

November 14, 2023

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, 2024 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, 2024 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.

【FY2024 Q2 financial report presentation】

1. Date: Tuesday, November 14th, 2023
2. Speakers: Daiu Ko, CEO
Kohei Nakayama, CFO
Tian Hao, COO

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

<https://youtu.be/vu1XrfvYkNs>

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

<https://finance.logmi.jp/378621>

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

【Title】

Kudan, the currently fixed revenue as of 2Q has exceeded the full-year results of the previous year, and we are having favorable performance

This is driven by product-related revenue backed by social demand for digital twin and spatial DX

【Speakers】

Daiu Ko, CEO, Kudan Inc.

Kohei Nakayama, CFO, Kudan Inc.

Tian Hao, COO, Kudan Inc.

【Contents】

The financial report presentation for the second quarter of the fiscal year ending March 2024



**Supplementary Documentation
to the financial report for the second quarter
of the fiscal year ending March 2024**

November 14, 2023

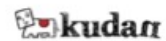
Eyes to the all machines

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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 2024.

2Q Highlights

2Q Highlights



- **Revenue fixed for the current fiscal year totaled 410 million yen, including 2Q results (70 million yen) and 3Q~4Q fixed (340 million yen). This exceeds the full-year results of the previous fiscal year and shows favorable performance toward achieving the fiscal year's budget**
 - In addition, product-related revenue, the measure of Kudan's business progress, are expected to increase to 280-330 million yen (The initial forecast is 150 million yen)
 - This includes 240 million yen in product licenses to Whale and additional product-related revenue in the solutions business for Europe, etc.
- **Current business expansion centered on mapping is backed by governments and markets in various countries pushing for digital twin and spatial DX promotion on a global scale, and rapid expansion of social demand is expected**
 - Digital Twin through Industry 4.0 has been increasingly promoted in Europe and the comprehensive national development plan for digital lifelines in Japan will be in full swing from 2024 onward
 - In response to this demand, Kudan's solution business are expanding, particularly in Japan and Europe
- **Business development is also progressing in the area of autonomous driving, which is directly linked to the current focus areas (mapping and robotics)**
 - Kudan concluded a capital and business alliance with Whale Dynamic, with which we have been providing technology in mapping (map generation for autonomous driving, etc.), with a view to further expanding the collaboration to autonomous driving for passenger cars
 - Expand autonomous driving-related technology collaboration to other regions such as China and the Middle East, in addition to ERASMO in Europe and automotive OEM projects in Japan and Europe

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Ko : First, let me explain some of the highlights of the second quarter.

Revenue in the 2Q totaled 70 million yen, but when combined with the currently fixed revenue of 340 million yen through the 4Q, total revenue has progressed to 410 million yen. As a result, as of 2Q of the current fiscal year, we are 24% ahead of the full-year results of the previous fiscal year, and we are having favorable performance toward achieving the fiscal year's budget.

Among them, product-related revenue, the measure of Kudan's business progress, doubled from the initial forecast of 150 million yen to 300 million yen, and the use of our technology has been spreading faster than expected in the market. The breakdown of product-related revenue includes 240 million yen newly fixed in product licenses to Whale Dynamic and additional product-related revenue in the solutions business in Europe, etc.

Much of this progress is due to the current business expansion centered on mapping, which is backed by governments and markets in various countries pushing for digital twin and spatial DX promotion on a global scale, and we expect social demand for our technology to expand rapidly.

For example, in Europe, digital twin through Industry 4.0 is being increasingly promoted, and in Japan, the comprehensive national development plan for digital lifelines will be in full swing from 2024 onward. In response to this demand, Kudan's solution business is expected to expand, particularly in Japan and Europe.

In addition to these achievements, business development is progressing in the area of autonomous driving, which is directly linked to our current focus areas, mapping and robotics.

Specifically, we have concluded a capital and business alliance with Whale Dynamic, with which we have been providing technology in mapping, including map generation for autonomous driving, with a view to further expanding the collaboration to autonomous driving for passenger cars.

