



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

May 15, 2023

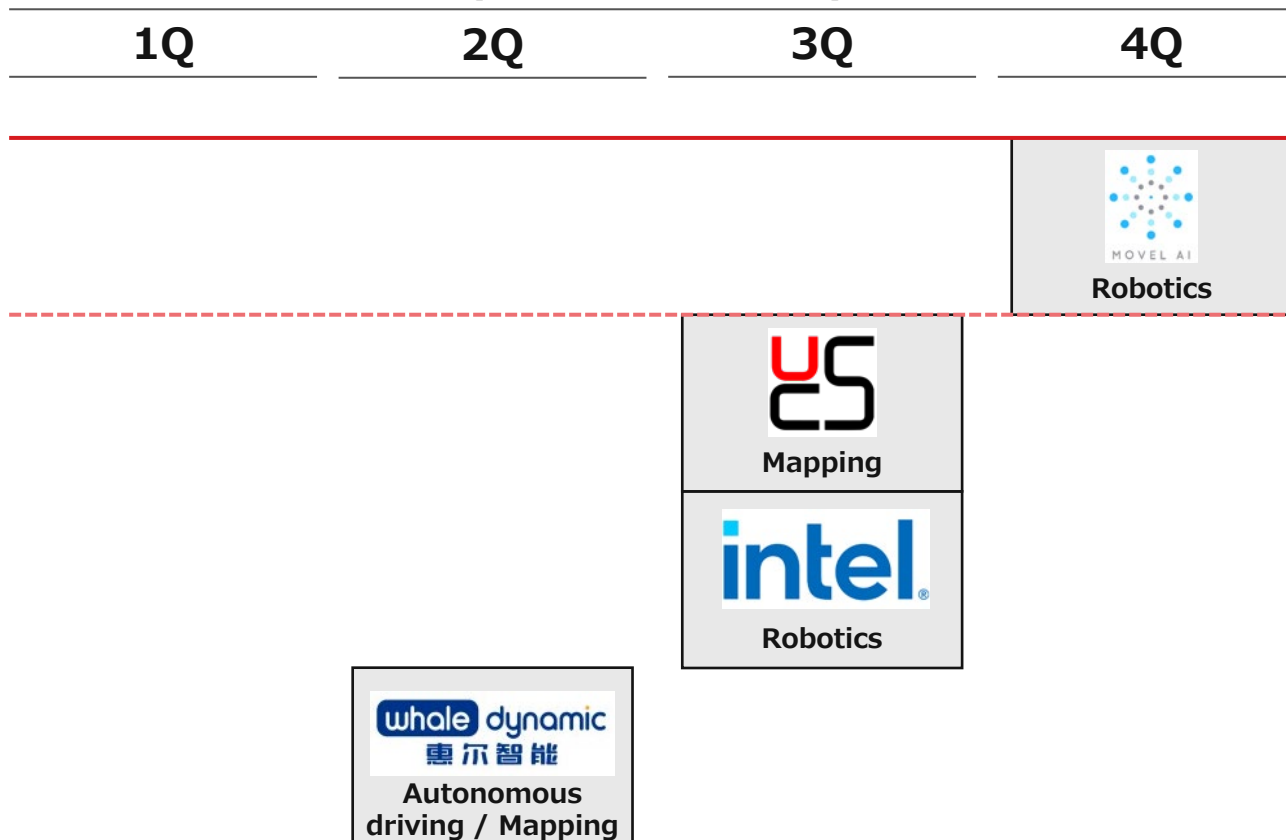
Eyes to the all machines

- In the transition to the harvest phase, Kudan has **achieved customer commercialization ahead of schedule** (4 projects in total), **which is an indicator of the business progress.** This included **the first commercial SLAM in the world to be fully adopted in a major semiconductor platform** (Intel)
- **In order to accelerate the full-fledged launch of product-related revenue,** Kudan focused on the areas of robotics and mapping, where the market expansion is expected more quickly, and **started providing a productization package that will serve as "priming"** for further expansion of commercialization
- The priority of these measures and the large shift of resources **resulted in the scaling back of some projects in non-focus areas other than robotics and mapping as well as some projects that are still in the development phase and far from commercialization,** and revenue fell short to 330 million yen against the initial forecast of 500 million yen
- On the other hand, as a result of these measures to strengthen business that lead to product-related revenue, **product-related revenue are expected to increase in FY24** (150 million yen, 20 times the previous year's revenue), accounting for about 30% of total revenue
- Integration with Artisense has been completed and **cost synergies from technology integration (-200 million yen per year) were achieved as planned. Integration of the new integrated technology into customers' products has also been completed,** and is expected to contribute to product-related revenue from FY24 onward

Achievements of customer commercialization

- Progress exceeded expectations, mainly for robotics and mapping (4 projects in total)
- Among them, full-adoption of commercial SLAM in a major semiconductor product is **the world's first achievement (Intel)**.

