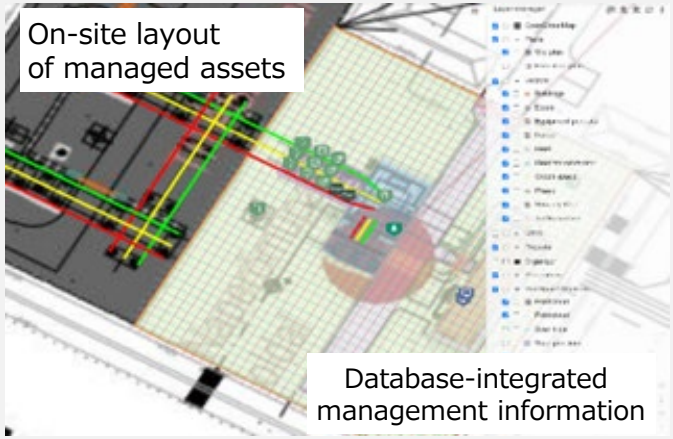
(Data generation powered by next-generation digital twin technology[1])

Rapid spatial data acquisition

AI-based automatic recognition and registration of managed assets



Database integration and efficient management tools



Overview of the Company

- A leading global company providing multi-industry service solutions, with over 40,000 employees and €4 billion in annual revenue
- Operating in more than 35 countries, the company manages facilities and properties for over 5,000 client organizations, including major industrial, logistics, public, and commercial sites

Overview of the Strategic Business Alliance

- Our solution is designed to support the digital transformation of facilities managed by our strategic partner[1]
- In addition to generating highly accurate and realistic 3D digital replicas using photo-realistic digital twin technology, AI-based spatial recognition enables automation of asset management
- Validation already conducted has demonstrated significant improvements in asset data accuracy, operational efficiency, and data reliability

FY2025 Highlight Project (4/5): Robotic Camera for AR (FOX Sports)

- Adopted for position recognition in human-operated robotic cameras for sports broadcasting, delivering an innovative AR viewing experience
- Recognized for its unmatched capability to track high-speed camera movements, the technology was successfully deployed at the Super Bowl, one of the world's largest sporting events

Utilizing Proprietary Technology for Special Effects in Human-Operated Robots

- Integrated LiDAR sensors into AR wire robotic cameras, enabling precise camera position recognition using our technology
- Achieved high-precision recognition in fast, widearea, and dynamic camera movements, previously unattainable.

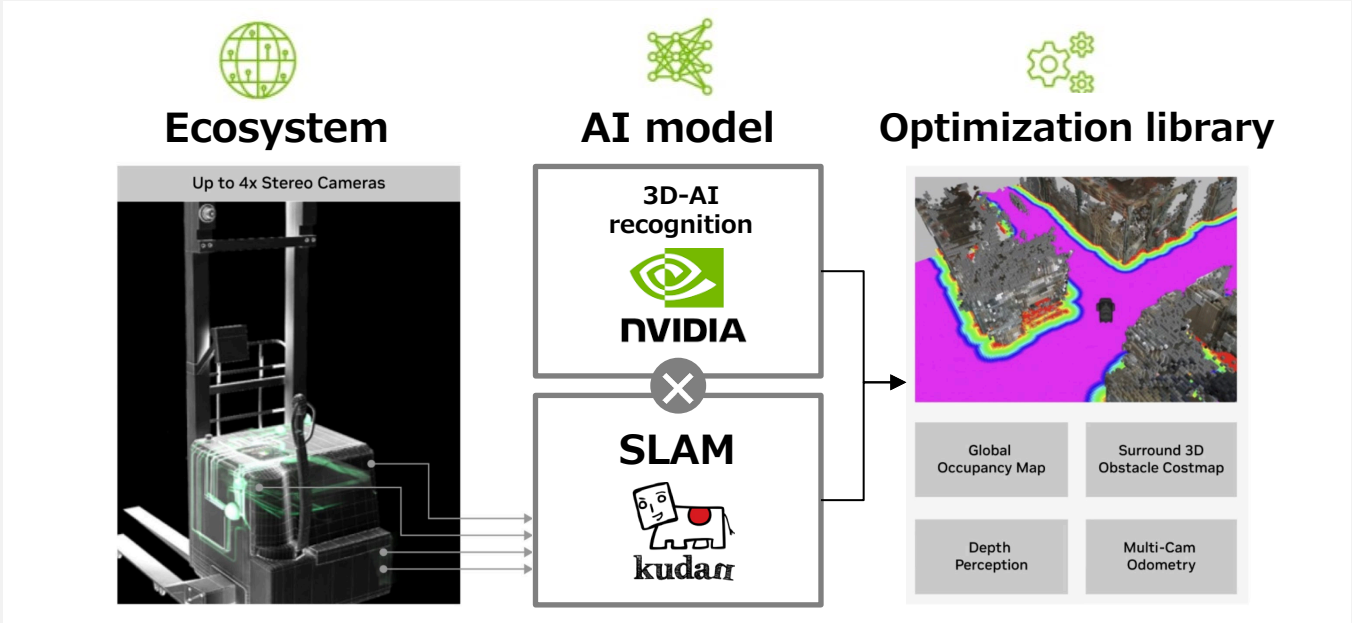
Revolutionizing the Viewing Experience and Enhancing Content Value