Also, we have been expanding autonomous driving-related technology collaboration to other regions such as China and the Middle East, in addition to ERASMO in Europe and automotive OEM projects in Japan and Europe.

Performance overview

Performance overview



- Although there is an upturn in product-related revenue and non-operating income due to foreign exchange gains (280 million yen), the initial forecast remains unchanged at this time because the majority of revenue will be recorded near the end of the fiscal year, and it is difficult to forecast the landing of revenue until then
- Cost progress is generally in line with the initial forecast, despite continued foreign currency appreciation

(Unit : million yen)

	Performance for 2Q of FY2023	Performance for 2Q of FY2024	Forecast for FY2024	Change (from the performance for 2Q of FY2023)	Performance For FY2023 (Reference)
Net Sales	155	73	520	△52.6%	332
Operating Profit	△312	△395	△560	—	△598
Ordinary Profit	△81	△111	△520	—	△394
Profit Attributable to Owners of Parent	△84	△117	△550	—	△413

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Kohei Nakayama (hereafter “Nakayama”) : As for the details of financial performance for the second quarter of the fiscal year ending March 2024, Nakayama, CFO, will provide an explanation. Although there is a significant upturn in product-related revenue for the current fiscal year from our initial forecast and a large foreign exchange gain due to continued foreign currency appreciation, given the nature of our business, we expect to record the majority of our annual revenue near the end of the current fiscal year as in past years, so the initial forecast remains unchanged at this time.

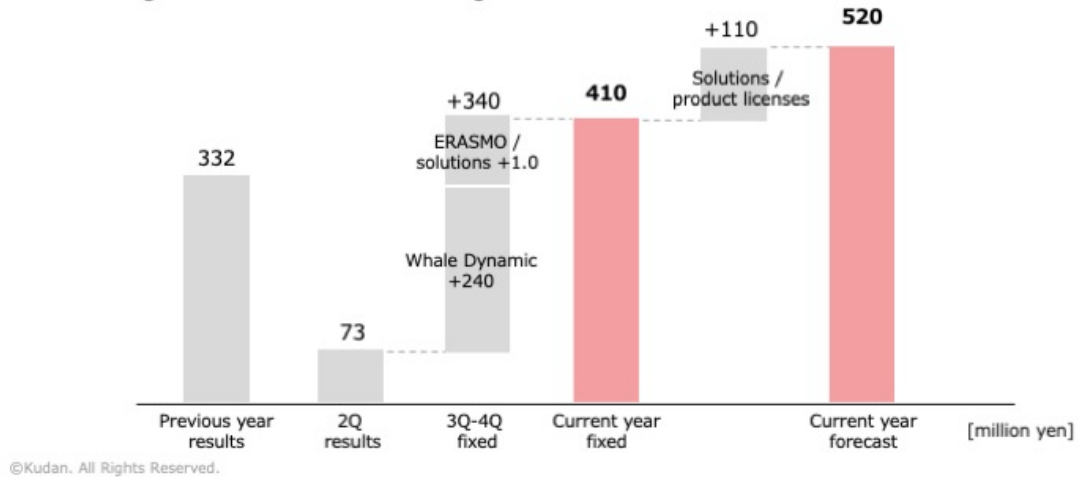
As for the cost, the progress is generally in line with the initial forecast.

Revenue

Revenue



- Revenue fixed for the current fiscal year totaled 410 million yen, including 2Q results (70 million yen) and 3Q~4Q fixed (340 million yen). This exceeds the full-year results of the previous fiscal year and shows favorable performance toward achieving the fiscal year's budget
- Development and solution projects utilizing productization packages (for mapping and for robots officially released in 3Q), product license revenue, etc., are accumulating and moving forward to achieve the budget



Nakayama : The next slide shows the current revenue situation.

As for the progress to date, we have already explained at the beginning of this presentation, but as for the second half of the fiscal year, in addition to the mapping area, which has been driving the expansion of product-related revenue to date, we will also release productization packages in the robotics area, which serve as priming, and work to expand the future product-related revenue in the robotics area.