Number of customer commercialization projects in FY2023
(cumulative total)



Achievements
(4 in total)

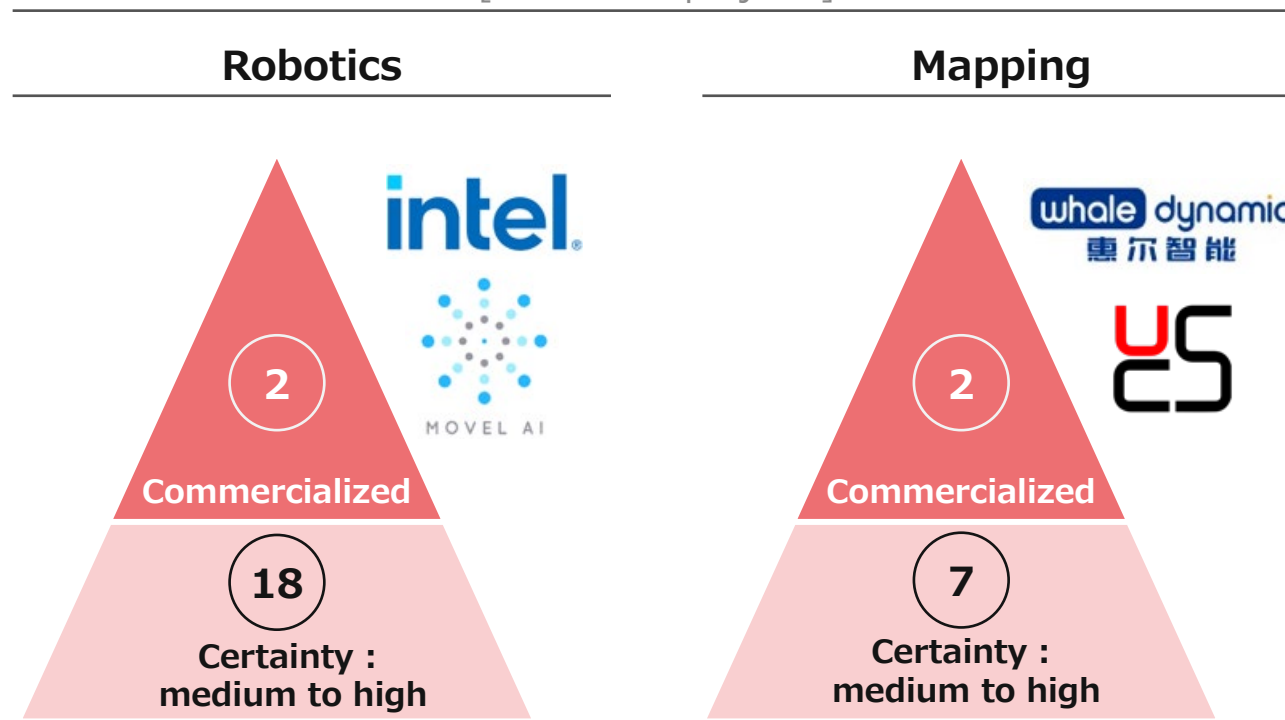
The forecast
at the beginning
of the fiscal year
(3 in total)

Measures to boost product-related revenue ① : Narrowing down focus areas

- With the launch of customer commercialization, **revenue associated with customer products (product-related revenue¹) are expected to become the main pillar of growth in the mid to long term, and Kudan is aiming for full-fledged launch of such revenue**
- **Narrowed down and focused on two markets, "robotics" and "mapping,"² which have already been commercialized and are expected to launch quickly in the future**

Customer commercialization progress

[Number of projects]

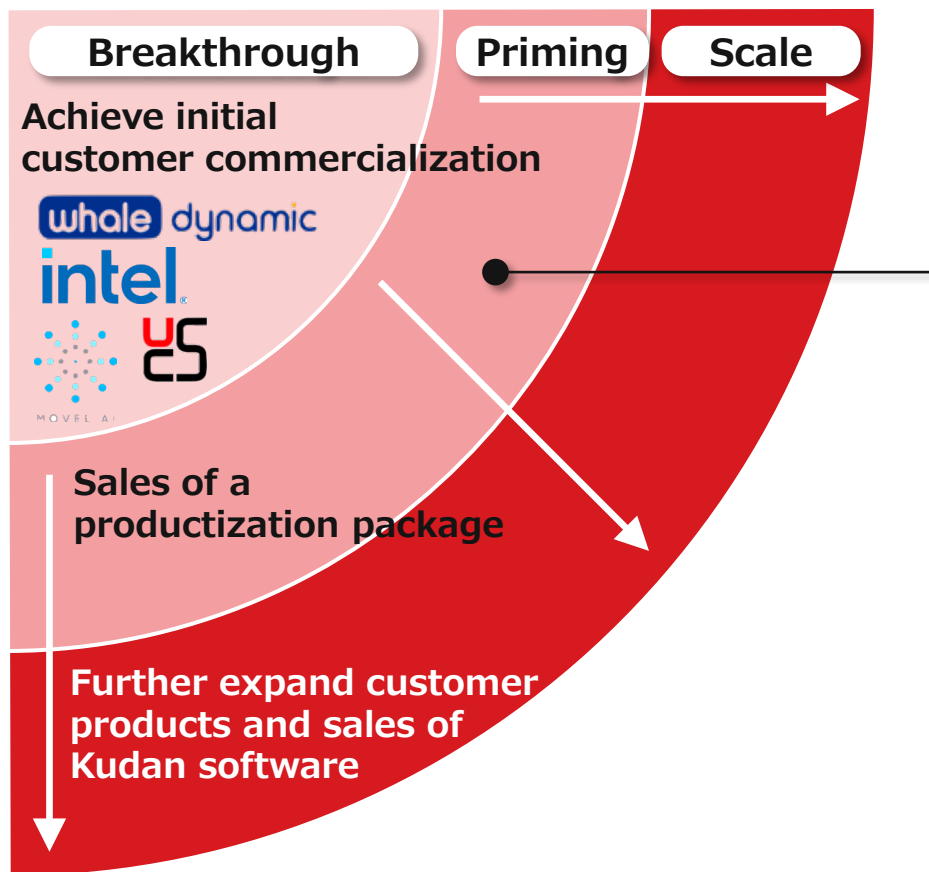


1. Revenue from contracts that enable the practical use of products (product sales and internal/external service operations) using our technology
2. For areas other than two focus areas (e.g., autonomous driving), we will continue promising projects depending on their mid- to long-term growth potential

