Supplementary Document to the financial report for the second quarter of the fiscal year ending March 2027

Kudan Inc. (TSE Growth: 4425)
November 12, 2026

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Vision: Spatial Perception for the Physical AI Era

Non-embodied AI



Suggest new products from sales data

Make product ads and a promo plan

Core	**Data acquisition** → **Learning**
Uses	**Productivity gains via text,** image, and code generation

Embodied Physical AI



Find why site uptime is dropping

Carry and install parts on site

Core	**Spatial Perception** (kudan)	**Action & learning**
Uses	**Digital twins for** site productivity	**Mobile robots** for automation

High profitability via core tech for Physical AI

	~FY2024	FY2025	FY2026 (Prev.)	FY2027 (Current)	FY2028~
Market	**Leading in established markets**		**Rise of the Physical AI market**		
Business	**Tech track record** • World-first in semiconductors[1] • Ongoing customer products	**Domain expansion** • New expansion in SW/HW/solutions • Market development **Revenue growth**		**Higher margins** • Focus on high-margin SW **Lower loss**	**High-margin growth** **Growth & profit**

1. First commercial SLAM adopted by a major chip platform (Intel, 2022)

2Q Results Overview

- **Revenue progress of 28% is in line with past results** (prev. FY 33%, 3-yr avg. 26%)
  Assuming year-end weighted revenue, the **full-year forecast is maintained**

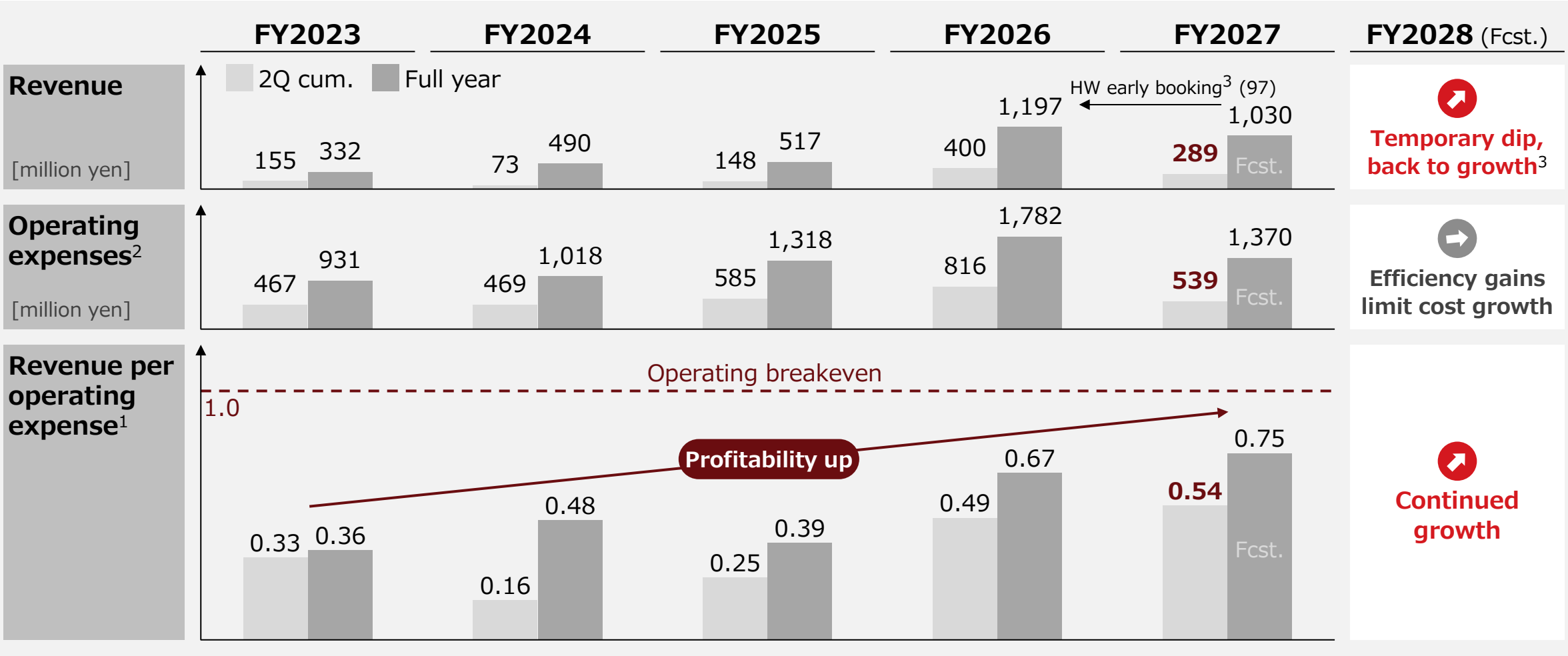
[million yen]