Centered on these focus areas, we aim to achieve budgeted revenue for the full-year by accumulating development and solution projects in addition to product license revenue.

Capital and business alliance with Whale Dynamic: Company profile

Capital and business alliance with Whale Dynamic:
Company profile





- Leverages proprietary LV4-5 technologies for a wide range of product offerings including autonomous mobile robots and autonomous driving
- Not only targets the rapidly evolving Chinese market, but also expands its business extensively into the global market

Founder & CEO <small>(David Chang)</small>	▪ Led the development in "Apollo", the country's largest autonomous driving project by Chinese IT giant, Baidu, as a senior product manager. M.S., University of Cambridge, U.K.
Clients/ Partners	   
Global expansion	▪ The only company in the world to be a member of both "Apollo" and "Autaware", the globally recognized open-source ecosystem for autonomous driving

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Ko : I would like to explain the capital and business alliance with Whale Dynamic that was announced during this quarter.

First of all, Whale Dynamic is a company that develops and deploys a wide range of product offerings for autonomous mobile robots and autonomous driving based on its proprietary technology for level 4 and level 5 equivalent autonomous driving.

Whale Dynamic is based in the Chinese market, where the public and private sectors are rapidly advancing autonomous driving, and it is also expanding its business extensively into global markets such as Japan, the U.S., and the Middle East.

David Chang, the founder of Whale Dynamic, is a leader and influencer in the Chinese autonomous driving industry, having led as senior product manager for the development of Apollo, the largest autonomous driving project in China by Baidu, the Chinese version of Google.

Customers and partners include BYD, the world's second largest electric vehicle company, Baidu's Apollo and TierIV's Autoware, the world's leading open source ecosystems, and the Hong Kong University of Science and Technology, which is at the forefront of robotics in China and around the world.


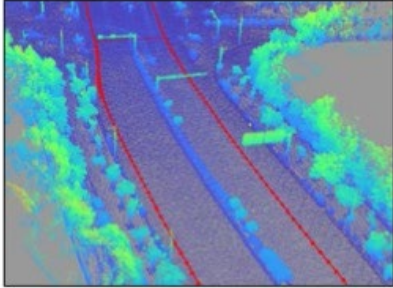
Whale Dynamic is the only company in the world that is a member of both Baidu's Apollo and Tier IV's Autoware, and the company's strength lies in its strong global presence.

Capital and business alliance with Whale Dynamic: Technological collaboration to date

Capital and business alliance with Whale Dynamic: Technological collaboration to date



- Product commercialization by WD utilizing Kudan technology was realized in July 2022, and product introduction is in progress

<p>whale dynamic</p> <ul style="list-style-type: none"> ▪ Provides mapping for public roads (vehicle-mounted) and robot (autonomous mobile vehicle) * 	<p>kudan</p> <ul style="list-style-type: none"> ▪ Provide SLAM technology for localization and high-precision mapping ▪ Achieve higher performance with proprietary technology related to the integration of Lidar SLAM and Visual SLAM 
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[*] [URL for the demo video of technologies related to mapping \(vehicle-mount\) and robots \(autonomous vehicles\)](#)
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Ko : With respect to the collaboration with Whale Dynamic, we realized product commercialization by utilizing Kudan’s technology in July 2022 and have been preparing to introduce the product to the market.

Specifically, for vehicle-mounted mapping equipment developed and provided by Whale Dynamic for public roads that generates maps for autonomous driving, and for autonomous mobile vehicle-type robots for logistics and delivery applications, we provide SLAM technology for localization and high-precision mapping, and our proprietary technology for integrating Lidar SLAM and Visual SLAM has achieved high performance.