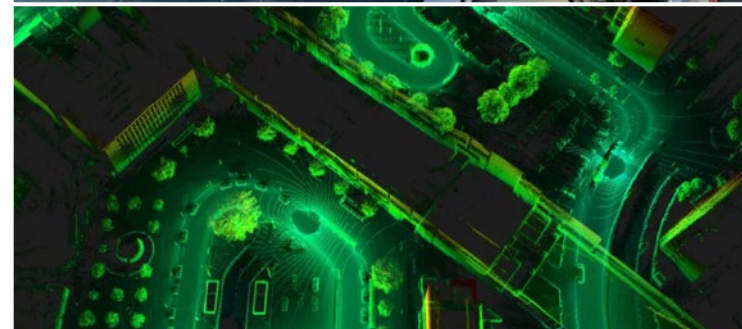
Measures to boost product-related revenue ② : Provide a productization package

- In addition, Kudan has started developing and providing a productization package, and **aims for "priming" effects to further expand customer commercialization and increase sales of Kudan software**

Expanding business by selling a productization package

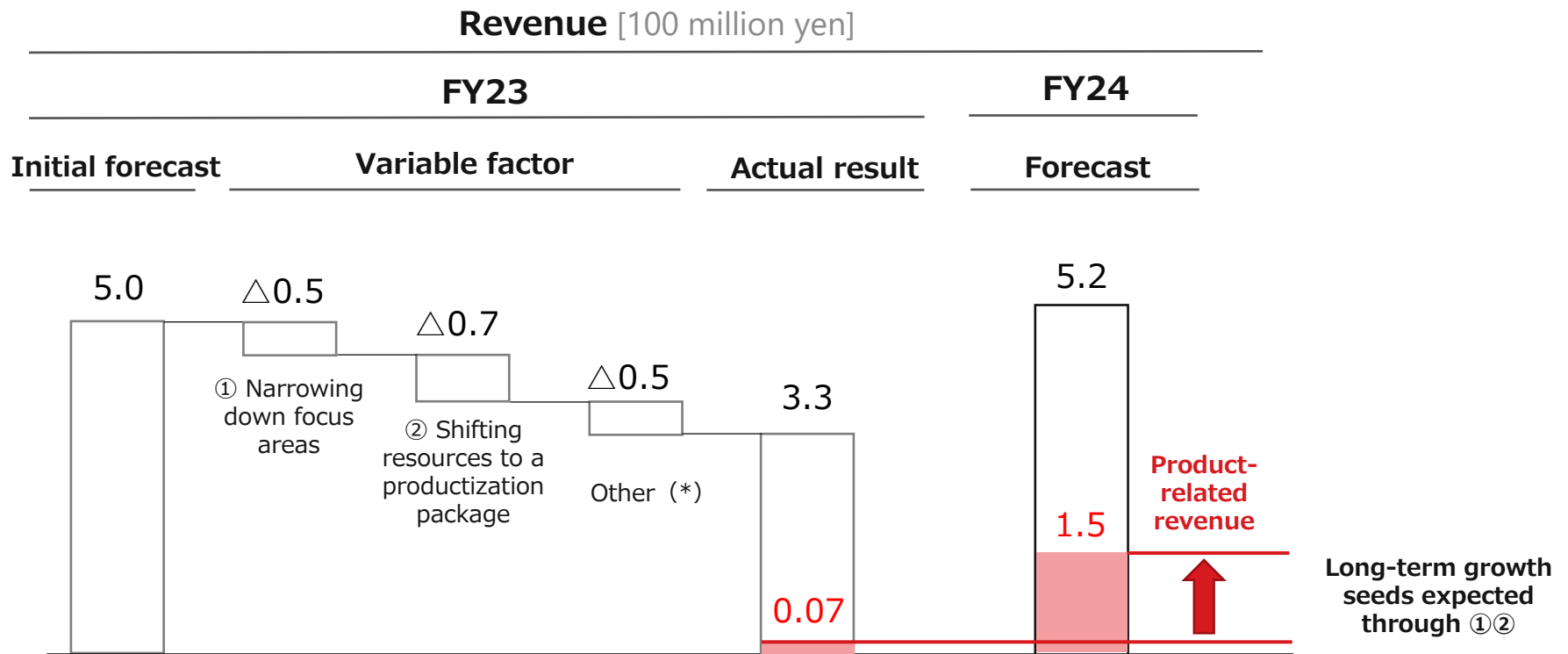


A package that shortens the development and test operation period of customer products and can also be directly put to practical use as products (e.g., mapping kit)



Impact on revenue associated with measures to boost product-related revenue

- Priority given to measures to boost product-related revenue led to the scaling back in some projects in non-focus areas and development projects that are far from commercialization, and this impacted revenue (330 million yen against the initial forecast of 500 million yen)
- On the other hand, product-related revenue are expected to increase in FY24 and account for about 30% of total revenue (150 million yen of revenue, 20 times the previous year)

