

November 14<sup>th</sup>, 2022

Company Name	Kudan Inc.	
Representative	CEO	Daiu Ko
	(Securities code: 4425 TSE Growth )	
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**The video and the transcript of the financial report presentation  
for the second quarter of the fiscal year ending March 31, 2023 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 second quarter of the fiscal year ending March 31, 2023 are now available online. As the video and the transcript are available in Japanese only, the English-translated transcript is attached to this release.

Also, the translated transcript for the question and answer in the financial report presentation meeting for institutional investors and analysts will be available within a few days.

**【FY2022 Q2 financial report presentation meeting for institutional investors and analysts】**

1. Date: Tuesday, November 15<sup>th</sup>, 2022
2. Speakers: Daiu Ko, CEO  
Kohei Nakayama, CFO  
Tian Hao, CRO

▼▼Financial report presentation video can be viewed from below (Japanese only)▼▼

<https://youtu.be/HtvziKxLmDk>

▼▼Financial report presentation transcript can be viewed from below (Japanese only)▼▼

<https://finance.logmi.jp/377470>

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※This is a English-translated transcript of Kudan's financial report presentation.※

【Title】

**Kudan has achieved customer commercialization as planned, including adoption in the Intel's product, and further expanded partnerships**

~Kudan makes progress toward industry standardization of its technology~



Supplementary Documentation  
to the financial report for the second quarter  
of the fiscal year ending March 2023

November 14, 2022

Eyes to the all machines

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**Daiu Ko (hereafter “Ko”)** : Hello everyone, this is Ko, CEO of Kudan Inc. We will explain the financial results for the second quarter of the fiscal year ending March, 2023

## 2Q Highlights

### 2Q Highlights



#### **Customer commercialization, an indicator of our business progress, move forward at a faster pace than planned**

- A total of three projects for customer commercialization, including the first project, have been confirmed since July, 2022
- Due to strong progress, the commercialization forecast for the current fiscal year was revised upward in August, and we are moving forward to accelerate growth in the next fiscal year onward

#### **The adoption of our technology in the Intel's product is a milestone in the industry \***

- Achievement: the world's first commercial SLAM fully adopted in a major semiconductor product
- The integration of our technology into a product that forms the core of the technology ecosystem will enable manufacturers to efficiently develop the next generation of autonomous mobile robots, providing a major tailwind for market expansion and technology diffusion
- Following this, we have expanded and evolved our partnerships with companies such as NVIDIA (a major semiconductor), ADLINK (a major electronics), and INNOVIZ (a major in-vehicle sensor), which are also expanding their ecosystems, and are progressing toward making our technology an industry standard

#### **Improvement of financial base and earnings structure largely maintained for stable growth with business progress as a foothold**

- In financing linked to business indicators, we have completed the first tranche of 630 million yen, approximately 20% more than planned, and secured funds for business development to further commercialize customer products and increase in scale of projects
- The earnings forecast for this fiscal year is maintained. Although costs are affected by foreign exchange rate trends and other factors, progress has been made in improving the earnings structure

[\*] See p.6 for details on commercialization with Intel

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**Ko** : First of all, the most recent months including this second quarter, have been months when our business progressed significantly. Kudan has been working with a number of customers on development projects with the aim of commercializing customers' products incorporating Kudan's technology.

We had expected to achieve multiple customer commercialization projects this fiscal year as an indicator of progress in Kudan's business phase, and since July, we have achieved a total of three customer commercialization projects, including the first project. Considering this strong progress, in August, our commercialization forecast for the current fiscal year was revised upward, and we are now moving forward to accelerate business growth in the next fiscal year and beyond.

Among these commercialization projects, the adoption of Kudan technology in the product of Intel Corporation, a leading semiconductor company, has marked a milestone in the industry. Specifically, as a SLAM-focus software company, this is the world's first commercial SLAM technology fully adopted in the platform by a leading semiconductor company.

The incorporation of Kudan's deep technology into a product that forms the core of the technology ecosystem, such as an Intel's product, will enable manufacturers to efficiently develop the next generation of autonomous mobile robots, spurring practical applications and providing a major tailwind for market expansion and technology diffusion.