	Previous FY (FY2026)		Current FY (FY2027)		
	2Q cumulative	Full year	2Q cumulative	Full-year forecast	
	33%		28%		
Revenue	400	1,197	**289**	1,030	▪ On track for full-year forecast
Operating profit	△416	△586	**△250**	△340	▪ Revenue down YoY, but loss narrowed
Ordinary profit	△287	△174	**△317**	—	▪ YoY factor: FX loss on intra-group balances[2] (-148)
Profit	△329	△188	**△321**	—	
Adjusted operating profit[1]	△367	△528	**△250**	—	▪ YoY factor: EU subsidies[3] (-48)

1. An indicator of business profitability that represents operating profit (loss) plus recurring government R&D subsidy income received each fiscal year
2. Difference between an FX gain of 78 million yen in 2Q (cumulative) of the previous FY and an FX loss of 70 million yen in 2Q (cumulative) of the current FY
3. Timing difference in receipt and recognition of European R&D subsidies: recorded in 2Q in the previous FY, expected in 3Q in the current FY

2Q Results Overview

- Despite a temporary revenue dip, **revenue per operating expense[1] improved**
  Five years of steady gains move Kudan toward ending R&D-stage operating losses



1. Revenue divided by operating expenses; above 1.0, operating profit turns positive (operating breakeven)
2. Total of cost of sales and selling, general and administrative expenses
3. See P.15 of this document

Higher Gross Profit Through SW Focus

- Backed by HW, **revenue maximization via core SW adoption is on track**
- The HW-to-SW shift **sharply lifts the SW share of gross profit[1] this FY**

Targets in this fiscal year's budget (reposted from FY2026 results materials)

	Revenue		Gross profit[1]	Business phases	
	SW sales	HW sales	SW share		
Strategy	• Revenue via core tech	• Revenue mix • Door-opener[2]	• SW/HW synergy for max revenue		
FY2024			93%	• Proved SW value in market	Done
FY2025			76%		
FY2026			56%	• Market dev. via HW packages	Done
FY2027			89%	• **Shift from leading HW to SW**	Goal
FY2028			90%~	• Recurring SW-led growth	Goal
FY2029			90%~		

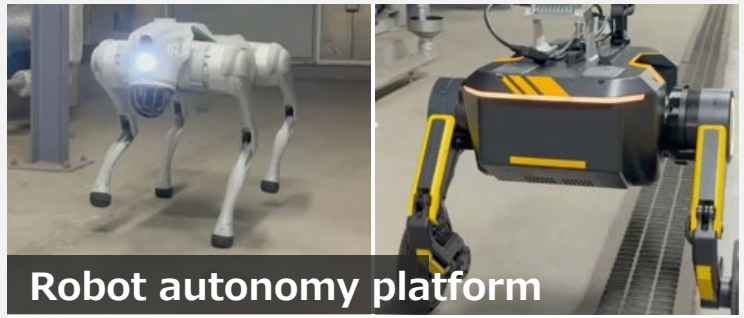
2Q progress

- SW sales up **35%** YoY
- SW share of gross profit: **85%**

1. Gross profit calculated by deducting the amount equivalent to R&D expenses from cost of sales in the consolidated income statement (costs of government projects, while partly R&D in nature, are accounted for as cost of sales due to the nature of the projects)
2. HW-integrated packages lower customers' initial adoption costs, such as technical validation and setup, helping them continue into follow-on projects

