Company Name	Kudan Inc.		
Representative	CEO	Daiu Ko	
	(Securities code: 4425 TSE Growth)		
Inquiries	CFO	Kohei Nakayama	

### The video and the transcript of the financial report presentation for the fiscal year ended March 31, 2025 are available online

Kudan Inc. (henceforth in this document as "Kudan") announces that the video and the transcript of Kudan's financial report presentation for the fiscal year ended March 31, 2025 are now available online. As the video available in Japanese, the English-translated transcript is attached to this release.

[FY2025 financial report presentation]

- 1. Date: Thursday, May 15, 2025
- 2. Speakers: Daiu Ko, CEO Kohei Nakayama, CFO

▼▼Financial report presentation video can be viewed from below (Japanese only)▼▼ <u>https://youtu.be/44\_AbzrKJns</u>



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

Kudan Inc. (TSE Growth : 4425) February 14, 2025

**Daiu Ko (hereafter "Ko")**: Hello everyone, this is Ko, CEO of Kudan Inc. We will explain the financial results for the fiscal year ended March 2025.

#### Review of the Fiscal Year Ended March 2025

	<ul> <li>The market's recognition of our technological capabilities implementation of our technology in commercial product accumulated</li> </ul>	has advanced, and the has accelerated and steadily
	The number of customer commercialization projects <sup>1</sup> reached eight	t projects, marking a 200% YoY increase
	<ul> <li>On the other hand, some advanced customer commercial readiness, resulting in slower-than-expected customer presented in the statement of the state</li></ul>	ization outpaced market oduct adoption
	Revenue came in at ¥510 million, falling short of the ¥700 million	target
	Due to the immaturity of complementary technologies and the bro robotics commercialization projects showed limited growth, and do projects in Europe	ader ecosystem, licensing revenue from elays occurred in public-sector Digital Twin
	To better align with the pace of the market and improve we shifted to a solution-oriented growth strategy encomp technologies, which led to one-time cost increases and w	profitability and growth potential, passing new and complementary orsened losses
	Due to organizational revisions and new development efforts, cost planned ¥1.13 billion	s rose to $\$1.31$ billion, exceeding the
	Along with a decline in revenue, adjusted operating profit worsene original target of ¥-350 million <sup>2</sup>	ed to ¥-750 million, compared to the
1.	Meanwhile, revenue and profit landed in line with the rev A key milestone in which our direct customer adopts our technology in their product and decides to proceed with the p Adjusted operating profit: A profitability indicator that adds recurring government R&D subsidies to operating profit (0)	ised forecast roduct's release s), offering a clearer view of core business performance 2

Ko: First, here is a summary review of the previous fiscal year.

We have been aiming to achieve and expand customer commercialization. As the market's recognition of our technological capabilities has advanced, we have accelerated and steadily accumulated achievements in the practical application of our technology. The number of customer commercialization projects reached eight, a twofold increase year-on-year.

On the other hand, some of our advanced customer products incorporating our next-generation technology were too far ahead of the market. Consequently, the adoption speed of these customer products fell below expectations.

Factors contributing to this included the immaturity of complementary technologies and the ecosystem. In robotics, product licenses for commercialized projects saw limited growth, and in Digital Twin, delays occurred in European public-sector projects.

As a result, revenue was ¥510 million against a planned ¥700 million, falling short of the target.

To adapt to this market development speed and improve profitability and growth potential, we shifted to a more solution-oriented growth strategy, expanding into new and complementary technologies. This led to a temporary increase in expenses and a worsening of losses.

Specifically, due to organizational structure revisions and new development initiatives, actual costs amounted to \$1.31 billion against a planned \$1.13 billion. Combined with the decrease in revenue, the adjusted operating profit worsened to -\$750 million, compared to the planned -\$350 million.

It should be noted that both revenue and profit were in line with the revised forecast disclosed in March.

- 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<sup>1</sup>, 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<sup>1</sup> (¥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.

**Ko:** Based on this current situation, here is a summary for the current fiscal year. We will strengthen our new growth strategy and aim for a fundamental improvement in profitability and growth.

