

# Supplementary documentation to the financial report for the third quarter of the fiscal year ending March 2026

Kudan Inc. (TSE Growth : 4425)  
February 13, 2026

## Financial Performance

- Cumulative performance through Q3 improved significantly year-on-year
  - Revenue **increased 187%** year-on-year, rising from JPY 250 million **to JPY 718 million**
  - Adjusted operating loss<sup>1</sup> **improved by 28%** year-on-year, narrowing from JPY 640 million **to JPY 464 million**
- Kudan remains on track to achieve its full-year forecast, maintaining the upward revision announced in October<sup>2</sup>

## Business Progress

- The global Physical AI market is expected to enter a phase of full-scale expansion, with accelerating public and private investment driving increased business opportunities. In addition to steady progress this fiscal year, Kudan's capturing growing project demand for the next fiscal year
- While revenue growth is currently driven primarily by bundled software and hardware packages, ongoing software product upgrades and portfolio expansion are expected to further accelerate software revenue in the next fiscal year

## Other Updates

- All exercises of the 18th Series of Share Acquisition Rights issued in June 2024 were completed<sup>3</sup> as of February 9, 2026  
Kudan has completed the financing, raising total proceeds of JPY 1,870 million

1. An indicator of business profitability that represents operating profit (loss) plus recurring government R&D subsidy income received each fiscal year

2. Please refer to the "Notification of revision of annual earnings forecast for the fiscal year ending March 2026" announced October 31, 2025.

3. Reference to the [IR release announced on 10<sup>th</sup> February 2026](#) (only Japanese available)

# Initiatives for the Current Fiscal Year

- In anticipation of the Physical AI market's emergence, 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
<b>Growth Strategy Update</b>	<ul style="list-style-type: none"> <li>• Strengthen revenue and profitability from development projects by aligning with the market adoption speed of advanced customer products</li> <li>• In addition, we aim to drive market acceleration and achieve revenue growth on a per-project basis</li> </ul>	<ul style="list-style-type: none"> <li>• We are expanding into Spatial Perception                             <ul style="list-style-type: none"> <li><b>A</b> Expand our core software technologies with a solution-oriented approach</li> <li><b>B</b> Add and expand SW/HW packages through increased utilization of external technologies                                     <ul style="list-style-type: none"> <li>• Establishment of organizational structure</li> <li>• Initiation of early-stage development</li> </ul> </li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Continuation and enhancement of development activities</li> <li>• Monetization through project conversion</li> </ul>
<b>Cost Optimization and Profitability Improvement</b>	<ul style="list-style-type: none"> <li>• Under our new growth strategy aimed at expanding our technological domains, we are restructuring our business with a focus on organizational and development portfolios</li> </ul>	<ul style="list-style-type: none"> <li>• Reinforced organizational and development teams in line with the rebalancing of focus projects</li> </ul>	<ul style="list-style-type: none"> <li><b>C</b> Under our growth strategy, we are taking selective approaches to eliminate one-time costs and enhance profitability</li> </ul>

# Financial Details

- Amid accelerating public and private investment accompanying the full-scale expansion of the Physical AI market, revenue has grown strongly, driven primarily by digital twin applications and Software and Hardware packages, with profitability also improving<sup>2</sup>
- Robotics-related initiatives are progressing steadily, with expansion expected from the next fiscal year onward

[Million yen]

	Previous		This fiscal year	
	Cumulative Q3	Full-Year	Cumulative Q3	Full-Year Forecast
Revenue	250	517	718	920~1,020
Operating profit	△687	△800	△522	△770~△730
Ordinary Profit	△480	△743	△141	-
Net Profit	△519	△801	△228	-
Adjusted operating profit <sup>1</sup>	△640	△753	△464	△720~△680

1. An indicator of business profitability that represents operating profit (loss) plus recurring government R&D subsidy income received each fiscal year