1H Progress – Growth Across Multiple Domains

■ **Building on digital twins and robotics,** Physical AI data technology launched this FY

	Leading domains		New domain
	Technology for digital twins[1]	**Technology for mobile robots**[2]	**Data technology for Physical AI**
Offer & value	 Kudan PRISM + 3D scanner	 Robot autonomy platform	 Data dev tools & support
	• **Facility productivity gains** • Human-level 3D capture and advanced AI automate and remote-enable work	• **Practical robots in complex sites** • Physical AI for complex environments that conventional tech can't handle	• **Boost Physical AI development** • Efficient, high-quality capture and expansion of spatial behavior data
Phase	Launch → Develop → **Commercial** • **Commercial leader**, more customers & recurring revenue	Launch → **Develop** → Commercial • Longer road to scale, but **large projects secure scale**	**Launch** → Develop → Commercial • Robotics × digital twin intersection, **launched this FY**

1. See P.16 of this document
2. See P.17 of this document

1H Progress – Digital Twin (Overview)

- Shift to initial deployment **builds a revenue base via retention**
- Progress in scale, use cases, and regions **toward business scale**

KPI FY outlook vs. prior FY | Done earlier | This FY | In progress | From next FY

Customer retention

Phase progress

Customers +150% | Retention 95%

New leads	Trial	Custom dev.	Initial use	Continued
	Site-level test	Fit to needs	Live use starts	Add-on orders, higher prices



Time	—	1–3 mo.	1–2 yrs after trial	Gradual

Growth policy

Reuse custom functions to speed up the next onboarding, **raise trial-to-continued conversion, and lift revenue and margins together, growing recurring revenue**

Business scale

Deployment scale

Site	Company-wide	Co-selling	Industry std.
Specific sites	Other sites	With customers	Business standard

Use cases

Asset registry	Efficiency	Simulation	Robotics
Work automation	Remote work cuts visits	Disaster & facility plans	Shared spatial data platform

Regions

Countries: 10

Japan	Major EU	Rest of EU	Global
Mfg., construction & infra	DE & ES: facility/ infra mgmt.	Country rollout	Global via partners

1H Progress – Digital Twin (Selected Projects)

- **Europe: two majors moved to full deployment**, expanding by industry and region
- **Japan: NEXCO and public projects reached initial deployment**, adding new uses

		Customer retention	Business scale		
		Phase	Scale	Use cases	Regions
Europe	Facility mgmt. (EU major)	Trial & custom dev. done; to full deployment	From logistics to finance & retail	Expanded to operational efficiency	Across Europe
Europe	Public infra & utility (global major)	Trial done; to custom dev. & full	—	Planning robot integration	Expanding to 10 EU municipalities
Japan	NEXCO-East Engineering	Custom dev. advancing; to initial deployment	Planning industry sales (next FY)	—	—
Japan	Public projects (MLIT & SoftBank)	Custom dev. advancing; initial deployment done	—	Expanded to disaster simulation	—
Japan	Plant & facility (JP major)	Trial advancing; to custom dev.	—	—	—
Japan	Materials, contractors, etc.	Steady new wins; more trials	—	—	—

See later

1H Progress – Digital Twin (European Projects)

- Two EU majors succeeded in initial use, **moving to full Kudan PRISM deployment**
- Uses widened to efficiency; **expanding to 3 industries and 10 municipalities**

	Facility management (major EU co.)	Public infra & utility (global major)
Company profile	Based in Central Europe; a leading European real estate and facility management services provider Employees **40,000+** | Countries **30+** | Revenue **€4bn+**	Based in Western Europe; a global top-10 water and wastewater operator Population served **45M+** | Countries **~20** | Munic. **2,000+**
Kudan PRISM impact	**Automated asset registration**: AI identifies assets and registers them in the customer database **Operational efficiency**: Remote site checks reduce inspection visits **Less downtime**: Faster maintenance response shortens equipment downtime	**Better facility operations**: Water and wastewater assets managed with digital twins **Long-term, large-scale use**: Designed for long-term use, rolling out across Europe and North America **Integration with internal systems**: Kudan PRISM integrated with the customer's internal systems
Results & plans	**Full deployment after custom dev., spreading to more industries** **1→3 industries** Logistics, finance & retail	**Full operation after the trial, robots planned as regions grow** **10 municipalities** Operations expanding in European municipalities