Specifically, by integrating Artificial Intelligence (AI) with the Artificial Perception (AP) we have focused on, we will expand our technological domain and accelerate our business toward evolving into Spatial Perception (SP). Spatial Perception will expand our core technology groups for robotics and digital twins to enhance added value, and further aim to support the acceleration of social implementation. In addition, while maintaining our existing software (SW) business as our core, we will also expand into SW/HW packages and work on diversifying our business.

Under this policy, we will strengthen revenue and profit from development projects while reducing dependence on the widespread adoption of customer products in the short term. We plan to launch large-scale projects starting this fiscal year.

For the current fiscal year, we forecast revenue of \$700 million, a 35% increase year-on-year. Additionally, we aim to reduce the adjusted operating loss from -\$880 million to -\$590 million by the end of the fiscal year, and target further loss reduction and a return to profitability from the next fiscal year onwards.

The main components of this are: elimination of one-time costs, a ¥150 million reduction in fixed costs, a ¥50 million reduction in development costs for non-core technologies, and a ¥80 million profit improvement from increased revenue due to the new growth strategy.

Under our growth strategy focused on Spatial Perception, in the short term, we will further strengthen revenue and profitability from development projects. In the medium term, we aim for exponential growth by expanding customer commercialization and product licensing in line with market acceleration. 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 Results	FY2025 Initial Forecast	Revised Forecast	Results	
Revenue	490	700	500 ~550	517	<ul> <li>The initial forecast was not achieved</li> <li>Revenue increased YoY, driven by growth in the Digital Twin area (+5.4%)</li> </ul>
Operating profit	∆527	∆430	∆850 ~∆820	∆800	<ul> <li>Compared to the initial forecast, costs worsened due to organizational reinforcement and technology procurement associated with strategic realignment.</li> <li>Compared to the revised forecast, profitability improved slightly as end-solution initiatives progressed following the strategic realignment</li> </ul>
Ordinary profit <sup>1</sup>	∆50	-	-	∆743	<ul> <li>¥46 million in R&amp;D subsidies from the UK government was recorded as non- operating income</li> <li>¥21 million in foreign exchange gains was recorded from intra-group receivables and payables due to yen depreciation</li> </ul>
Profit	∆69	-	-	∆801	<ul> <li>An impairment loss of ¥57 million was recorded due to development- related investments<sup>3</sup></li> </ul>
Adjusted operating profit	∆426	∆350	800 ~770	∆753	• ¥46 million in R&D subsidy was adjusted from operating profit

 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.
 A profitability indicator that adds recurring government R&D subsidies to operating profit (loss), providing a clearer view of core business performance.
 B&D expression and subsidies to reserve ended and approval delayed components.

Kohei Nakayama (Hereinafter, Nakayama): I am Nakayama, CFO, and I will explain the financial results for the fiscal year ended March 2025.

As explained at the beginning, both revenue and profit fell significantly short of the initial forecast. However, both revenue and profit met the revised forecast. Compared to the previous year, revenue increased by 5%, and the loss expanded.

Since the factors for revenue and operating profit were explained at the beginning, I will now explain the factors for ordinary profit and below.

As non-operating income, we recorded ¥46 million in development subsidies from overseas governments as usual. However, this amount was lower than the previous year and the budget due to a decrease in the subsidy rate from a regulation change in the UK and delays in the subsidy approval process in Germany, which prevented booking within the previous fiscal year.

Furthermore, foreign exchange gains/losses from intra-group receivables and payables result in exchange gains when the yen depreciates from the beginning to the end of the period, and exchange losses when the yen appreciates. While we recorded an exchange gain of \$380 million in the previous year due to significant yen depreciation, the yen's depreciation was limited in the previous fiscal year, and the exchange gain was only \$20 million. Please note that while this exchange gain/loss is an accounting figure, it does not affect actual business or cash flow.

As a result of the above, non-operating income decreased significantly year-on-year, leading to a substantial decrease in ordinary profit and below.

Regarding net profit, we recorded an impairment loss of \$57 million due to the expansion of development investment, which is the main difference from the ordinary profit.