In addition, Kudan's partnerships with NVIDIA, ADLINK, INNOVIZ, and other major semiconductor and sensor companies that are also expanding their ecosystems have been further

expanding and evolving, and Kudan continues to progress toward the goal of making its technology an industry standard.

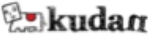
With this business progress as a foothold, Kudan is also improving its financial base and earnings structure to achieve stable growth as planned.

Specifically, in terms of financing linked to business indicators, Kudan completed the first tranche of financing with 630 million yen, approximately 20% more than planned, and secured funds for business development to further commercialize customer products and increase in scale of projects. Also, our financial forecast for the current year is maintained, and although costs are affected by foreign exchange rate trends and other factors, we continue to make progress in improving our earnings structure.

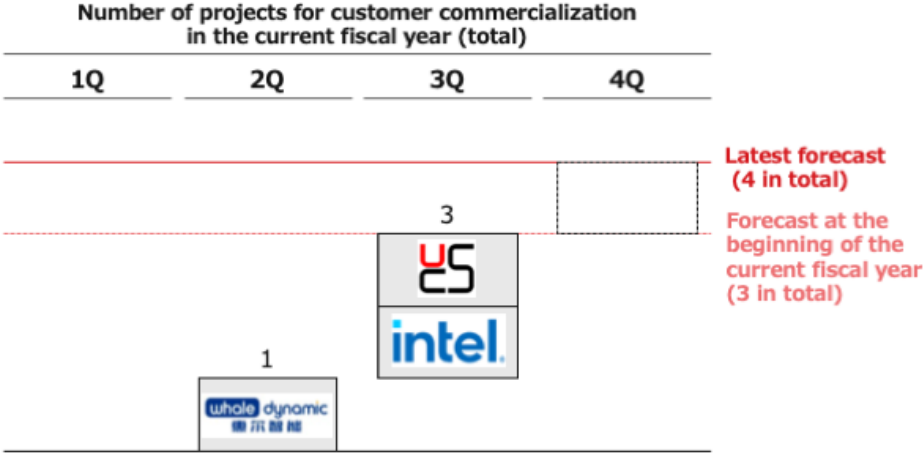
These highlights will now be discussed in detail sequentially.

**Progress in customer commercialization**

Progress in customer commercialization



- Following the first project (Whale Dynamic)\* in July, two projects (Intel/UCS) for customer commercialization were confirmed in October
- In August, we revised upward our forecast for customer commercialization for the current fiscal year (from 3 to 4 in total)\*, and we are progressing the plan steadily



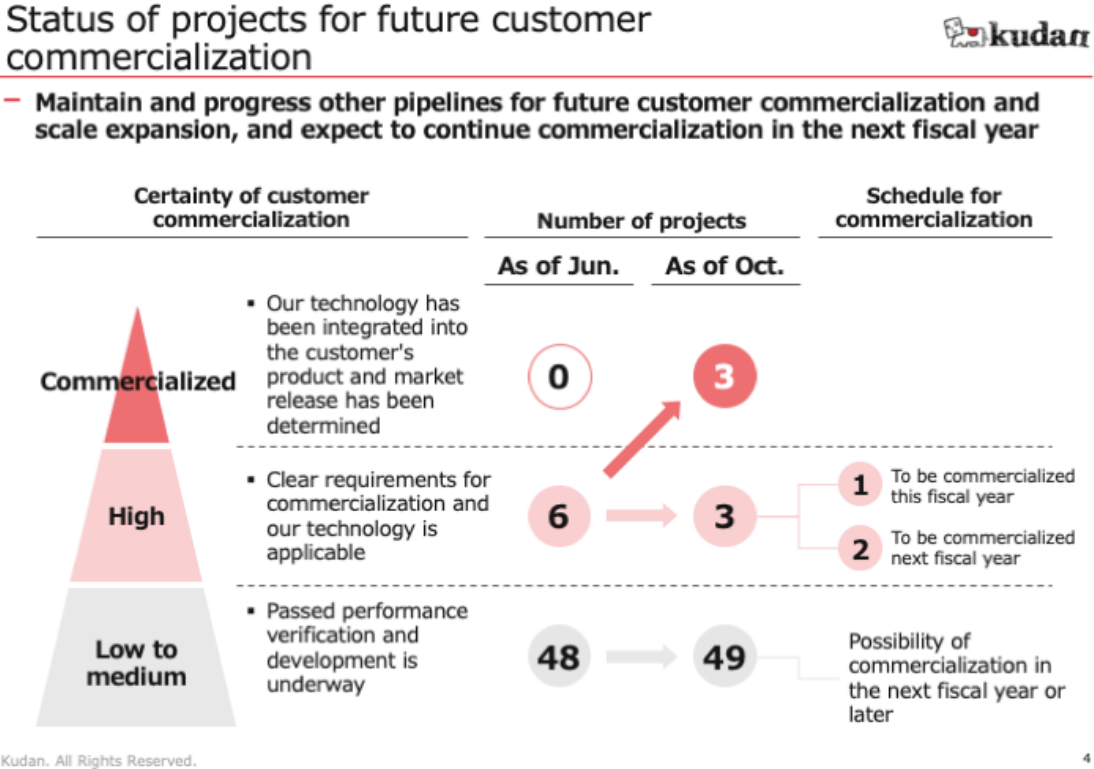
[\*] Already announced in 1Q financial results presentation  
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**Ko** : As for customer commercialization, In the second quarter, Kudan's first customer product of Whale Dynamic, a Chinese autonomous driving related company, was commercialized in July. This was followed in October by the commercialization of products for Intel and UCS, a Korean mapping company.