- Delivers immersive AR visuals with seamless precision
- Deployed at Super Bowl LIX, which drew 140 million viewers, the technology was utilized in various scenes — from the opening to in-game commentary
- Aiming for further implementation in large-scale global events

FY2025 Highlight Project (5/5): Autonomous Mobile Robot（Nvidia/ NexAIoT）

- By integrating our SLAM technology[1] with NVIDIA's AI platform[2] for robotics, we have achieved spatial perception—enabling localization and obstacle detection—even in highly challenging environments[3], without relying on 3D sensors. This results in a cost-effective solution for autonomous navigation
- We have started providing this solution to robotics developers, with partial commercialization already achieved and deployed in real-world factory environments (NexAIoT[4] in Taiwan)

Technology integration for advanced autonomous mobility enabled through SLAM × AI



- Through advanced technology integration, we enhance autonomy and operational efficiency while maintaining low cost
- By evolving synergistically with next-generation AI, we aim to advance toward human-collaborative robotics[5]

Achieved commercialization of robots, now being deployed across various real-world environments

- Shortens development and deployment time while significantly reducing costs
- Highly versatile and easily deployable across diverse environments such as factories

1. Kudan Visual SLAM: Localization and environmental mapping using only camera visual data, eliminating the need for costly 3D sensors
2. NVIDIA Isaac Perceptor: A platform designed for industrial autonomous mobile robots
3. Unstructured environments: Robot operating environments characterized by dynamic changes, 3D obstacles, and moving objects
4. Next-generation industrial autonomous transport robot: NexNOV-2
5. As a next-generation industrial robot expected to meet high demands for autonomy and safety, it is attracting growing attention as research accelerates alongside advances in AI

Initiatives for the Current Fiscal Year

- We have started offering Spatial Perception as a broader suite of technologies by expanding into new and complementary technologies, aiming to enhance revenue and profitability from development projects
- As part of resolving one-time costs through business rebalancing, we focus on optimizing costs and expanding revenue through selective concentration on Spatial Perception, aiming for a significant improvement in operating profit and cash flow

	Aiming to Improve Growth and Profitability	Measures Taken in the Previous Fiscal Year	Initiatives for the Current Fiscal Year
Growth Strategy Update	• Strengthen revenue and profitability from development projects by aligning with the market adoption speed of advanced customer products • In addition, we aim to drive market acceleration and achieve revenue growth on a per-project basis	• We are expanding into Spatial Perception A Expand our core software technologies with a solution-oriented approach B Add and expand SW/HW packages through increased utilization of external technologies • Establishment of organizational structure • Initiation of early-stage development	• Continuation and enhancement of development activities • Monetization through project conversion
Cost Optimization and Profitability Improvement	• Under our new growth strategy aimed at expanding our technological domains, we are restructuring our business with a focus on organizational and development portfolios	• Reinforced organizational and development teams in line with the rebalancing of focus projects	C Under our growth strategy, we are taking selective approaches to eliminate one-time costs and enhance profitability