Capital and business alliance with Whale Dynamic: Overview of this alliance

Capital and business alliance with Whale Dynamic: Overview of this alliance



- Kudan agreed to enter into a product license agreement totaling 300-400 million yen (240 million yen is fixed*1) in the current and next fiscal years in line with the expansion of WD's sales
- In addition, Kudan will invest 500 million yen in growth capital (400 million yen is fixed*2) for regional expansion to global and product expansion to autonomous driving, to accelerate the popularization of WD's products and to increase and continue to expand product license sales



1, 2: Key terms and conditions were signed today and the current fiscal year's transactions are fixed

Ko : The capital and business alliance with Whale Dynamic is based on a policy of entering into a product license agreement totaling 300 to 400 million yen over the current and next fiscal years in line with Whale Dynamic's sales expansion, of which 240 million yen has already been fixed by the end of this fiscal year.

In addition, Kudan will invest 500 million yen in growth capital, including regional expansion to global and product expansion into autonomous driving, to accelerate the popularization of Whale Dynamic's products and to increase and continue to expand product license sales.

Capital and business alliance with Whale Dynamic: Collaboration policy to promote products and technologies of both companies

Capital and business alliance with Whale Dynamic: Collaboration policy to promote products and technologies of both companies 

- Kudan collaborates in sales, development and support in terms of business expansion along two axes: regions and products
- Product expansion to autonomous driving is an opportunity for Kudan to further expand its customer commercialization area and scale the business significantly

Collaboration with Kudan on Whale Dynamic's business development



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Areas for accelerated collaboration in the future

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Ko : With this capital and business alliance, Kudan and Whale Dynamic will accelerate our collaboration to promote products and technologies of both companies. Specifically, Kudan will deepen its collaboration in sales, development, and support for business expansion in the two axes of regional development and product deployment.

For example, Whale Dynamic is a core member company of Baidu Apollo, the largest autonomous driving project in China, and has been working on numerous demonstration projects in the public and private sectors. Whale Dynamic has accumulated cutting-edge achievements in the Chinese market, which is one of the world's fastest growing markets for autonomous driving.

Whale Dynamic plans to leverage the demonstration achievements and advanced technology in this field to win projects in Europe and the Middle East to expand into the global market, where demand is growing, and Whale Dynamic will further collaborate with Kudan to provide global marketing, project development, and support.

In addition to this, we plan to expand our product offerings from vehicle-mounted mapping, such as map generation for autonomous driving, and robotics, such as autonomous mobile vehicles, to include autonomous driving for passenger cars, which is closer to the main focus of autonomous driving, and to jointly develop applications for Kudan technology.

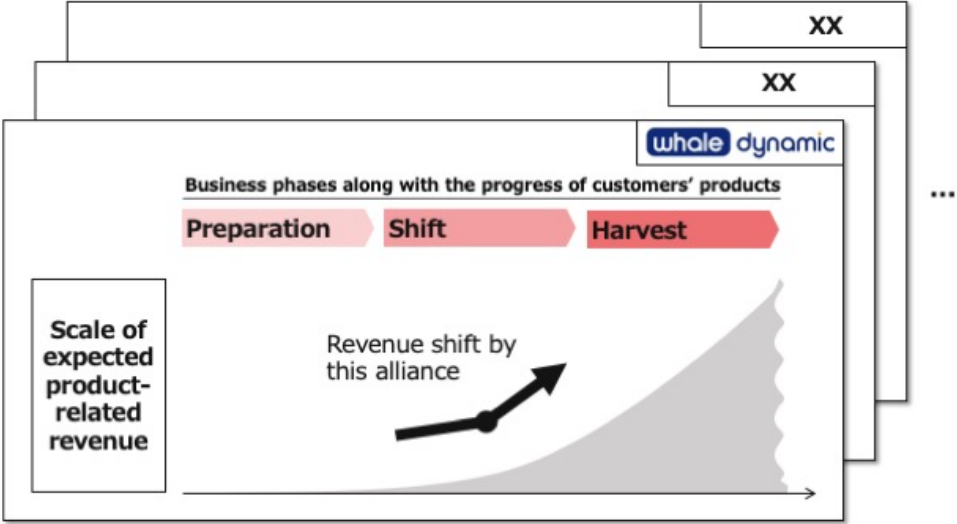
The expansion of such products to autonomous driving is expected to be a major growth opportunity for Kudan to further expand its customer commercialization area and scale the business significantly.

