

February 14, 2024

Company Name	Kudan Inc.	
Representative	CEO	Daiu Ko
	(Securities code: 4425 TSE Growth )	
Inquiries	CFO	Kohei Nakayama
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**The video and the transcript of the financial report presentation  
for the third 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 third quarter of the fiscal year ending March 31, 2024 are now available online. As the video available in Japanese, the English-translated transcript is attached to this release.

**【FY2024 Q3 financial report presentation】**

1. Date: Wednesday, February 14, 2024
2. Speakers: Daiu Ko, CEO  
Kohei Nakayama, CFO

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

<https://youtu.be/CnLebRS9IMU>

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## Supplementary Documentation to the financial report for the third quarter of the fiscal year ending March 2024

February 14, 2024

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 third quarter of the fiscal year ending March 2024.

Normally, we are explaining by video only for the second quarter and annual financial results, but due to the significant progress of our business, we will explain this third quarter financial results by video in addition to the financial results presentation material.

## 3Q Highlights



- Annual revenue forecast of 520 million yen remains unchanged, with fixed revenue of 480 million yen at this time. Foreign exchange and government subsidy factors resulted in an upturn forecast in the net profit/loss <sup>1</sup>
- Revenue expansion through the two pillars of growth, “**A** customer commercialization” and “**B** solution,” is progressing steadily, and these will be boosted by financing
  - A** In expanding product licensing from customer commercialization;
    - Kudan continues to expand commercialization with Inertial Lab (U.S.), drone provider (Japan), DatesMetron (India), etc
    - Agreement with WD for product licensing (300 million yen) to harvest customer commercialization projects
  - B** In sales expansion through solutions;
    - Full-fledged launch of European energy industry's facility management DX projects
    - Started working with the German government and expect to expand projects with the railroad, automotive, and manufacturing industries in the future

<sup>1</sup> Annual financial forecast was revised on December 18, 2023

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

As for revenue that is expected to grow, the annual forecast for the current fiscal year remains unchanged at 520 million yen, with fixed revenue of 480 million yen at this point, and revenue is growing steadily.

Foreign exchange and government subsidy factors resulted in an upturn in the net profit/loss forecast.

As for the business, revenue expansion through "customer commercialization" and "solution" is progressing steadily, and these will be boosted by financing.

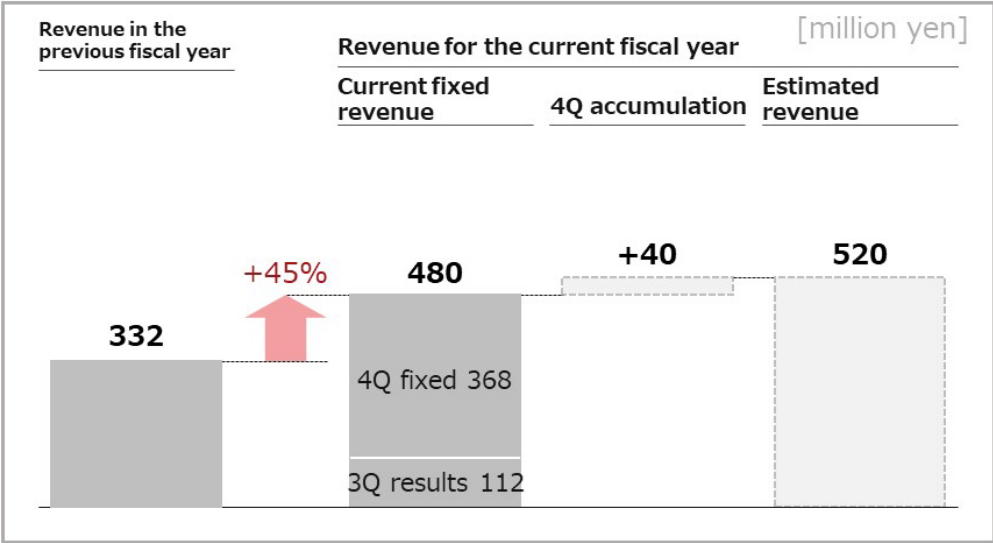
In expanding product licensing from customer commercialization, we have continued to expand commercialization with Inertial Lab in the U.S., a Japanese drone company, and DatesMetron in India, etc. In addition, we have agreed with Whale Dynamic for product licensing of 300 million yen to harvest customer commercialization projects.