1H Progress – Digital Twin (NEXCO-East Engineering)

- Joint development of PRISM e-Road **drives DX in road inspection and maintenance**[1]
- Supporting **safe, efficient infrastructure upkeep** and **labor shortage relief**

Customer profile

- NEXCO East group company for **expressway inspection & maintenance in eastern Japan**
- Route length covered: **approx. 1,400 km**
- Surveys, design, road maintenance, and structural NDT & diagnosis

Project overview[1]

- Kudan PRISM + the company's **road know-how**
- Spatial measurement & **efficient records**

Next steps

- Custom dev. advancing; initial deployment planned
- Using joint results, **external sales to the expressway industry planned from next FY**



1. September 2026: see "Kudan Advances Joint Development with NEXCO-East Engineering; Co-Exhibits Road Maintenance Support Solution 'PRISM e-Road'"

1H Progress – Digital Twin (Disaster Prevention)

- Built on Kudan PRISM, **a disaster solution from normal times to recovery**[1]
- **Facility data and disaster risk in 3D, for faster decisions and response**[1]

Disaster solution launched

Digital twins support everything from normal times to recovery, seamlessly

① Normal
Prepare



- Shelter placement
- Supply checks

② Pre-event
Prevent



- Flood forecasts
- Evacuation drills

③ Disaster
Respond



- Safety inspection
- Shelter opening

④ Recovery
Rebuild



- Shelter hygiene
- Supplies & capacity

Kudan PRISM
Digital twin platform for every disaster phase

- Photoreal 3D
- Semantic 3D recognition
- Wide-area to indoor integration
- Movement simulation

Public projects

Market size	Japan (FY2031) **~¥250bn**[2]	Global (2030) **~¥29tn**[3]
Results	■ Used in a Nankai Trough drill by **MLIT and Susami Town** ■ **With SoftBank**, remote building damage checks via 3D digital twins ■ Linked to plans for comms, damage checks, evacuation	
Next steps	■ Promoting adoption under national disaster policy ■ Supporting shelter planning, forecasts, drills, and recovery	

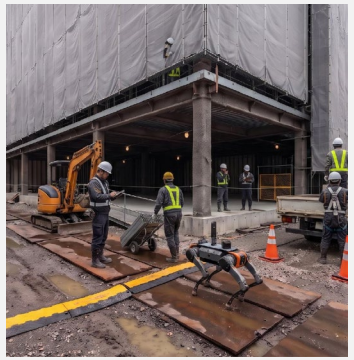
1. November 2026: see "Remote safety inspection of damaged buildings demonstrated with digital twins(Japanese)" and "Kudan and SoftBank advance disaster-prevention digital twin"
2. Seed Planning, "Survey of the Disaster Information Systems and Services Market" (December 2025), mid-case scenario for the domestic market
3. MarketsandMarkets, "Incident and Emergency Management Market – Global Forecast to 2030" (December 2024)

1H Progress – Robotics (Selected Large Projects)

- Large projects with JP/EU governments and major firms **underway in 4 fields**

Construction RX Consortium[1]

Construction



NEDO | Contractors

Autonomy software for dynamic construction sites (ongoing)

- In a 300+ company consortium, **Kudan leads development** of standard software
- Stability **10x open source shown**[2]; used in transport robots

Norway's IFE collaboration[3]

Energy

IFE Institute for Energy Technology

Robotics in energy facilities

Top EU institute | JP govt. | Utilities

AI robots for energy & nuclear

- IFE, an IAEA Collaborating Centre, leads robotics in nuclear decommissioning
- Applying **navigation technology** to high-radiation decommissioning sites

UK government project

coming soon | Factory

Smart factory

UK govt. | 9 partners

Robots using next-gen comms

- With UK support, **developing 6G-linked robot autonomy**
- For advanced manufacturing & smart factories