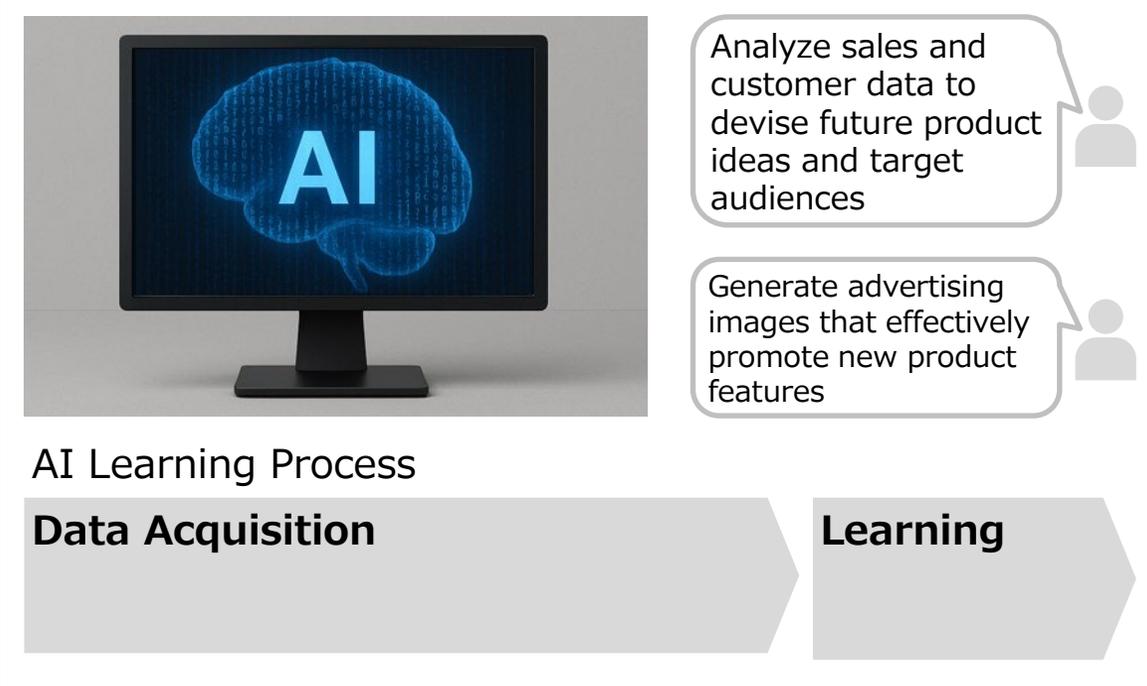
2. Please refer to pages 5–6 of the supplementary documentation to the financial report for the second quarter of the fiscal year ending March 2026