In August, we revised upward our forecast for the current fiscal year by adding one more product commercialization from three to four, reflecting the fact that the number of customer commercialization is progressing at a faster pace than planned.

As of November, we have maintained this latest forecast, and therefore, we expect to achieve one more customer product commercialization this fiscal year.


**Status of projects for future customer commercialization**











**Ko** : In response to these customer commercialization, other pipelines are progressing at a steady pace for future product commercialization and scale-up of projects. Currently, there are three development projects that are with high certainty of commercialization, moving based on product requirements for which Kudan technology is clearly applicable, and one of these projects is scheduled to be commercialized this fiscal year and the other two next fiscal year.

In addition, we are maintaining a large number of projects that are not yet fully certain but are expected to be more certain for commercialization in the future, and we continue to make progress toward commercialization of some of these projects in the next fiscal year and beyond. As a result, Kudan expects to maintain the pace of product commercialization in the next fiscal year and continue to advance toward a shift in a business phase.

**Highlights of projects accumulated for customers' commercialization**

Highlights of projects accumulated for customers' commercialization 

	Company	Overview and progress	Commercialization schedule
<b>Robotics</b>	 Intel	Kudan SLAM has been adopted as part of Intel's product for robotics and launched for sale to customers, with hardware-acceleration optimized for the characteristics of Intel's product	Commercialized
	 Robotics-related	Completed product implementation, and installation testing is underway with potential customers in preparation for the product release	Short-term
	 Major industrial machinery	Started initial development process to introduce spatial location DX solution	Mid-term
	 Major telecommunication	Completed PoC and demonstration of autonomous mobile robot combined with 5G	Mid-term
<b>Autonomous driving/ ADAS</b>	 TOP5 automotive OEM	Development by cloud implementation to realize large scale maps for autonomous driving is in progress	Mid-term
	 Major automotive parts Tier1	Verification for the higher performance of the parking assist system is underway and discussions on the business side are also ongoing	Mid-term
<b>Mapping</b>	 UCS	Product implementation completed and has been delivered to multiple customers	Commercialized
	 Major telecommunication	Demonstration tests for map base for smart cities are in progress	Mid-term

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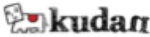
**Tian Hao (hereafter “Hao”)** : This is Tian Hao, Chief Revenue Officer (CRO), and I will explain the highlights of our business development activities. First, here is a list of representative projects in each area of focus. In the area of robotics, in addition to the important business milestone of commercialization with Intel, we have completed product implementation at a robotics-related company in Singapore, and are currently conducting implementation tests to provide the product to potential customers. We are also working with leading companies in various fields in Japan on development and large-scale testing for the introduction of platforms, especially for robotics and vehicles.