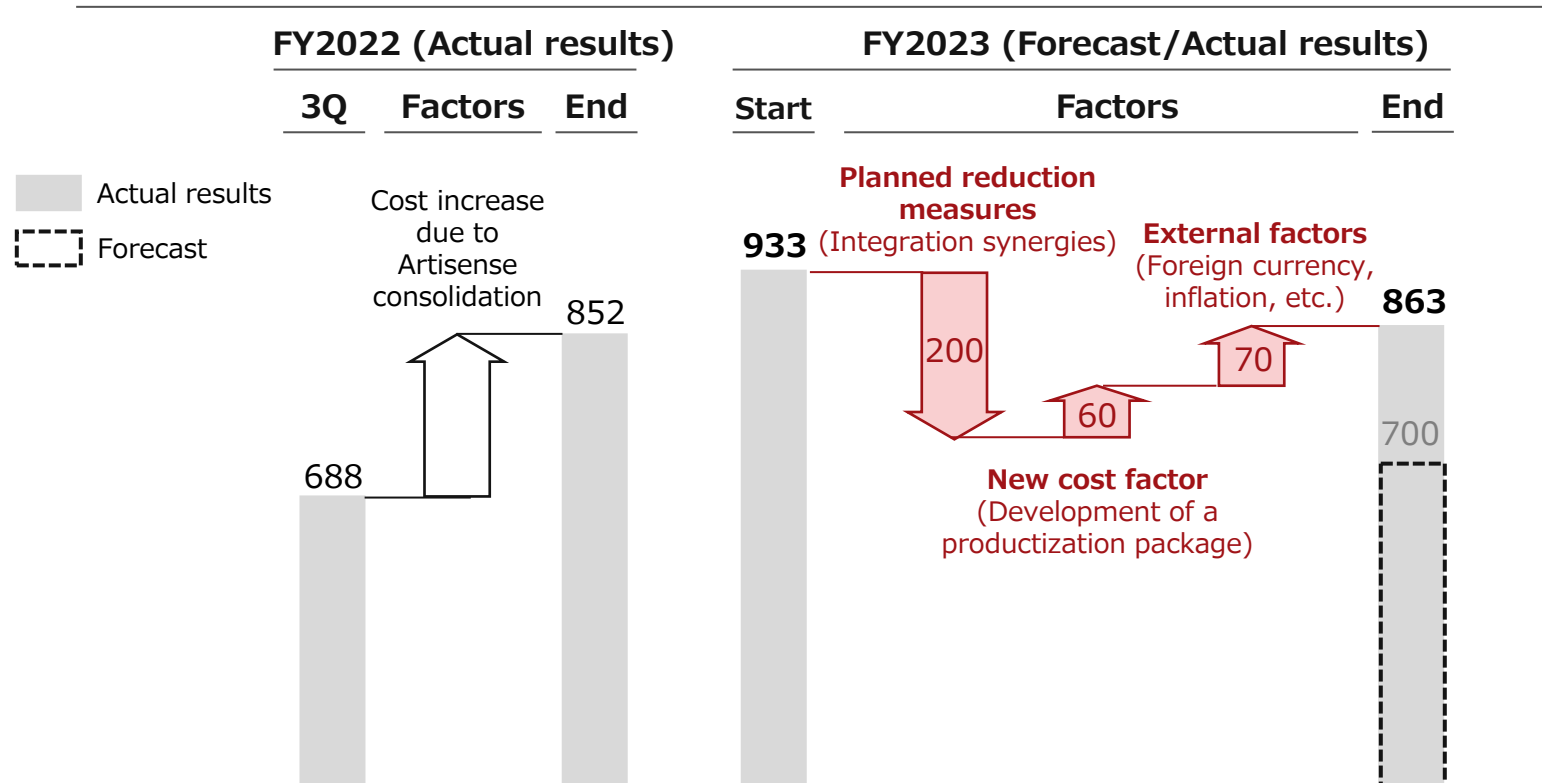


(*) Delay in ERASMO delivery confirmation procedures -20 million yen, other delivery delays, freeze or delay of projects due to economic downturn, etc.

Burn rate (cost)

- Planned reduction measures (cost synergies with Artisense: -200 million yen) were effective, but development for product-related revenue (productization package: +60 million yen) became a new cost factor
- In addition, a variety of external factors, etc. (foreign currency appreciation and inflation in the U.S. and Europe, etc.: +70 million yen) resulted in higher costs compared to the initial forecast

Burn rate (Annual conversion¹) [million yen]



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 Kudaran's costs were totaled.

Performance overview for FY2023



- Operating profit was lower than initially expected due to lower revenue resulting from measures to boost product-related revenue, and higher costs resulting from development to accelerate the launch of product-related revenue (productization package: +25 million yen) and external factors (foreign currency and inflation: +50 million yen)
- R&D subsidies from overseas governments were received as expected, and a large amount of foreign exchange gains were recorded due to the foreign currency appreciation. Non-operating profit exceeded the initial forecast, but ordinary profit and net profit also were lower than initially expected

(Unit : million yen)

	Performance for FY2021	Performance for FY2022	FY2023		
			Performance	Forecast (Initial)	Forecast (Revised)
Net Sales (Prior to accounting standards change)	127	271 (296)	332	500	328
Operating Profit	△451	△433	△598	△350	△603
Ordinary Profit (incl. "share of loss of entities accounted for using equity method")	△1,575 (△1,232)	△681 (△403)	△394	△300	△399
Profit Attributable to Owners of Parent (incl. impairment losses)	△1,608	△2,237 (△1,474)	△413	△315	△416