Forklift Automation & Safety

Logistics

Warehouse forklifts

Robot co. | Japan | Europe

Forklift autonomy & safety solutions growing

- With MRDVS (Chinese robotics group), **single-sensor localization**[4] **for safety solutions**
- Forklift autonomy projects in JP & EU (licensed to robot makers & SIers)

1. See P.18 of this document
2. November 2026: see "Real2Sim2Real today: from site scans to robot validation environments"
3. November 2026: see "Kudan and IFE begin AI robot collaboration in energy and nuclear(Japanese)"
4. June 2026: see "Kudan and MRDVS collaborate on Visual SLAM for smart sensor modules"

1H Progress – Data Technology for Physical AI

Capturing Physical AI data demand **with existing robot & digital twin assets**

Market

Physical AI market (~2035)
¥20tn[1]

Data building & simulation
~¥2.5tn[2]

Status

This FY Launch → **Next FY Customers** → **Mid/long term Scale-up**

Technology platform integrated with digital twins (Kudan PRISM for Robot)

① Efficient data acquisition



Scan sites into 3D data

② Data augmentation



Auto-generate data at scale

③ Data quality assurance



Simulate, then verify on site

Proven in in-house dev.[3]

Applied to Kudan's robot R&D

Development efficiency

Up to ~80x

3D scanners & tech | **Technical services & tools** | **Implementation**

Strengths

Proprietary spatial perception
Core IP including SLAM

Two-domain customer base
Robotics & digital twin know-how

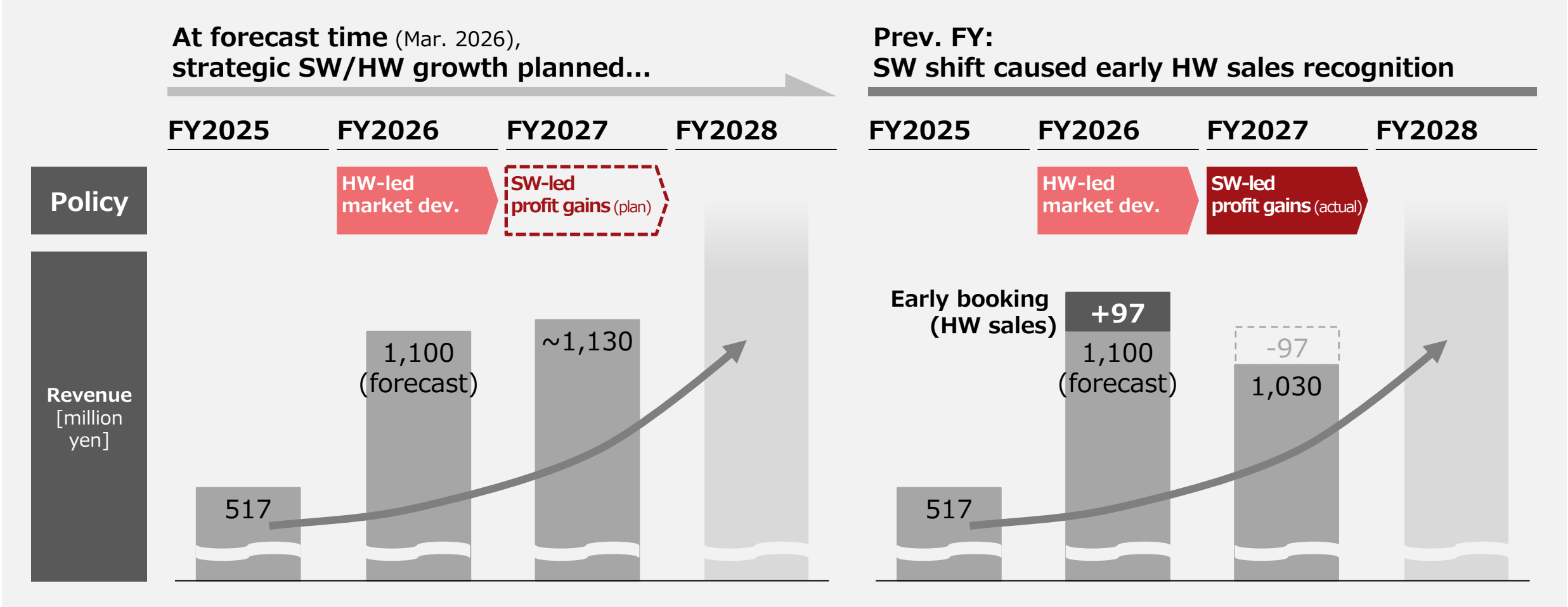
Platform reuse
PRISM limits extra development