In the area of autonomous driving and ADAS, cloud implementation of map functions for autonomous driving, which will enable large-scale practical use, is progressing steadily. In addition, the development of parking assist, an advanced driver assistance function, has advanced to the verification phase under near-commercial conditions, and discussions on business models for commercialization are also underway on business models and other matters with a view to commercialization.

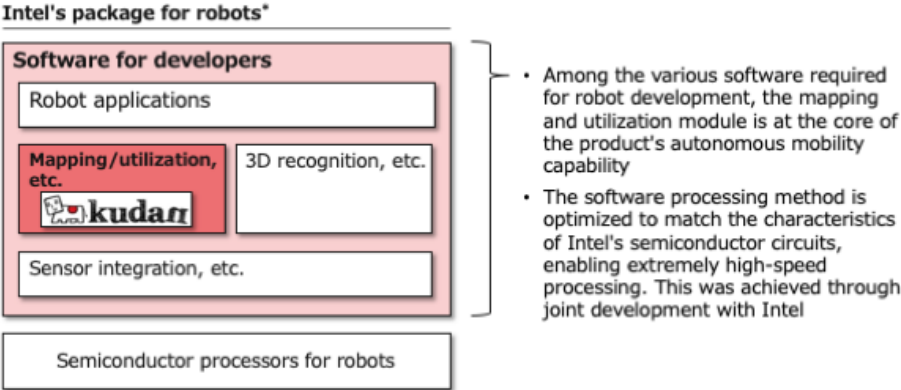
In the mapping area, needs from various industries continue to be high, and in addition to commercialization with UCS, we are reaching the climax of a demonstration experiment with a major Japanese telecommunication company to build a digital map infrastructure that will become the next-generation social infrastructure.

Adoption for the Intel product

Adoption for the Intel product



- The world's first commercial SLAM fully adopted on a major semiconductor platform, as a company specializing in this technology area
- Intel's platform provides comprehensive software functions, in which our technology is a core module, for elemental technologies of next-generation autonomous mobility capabilities that robot manufacturers need to invest significantly in to develop in-house
- In addition, dedicated customization specifically for the linked Intel hardware chip delivers a significant improvement in SLAM performance
- This is expected to greatly eliminate hurdles to commercial development for robot manufacturers adopting Intel products and expand efficient and rapid practical application of autonomous mobile robots



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**Hao :** Now, I would like to explain the adoption of our SLAM technology in Intel's product. As Ko mentioned earlier, Kudan is a company specializing in this SLAM technology area, and this is the first time in the world that SLAM technology has been fully adopted by a major semiconductor company for its platform. Robot manufacturers are forced to invest a great deal of money, manpower, and long development time to develop the next-generation elemental technologies required for autonomous mobile robots. For this matter, Intel provides comprehensive software functionality, and our SLAM technology is a core module in their product.

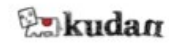
In addition, our two-year efforts with Intel has optimized our software processing methods to match the characteristics of their semiconductor circuits, resulting in a significant improvement in SLAM performance.

We expect that the continued adoption of the Intel product containing our technology by autonomous mobile robot manufacturers that must overcome many hurdles in commercial development, will lead to more efficient and rapid expansion of practical use of products, which is expected to contribute to our earnings.