Annual earnings forecast for FY2024



- Overall revenue growth was solid, driven by the expansion of product-related revenue. Costs increased from the previous year due to development and sales of a productization package and strengthened organizational structure to expand product-related revenue
- R&D subsidy income from foreign governments is continuously expected to be received as non-operating income
- In the previous fiscal year, Kudan aimed to change to the profitable earnings structure in FY24, but will prioritize business transformation and revenue expansion to accelerate the launch of product-related revenue

(Unit : million yen)

	Performance for FY2022	Performance for FY2023	Forecast for FY2024
Net Sales (Prior to accounting standards change)	271 (296)	332	520
Operating Profit	△433	△598	△560
Ordinary Profit (incl. "share of loss of entities accounted for using equity method")	△681 (△403)	△394	△520
Profit Attributable to Owners of Parent (incl. impairment losses)	△2,237 (△1,474)	△413	△550

Financing

- Financing ahead of schedule against the initial plan, which took several years to complete in line with business (customer commercialization) and shareholder value progress
- This allows Kudan to aim to quickly launch product-related revenue through various measures and to respond to uncertainties in the global financial markets

July, 2022

April, 2023

July, 2025

Purpose

Initial plan

Acceleration and expansion of customers' commercialization

Establishment of solution business structure

Further measures to develop the solutions business (capital and business alliances, etc.)

1.06 billion yen

530 million yen

After business transformation

Acceleration and expansion of customers' commercialization
(Measures to boost product-related revenue expansion, etc.)

Establishment of solution business structure

970 million yen

Financing ahead of schedule, early launch of product-related revenue

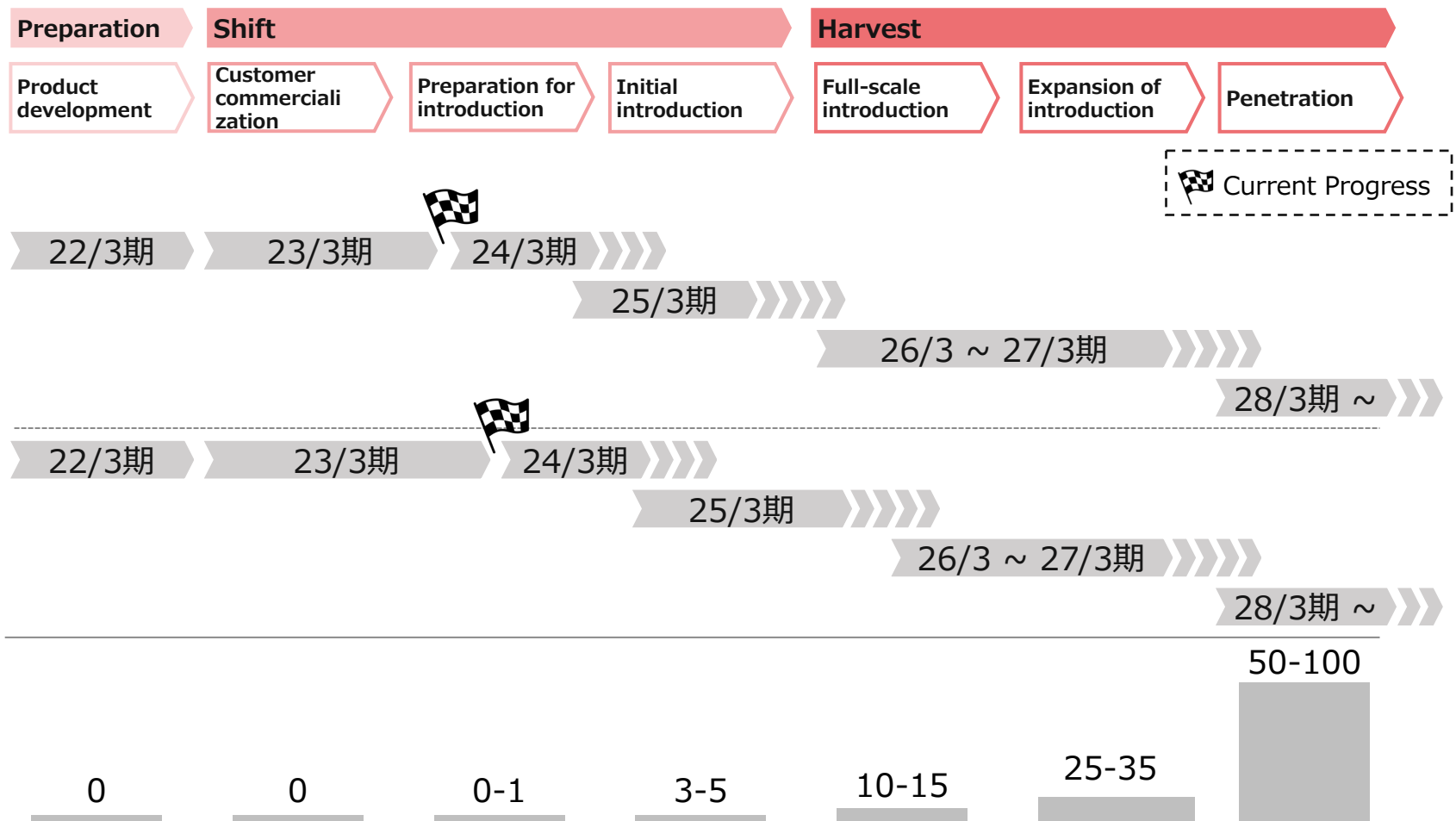
Further measures to develop the solutions business (capital and business alliances, etc.)¹