Future growth of product-related revenue

Future growth of product-related revenue



- Beginning with Whale Dynamic, Kudan aims to further expand product-related revenue, by promoting the progress of the business phase with customers in each of their commercialized projects



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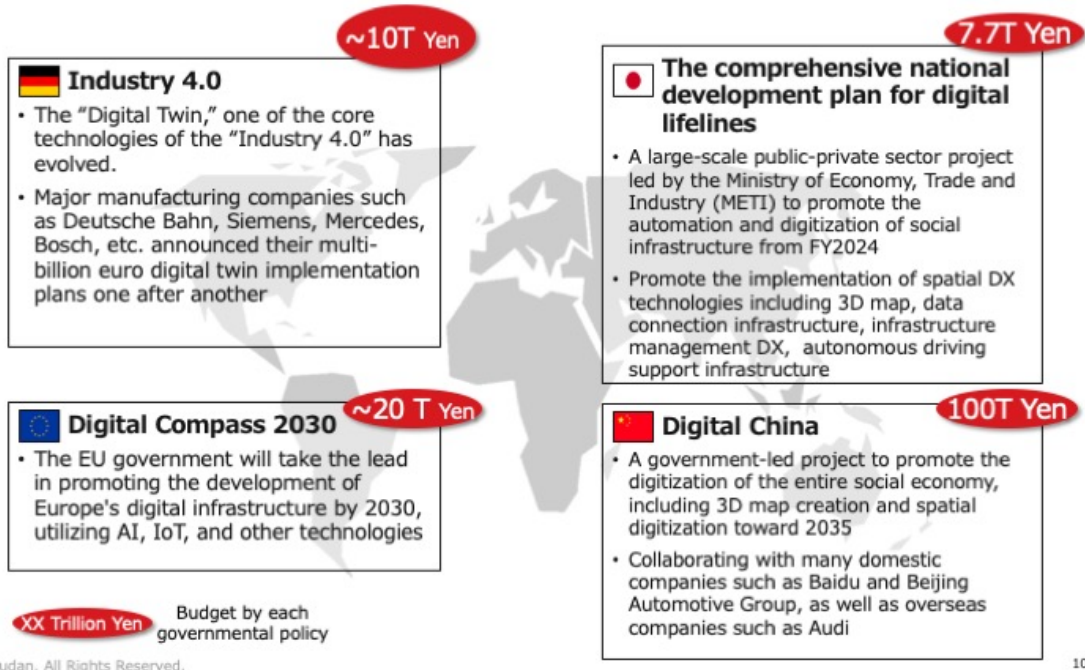
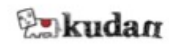
Ko : This progress with Whale Dynamic is just one example and we expect to continue to expand product-related revenue in the future.

Starting with the progress made with Whale Dynamic, we will achieve to expand product-related revenue of each project by advancing the business phase with partners from preparation to shift and from shift to harvest in the same way for each project that has already been commercialized.

By increasing the number of such projects, we aim to achieve stable and continued growth in our revenue.

Growing market demand on a global scale, for digital twin and spatial DX promotion in mapping application

Growing market demand on a global scale, for digital twin and spatial DX promotion in mapping application



Ko : In the current fiscal year, business progress in mapping applications has been accelerating, and this is due to the rapid expansion of global market demand that promotes digital twin and spatial DX.

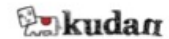
Specifically, many countries around the world are developing policies to promote the digital society by utilizing 3D digital maps, and there are many use cases that match the applications of our technology.

For example, in Germany, digital twin has evolved as one of the core technologies of the industrial policy, "Industry 4.0", and major manufacturing companies are announcing plans to implement digital twin with large investments one after another.