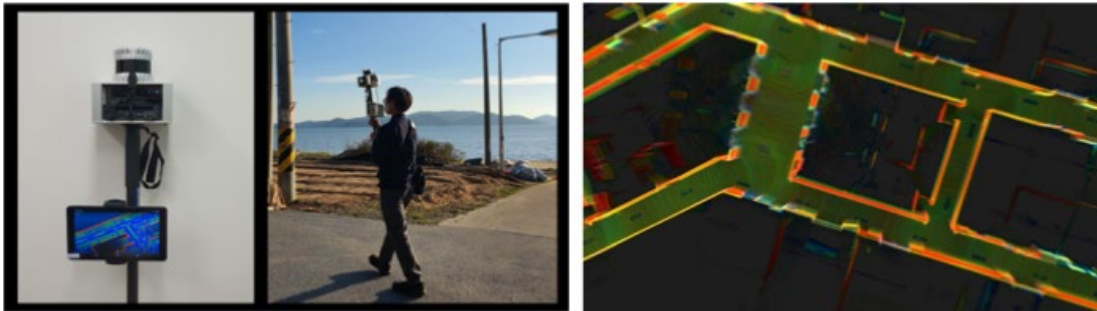


## Product release with UCS

### Product release with UCS



- Developed a handheld mapping device implementing Kudan technology in about 6 months with UCS, a Korean mapping solution provider, and have already sold several units. This proves the maturity of Kudan technology, which enables a customer to quickly develop and complete integration to a customer product.
- Kudan 3D-Lidar SLAM enables accurate mapping with an inexpensive sensor set, realizing product commercialization at a competitive price
- We will meet the high market demand for simple and affordable mapping solutions on a global level for a variety of applications, including research, surveying and inspection of forests, roads, buildings, and indoor facilities



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**Hao** : Next topic is the product release from UCS, a Korean mapping solutions provider, which completed development of a hand-held mapping device in about six months and has already sold several units in just one month.

This proves the maturity of our 3D-Lidar SLAM technology, and its unique functionality allows to efficiently perform accurate mapping even with reduced specification requirements for the sensor hardware installed in the mapping device, contributing to the realization of product commercialization with excellent price competitiveness.

The need for geospatial mapping has continued to grow over the past few years and is expected to have a wide range of applications, including research, surveying and inspection. We plan to respond to the strong market need on a global level for hand-held mapping devices that are simpler and more affordable than existing ones.



Progress in partnerships

Progress in partnerships



- Following the release of Intel's product, technology acquisition by major companies that focus on the industry ecosystem is expected to accelerate further
- We have been working on partnerships with major semiconductor and sensor companies, and further expanded and deepen our alliances to standardize our technology in the industry
- Aiming to expand product partners like Intel, establish a position as the foundation of the technology ecosystem as a deep tech company, and expand sales channels for the technology in the future












[\*1] Examples of our partner companies. See Appendix P34 for other major partners  
 [\*2] Commercialization definition: Kudan SLAM is incorporated as part of a partner product and delivered to the end customer via the partner

**Hao :** As for our partnerships, following the release of Intel's product, we expect further acceleration of technology acquisition by major companies that focus on the industry ecosystem, and we are further expanding and deepening our partnerships with major semiconductor and sensor manufacturing partners in order to make our technology standardize in the industry.

In terms of business co-creation and technology development collaboration, we have newly entered into a partnership with Innoviz Technologies, a lidar sensor manufacturer, and co-hosted an online event with Ouster, another lidar sensor manufacturer, which was attended by over 700 people, leading to the acquisition of new projects.

In addition, we have made progress in technology and solution development collaborations with NVIDIA and ADLINK, which have further strengthened the superiority of our SLAM technology. In product partnerships, another type of collaboration, we expect to expand product partners in the same manner as Intel, and as a deep technology company, we aim to establish a position as the foundation of the technology ecosystem and expand sales channels for our technology.

- Deepen joint development with semiconductor and sensor manufacturers, start offering in-house packages for autonomous mobile robots, and strengthen customer development support to significantly improve the performance and integration speed of Kudan SLAM technology into customer products
- In addition, the integration of Kudan and Artisense's Visual SLAM technology is progressing on schedule and is now available to some customers for evaluation purposes. The expanded provision of our technology will enable the acquisition of projects in a wider range of applications, such as outdoor environments and high-speed movement.
- As a result, we have made steady progress in laying the groundwork to accelerate the expansion of the use of our technology, including customer commercialization