In revenue expansion through solution, we have seen full-fledged launch of European energy industry's facility management DX projects, and based on this momentum, we have started working with the German government and expect to expand projects with the railroad, automotive, and manufacturing industries in the future.

## Steady growth in revenue



- Current fixed revenue<sup>1</sup> are 480 million yen, already growing 45% over the previous annual revenue
- Steady progress toward achieving the revenue budget of 520 million yen for the current fiscal year



<sup>1</sup> Revenue for which orders have been received, there is almost no risk of delivery in the current fiscal year, and revenue are certain to be recorded in the current fiscal year.

**Kohei Nakayama (hereafter “Nakayama”)**: As for the details of financial performance for the third quarter of the fiscal year ending March 2024, Nakayama, CFO, will provide an explanation.

First of all, here is the slide showing the revenue situation.

Although revenue as of the third quarter is only 110 million yen due to the large number of product delivery projects in the fourth quarter, the current fixed revenue is 480 million yen, already growing 45% over the previous annual revenue, and Kudan has been steadily progressing in terms of both growth from the previous fiscal year and achievement of the budget for the current fiscal year.

## Profitability is on an improving trend

- As for Operating profit - Net profit, the annual forecast was revised on December 18, 2023 (Revenue forecast remains unchanged)
- Significant upturn in non-operating income due to increase in foreign exchange gains from intra-group receivables and payables and R&D subsidies from foreign governments, and significant improvement is also expected compared to the previous fiscal year

		3Q	Annual Profit/Loss	
		Profit/Loss	Before revision	Latest
Operating Profit	Current	¥598	¥560	¥550
	<i>Previous</i>	<i>¥477</i>		<i>¥598</i>
Ordinary Profit	Current	¥409	¥520	¥240
	<i>Previous</i>	<i>¥315</i>		<i>¥394</i>
Net Profit <sup>3</sup>	Current	¥419	¥550	¥270
	<i>Previous</i>	<i>¥323</i>		<i>¥413</i>

1 Net profit attributable to owners of parent

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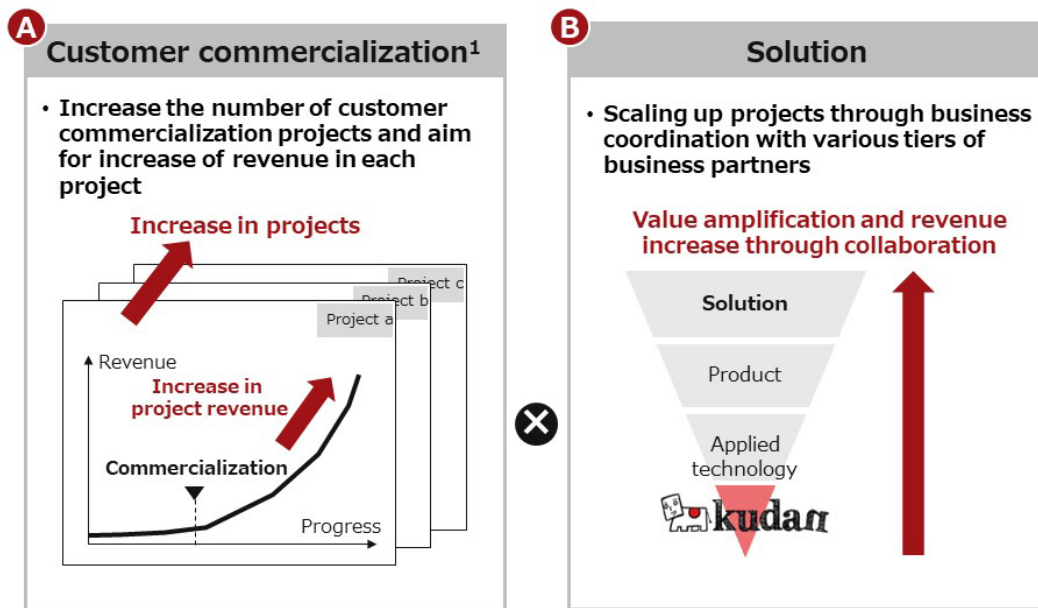
**Nakayama:** Next, I will explain operating profit to net profit.