1. Further measures to develop the solutions business will be considered as the business progresses

Business progress toward growth (short- and mid-term)

- Aiming to increase product-related revenue through the introduction and market penetration of customers' products, Kudan will continue to strategically promote measures to accelerate it, using the progress stage of customers' products as an indicator






Business phases along with the progress of customers' products



*The penetration phase is set at 100

Project highlights accumulated toward customer commercialization



	Clients & Partners	Overview & Progress	Clients & Partners	Overview & Progress
Robotics	 Movel AI	Commercial launch of integrated solution for autonomous mobile robots. Multiple deployments in customer environments expected in the coming months	 Robots related company	Testing at end customer facilities along with functional enhancement are in progress. Discussions have also begun on a licensing agreement for commercialization
	 Robots related company	Integration work on multi-use and different types of vehicles for spatial location DX is in progress. Operational testing will be taken place at end customer facilities	 Robots related company	Commercial licensing discussions are in progress in addition to functional integration for commercialization of the world's first autonomous mobile service robot for a large-scale event
	 Major telecommunication	Verification tests using the functions implemented in the infrastructure for multiple types of robots are being expanded. Discussions on the business aspect of providing commercial services have also begun	 Robots related company	Development integration into autonomous mobile robots for hospitals is ongoing. Testing in multiple field environments has begun
	 Major industrial machinery	Initial development and field testing of spatial location DX solution was completed; full-scale development and multi-site testing will be planned for FY24	 Major logistics system provider	Adoption of Kudan SLAM for upgrading AMR functions and reducing operational costs for logistics warehouses. Development integration work is in progress
Mapping	 Major telecommunication	Various verification tests are in progress. Discussions have also begun on commercial deployment of elemental technologies supporting the geospatial information infrastructure under development	 Mapping system provider	Kudan SLAM has been adopted to lower the HW cost of mapping systems for infrastructure. Technology integration is complete and verification tests are ongoing
	 Major logistics company	Verification test and identification of various issues have been completed. Verification of technology, operations, etc. will continue for service deployment	 Mapping system provider	Technology integration and functional enhancements are ongoing in order to improve the accuracy of drone mapping in non-GPS environments
Autonomous Driving / ADAS	 TOP5 automotive OEM	User evaluation testing of cloud functions is ongoing. In addition, discussions are underway regarding the details of initiatives for further functional advancement	 Major automotive Tier1	Development and verification in a variety of environments are continuously in progress for commercial implementation of advanced parking assist functionality

Progress in partnership



- In addition to the adoption of Kudan technology in the Intel's commercial product, Kudan has also expanded and deepened its partnerships with a group of leading semiconductor and sensor companies that are also expanding their ecosystems, progressing forward significantly toward making Kudan technology an industry standard
- In FY24, work with Intel to enhance product functionality, provide customer implementation support, and conduct promotions to expand product sales
- Moreover, Kudan will strengthen partnerships with semiconductor and sensor companies for further customer commercialization as well as with system integrators that implement Kudan technology as solutions

Business co-creation and technology development partner¹

Product partner

Initiatives

- Client referrals and joint participation in projects
- Marketing and event planning
- Technology development and implementation collaboration

- Partners provide Kudan's technology embedded products

Semiconductor and sensor companies

 **OUSTER**TM
Event co-sponsorship

 **INNOVIZ**TM
TECHNOLOGIES

 **cādence**[®]

New partnership

 **NVIDIA**[®]

 **ADLINK**[®]
LEADING EDGE COMPUTING

Development progress

 **intel**[®]
Commercialization²

1. A partial selection of partner companies

2. Commercialization definition: Kudan SLAM is incorporated as part of a partner product and delivered to the end customer via the partner

Completed integration of hybrid technology into customers' products

- Succeeded in making the world's first hybrid technology of indirect and direct SLAM as a commercial SLAM technology. By integrating the advantages of both methods, a significant improvement in basic performance has been achieved, which is expected to contribute to the expansion of the customer base in a wider range of applications
- In addition to application of the technology in customers' projects, integration of the technology into customers' products has been completed, and is expected to contribute to product-related revenue in FY24 onward

Hybrid SLAM

- Faster processing without sacrificing recognition accuracy
- Higher stability without relying on individually optimized implementations

Indirect SLAM

- Fast processing, versatile



Direct SLAM

- Precise recognition, high stability

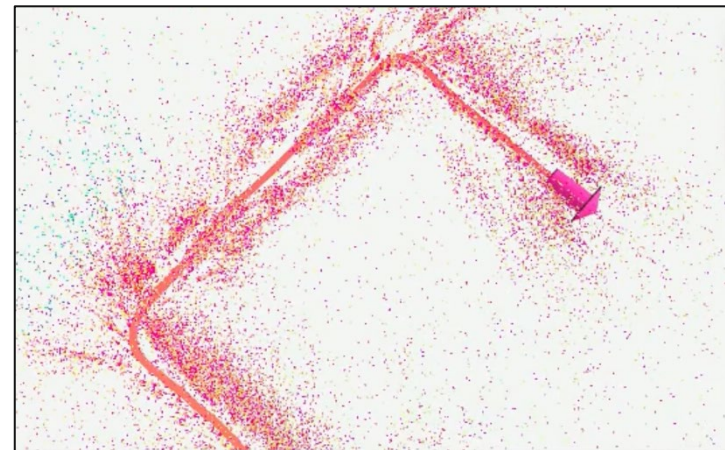


Examples of next-generation technology demonstrations

- In areas other than the focus area (robotics and mapping), select projects and work on demonstrations from mid- to long-term perspectives
- In addition to hybrid SLAM, AI-embedded localization and sensor integration for autonomous driving were demonstrated, achieving effective results.

