

November 16, 2022

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 FY2023 Q2 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 November 15<sup>th</sup>, 2022. 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.

**【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 (English)▼▼

<https://contents.xj-storage.jp/xcontents/AS02977/441df26a/f45b/47a5/80be/118664b4bce9/140120221110562723.pdf>

▼▼Supplementary documentation to the financial report for FY2022 can be viewed from below (English)▼▼

<https://contents.xj-storage.jp/xcontents/AS02977/fb818430/e608/45e8/911e/e0ce017cd424/140120221110562704.pdf>

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**【List of questions and answers】**

**1. Is it correct to assume that product commercialization with semiconductor and sensor companies will be the most important part of Kudan's business strategy in the future? Also, do you have any projections for the scale of future sales from commercialization with Intel?**

Although we do not disclose the revenue amounts of individual projects at this time, I would like to explain how we strategically view the impact of our partnerships with semiconductor and sensor companies, including Intel. As a deep tech company, we are at the bottom of the building blocks in

terms of industry layers, with a layer of sensors and semiconductors above that, a layer of finished products above those layers, and a layer of services and solutions on the very top of that. Basically, our revenue structure is multi-layered in accordance with the structure of the industry. In other words, all companies in each layer are capable of procuring our technology, and if our technology is used somewhere, our technology will ultimately function in the services and solutions used by end customers.

Our basic strategy is to increase the overall scale by stimulating demands in all layers, and we are rather flexible in terms of the balance between each layer. Therefore, the most important strategic point of our partnership with semiconductor and sensor companies, including Intel at this time, is to stimulate demands in all layers. By combining our technology with Intel's chipsets, for example, it will be easier for the companies on the upper layers to use it, and the implementation of our technology in society will advance further.

In this respect, as I mentioned, we are at the bottom of the building blocks, and it is very important for us to capture the upper layer of semiconductors and sensors. However, it is not necessarily only direct revenue from Intel or sensor and semiconductor companies that contributes to our revenue, and this leads to, and it is most important for us, expand our revenue from all the companies in more upper layers.

Therefore, our vision is to continue to expand commercialization with our partner companies of sensors and semiconductors and to use this as a catalyst for business growth through the combination of revenue from various layers as a whole.

**2. At the moment you have two projects with a high probability of commercialization in the next fiscal year, but how many do you expect to eventually commercialize? Are there any plans for large-scale projects such as Intel's?**

We have already achieved commercialization of three projects this fiscal year and expect to commercialize four projects in total in the fiscal year eventually. Also, we expect to commercialize the same or more next fiscal year.

We currently have two projects that are sufficiently certain to be commercialized for the next fiscal year, but we anticipate that the number of projects that will be commercialized will increase over the next fiscal year, so we basically do not expect the pace to slow down from this fiscal year.

In this context, as customers that are large companies such as Intel and that can serve as a catalyst for revenue expansion in each of the industry layers I mentioned earlier, partners such as NVIDIA, a company in the same industry as disclosed in the materials, are also the target of product commercialization similarly which we've been collaborating closely. However, the size of a company is not directly proportional to its impact on our business. Naturally, larger companies have a greater impact on our business, including revenue. On the other hand, even if a company is small in size, when considering our multi-layered structure, it is important to consider the impact on the market if a customer in an upper layer pulls up our business and technology at once and releases it as a final product. We believe that this is very effective in terms of expanding the market as a leading example of how technology can be used in the market.

Since our technology has just begun to spread in the market as a next-generation technology, starting with product commercialization, we are expanding our partnerships with a strong awareness of how our technology-based product lineup will expand as a whole through the combination of each partner in the industry, rather than by obtaining revenue from individual companies.

**3. Can you be more specific about the intended use of the 630 million yen raised and how it will affect the financial forecast for this fiscal year?**

With regard to the intended use of the funds raised in tranche ① of 630 million yen, Kudan disclosed that it expects to expand sales of commercialized products, achieve further product commercialization and increase the scale of projects, but more specifically, we believe that a large part of the funds will be used for certain recruitment costs for business development and engineers to expand and strengthen its internal structure.

In terms of hiring, given the nature of our company as a deep tech company, in principle we do not expect to greatly accelerate the pace of hiring to date. However, since our business is progressing more smoothly than expected, including the recent commercialization of large-scale projects, we are considering the possibility of increasing number of employees to be hired as an investment in human resources than initially expected in order to seize such business opportunities, for example, we will hire 3 to 5 more people per year in the current and next fiscal years to expand and strengthen our internal structure.

We believe that even with this kind of investment, promoting the current good momentum of business and technology development will contribute greatly to our future growth.

**4. Please indicate the impact on mid- to long-term revenue when the SLAM integrating Kudan and Artisense technologies is completed.**

With this technology integration, the next generation of SLAM as a hybrid technology, will replace the current technology.