# Physical AI Landscape — Kudan: The "Eyes of Machines" Supporting Physical AI



~300 trillion yen market scale by 2040

### Conventional AI without embodiment (Digital Space)

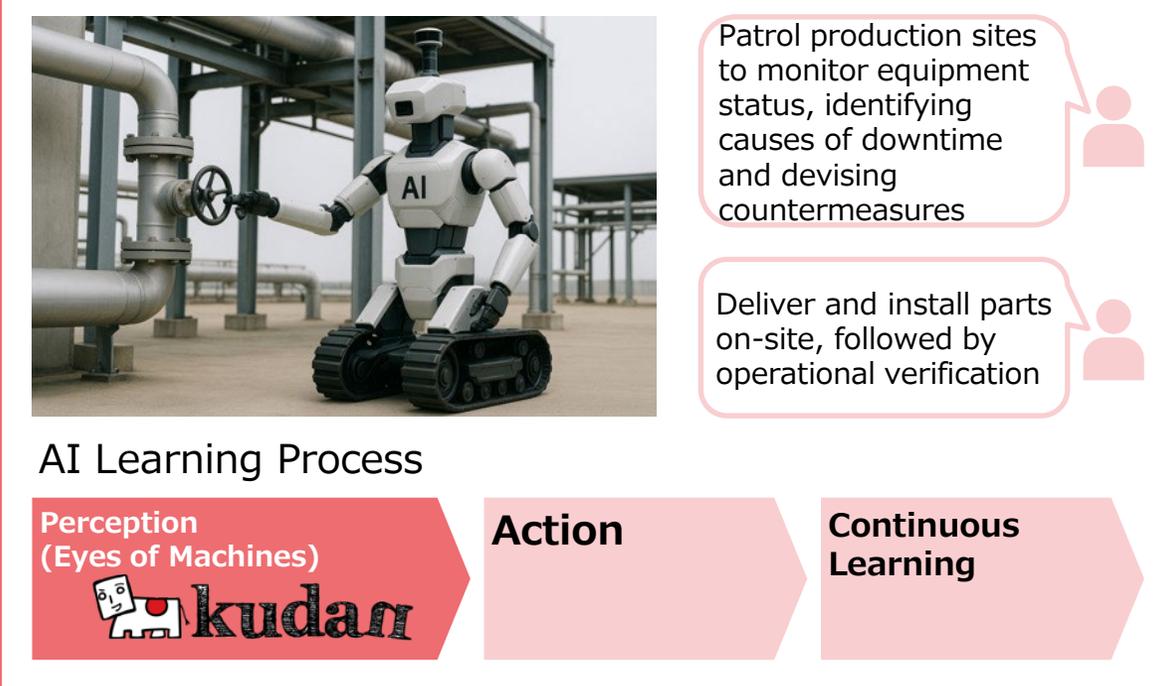


**AI Learning Process**

**Data Acquisition** → **Learning**

- Analyze sales and customer data to devise future product ideas and target audiences
- Generate advertising images that effectively promote new product features

### Physical AI with embodiment (Real-world Space)



**AI Learning Process**

**Perception (Eyes of Machines)** → **Action** → **Continuous Learning**

- Patrol production sites to monitor equipment status, identifying causes of downtime and devising countermeasures
- Deliver and install parts on-site, followed by operational verification

Anticipated expansion of public-private support for market growth

Clarified at the New Year's press conference (Jan. 2026)



**Prime Minister Takaichi**

**"By realizing 'Physical AI,' Japan will take a leading role on the global stage."**

- Over 10 trillion yen in public support
- Over 50 trillion yen in public-private investment
- 160 trillion yen in economic impact

# Update for Digital Twin Solutions

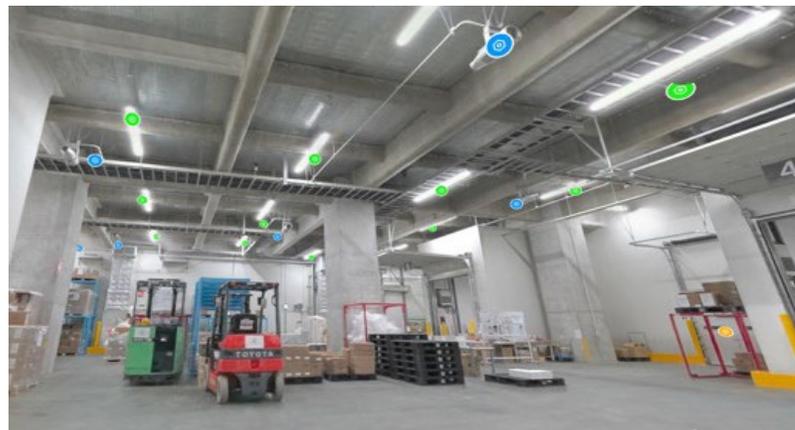
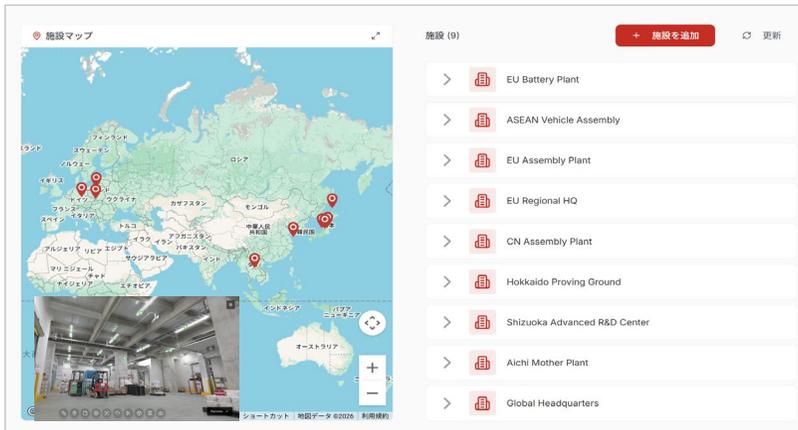
- Launched cloud-based delivery of solutions that significantly expand next-generation digital twin utilization<sup>1</sup>, aiming for sales expansion from the next fiscal year onwards.