Project image (e.g., major European automotive company)

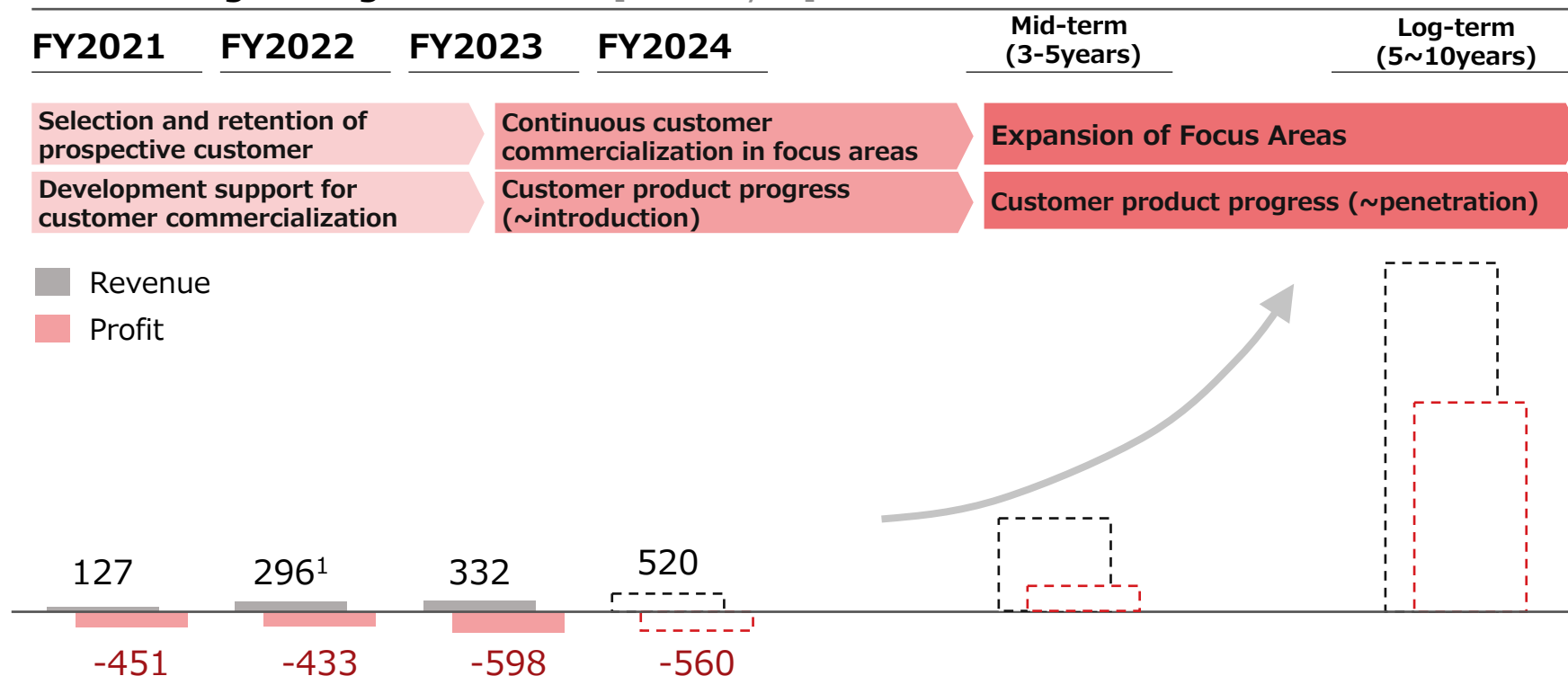
Collaboration with GPS manufacturers and automotive companies to establish vehicle location recognition technology in urban areas, which is difficult even with next-generation high-precision GPS



Future growth potential (mid- to long-term)

- **Continuously push forward customer commercialization and progress of customer products** to quickly achieve the transformation of the earnings structure
- Aim for dramatic profit growth by building up significant product-related revenue **through market penetration of technology by expanding focus areas and spreading customer products**

Mid- to long-term growth vision [million yen]