1. Estimated from public research (Grand View Research, MarketsandMarkets, Fortune Business Insights, etc.)
2. Estimated from 2035 forecasts for synthetic data (image/video; Market Research Future, Future Market Insights) and robot simulators (Precedence Research)
3. November 2026: see "Long-term LiDAR localization in dynamic environments: an OSS comparison on public benchmarks"

Appendix

Focus on High-Margin SW

- With the shift to SW[1], part of the HW package revenue expected this FY **was recognized early in the previous FY**
- One-time decline; **profitable growth expected from next FY**



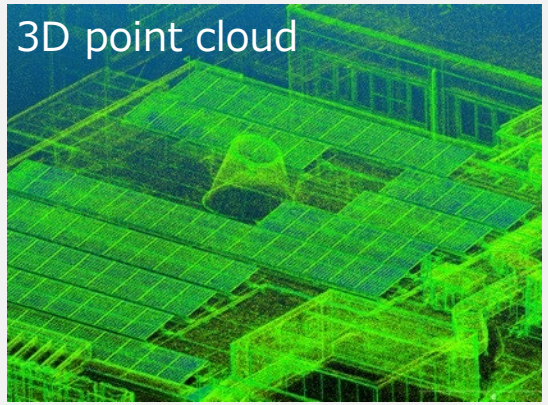
1. Related contracts were revised under the new policy, optimizing the sales plans for the previous and current FYs

Digital Twin (Details of Kudan PRISM)

- Kudan PRISM brings an innovative approach to high-demand fields where existing methods saw limited use, aiming for practical adoption and market diffusion

Solutions built on PRISM's advanced technology

Existing



- **Point cloud-centric data**
- **Limited use** (low AI accuracy, heavy data, hard integration)

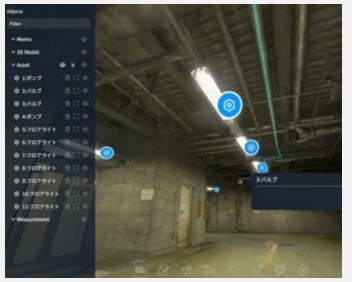
Kudan PRISM New approach



- **Human-level spatial perception** (photoreal)
- **Real-world AI engine** (semantic 3D)**: far wider AI use**
- Efficient data integration

Applied to DX across diverse industries (selected)

Facility mgmt.



Infra upkeep



Smart city & disaster response



- DX in once-hard areas: **automation, efficiency, remote work**
- Demand driven by **labor shortages and aging infrastructure**

- For **disaster simulation & prevention design**, protecting lives

Mobile Robots (Market Background)

