



Supplementary Documentation to the financial report for the first quarter of the fiscal year ending March 2025

August 14, 2024

Eyes to the all machines

- Although 1Q revenue results declined compared to the previous quarter, business progress aligned with our three growth strategies has accelerated. We expect steady performance from 2Q to 4Q, and our annual forecast remains unchanged.

A Customer commercialization

- Already achieved commercialization of five projects, mainly in robotics
- Annual number is expected to significantly exceed that of the previous two fiscal years

B Solution

- Public sector projects are expanding in countries such as Germany, Finland, Japan, and Taiwan
- Joint projects with XGRIDS have been launched

C Integration with AI and semiconductor

- Start offering the Semantic Digital Twin for public infrastructure
- Strengthen integration with the NVIDIA platform

- All working capital and investment funds required for the management plan toward achieving profitability have been fully secured through the issuance of the 18th series of share acquisition rights¹. We aim for business growth based on a stable financial foundation.
- As a result, there is no impact on our financial strategy from the current fluctuations in the macroeconomic environment, such as the stock market. Exchange rate effects have been positive for both operating profit and cash flow, while the impact of interest rates has been minimal.

¹ 97% of the financing from the 18th series of share acquisition rights has been completed, securing the anticipated funds with a current cash balance of 3.2 billion yen

Performance overview

- Although significant progress has been made in both customer commercialization and solution business, the revenue contribution is expected in the latter half of the fiscal year. As a result, 1Q net sales decreased compared to the previous fiscal year
- A large amount of foreign exchange gains of 209 million yen from intragroup receivables and payables were recorded in non-operating profit due to continuous foreign exchange appreciation

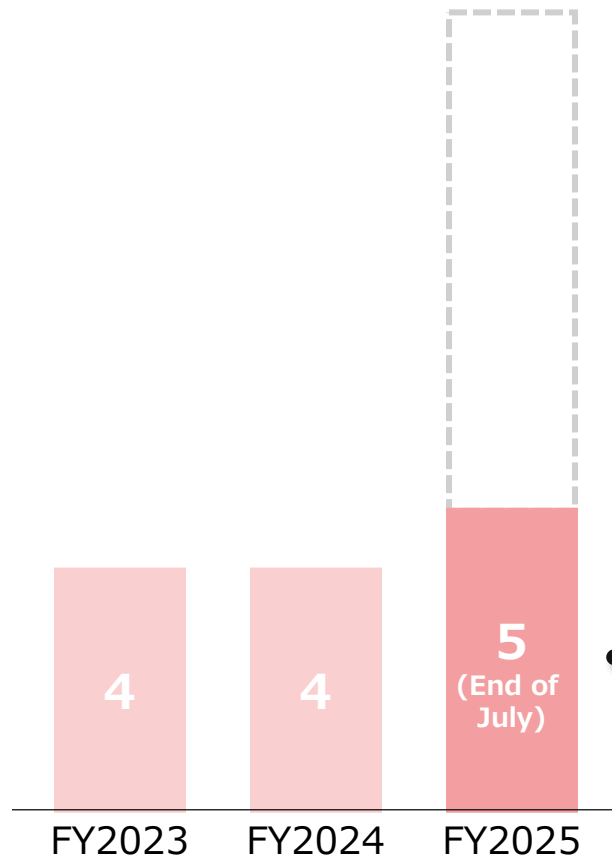
(Unit : million yen)

	Performance for 1Q of FY2024	Performance for 1Q of FY2025	Forecast for FY2025	Change (from the performance for 1Q of FY2024)	Performance For FY2024 (Reference)
Net Sales	54	34	700	△35.8%	490
Operating Profit	△184	△237	△430	—	△527
Ordinary Profit	58	△29	—	—	△50
Profit Attributable to Owners of Parent	55	△50	—	—	△69

Customer commercialization

- From this fiscal year, there has been a rapid increase in the number of customer commercialization projects, and we anticipate a steady accumulation of product-related revenue¹ going forward

Trend in the number of customer commercialization projects



Chinese robot	<ul style="list-style-type: none">Scheduled for implementation in autonomous transport robots, enabling autonomous mobility in a wide range of indoor and outdoor environments. A major Japanese company has invested
US robot	<ul style="list-style-type: none">Scheduled for implementation in precise and advanced autonomous transport robots for tasks such as truck loading. The company is under a major Japanese automotive group
Vecow	<ul style="list-style-type: none">Released 'VTK SLAM Kit', the solution kit for robots. Compliant with industrial standards and suitable for applications such as autonomous driving. Based in Taiwan
US robot	<ul style="list-style-type: none">Scheduled for implementation in autonomous transport robots for use in medical and commercial facilities. Enables autonomous mobility in complex environments with mixed human traffic. The company is under a global major corporation
Squad Robotics	<ul style="list-style-type: none">Scheduled for implementation in autonomous floor-cleaning robots such as the 'SQR SW1.' Enables autonomous mobility in complex environments with mixed human traffic. Based in Europe

¹ Revenue generated from contracts that enable the customer commercialization utilizing our technology (including product sales and the operation of both internal and external services)

- Global expansion of solution offerings is accelerating, with growing public demand for the digital twin transformation of highly public infrastructure assets. Additionally, strategic alliances for solutions are also expanding, creating a synergistic effect on business growth