## 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

[million ¥]	Plan	Shortfall from Plan	Business Structure A	djustment	Actual Resu	ılt
Revenue	7.0	1.7       Slower-than- expected marketDelays in adoption of European new customer energy products <sup>1</sup> infrastructure (Robotics) projects <sup>2</sup> (Digital Twin)	1.60.6Selective engagementStrengthening of end-solution building³ (Digital Twin)0.6	in 5.7	0.6 Deferral to next year <sup>5</sup>	5.1
Cost of Sales / SG&A expenses	11.3		1.5 0.5 Strengthening of organizational and development capabilities <sup>6</sup>	: for <sup>27</sup> 13.3	0.2 Foreign exchange impact (Yen depreciation)	13.1
Revenue declined a projects fell short of While previously di in public policy, gro expectations, leadi projects Strengthened deve	as market adop of expectations sclosed energy owth in private- ng to overall st lopment and sa	tion of customer products from commercialization infrastructure projects faced delays due to adjustments sector industrial and logistics projects exceeded ronger-than-expected performance in Digital Twin else efforts for Digital Twin solutions	<ol> <li>Shift toward digital twin and hu full-automated robotics projects</li> <li>A portion of the expected reven 6. Strengthened our workforce to 7. Procured additional resources re</li> </ol>	man-assisted robol s ue for the fiscal ye support expanded elated to external p	tics, while narrowing foo ar has been deferred to development and sales artnerships for end-solu	cus to high-qualit the following ye of end-solutions itions

**Nakayama:** This slide provides a numerical explanation of the strategic shift and rebalancing of focused projects that occurred during the previous fiscal year.

Mainly due to delays in the adoption of customer products in robotics and the progress of publicsector projects in Europe, we saw a downturn in revenue and profit. Therefore, we strengthened our solution-oriented business and focused on highly profitable projects in the robotics business.

Although these measures covered a certain portion of the revenue decrease, the full-scale effects of rebalancing and the accompanying development of large-scale projects will be from this fiscal year onwards. As such, the revenue outturn was significantly negative compared to the initial budget.

On the cost side, these measures resulted in a temporary significant increase in personnel and development costs as upfront investment costs preceding revenue, leading to a substantial increase compared to the budget.

## 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	FY2026	
	Results	Forecast	
Revenue	517	700	<ul> <li>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</li> </ul>
Operating profit	∆800	∆780	<ul> <li>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</li> </ul>
Ordinary profit	∆743	-	As foreign exchange gains and losses are difficult to forecast,
Profit	∆801	-	in previous years
Adjusted operating profit <sup>1</sup>	∆753	∆720	<ul> <li>We expect to receive ¥60 million in development subsidies from foreign governments</li> </ul>

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

Nakayama: Next, I will explain the earnings forecast for the current fiscal year ending March 2026.

Due to the strategic revisions in the previous fiscal year, the expansion of our offered technology into Spatial Perception technology and the expansion of SW/HW packages are expected to contribute to revenue, and we forecast revenue to expand to \$700 million.

Furthermore, as we will proceed with the optimization of fixed costs that expanded in the previous fiscal year, we expect to achieve a significant reduction in the cost level and improvement in profitability towards the end of the current fiscal year. However, for the full current fiscal year, the improvement in profitability is expected to be limited due to the impact of inflated costs in the first half. Specifically, the adjusted operating profit at the end of the current fiscal year is expected to be around -¥590 million, and this amount is assumed to be the starting point for the next fiscal year. For the current full fiscal year, we forecast an adjusted operating profit of -¥720 million. Details will be explained later.

Adjusted operating profit is a figure that adds recurring R&D subsidy income from overseas governments to operating profit and serves as an indicator that more appropriately represents the profitability of our business.