Algorithm	Development item	Examples of ongoing projects
	<ul style="list-style-type: none"> <li>• Launched ROS package for autonomous mobile robot (AMR), and improved performance and speed of on-board integration greatly</li> </ul>	<ul style="list-style-type: none"> <li> Major sensor OEM</li> </ul>
	<ul style="list-style-type: none"> <li>• (Ongoing) Integration of Kudan Visual SLAM and Artisense Visual SLAM</li> </ul>	<ul style="list-style-type: none"> <li> Intel</li> </ul>
	<ul style="list-style-type: none"> <li>• (Ongoing) Improve processing speed and load reduction for specific processors</li> </ul>	<ul style="list-style-type: none"> <li> Autonomous robot OEM Robotics</li> </ul>
	<ul style="list-style-type: none"> <li>• Reduced memory usage, including map size</li> </ul>	<ul style="list-style-type: none"> <li> Autonomous robot OEM Robotics</li> </ul>
	<ul style="list-style-type: none"> <li>• Automation of map updates along with the environment changes</li> </ul>	<ul style="list-style-type: none"> <li> Automotive OEM Autonomous driving</li> </ul>
	<ul style="list-style-type: none"> <li>• Improve accuracy by further utilizing other sensor information for mapping applications</li> </ul>	<ul style="list-style-type: none"> <li> Mapping solution Mapping in non-GPS environment</li> </ul>
	<ul style="list-style-type: none"> <li>• Point cloud coloring function</li> </ul>	<ul style="list-style-type: none"> <li> Major telecommunication</li> </ul>

For this quarter, in both Visual SLAM and Lidar SLAM, in parallel with R&D, significant improvements were made in packaging and supporting documentation to improve usability for customers

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**Hao** : In R&D, we have deepened joint development with semiconductor and sensor manufacturers, launched our own ROS (Robot Operating System) package for autonomous mobile robots, enhanced performance by optimizing hardware processing and integrating sensors, and strengthened customer development support, including the improvement of development packages and support documentation. These activities have resulted in a significant increase in the speed of our technology integration into customer products, in addition to enhanced performance capabilities that address issues in conventional use cases, including autonomous mobile robots.

In addition, the integration of Kudan and Artisense's Visual SLAM technology is progressing on schedule, and we have begun offering the technology to some customers for evaluation purposes. We expect that the expanded provision of this technology will enable us to acquire projects in a wider range of applications, such as outdoor environments and high-speed movement, and we are making steady progress toward maintaining and strengthening our technological superiority not only in the short term, but also in the mid to long term.

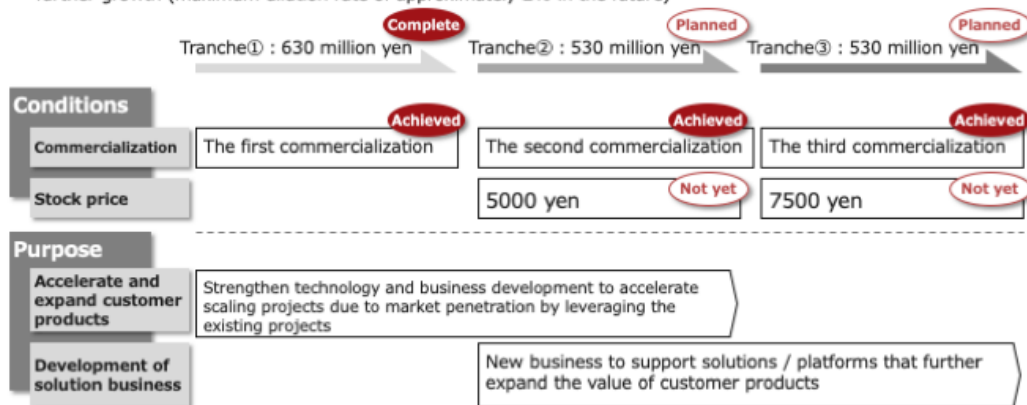
Thus, we are progressing steadily in laying the groundwork for accelerating the expansion of the use of our technology, including customer commercialization.

## Financing



### Completed financing of 630 million yen for Tranche①, securing funds to accelerate product commercialization and scale projects

- Tranche① was completed with the financing of 630 million yen, approximately 20% more than the originally planned amount of 530 million yen, due to an increase in the stock price after the financing launch. The procured funds will be used to further accelerate product commercialization and promote business development for scaling projects
- In addition, the conditions related to commercialization in Tranche② and Tranche③ were met. After achieving the stock price conditions of 5,000 yen and 7,500 yen, Kudan will raise an estimated 530 million yen each to secure funds for further growth (maximum dilution rate of approximately 2% in the future)



[\*] See below for details on financing

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**Kohei Nakayama (hereafter “Nakayama”)** : This is Kohei Nakayama, Chief Financial Officer (CFO), and I will now explain about financing.