Expansion of public sector projects	DE Germany Public facility management	<ul style="list-style-type: none"> Awarded a project to digitize and manage school facilities in a German city. Plan to generate a digital twin of approximately 2,000 spaces. First project of its kind at a national level in Germany 	
	FI Finland Digital twin for forestry	<ul style="list-style-type: none"> Support the development of digital twin solutions for forest management and forestry automation, driven by Finland's Ministry of Agriculture and Forestry, a global leader in advanced forestry 	
	JP Japan Infrastructure Management DX	<ul style="list-style-type: none"> Implement and support a government-led, nationwide digital transformation of infrastructure management through the use of digital twin technology, in collaboration with major telecommunications infrastructure companies 	
	TW Taiwan Smart Shipyard	<ul style="list-style-type: none"> Awarded a smart shipbuilding project promoted by the Taiwanese government in partnership with MacroInsight. Provide digital twin solutions necessary for managing the shipbuilding process 	
Expansion of strategic alliances	HK XGRIDS Joint Business Expansion	<ul style="list-style-type: none"> Commercialized the innovative 6D Real Viewer¹, a revolutionary feature, with expanding sales and solutions targeting the construction, real estate, and infrastructure industries, primarily in Japan and Europe 	

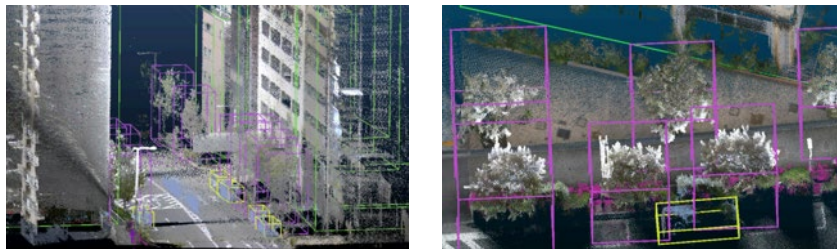
¹ A digital twin technology capable of generating highly realistic, photo- and video-like displays from any viewpoint within a space

- Successfully developed the innovative Semantic Digital Twin¹ by integrating artificial intelligence and artificial perception. The technology is set to be introduced to the market this fiscal year, mainly focusing on discussing and ongoing government projects
- Deepened collaboration with NVIDIA, promoting direct partnerships with key industry players within NVIDIA ecosystem. This is expected to lead to an expansion of related projects from this fiscal year

Integration with AI

Market development through Semantic Digital Twin

- Developed the globally advanced Semantic Digital Twin, achieving AI adaptation for spatial information
- This breakthrough facilitates the digital transformation of asset management and maintenance in urban planning, infrastructure, construction, civil engineering, and manufacturing industries
- Highly compatible with public sector solution projects and has secured demand, particularly through multiple government-related projects



Integration with semiconductor

Integration with NVIDIA's robot platform

- Completed the integration of Kudan SLAM into NVIDIA's Isaac Perceptor package for robots
- Demonstrated significant performance improvements through validation with NVIDIA's development robot, Nova Carter.
- This collaboration serves as a starting point for expanding direct partnerships with leading companies in the industry surrounding Isaac Perceptor



¹ Digital twins that achieve semantic labeling and object recognition within 3D spatial data. Traditionally, there was a fundamental challenge of insufficient 3D data, but this has been overcome through breakthroughs in artificial perception technology (see [link](#) for reference)

Impact of the current macroeconomic environment















- Since July 2024, significant fluctuations in interest rates, exchange rates, and stock markets have occurred due to the Bank of Japan's decision to raise interest rates and the deterioration of U.S. employment statistics
- Amid economic turmoil, Kudan has secured the necessary funds for the next few years to achieve profitability¹, ensuring that there is no impact on future financial strategies
- Additionally, the impact on our business is minimal, or positive effects on operating profit(loss) and cash flow

Indicator	Situation	Impact on our business
Interest rates	Increase	<ul style="list-style-type: none">• Borrowings are limited to 200 million yen, with minimal impact on our business performance
Foreign exchange	Yen appreciation	<ul style="list-style-type: none">• Despite a decrease in both overseas net sales and costs, the advance in cost reductions has had a positive impact on operating profit and cash flow• There is a negative impact on non-operating profit and loss due to intra-group receivables and payables
Stock prices	Decline	<ul style="list-style-type: none">• Having completed the necessary financing, there is no impact on our future financial strategy• As initially planned, we will continue to drive business progress and performance improvement, aiming to enhance shareholder value over the mid to long term
Employment statistics and other economic indicators	Deterioration	<ul style="list-style-type: none">• While there are concerns about a global economic recession, customer demand for digital twins and robotics within our business domain remains strong, with no changes to our market growth outlook• The progress of customer commercialization and the implementation of digital twin solutions is expected to proceed as planned this fiscal year

¹ All working capital and investment funds required according to the management plan toward achieving profitability have been fully secured through the 17th and 18th series of share acquisition rights (97% of the financing from the 18th series of share acquisition rights has been completed, securing the anticipated funds with a current cash balance of 3.2 billion yen)

(Reference) Other highlighted projects

Project excerpts

	Customer	Project Overview	Release
Digital twin	 Major telecommunication	Digital twin for smart cities	
	 Major energy	Digital twin for facility management	See link
	 Major general electricity	Multi-purpose mobile mapping device	
	 Major railroad-related company	Mapping for railroad infrastructure maintenance	See link
	 Major construction company	Productization package for construction DX	See link
	 Mapping solution manufacturer	Multi-purpose mobile mapping device	
Robots	 Major heavy industry	Automation of industrial outdoor logistics	
	 Major Japanese automobile manufacturer	Automated passenger car and robo-taxi service	See link
	 Major Japanese automobile manufacturer	Platform-based autonomous mobility	See link
	 EUSPA(European Union Space Program Agency)	Autonomous driving in environments with no GPS signal	See link
	 Major Media	Drone for special photography	
	 Kawasaki Heavy Industries	Quadruped robot	See link
	 NASA (National Aeronautics and Space Administration)	Lunar exploration robot	See link
	 Industrial equipment manufacturer	Cleaning robot	

- 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 to Kudan as of August 14th, 2024, and may not be updated or changed to reflect future developments or changes in status.