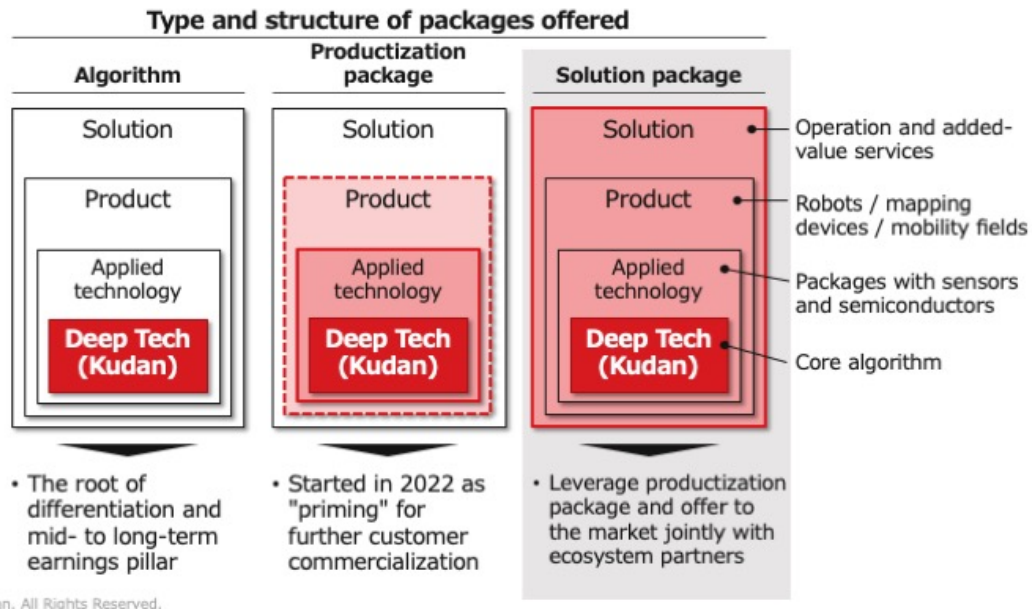
In Japan, a large-scale public-private sector project is planned to promote social implementation for automation and digitization of social infrastructure, including the comprehensive national development plan for digital lifelines, which will promote the implementation of spatial digital technologies, such as 3D maps and infrastructure management DX.

Expansion of solution business

Expansion of solution business



- Build and expand solutions for end customers with ecosystem partners to meet growing market demand



Ko : In response to this growing market demand, we are developing our solution business, and I would like to explain its status.

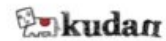
To begin with, the solutions business is positioned as a so-called "final package" for end customers, in which the package is expanded to a level where service operations and value-added services can be provided by combining and integrating the core algorithms, or deep layer technology, which is the pillar of Kudan's mid- to long-term earnings, with several layers of peripheral technologies.

This solution package will enable us to deliver the value of Kudan's deep technology more quickly and more directly to end-customer demand, and will help drive the market penetration of Kudan's deep technology and further customer commercialization.

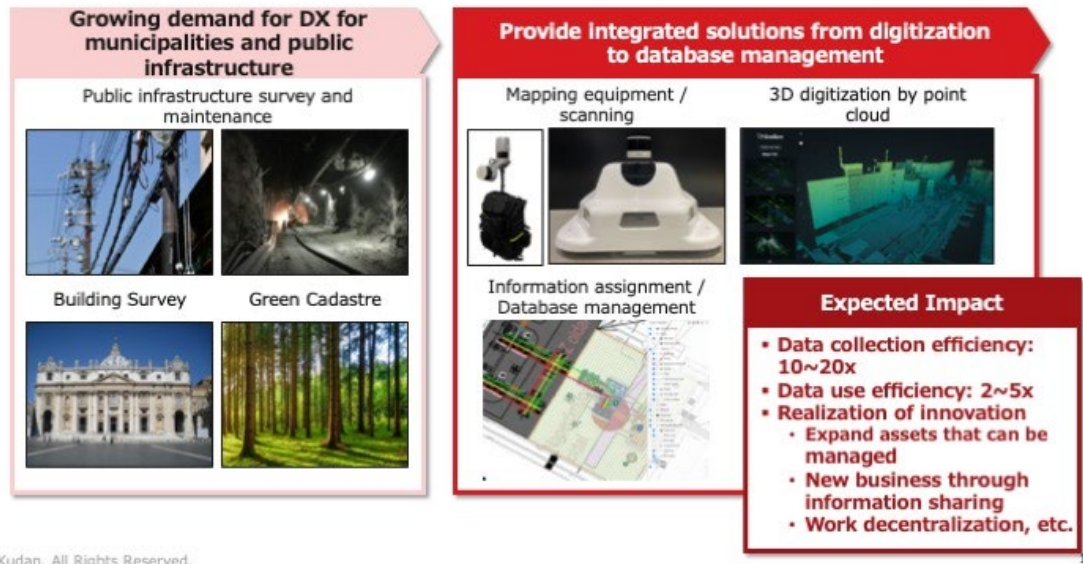
Currently, in our solutions business, we have developed and been offering solution packages to the market in collaboration with our ecosystem partners, utilizing the productization packages we have started offering since 2022.