A Growth Strategy Update (1/2): Expansion into Spatial Perception

- Integrating Artificial Intelligence (AI) into our Artificial Perception (AP), and evolving it into Spatial Perception (SP)
- By reinforcing our solution-oriented approach, we aim to improve profitability during the development phase and support the adoption of fast-growing customer products

Existing

Artificial Perception

- Intuitive-led spatial recognition (machine's eyes)

×

New

Artificial Intelligence

- Learning-based pattern recognition (machine's brain)

New

Spatial Perception

- Leveraging the strengths of our proprietary SLAM technology while expanding into a broader range of 3D spatial recognition technologies
- Integrating technologies across robotics and Digital Twin solutions to mutually enhance their capabilities

Existing

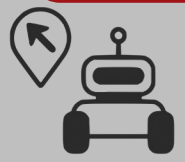
Localization and Mapping[1]

New

Semantic 3D recognition[2]

New

Robotic navigation[3]



New

Photo-real 3D representation[4]

Existing Existing core technologies: Continuing to maintain and enhance our strengths

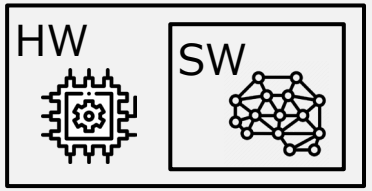
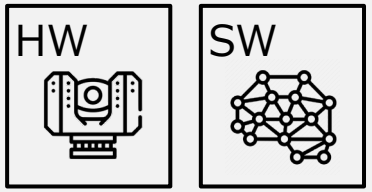
New New technological domains: Expanding through approaches that generate synergy with Artificial Perception

- The expansion into new technological domains enables higher value-added offerings, which will help strengthen revenue and profitability from development projects
- By effectively supporting application of our technologies to solutions, we aim to accelerate market growth
- Expect to achieve revenue growth on a per-project basis
- Building our organizational structure and initiating early-stage development since previous fiscal year, with large-scale commercialization expected this year (coming soon)

1. Localiation and environmental mapping related to SLAM and similar technologies
2. Object recognition, segmentation, and semantic extraction from 3D data and maps
3. Autonomous navigation including route planning and obstacle avoidance
4. Photorealistic rendering of 3D data and maps using techniques such as Novel View Synthesis

B Growth Strategy Update (2/2):Expansion of SW/HW Packages

- Expand embedded and complementary SW/HW packages that offer strong synergies in both technology and sales, with software (SW) remaining at the core of our business[1]
- By leveraging external technologies for the hardware (HW) components, we aim to build a more multi-layered business structure and maximize both revenue and profitability

	Package Structure	For Development Use	For Commercial Use
Embedded SW/HW Package	• Integrating HW into SW for optimal performance 	• Development-use packages integrated with sensors and processors (MMDK/MRDK)	• Provision of practical packaging for mass production and user interfaces and for operational use New
Complementary SW/HW Package	• Independent SW and HW that complement each other 	• We offer external HW packages—such as 3D scanners and robot controllers—that are fully compatible with our proprietary SW technologies New	

- Strengthen revenue and profitability by enhancing technological competitiveness through SW/HW optimization and capturing demand for related hardware
- Secure sufficient profit margins (targeting over 50%) by combining externally sourced hardware components
- In addition to development-oriented packages, expand offerings to include commercial-use packages
- Expect strong growth this fiscal year, particularly for Digital Twin applications.
- Continue to maintain and expand our proprietary software as the core of our business[1]

1. Plan to expand the business while maintaining the software revenue ratio at or above 50%.

Project Overview (excerpt)

- Reflecting our growth strategy, Spatial Perception (SP) and SW/HW packages are being expanded starting this fiscal year

