May 19, 2025

Company Name	Kudan Inc.	
Representative	CEO	Daiu Ko
	(Securities code: 4425 TSE Growth)	
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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, 2025. 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.

【FY2025(full-year) financial report presentation meeting for institutional investors and analysts】

1. Date: Friday, May 16, 2025
2. Speakers: Daiu Ko, CEO
   Kohei Nakayama, CFO

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

▼▼Financial report presentation transcript can be viewed from below (English)▼▼
https://contents.xj-storage.jp/xcontents/AS02977/2563d281/e9d8/4838/858c/148e3d30c803/140120250513548242.pdf

▼▼Supplementary document to the financial report for FY2025 can be viewed from below (English)▼▼
https://contents.xj-storage.jp/xcontents/AS02977/dadb639d/674a/48b4/98f2/8c986dd79fb9/140120250513548236.pdf

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【List of questions and answers】

1. We feel that the commercial use of robots from other companies is increasing. Is Kudan's target market different?

Robots from other companies that are beginning to see widespread market adoption, such as food delivery robots in restaurants, primarily use 2D sensors and are capable of autonomous mobility only in limited indoor environments. It is estimated that these robots, which utilize 2D sensors, account for only about 5% of the entire robotics market anticipated in the future.

The remaining 95% of the robotics market demands a higher degree of autonomous mobility in more three-dimensionally complex environments, rapidly changing environments, indoor/outdoor and uneven terrain, and environments where people and objects move around significantly. Kudan is focused on such robotics markets that require advanced technology. This market is expected to see full-fledged growth in the future.

2. Could you please provide the earnings forecast for the upcoming fiscal year ending March 2027?

First, regarding the financial results for the current fiscal year, we anticipate an expansion from the previous fiscal year's performance. This fiscal year, we have updated our strategy with a policy to reduce market dependence risk. As a result, we believe that the tendency for financial results to be heavily weighted towards the end of the fiscal year, which has been the case up to now, will be significantly mitigated, and the uncertainty of full-year financial results will be substantially reduced compared to previous years.

Building on this, we previously explained that the underlying operating loss at the end of the current fiscal year is ¥0.59 billion, and we expect to start the next fiscal year from this level. Furthermore, on the premise that we maintain the current fiscal year's growth rate, we believe it is possible to achieve a scenario for the next fiscal year with sales exceeding approximately ¥1.0 billion and the loss compressed to around ¥0.3 to ¥0.4 billion.

3. Regarding the sharp decline in ordinary profit in the previous fiscal year, is there any impact on the business or financials?

The fluctuation in ordinary profit is largely influenced by changes in non-operating income/expenses and operating profit. A significant portion of non-operating income is attributable to foreign exchange gains or losses. However, this is a theoretical accounting figure arising from the netting of intercompany receivables and payables within the group, and it does not impact cash flow or the business itself.

On the other hand, we consider operating profit to be a crucial indicator of business profitability, and we will continue to monitor it closely and strive for improvement.

4. Regarding the improvement of the earnings structure for the current fiscal year, you mentioned a ¥150 million reduction in fixed costs through organizational optimization. What specific measures will be taken? Could you also elaborate on the potential impact on your company's business operations and technological development?

To explain our current situation, in the previous fiscal year, we strengthened our personnel structure to support the expansion of our end-solution business, and we recognize that we have established a sufficient structure. As a result, the current situation is that our organizational structure has become somewhat cumbersome, including some overlapping roles.

In response to this, we will proceed with optimizing our organization through measures such as improving operational efficiency and relocating certain operations, all within a scope that does not hinder our business activities.

5. Despite progress with 8 customer commercializations in the previous fiscal year, product-related revenue only increased by ¥0.03 billion. Could you please explain this discrepancy again?

Regarding your question about the sluggish growth in product-related revenue despite an increase in customer commercializations, as we explained earlier, we believe this is partly because Kudan is engaged in developing next-generation robots, and in some respects, we were too far ahead of the market.

Specifically, this includes market immaturity and an inadequate ecosystem. For example, while we provide software, the cost of sensors, which are a key technology, has been declining but has not yet fully reached practical price levels. Additionally, while AI recognition technology is often used in conjunction with our technology in the robotics field, its performance is currently limited due to insufficient data accumulation from practical, real-world operations.

From these aspects, we anticipate that the adoption and use of our technology will expand gradually and in stages. However, we expect that in the future, sensor costs will decrease sufficiently, and AI recognition accuracy will improve significantly. Consequently, our technology is also projected to grow substantially in line with the accelerating growth of the market. While we have not yet achieved significant growth that meets current expectations, we anticipate substantial growth over the next few years.

6. You mentioned that you are promoting the commercialization of Software/Hardware (SW/HW) packages as an expansion into Spatial Perception. Could you please explain the difference in profitability and profit margins compared to the conventional license model?

Regarding the profitability of SW/HW packages, first, we anticipate that the sales ratio of SW/HW packages to our overall business will be around half or slightly less. In addition, we expect the gross profit margin for SW/HW packages to exceed approximately 50%. Therefore, we believe we can maintain a high gross profit margin for the overall business. Furthermore, we project that the sales ratio of SW/HW packages in the overall business will decrease in the medium to long term, which we believe will enable us to enhance and sustain our profit margins.

7. You are planning for a +35% year-on-year sales growth for the current fiscal year. Could you please share your assumed Compound Annual Growth Rate (CAGR) for the medium term (next 3-5 years) and the changes in the composition of your business portfolio that would be the premise for that?

Regarding growth rate and portfolio: first, for the growth rate, we are aiming to maintain this fiscal year's 35% growth or achieve an even higher pace. As for the portfolio, concerning the ratio of Software (SW) to SW/HW packages, as mentioned earlier, we expect the proportion of software to increase. For our two focus areas, Digital Twin and Robotics, we currently project that both will grow in the medium term.

8. Although you are currently in the red, could you please tell us about your target medium-term EBITDA margin level and when you expect to achieve it?

Our company uses adjusted operating profit as a key profitability indicator. Our outlook for this figure in the medium to long term is to expand primarily through high-margin software sales, aiming for around 50% as a general target. While it is difficult to state a specific timeframe for achieving this at the present moment, we intend to proceed by improving these profit levels in conjunction with sales growth at an early stage, to enable us to reach this target level.

9. What is the sensitivity of your financial results to foreign exchange gains/losses (e.g., the impact on revenue/expenses per 1 yen change in exchange rates)? Also, if you have a hedging policy or a policy for determining exchange rate assumptions, please share it.

Our sensitivity to foreign exchange rates is affected by multiple currencies, including the British Pound, Euro, and US Dollar, so it is difficult to state a uniform impact. However, as a general indication, we recognize that a 1 yen fluctuation could potentially result in non-operating income or losses in the range of tens of millions of yen.

Regarding our hedging policy, given that the current impact of exchange rate fluctuations on our cash flow and business operations is minimal, and also considering the balance with the operational workload within our limited resources, we do not currently engage in hedging or similar measures. We recognize this as an issue to be considered in the future while monitoring our internal structure and the foreign exchange situation.

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

■For more details, please contact us from here.