Expand solution business for digital asset infrastructure

Expand solution business for digital asset infrastructure



- Develop DX-based solution business utilizing productization packages (mapping)
- Deployment in municipalities and public infrastructures is underway, preceding in Europe. Aim of expanding revenue to more than 100 million yen scale in the short term



Tian Hao (hereafter “Hao”) : Hao, COO, will explain Kudan's digital asset infrastructure solution as an example of its solutions business.

Among the various industries currently implementing spatial digital technology in society, demand for DX is growing especially in the municipal and public domain for infrastructure maintenance/management and smart city infrastructure development.

In addition to utilizing the productization packages for mapping released last year, we are collaborating with various partners, including asset data management and infrastructure development vendors and mapping service providers, to provide integrated solutions from digitization to database management. This solution has been proven to improve digital data collection and maintenance efficiency by 10 to 20 times and data use efficiency by 2 to 5 times compared to conventional approaches, and is also expected to contribute to innovation in infrastructure-related operations.

This solution for asset data management infrastructure is being offered first to municipalities and public infrastructure in Europe, with the aim of expanding revenue to more than 100 million yen scale in the short term.

Solution partner for digital asset infrastructure

Solution partner for digital asset infrastructure



— Concluded a basic agreement with STS Group, headquartered in Hungary, to jointly develop a digital asset infrastructure solution business in Europe as a strategic business partner