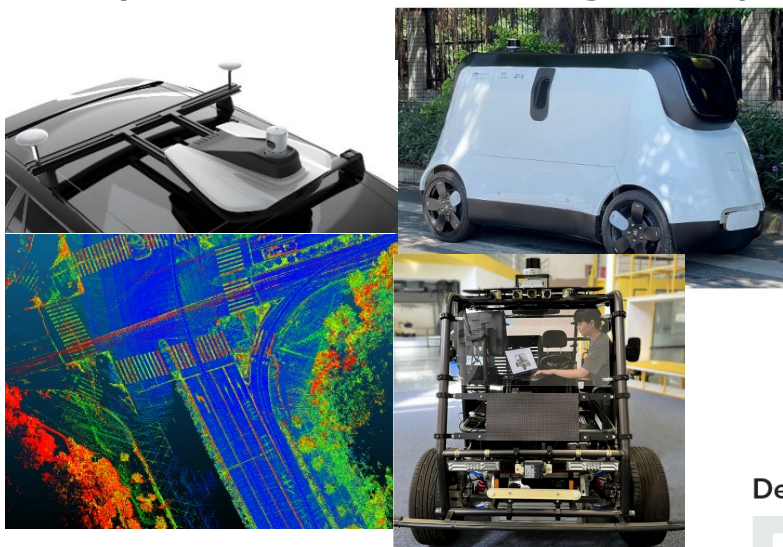


1. Revenue adjusted for the impact due to accounting standards change

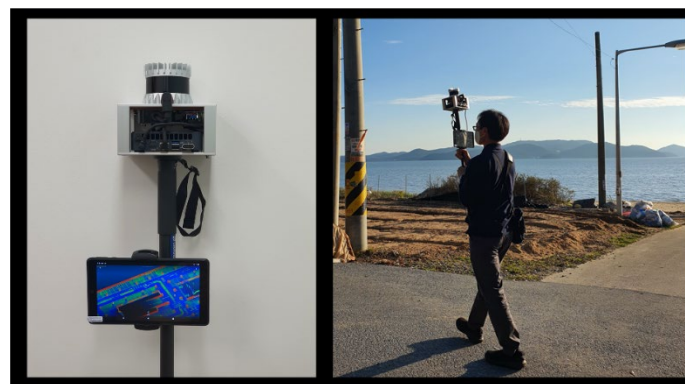
(Reference) Customer commercialization projects for the fiscal year ending March 2023



Whale Dynamic Autonomous driving/HD map



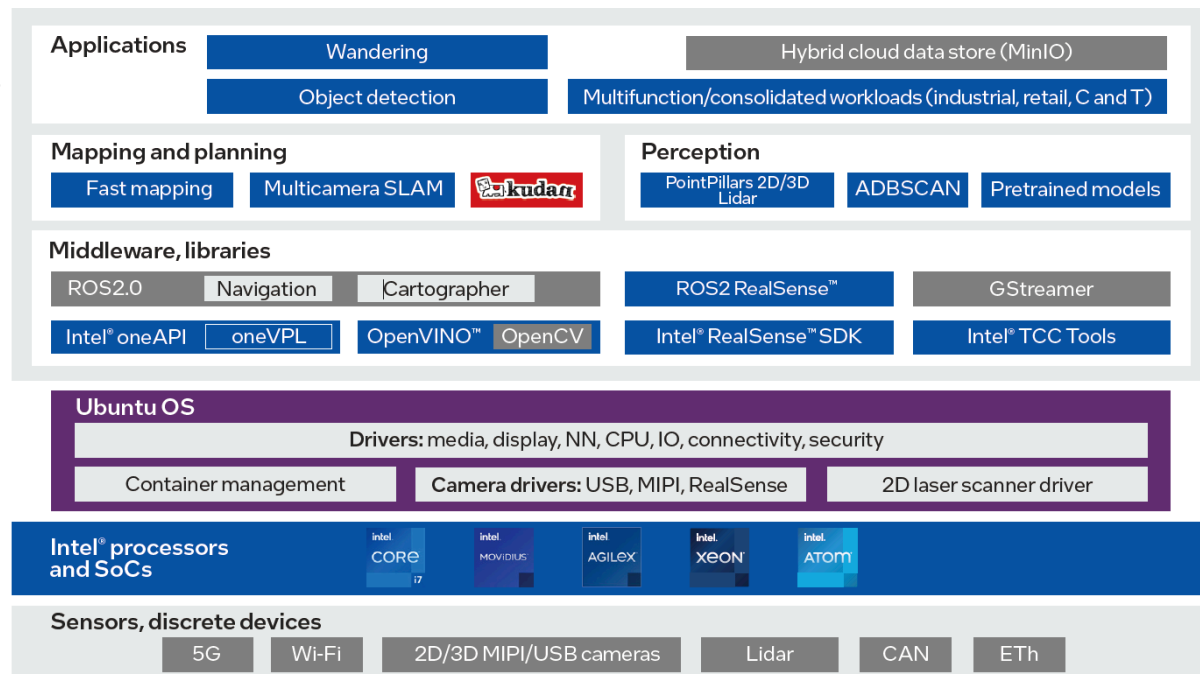
UCS Hand-held mapping device



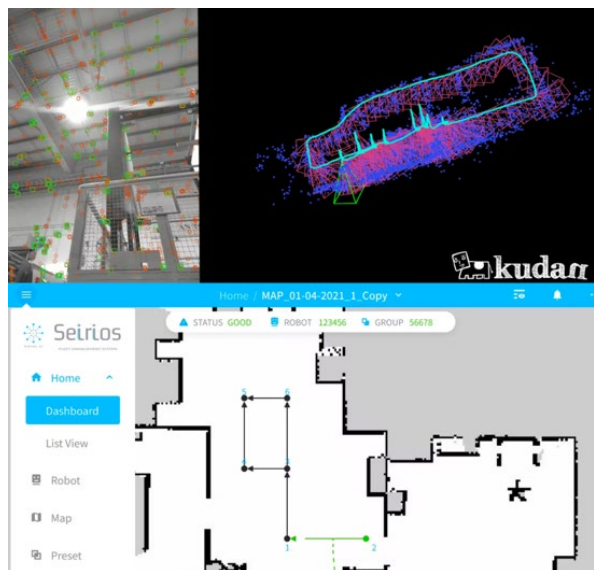
Intel Robot development platform

Developer Tools

■ Intel® components ■ Open source or third-party components



Move! AI Integrated solutions for autonomous mobile robots



- 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 May 15th, 2023, and may not be updated or changed to reflect future developments or changes in status.