In July of this year, we announced our financing through share acquisition rights, and I will first give you an overview of this financing. This financing is intended to accelerate the customer commercialization, to scale the projects, and to strengthen the structure of the solution and platform business, which will further increase the value of customer products. The three parts, which are technically called "tranches" here, will raise an estimated 530 million yen each.

Tranche 1 is designed to be immediately exercisable because it was the financing to expand product sales and promote further commercialization projects triggered by the commercialization of Whale Dynamic, which was announced on the same day as the financing.

Tranches 2 and 3, on the other hand, are intended to meet the financing needs that emerge as the business progresses, including the realization of further commercialization projects, and to achieve both financing and growth in shareholder value. Therefore, the conditions for the exercise are the realization of the second commercialization project and the third commercialization project, and the stock price exceeding 5,000 yen and 7,500 yen, respectively.


Next, I would like to explain the progress of this financing to date. Due to the increase in the stock price since the announcement of the financing, for Tranche 1, financing was completed at 630 million yen, approximately 20% more than the initial estimate of 530 million yen, while the number of shares issued remained unchanged. We believe that this has strengthened our financial base,

enabling us to accelerate business development through commercialization and to strengthen our technology and business development teams to promote product diffusion in the immediate future

Since the conditions related to customer commercialization of Tranche 2 and Tranche 3 have been achieved by the commercialization of Intel and UCS as explained so far, we plan to raise additional funds at a time when the stock price conditions are met. Since the financing will be made when the stock price rises, even if all the remaining financing is made, the dilution of the shares will be about 2%, which has a minimal impact on shareholder value.

We believe that future financing will provide us with a solid financial base to realize further commercialization projects, achieve larger scale of projects, and develop our solution and platform business.

## Performance overview



Performance overview

- Achieved continuous revenue growth by accumulating and scaling projects centered evaluation and development. Continue the tendency in this fiscal year that most of the annual forecast revenue will be recorded in 4Q, and maintain the annual revenue forecast
- With achievement of the customer commercialization, product license revenue starts booking in addition to license and development support revenue from evaluation and development projects. However, full-scale expansion of product license revenue is not expected until the next fiscal year or later.
- Cost of sales and SG&A expenses increase from the previous year due to the consolidation effect of Artisense
- Due to the sharp depreciation of the yen, a large amount of foreign exchange gains were recorded in non-operating profit from intra-group receivables and payables

(Unit : million yen)	Performance for 2Q of FY 2022	Performance for 2Q of FY 2023	Forecast for FY2023	Change (from the performance for 2Q of FY22)	Performance For FY2022 (Reference)
<b>Net Sales</b>	<b>110</b>	<b>155</b>	<b>500</b>	<b>40.0%</b>	<b>271</b>
<b>Operating Profit</b>	<b>△220</b>	<b>△312</b>	<b>△350</b>	<b>—</b>	<b>△433</b>
<b>Ordinary Profit</b>	<b>△323</b>	<b>△81</b>	<b>△300</b>	<b>—</b>	<b>△681</b> (incl. "share of loss of entities accounted for using equity method"(403))
<b>Profit Attributable to Owners of Parent</b>	<b>△321</b>	<b>△84</b>	<b>△315</b>	<b>—</b>	<b>△2,237</b> (incl. impairment losses of (1,474))