## 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 commerce particularly in robot	ialization made significant progress, ics across a wide range of fields	Despite th commerci commerci	e substantial grov alization, the incre alization-related r	vth in customer ease in evenue has slowed
Yours Technologies	<ul> <li>Backed by Yamato Holdings. Designed for autonomous delivery robots capable of navigating complex indoor and outdoor environments</li> </ul>		Customer commercializatio	Commercialization- on related revenue
US Robots	<ul> <li>Part of a major Japanese automotive group. Developed for high-precision autonomous transport robots used in tasks such as truck loading</li> </ul>		[proje	ects] [million ¥]
Vecow	<ul> <li>Adopted in the autonomous mobile robot development kit, "VTK SLAM Kit," with compatibility for industrial standards including autonomous driving</li> </ul>	FY2023	4	0.3
Squad Robotics	<ul> <li>Implemented in autonomous deaning robots such as the "SQR SW1," designed to operate in high complex environments shared with human</li> </ul>			
US Robots	<ul> <li>Part of a global industry leader. Designed for autonomous transport robots operating in medical and commercial fadiities, capable of handling complex environments shared with humans</li> </ul>	FY2024	4	2.7
HPC Systems	<ul> <li>Adopted in "NaviStart," a positioning and autonomous transport system kit for industrial DX, leveraging local 5G technology</li> </ul>	_		
NexAIoT	<ul> <li>Designed for autonomous transport and service robots in factories, commercial buildings, and hospitality facilities, achieving both advanced functionality and cost efficiency</li> </ul>	FY2025	8	2.9
FOX Sports	<ul> <li>Implemented in robotic cameras for sports broadcasting, enabling immersive AR-powered viewing experiences—featured at the Super Bowl</li> </ul>			

Ko: Regarding business content, I will explain with a focus on highlight projects from the previous fiscal year.

In the previous fiscal year, customer product development progressed, and we achieved 8 customer commercialization projects, a twofold increase year-on-year. In particular, customer commercialization for robotics expanded globally, covering a wide range such as delivery robots, industrial automated guided vehicles, cleaning robots, and broadcast camera robots.

Such progress in customer commercialization, after verification and development of many projects, leads to the accumulation of track records and the establishment of technical evaluation in the market.

On the other hand, due to the immaturity of complementary technologies and the ecosystem, product licensing for robotics commercialization projects showed limited growth. Despite a significant increase in customer commercialization, the growth in product-related revenue was slight, showing a major slowdown.

# 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	Anticipated Di	irections for Solution Deployment
<ul> <li>Efficient high-precision 3D mapping in dense urban areas where satellite positioning systems lose effectiveness due to clusters of high-rise buildings</li> </ul>	Smart City Development	<ul> <li>A foundational technology for autonomous driving and robotics</li> <li>mobility optimization, urban management, and advancement of public infrastructure</li> </ul>
	Urban Infrastructure Management	<ul> <li>Improved management efficiency through digitization of road and bridge infrastructure</li> <li>Application to national initiatives such as the Digital Lifeline Development Plan</li> </ul>
	Enhanced Disaster Prevention and Response	<ul> <li>Damage prediction, evacuation route optimization, and rapid recovery efforts</li> <li>Reliable information even in environments where satellite positioning is unstable</li> </ul>
	Reduction of Environmental Impact	Efficient urban planning and traffic management     Reduction of carbon emissions

Ko: Next are individual projects. This is about high-precision 3D map generation with NTT InfraNet.

In urban areas where signals from satellite positioning systems like GPS are unstable, especially in areas with many high-rise buildings, it has been difficult to achieve high precision in 3D map generation. However, we succeeded in a technical solution by combining our SLAM technology with NTT InfraNet's ground feature information, such as manhole locations.

The efficient and high-precision 3D map generation method through the collaboration of both companies has various solution application directions, and we aim to expand it to solve social issues such as smart cities, urban infrastructure management, strengthening disaster prevention and countermeasures, and reducing environmental impact.

## 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



Ko: Next is asset management for European industries.

In this project, we are capturing demand for industrial and logistics facilities and have concluded a strategic business alliance with a global leader in multi-industry service providers.

Specifically, with a digital asset management solution using next-generation digital twin technology, we realize rapid spatial data acquisition, AI automatic recognition and registration of managed objects, database creation, and efficient management tools, aiming for the digital transformation of facilities managed by our partner.

Our partner, a global multi-industry provider, operates globally and manages facilities and real estate for over 5,000 companies. They plan to automate asset management using solutions that leverage the latest technology. Verifications already completed have achieved results showing significant improvements in asset data accuracy, operational efficiency, and data reliability. We will dramatically accelerate our partner's DX through innovative facility management with AI and photorealistic 3D digital twins.

