

May 17, 2023

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 the 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 May 16, 2023. 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.

【FY2023 (full-year) financial report presentation meeting for institutional investors and analysts】

1. Date: Tuesday, May 16, 2023
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/rv60h0a593U>

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

<https://contents.xj-storage.jp/xcontents/AS02977/c573fe2a/559f/4187/a473/1418943c72c6/140120230511566966.pdf>

▼▼Supplementary documentation to the financial report for FY2023 can be viewed from below (English)▼▼

<https://contents.xj-storage.jp/xcontents/AS02977/997adb31/6af2/487f/bafe/a4c00c7221fe/140120230511566962.pdf>

【List of questions and answers】

1. Can you tell us when product-related revenue will be recorded for the current financial year, whether they will be focused on the end of the fiscal year or throughout the year?
Also, although there is a description of the scale of future product-related revenue on page 11, can you give us a specific amount image?

For the first question, regarding the timing of the recording of product-related revenue in the current fiscal year, the amount of product-related revenue in the current fiscal year is expected to be small in the first half and to increase towards the end of the fiscal year, as the sale of the productization package as the priming of customer commercialization and business progress from the introduction of customer products to the market penetration proceed in stages.

For the second question, regarding image of the future product-related revenue amount, we expect the scale of the core technology in these two markets, the industrial robotics and mapping areas, to range from several hundred billion yen to trillions of yen each. Our strategy is to aim for those markets first, and then work on our business growth, starting with those that can be quickly implemented in society.

Our plan is to first achieve revenue of several billion yen or more, focusing on these applications which launch quickly. In addition, we will further expand our focus areas, such as autonomous driving, and aim to further expand the scale of our revenue over the mid- to long- term.

(Supplementary comment from the CEO)

I know that you are interested in the short-term figures in particular, but one of the main reasons why it is difficult for us to predict and interpret short-term figures is that Kudan is a deep tech company of a level that is very rare in Japan. The deep tech and advanced technologies we are working on have always had a very speculative hype from both the capital and business markets, but for Kudan, the most important thing is to aim for the fruits resulting from the steady market penetration of our technology, and to make our business progress in stages, achieving our KPIs.

As a result, it is not easy to reconcile short-term figures with this kind of long-term growth, but we always aim to be the winner in the end market with a long-term perspective in the end.

Therefore, we would like you to understand that short-term figures and long-term growth potential are, to a certain extent, separated from each other as reference values.

2. With regard to financing, the actual amount raised has been significantly less than originally planned, so what are your views on future funding needs and financing policy?

As described in the materials, the funds originally anticipated for progressing customer productization and building an organizational structure to advance the solutions business have been secured ahead of schedule with this financing.

However, as we implement measures to expand product-related revenue and further develop the solutions business, we will continue to review our financial strategy, looking at the progress of our business.

3. Can you tell us why you have not provided a forecast for the number of commercialization in the current fiscal year? Can you also tell us about the management indicators you will focus on in the current fiscal year?

Firstly, regarding the forecast for the number of customer commercialization in the current fiscal year, we expect the number of commercialization to be at the same level or higher than in the

previous year. However, as the business is progressing, the indicators that we should focus on and monitor on the management level have already been changed.

To use an analogy, when learning arithmetic, the first step is to be able to count, and then to learn addition and subtraction, which is the flow of learning arithmetic for children. In our business, we have already reached the stage where we can add and subtract, and we are no longer focusing on how far we can count. We are focusing on how our progress will actually appear as a KPI in the next step, and will consider disclosures in line with this. We plan to disclose information that is appropriate for each stage of progress, rather than the number of projects that have been commercialized.

For the current fiscal year, we will see the phased progress of customers' products linked to product-related revenue as the most important management indicator.

We believe that as our business progresses, we will be able to disclose that we are naturally getting closer to expanding revenue and earnings in addition to scale, linked to commercialization progresses.

4. Please tell us about your current competitors and competing technology in SLAM technology and your company's competitive advantage in the global market. Please also tell us about the initiatives you are taking to maintain your competitive advantage in the future.

As for competitiveness, the number of companies involved in SLAM development has been gradually increasing over the past year or two, but we believe that almost none of them are capable of developing and deploying SLAM on a commercial level to customers' sites, and all are focused on trials. In this situation, as a deep tech company, Kudan's competitive advantage lies in its overwhelming flexibility and stability as an embedded technology, and in its ability to offer multiple SLAMs for cameras and Lidar. We believe that this is proven by our ongoing partnerships with major partner companies, including Intel, and the projects we are currently working on with major customers.

In the mid- to long- term, we will continue to pioneer areas such as the world's first hybrid SLAM and advanced localization incorporating AI technology, as introduced in the video, and build an ecosystem based on our technology with major partner companies, while maintaining our technological advantages. We hope to create a competitive environment in which other companies cannot catch up, and to achieve dramatic diffusion of our various technologies along with market expansion.

(Supplementary comment from the CEO)

In terms of our deep tech, we place great emphasis on mid- and long-term competitiveness, as I mentioned earlier, but in terms of higher-level principles, Kudan has always been one step deeper than other companies, so that we can compete there. In other words, Kudan's competitive strategy is not to compete. As I mentioned earlier, the flexibility and versatility for various sensors and algorithms, and the applications are made possible by the depth at which we are at deepest layer as a deep-tech company.

On the surface, there are robots, autonomous driving and various next-generation mapping that other companies are also working on, but in fact, if you look at the core of the applications, it is technologically connected at the core. While other companies strategically target these dots individually, such as individual algorithms, sensor configurations and applications, Kudan's unique strength lies in the fact that it takes a step back and aims to connect the dots and draw lines between them.

5. I would like to ask you about HR. Are you pursuing wage increases in line with European inflation? Alternatively, do you plan to reduce headcount to cut costs?

While there was a reduction in personnel as the development process became more efficient during the technology integration synergy with Artisense in the previous fiscal year, we do not anticipate a reduction in personnel for the purpose of reducing costs to keep pace with inflation.

On the other hand, there are some points where we need to respond to inflation, and we have implemented wage increases for some personnel in Europe and the USA.

6. According to the slide on page 16, the timing for a company-wide turnaround would be in FY27?

Basically, as we said, the main focus of our management as a deep tech company is to focus on whether or not we can scale this up. Naturally, turning profitability is on the path to this point of passage, and if it becomes a goal in itself, there are areas where business decisions may be distorted.

However, in the process of moving towards the harvest phase of the business we are aiming for, this means that we are properly on track for scale, we believe that turning profitability should be achieved as a result of the process up to that point, in terms of numbers.

7. There were four commercialized projects in the previous year, how many of them do you expect in the current fiscal year?

We expect the same level or the higher than the previous fiscal year, but the number of commercialization itself is a KPI at a previous business stage that we have already passed, so rather than focusing on this KPI, we are moving on to the next stage. Therefore, this year we will focus more on the KPIs that will drive that stage forward.

8. What were the sales of productization packages as priming in the previous year? What is your forecast for the current fiscal year?

This is just a priming, and what we are focusing on as a milestone is how much it contributes to the progress of our business, which is very important for the launch of product-related revenue. We

are still in a situation where revenue of this package has not yet launched, but we will focus on launching properly in the current fiscal year, and contributing to the product-related revenue.

※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 (TSE Growth)

Representative: CEO Daiu Ko

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