	Custmers[1]	Use Case	Technology Provided	Category	
Robotics	Kawasaki Heavy Industrie	Quadruped work robot	Localization in challenging indoor/outdoor and unstructured environments	SP	SW
	Robotics solution	Security robot	Autonomous driving package including indoor/outdoor mobility and AI-integrated navigation	SP	SW
	Public institution	General-purpose robot	General-purpose autonomous navigation software	SP	SW
	Major robotics manufacturers (multiple)	Various Types of Robots	Localization under dynamic conditions and across indoor/outdoor environments	AP	SW
	Major railway company	Security drone	Localization for autonomous flight in GPS-degraded environments	AP	SW
	Major plant engineering company	Automation of heavy equipment operations	localization in recognition-challenging outdoor and unstructured environments	AP	SW/HW
	Major automotive OEM	Autonomous driving / Robotaxi	Localization in GPS-degraded environments	AP	SW
Digital Twin	各国 General engineering companies (multiple)	DX of infrastructure asset management	3D scanners and digital twin technologies (photorealistic and semantic)	SP	SW/HW
	Major manufacturer	DX of manufacturing processes	3D scanners and digital twin technologies (photorealistic and semantic)	SP	SW/HW
	各国 Mapping-related companies (multiple)	Vehicle-mounted mapping system	City-scale digital map generation system	AP	SW/HW
	Major telecommunications company	Next-generation Digital Twin	Distributed data processing using Spatial Perception technology	SP	SW

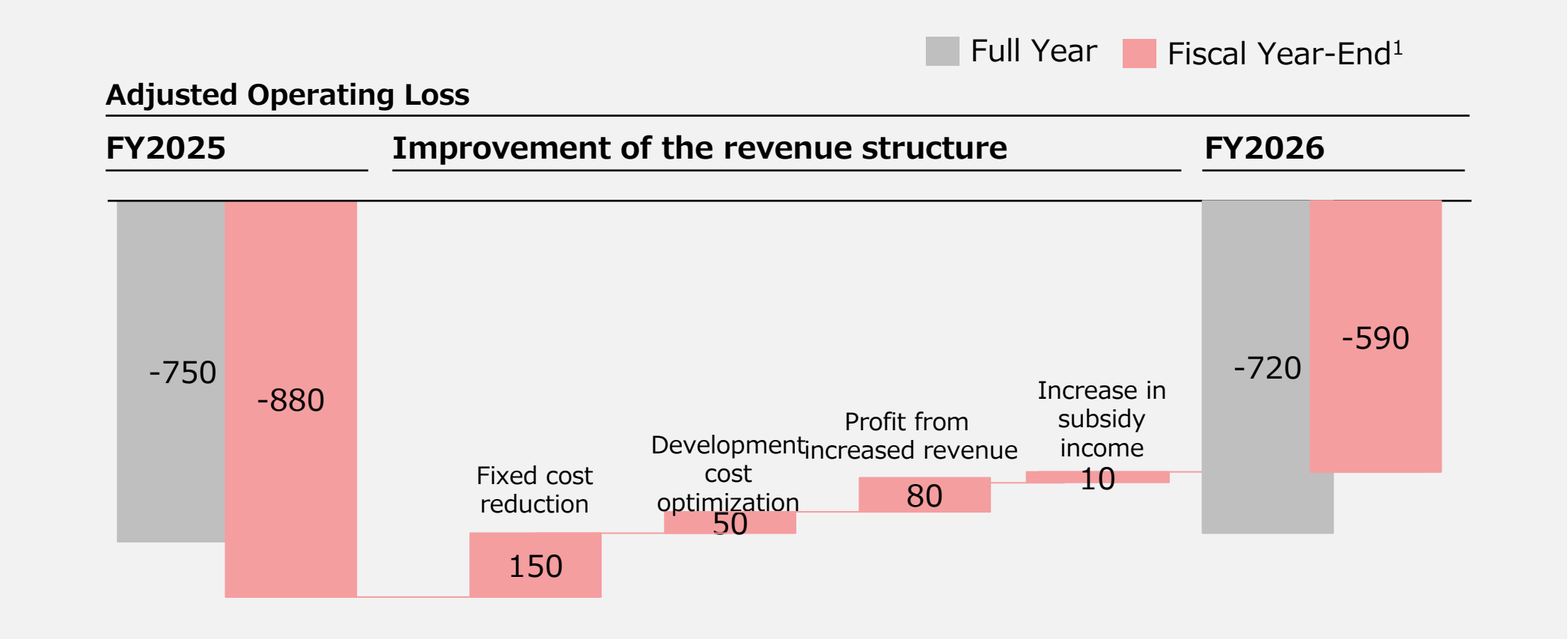
SP: Spatial Perception
AP: Artificial Perception