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

- 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



Ko: Next is the project for AR robotic cameras with Fox Sports.

In this project, our technology was adopted for position recognition of robotic cameras for sports broadcasting, realizing an innovative viewing experience with AR visuals. Recognized as the leading technology capable of tracking high-speed camera work, it enabled high-precision recognition with fast, wide-area, and dynamic camera work that was previously unattainable.

This allows for the precise and smooth generation of powerful AR visuals. It was commercialized at the "Super Bowl," the world's largest event viewed by 140 million people, and was successfully used in many scenes from the opening to game commentary. We aim to expand its practical use in large-scale events in the future.

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

By integrating our SLAM technology<sup>1</sup> with NVIDIA's AI platform<sup>2</sup> for robotics, we have achieved spatial perception—enabling localization and
obstacle detection—even in highly challenging environments<sup>3</sup>, without relying on 3D sensors. This results in a cost-effective solution for
autonomous navigation



Ko: Next is the autonomous mobile robot project with Nvidia and others.

In this project, we integrated our SLAM with Nvidia's AI platform for robotics. While being a lowcost specification that does not use 3D sensors, it achieves spatial perception, such as position estimation and obstacle detection, enabling autonomous driving in extremely challenging environments.

Through synergistic evolution with Nvidia's next-generation AI, this is a long-term initiative aiming for development into human-collaborative robots, which are currently undergoing active research. Meanwhile, the integrated technology has already begun to be provided to robot development companies through collaboration. Partial commercialization has been achieved by companies like Taiwan's NexAIoT, and it is already in practical use at end-customer factory sites, with expectations for future expansion

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

Ko: Next, I will explain the initiatives for the current fiscal year.

This fiscal year, as a growth strategy, we will newly expand new technologies and complementary technologies, and start providing Spatial Perception as a broader technology group. Through this, in a form that more strategically reflects the adoption speed of advanced customer products, we aim to strengthen revenue and profit from development projects in the short term. Additionally, we anticipate supporting market acceleration and expanding revenue per project.

We are working on expanding core SW and SW/HW packages for the expansion into Spatial Perception. From having established the organizational structure and started advance development in the previous fiscal year, this fiscal year we will greatly accelerate the continuation and strengthening of development, and the monetization of projects.

Furthermore, since the revisions to the organization and development portfolio, conducted as business rebalancing, were completed in the previous fiscal year, we will focus on cost optimization and revenue expansion through selection and concentration on Spatial Perception as an elimination of these one-time costs, and expect a significant improvement in operating profit/loss and cash flow.

Now, I will explain the details of each initiative.



Ko: First, regarding technology expansion into Spatial Perception. As core SW technology, in addition to the "machine's eye" of Artificial Perception that we have focused on, we will integrate it with the "machine's brain" of Artificial Intelligence in a way that creates technological synergy, evolving and developing into Spatial Perception, which expands the domain to a technology group for more advanced 3D spatial recognition.

Spatial Perception, in addition to localization and mapping related to our proprietary SLAM technology, will be a technology collective combining various intuitive and pattern-recognition technologies related to space, such as semantic 3D recognition for object recognition, segmentation, and meaning extraction from 3D data; robotic navigation for autonomous movement navigation including route planning and obstacle avoidance within a space; and photo-real 3D representation for realistic display of 3D data through novel view synthesis. Furthermore, these will be provided in a way that they link for each solution, such as for robotics and digital twins, and mutually streamline functions.

By providing high added value through the expanded technological domain, we will strengthen revenue and profit from development projects in the short term. Furthermore, by effectively supporting the technological application for solutions, we will support market acceleration and anticipate expanding revenue per project.

We have already started building the organizational structure and advance development since the previous fiscal year, and plan to scale up projects this fiscal year.



Ko: Next is the expansion of SW/HW packages.

Going forward, with the SW business as our core, we will expand the provision of embedded SW/HW packages and complementary HW packages that have high synergy in terms of technology and sales.

We will utilize external technology for HW elements and aim to maximize revenue and profit by constructing a more multi-layered business.