The combination of Kudan and Artisense technology will provide the best of both technologies and effectively improve performance, stability, and processing speed, making it a very revolutionary technological competitive advantage. Kudan technology is currently being adopted in the Intel's product, and other products that currently implement Kudan technology at this moment will also be replaced by hybrid technology with Artisense in the future. The most important point of this is not that it will lead to individual revenue, but that the principle of competition will change. For example, when Toyota developed hybrid car technology and introduced it to the market, the competition will shift from the quality competition to a different competitive axis, eco-cars. This made it difficult for competitors to imitate them overnight, which contributed greatly to brand awareness and the acquisition of human resources in addition to revenue, and secured a very favorable position for the company. Now Tesla is doing the same thing with electric vehicles, and we believe that our integrated SLAM will be a game-changing technology, and in terms of future impact, we believe that it could basically contribute to all revenue growth over the mid- to long-term.

**5. What kind of collaboration do you currently engage in with INNOVIZ, and what kind of collaboration do you intend to expand in the future?**

We are collaborating with Innoviz as a business co-creation partner, focusing mainly on the area of digital mapping. In terms of the market, we are focusing on Japan first, but there are also specific needs in APAC and the US, and we are discussing specific projects with end users as well.

As for future expansion, we would like to broaden the scope of our collaboration to include the areas of autonomous driving, in which Innoviz has the greatest expertise, and others such as robotics and smart cities. In addition to business development, we are also discussing with Innoviz the possibility of deepening our partnership as a product partner in terms of technology.

**6. How many companies do you anticipate as product partners (similar to Intel)? Would NVIDIA, for example, be such a target?**

We will work toward product partnerships with companies such as NVIDIA, Ouster, and Innoviz, etc. which are disclosed as semiconductor and sensor partners in our financial results presentation materials.

**7. Regarding the scale of license revenue, you mentioned that several UCS products were sold, but how much of volume is that?**

Since it has just launched to the market, the amount of revenue is not large to date, and sales expansion is expected in the next fiscal year onward.

Although we do not disclose the revenue of specific individual projects at this time, we will consider how to disclose the amount of product license revenue in the next fiscal year onward as we further expand product commercialization and product license revenue in the future.

**8. How much increase in revenue can you expect in the next fiscal year?**

As for revenue growth in the next fiscal year, it is difficult to estimate at this time due to the current significant business progress, but we are in favorable situation since we have received many orders for large-scale development projects in addition to the customers' commercialization, which is currently attracting attention as business progress. Therefore, we expect that, in principle, the growth in revenue from the previous fiscal year to the current fiscal year will be maintained in the next fiscal year, even if it is only for development projects. In addition, revenue from solutions and commercialization projects is expected to be added in the next fiscal year.

In the next fiscal year, the majority of our revenue is still expected to come from development projects, but we also anticipate solution revenue and product license revenue, which will increase the depth of our revenue acquisition pattern, and we also expect business development to be more exciting as these projects intertwine with each other and lead to new projects.

**9. What has the SLAM been adopted in the Intel product, whether it is Kudan's, Artisense's, or SLAM after technology integration?**

Since we have been working on initiatives with Intel for about two years, Kudan's SLAM is currently adopted in the Intel product. However, since SLAM integrated with Artisense can be applied to a wider range of use cases, we intend to move forward with its adoption in the Intel product in the future.

**10. Is it possible to partner with more than one company in the same field (e.g. mapping)? Are there any conditions for doing so?**

Yes, this is possible. For example, in the field of mapping, whether it is construction, surveying, or management of inspection infrastructure, there are multiple use cases even within the large field of mapping, so it is possible to partner with several companies that specialize in a particular area. In this case, we consider geographical compatibility and the customer base behind it (e.g., whether it is strong in academia or it has specific customer bases, etc.) as conditions for partnering.

The reason why we remain independent in the deep tech field is to secure a position where we can provide technology to several customers, even if they are among the strongest in the industry. As we have mentioned in the past that our goal is to become a company that dives as deep as ARM, the CPU architecture company, ARM sells its CPU architecture to many semiconductor manufacturers, but they are all competitors with each other. By suppressing the areas where it is difficult for large companies to develop this technology on their own, ARM has been able to dive deep and spread thin, and we are aiming for that kind of position.

As I mentioned earlier, we may focus to some extent on areas that are strategically most profitable by region and use case, but our basic premise is that we do not necessarily take a position where we are completely owned by one company and cannot work with other companies, and therefore we maintain an independent position.

**11. When do you expect you achieve an operating surplus for the quarter?**

In our business, most of our clients' projects are not usually carried out on a quarterly basis, but rather over the span of six months or a year or more, so we look at profitability on a full-year basis rather than on a quarterly basis.

For this reason, there is no change in our goal of achieving an operating profit for the full year, which is basically to become profitable in the next fiscal year. However, based on the current business progress that we have discussed, we believe that it is important for future growth to consider how to make necessary investments to extend the business and increase the potential of future revenue. We will continue to consider the revenue and profit we should aim for while taking these factors into account.

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※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

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Securities Code: 4425

Representative: CEO Daiu Ko

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