SW: software
SW/HW: software and hardware

1. Projects previously highlighted are not included here

C Improvement of Revenue Structure

- Reduction of fixed costs through cost optimization (¥150 million), suspension and outsourcing of non-core technology development (¥50 million), profit contribution from increased revenue (¥80 million), and expected increase in subsidies (¥10 million)
- We aim to improve the underlying loss by ¥290 million by the end of this fiscal year[1], and to further reduce losses and achieve profitability from the next fiscal year onward



1. This represents the profitability structure at the end of the fiscal year, calculated by deducting the year-end cost level from full-year revenue and subsidy income

Mid- to Long-Term Growth Outlook

- Under a new growth strategy focused on expanding our technological domains, we aim to strengthen revenue and profitability in the short term through development projects. Over the mid- to long term, we will seek significant growth by continuing to expand customer commercialization and product-related revenue in line with market acceleration

Results | **Growth Outlook**

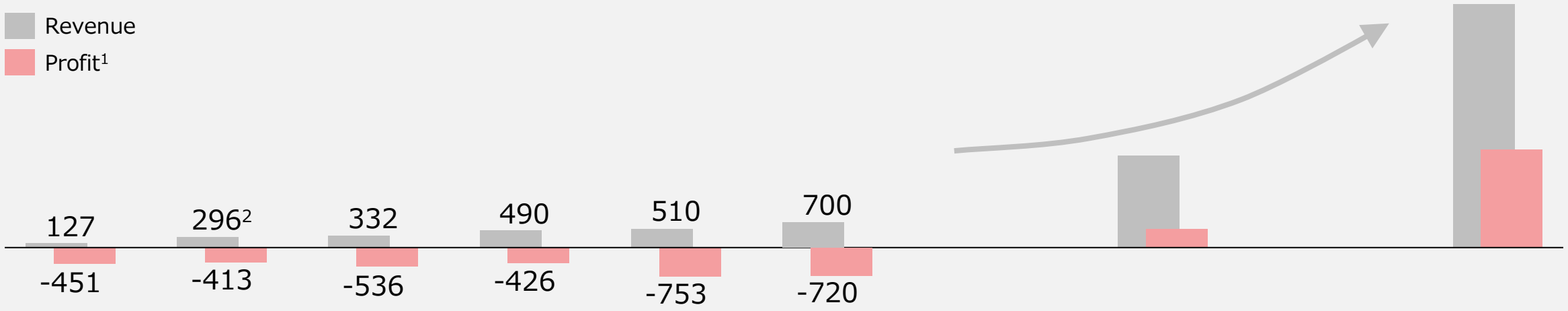
FY2021 | **Y2022** | **Y2023** | **Y2024** | **FY2025** | **Y2026** | **Mid-term (3–5yrs)** | **Lon-term (~10yrs)**

Provision of Core Technology (Artificial Perception) → **Expansion of Core Technology with a Solution-Oriented Focus (Spatial Perception)**

Achievement and accumulation of customer commercialization through development support → Maturation of customer products and acceleration of market adoption through development support → Progress of customer products in line with market expansion

Pipeline building driven by development projects → Strengthening revenue and profitability from development projects → High-margin growth driven by commercialization-related revenue (software licensing)

Initial ramp-up of product-related revenue, including SW/HW



1. Adjusted operating profit
2. Revenue adjusted for accounting standard changes

Disclaimer

Handling of This Document

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 at the present time and may not be updated or changed to reflect future developments or changes in status.

Information about companies other than Kudan and information prepared by third parties contained in this document has been quoted from public sources. Kudan has not independently verified the accuracy or appropriateness of such data and indicators and assumes no responsibility for them.