- A huge market **with strong demand to solve practical technical challenges**



Conventional tech covers only 3–5%

2D vision



Infra



GPS



Most of the ¥300tn[1] 2040 market needs next-gen tech for complex sites

Frequent change



Indoor/outdoor



Complex 3D



Crowds & objects



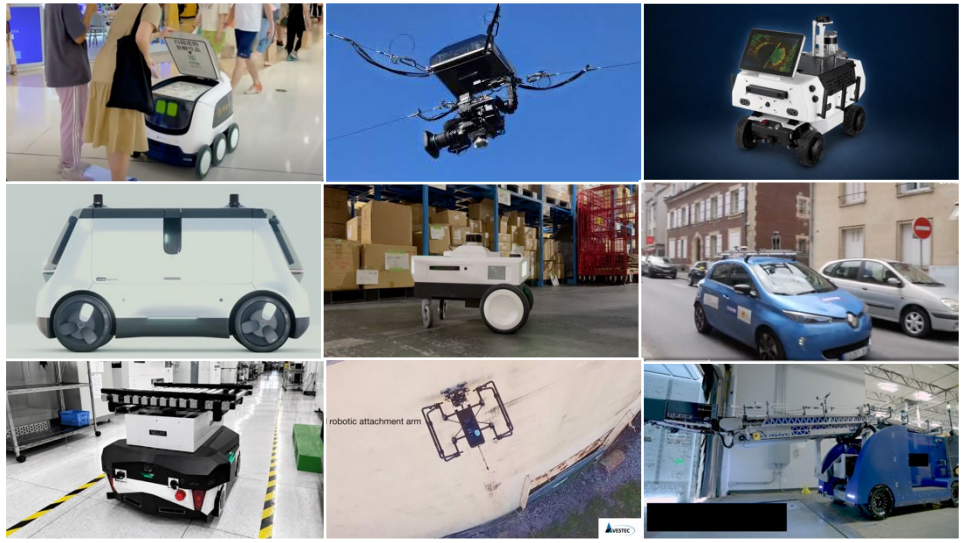
Few features



Open indoor



Kudan: global track record



1. Based on research by BCC Research, Market Research Future, and others, supported by multiple high-growth segments (CAGR of 12–16% or higher), the overall market is projected to potentially reach 300 trillion yen (approx. USD 2 trillion) by 2040

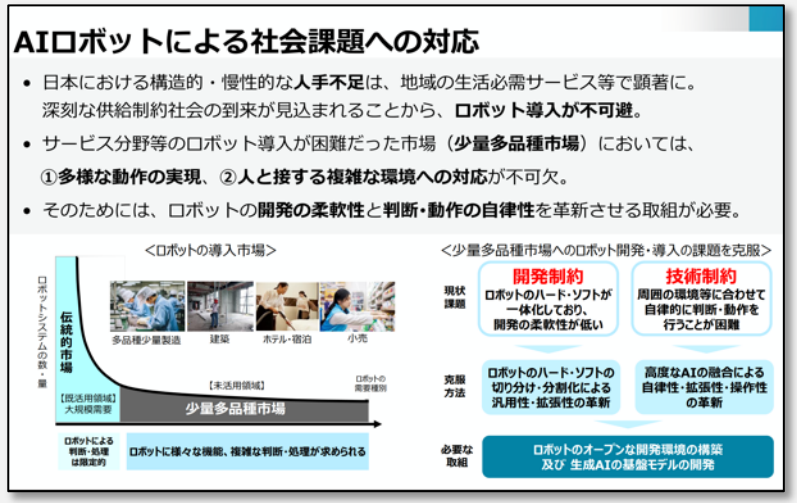
Mobile Robots (Government Project Details)

■ Development leader[1] of a METI-backed software project with major builders, **leading autonomous robot mobility tech in Japan**

Japan's national policies

- Facing labor shortages, **government and industry boost Physical AI & robotics**
- Robot autonomy **needs innovation for hard sites**

Excerpt from METI materials



Project overview

- Starting with construction, **the Construction RX Consortium[2] leads industry-wide**
- General robot mobility tech, later for **more industries[3]**

Organizer	NEDO
Project	Post-5G R&D Project: Software Development Platform for Robotics
Adopted theme	R&D on a robotics software platform for construction
Period	FY2025–FY2027 (planned)
Budget	¥10.3bn (3 years total)

Kudan's role & outlook

- Recognized as **core leader**[1]
- Faster **adoption of Kudan tech**
- Close ties with **government policy**

Autonomous robot at a construction site (image)



- Offered via cross-industry platforms
- Ties with AI & chips, key growth areas of the Takaichi government

1. Leads software module development for autonomous robot mobility (planning, core tech design/development, integration of partners' outputs)
2. Private organization promoting “Robotics Transformation” via construction robots and IoT to tackle workforce decline and improve productivity and safety in construction
3. Also expected to expand into a wide range of industries, including logistics, manufacturing, infrastructure management, and agriculture

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