## Digital Twin Solution (Kudan PRISM<sup>2</sup>)

### PRSIM Cloud<sup>1</sup>

New

### PRSIM Edge



- Enables on-site use without the need for high-performance PCs or specialists
- Highly effective for cross-organizational innovation

- Operable within on-site environments with network constraints
- Meets high information security requirements

- The world's first<sup>3</sup> next-gen solution to innovate digital twin utilization
- Validated in global market<sup>4</sup> for facility management, inspection, and maintenance; driving full-scale rollout and commercial user base expansion

## 3D Scanner



- Scanner device complementary to Kudan PRISM (generating high-precision data)
- Rapid growth through expanded strategic partnership<sup>5</sup> with XGRIDS Inc

1. Please refer to the release "Kudan Launches "Kudan PRISM Cloud", the Cloud Version of Its Photorealistic 3D Digital Twin Platform, for the Global Market "

2. PRISM : Photo-Realistic Integrated Spatial Management

3. Practical application of a facility management solution integrating photorealistic visualization and semantic 3D recognition (Kudan research, June 2025)

4. An example of initiatives in the expanding asset management (facility management) sector in Europe (reference [link](#) )

5. Business partnership with XGRIDS (reference [link](#))

# Other Projects Overview (excerpt)

	Customer	Overview	Progress
Digital Twin	 <b>Major Infrastructure Company</b>	DX for automation and labor savings in lifeline facility management	Preparation for trial
	 <b>Major Infrastructure Management Company</b>	DX for water and sewage facility management	Trial introduction of PRISM for customer scheduled to begin
	 <b>Roadway Major Infrastructure Company</b>	DX for highway inspection management	System development ongoing
	 <b>Local Government</b>	Infrastructure maintenance and management for roads, etc.	Scheduled for PRISM trial introduction
	 <b>Construction Solution Provider</b>	DX for construction sites for construction progress management	Development ongoing for commercial launch in FY2026
	 <b>Major Real Estate Facility Management company</b>	DX for facility management automation and labor savings	Continuing introduction preparation based on strategic business support
	 <b>Inspection Solution Provider</b>	DX for automation and labor savings in routine facility inspections	Trial introduction initiated
	 <b>Major telecommunications company</b>	City-scale mapping solution deployment	Technology provision initiated, supporting customer development
	 <b>Major Automotive Company</b>	Photo-realistic technology for autonomous driving map generation	Technology provision initiated, supporting customer development
	 <b>Major Global Logistics Company</b>	DX for labor savings in logistics facility management	Trial introduction initiated
Robotics	 <b>Vecow (Industrial Computer)</b>	Autonomous driving technology for AI robot development kits	Preparing for product launch
	 <b>Inspection Robot</b>	Localization for quadruped inspection robots	Technology provision initiated, supporting customer development
	 <b>Major Automotive Company</b>	Localization in GPS-degraded environments	Development and validation underway under various conditions for performance improvement
	 <b>Drone Solution Provider</b>	Localization for drones in logistics facilities	Technology provision initiated for solution development
	 <b>IT Solution Provider</b>	Localization for real-time product location management	Technology provision initiated, supporting customer development
	 <b>Manufacturing engineering</b>	Localization for real-time product location management	Technology provision initiated, supporting customer development
	 <b>Major Plant engineering company</b>	Localization for heavy machinery remote operation in hazardous areas	Technology provision initiated, validation ongoing
	 <b>FOX Sports (Major Broadcaster)</b>	Localization for robotic cameras in XR broadcasting	Achieved commercial operation for full NFL season <sup>1</sup>

1. [Kudan Achieves Full-Season XR Broadcasting Deployment with FOX Sports During the 2025 NFL Season](#)

## 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.

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