Embedded SW/HW packages are those where HW is integrated into SW and optimized. In addition to the existing packages for developers, we will expand provision to commercial use. Complementary SW/HW packages are those where independent SW and HW complement each other, and we will provide external HW packages with ensured compatibility with our proprietary SW technology.

Through these initiatives, we will improve technological competitiveness through SW/HW optimization and strengthen revenue and profit of projects by capturing demand for related HW, while also securing sufficient profit margins in conjunction with externally procured HW elements.

The outlook for various projects is also improving, and we plan to grow mainly in the digital twin sector this fiscal year.

## Project Overview (excerpt)

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

ustme	rs <sup>1</sup>	Use Case	Technology Provided	Category	
	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
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	Next-generation Digital	Distributed data processing using Spatial Perception technology	SP	sw
			SP: Spati AP: Artific	al Perception cial Perception	SW: softwar SW/HW: software an

**Ko:** Reflecting these growth strategies, we plan to expand Spatial Perception and SW/HW packages starting this fiscal year.

In robotics, we are planning projects expanded to Spatial Perception for quadruped work robots, security robots, and general-purpose robots. For digital twins, in areas such as infrastructure facility management DX, manufacturing process DX, and in-vehicle mapping systems, we anticipate expansion to Spatial Perception as well as to SW/HW packages.

Here is a list of excerpted projects.

## Improvement of Revenue Structure

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- 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<sup>1</sup>, and to further reduce losses and achieve profitability from the next fiscal year onward



**Nakayama:** I will explain again the improvement of the profitability structure to be carried out this fiscal year.

The adjusted operating loss for the full previous fiscal year was \$750 million, but as a result of increasing costs in the second half, it was at a level of \$880 million at the end of the previous fiscal year.

Against this, we anticipate a reduction in fixed costs of \$150 million through cost optimization, \$50 million from freezing development of non-core technologies and outsourcing by focusing on core technologies, a profit contribution of \$80 million from revenue expansion, and an increase in development subsidies of \$10 million. Through these, we aim to improve the loss level to \$590 million at the end of this fiscal year.

Since these measures will be implemented throughout the year, due to the impact of heavy costs in the first half, the adjusted operating loss for the full year is \$720 million, remaining a small improvement compared to the previous fiscal year.

However, profitability at the end of the fiscal year will improve significantly, and this will be the starting point for the next fiscal year. Therefore, we will promote continuous revenue expansion in the next fiscal year and aim for further reduction of the loss.

#### Mid- to Long-Term Growth Outlook

## kudan

Results					Growth Outloo	k	
FY2021	Y2022	Y2023	Y2024	FY2025	Y2026	Mid-term (3–5yrs)	Lon-term (~10yrs
Provision o	f Core Techn	ology (Artific	al Perception	) Expa	ansion of Core Technolo	gy with a Solution-Oriented Focus (	Spatial Perception)
Achieveme commercia	nt and accum lization throu	ulation of cu gh developm	stomer ent support	Matu acce through	ration of customer produ leration of market adopt ugh development suppor	ucts and ion t	r products in line on
Pipeline buil	ding driven by	development	projects	Stren	ngthening revenue and p development projects	Profitability High-margin growth d	riven by
			Initial ramp-	up of product-r	elated revenue, includi	ng SW/HW (software licensing)	leed revenue
Revenue Profit <sup>1</sup>							
127	296 <sup>2</sup>	332	490	510	700		

Ko: Finally, regarding the mid- to long-term growth image. Under the growth strategy of newly expanding technological domains, in the short term, we will further strengthen revenue and profitability from development projects. In the mid- to long-term, in line with market acceleration, we will aim for exponential growth by expanding customer commercialization and product-related revenue as before.

Specifically, following the achievement and accumulation of customer commercialization to date, by focusing on Spatial Perception with a solution-oriented approach, we will support the maturation of customer products and market acceleration through development support, and promote the strengthening of revenue and profit from development projects, including SW/HW.

Then, as the progress of customer products accelerates further in a few years with market expansion, we will aim for high-profit growth centered on product-related revenue such as SW licenses.

This concludes our explanations about the financial results.

■ Company Details Name: Kudan Inc. Securities Code: 4425 (TSE Growth) Representative: CEO Daiu Ko

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