 ×  	<div style="background-color: #cccccc; padding: 5px; margin-bottom: 10px;">Company profile</div> <ul style="list-style-type: none"> ▪ Founded in 2002, a plant engineering and turnkey solution provider in the renewable energy area ▪ Business is the design, construction, and operation of power generation facilities for renewable energy sources, such as solar and wind power, and other lifelines ▪ Implement digital technology into business processes at an early stage to provide highly reliable, cost-effective solutions <div style="background-color: #cccccc; padding: 5px; margin-bottom: 10px;">Regional expansion</div> <p>Hungary, Germany, Central and Eastern Europe, Balkans, Baltic States</p> <div style="background-color: #cccccc; padding: 5px;">Clients</div> <p>Major European energy-related companies such as E.ON, RWE, MAVIR</p>
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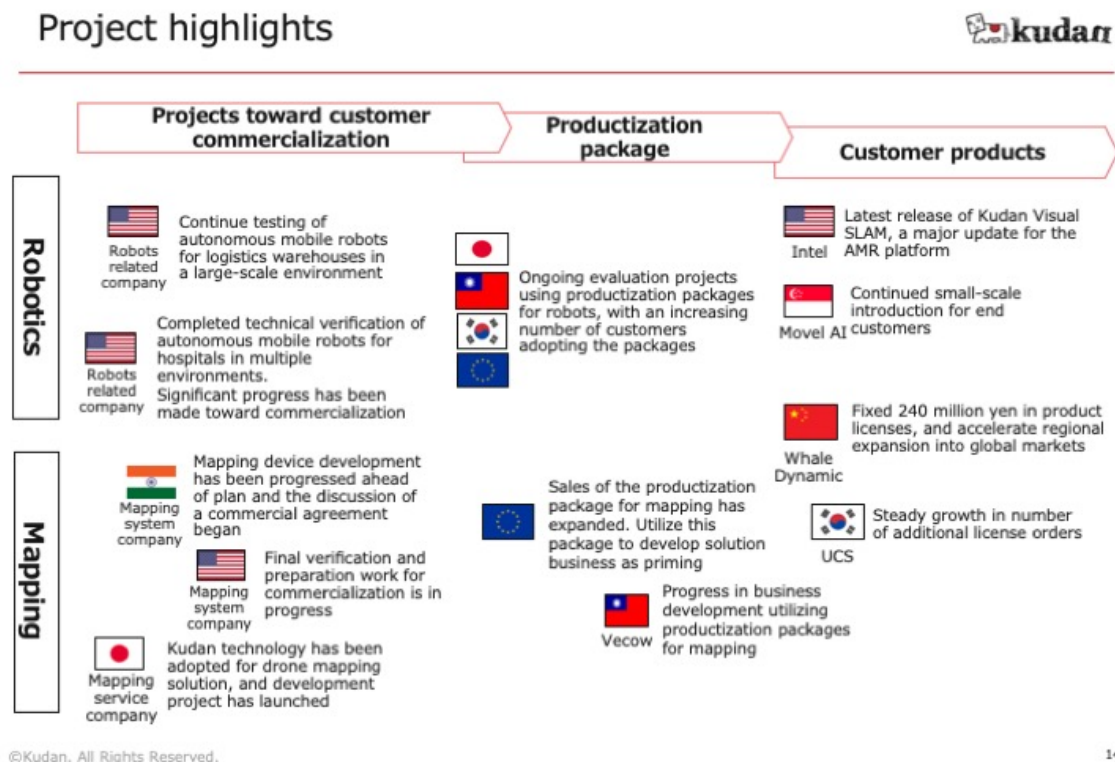
Hao : Moreover, Kudan concluded a basic agreement with STS Group, headquartered in Hungary, as a new solution partner for digital asset infrastructure.

STS Group, founded in 2002, is a plant engineering and turnkey solution provider in the renewable energy area.

With major European energy-related companies such as E.ON, RWE, and MAVIR as existing customers, STS Group has also expanded its business in Hungary and Germany, as well as in Central and Eastern Europe, the Balkans, and the Baltic countries.

STS Group has implemented digital technology into business processes at an early stage. Kudan will collaborate with STS Group on both technical and business aspects to jointly develop infrastructure DX business in Europe as a strategic business partner.

Project highlights



Hao : I will explain the highlights of the individual projects.

By continuing to focus on the robotics and mapping areas, development projects for customer commercialization in both segments are progressing steadily.

In the robotics area, technical verification of autonomous mobile robots for hospitals in multiple environments was completed, and significant progress has been made toward commercialization. In addition, as the evaluation projects and customer base utilizing productization packages for robots have expanded to multiple regions, and several development projects adopting Kudan technology have been launched, candidates for customer commercialization for the next fiscal year are steadily accumulating. Furthermore, for projects that have already been commercialized, we are also working to increase product license orders by releasing the latest version of Kudan Visual SLAM, a major update for the Intel AMR platform.

In the mapping area, development projects for commercialization in the U.S. and India are in the final phase and are progressing toward commercialization by the end of this fiscal year. In Japan, Kudan technology has been adopted for a drone-based mapping solution, and a new development project for commercialization has been launched. In addition to this, sales of productization packages for mapping are expanding and contributing to the development of the solutions business in Europe.

In the second half of the year, we will continue multifaceted business development with our ecosystem partners by utilizing Kudan SLAM as a deep technology, productization packages as priming, and solution packages as a final form.

This concludes our explanations about the financial results.

■ Company Details

Name: Kudan Inc.

Securities Code: 4425 (TSE Growth)

Representative: CEO Daiu Ko

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