**Nakayama** : Secondly, I will explain our financial performance for the fiscal year ending September 30, 2022.

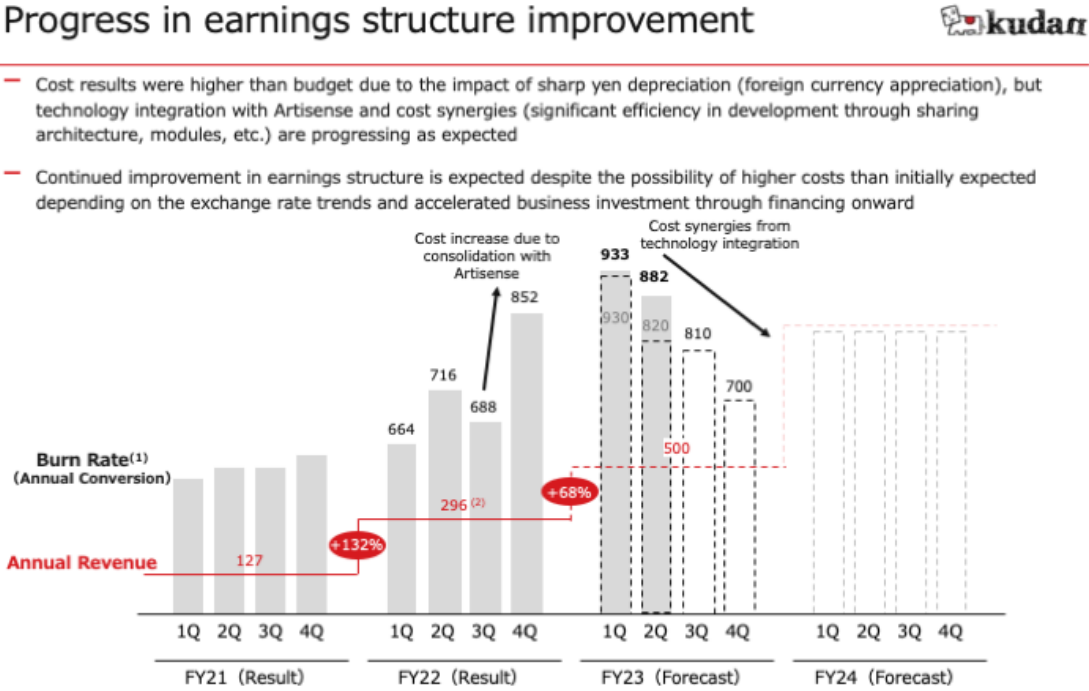
Development milestones toward commercialization of each project continue to progress, and the trend of increasing project value also continues. As in the past, the majority of annual revenue is expected to be recorded in the fourth quarter of this fiscal year, and at this point, we believe that we are on schedule to achieve our annual revenue forecast.

With the several customers' commercialization achieved in the current fiscal year, product license revenue has been recorded in addition to the revenue from evaluation and development licenses, however, we expect product license revenue to grow in earnest from the next fiscal year and beyond.

As for costs, they have increased from the previous year, largely due to the consolidation of Artisense, and future prospects will be explained on the next slide.

Moreover, the continued depreciation of the yen following the first quarter has resulted in a large amount of foreign exchange gains from intra-group transactions with our overseas subsidiaries.

**Progress in earnings structure improvement**



(1) Annual costs required for business activities, calculated by each quarterly cost times four. Calculated by deducting R&D subsidy income from total cost of sales, SG&A expenses, non-operating expenses, extraordinary losses, income taxes, etc. (adjusted for seasonal variations, foreign exchange losses and other transitory costs). Prior to FY22/3Q before Artisense was consolidated, Artisense-related costs such as impairment losses and share of loss (income) of entities accounted for using equity method were deducted and only Kudan's costs were totaled. (2) Revenue adjusted for the impact due to accounting standards change

**Nakayama** : On this slide, I will explain the improvement in annual costs required for business activities that I discussed in the presentation of the financial results at the end of the previous fiscal year. Due to the significant appreciation of foreign currencies of our overseas offices, the annualized operating costs in the financial statements, which are converted into Japanese yen, have exceeded the initial budget. However, the technology integration with Artisense and the associated cost synergies are progressing as expected.

Although there is a possibility that the operating costs will increase compared to our initial assumptions depending on foreign exchange trends and the acceleration of business investment through financing, we will continue to promote the improvement of our earnings structure by continuing to promote business efficiency and cost improvement in conjunction with future revenue expansion.

Through these efforts, we will build a foundation for a strong financial structure that will support the significant growth of our business in the next fiscal year onward.

This concludes our explanations about the financial results.

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■ Company Details

Name: Kudan Inc.

Securities Code: 4425 (TSE Growth)

Representative: CEO Daiu Ko

■ For more details, please contact us from [here](#).