As for the results through the third quarter, costs have been in line with the initial forecast, although overseas costs have increased due to the appreciation of foreign currencies and inflation. On the other hand, we expect foreign exchange gains arising from intra-group receivables and payables due to the appreciation of foreign currencies and an increase in R&D subsidies from overseas governments from our initial forecast, and have revised our annual forecast to reflect this point.

As a result, we expect a significant improvement in profits, especially in ordinary profit and net profit, from the previous year.

This concludes the explanation of the financial performance.

# Accelerate "two pillars" for revenue expansion and aim for growth



<sup>1</sup> The tipping point in projects where Kudan's direct customers adopt its technology in their products and decide to release the customers' products

**Nakayama:** We'll explain the business from here.

Currently, as our business strategy to expand revenue, we are accelerating "customer commercialization" and "solution" to achieve growth.

Customer commercialization represents the turning point in a project where a Kudan's customer adopts its technology for its own product and decides to release the customer's product, and we aim to expand revenue by increasing the number of customer commercialization projects and by increasing revenue for each project.

In addition, as for the solution, Kudan, which offers the SLAM algorithm as a Deep Tech, aims to amplify the value of the Deep Tech through business coordination with various tiers of business partners to achieve scaling up projects.

These two initiatives are not two separate businesses, but rather a combination of both that will accelerate revenue growth through synergy.

# Financing to boost the "two pillars" of growth

## — Plans to finance 1.9 billion yen through share acquisition rights <sup>1</sup>

	Progress Summary	Use of funds for growth
<b>A</b> Customer commercialization	<ul style="list-style-type: none"><li>• Continued customer commercialization</li><li>• Concluded product license agreement with WD</li><li>• Expand product-related revenue</li></ul>	<ul style="list-style-type: none"><li>• Continue and expand customer commercialization</li><li>• Expand revenue by strengthening alliance with WD</li><li>• Revenue growth in each project</li></ul>
<b>B</b> Solution	<ul style="list-style-type: none"><li>• Building a business ecosystem</li><li>• Participation in European government public projects</li><li>• Launch of digital twin projects</li></ul>	<ul style="list-style-type: none"><li>• Large scale digital twin projects in Europe and global expansion</li><li>• Development of solution business in the robotics area</li></ul>

<sup>1</sup> Amount assuming all share acquisition rights are exercised at the initial exercise price of 1,183 yen

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**Nakayama:** In order to further promote these two pillars of growth, namely customer commercialization and solution, we have started to finance with share acquisition rights since January.

With this financing, we aim to continue and expand the number of customer commercialization projects, to increase revenue by strengthening the alliance with Whale Dynamic, and to increase revenue by harvesting each project in the same way as Whale Dynamic.

Regarding “solution”, we are working on scaling up digital twin projects, which are leading the way in Europe, and global expansion to other regions outside of Europe, and we are also aiming to develop solutions in the robotics field.

We are sorry for investor’s concern about the current stock price situation due to concerns about the dilution and supply and demand caused by this financing, but the current business situation is that our customers continue to commercialize the products one after another, and our commercial-level technology is being adopted in countries around the world, which serve as a model for further adoption of our technology as commercial products.

In addition, the technological capabilities of these commercial products and the track record of the adoption are leading to a further expansion of technology adoption in Europe, particularly as a solution for digital twin applications.









We would like to strengthen our financial base through this financing, and while furthering this positive trend toward the expansion of social implementation of our technology, we hope to achieve



a full-scale expansion in revenue from the next fiscal year onward and improve profitability to achieve a turnaround and subsequent profit growth, and would appreciate your continued support.

**A Customer commercialization**  
**Maintaining expansion of customer commercialization and expect to its further expansion** 

— With 3 new projects (7 in total) and 1 planned project at the current fiscal year, Kudan expects to increase product-related revenue<sup>1</sup> through growth in each project

Newly commercialized projects	Target Products	Added value	Market expansion	Image
<b>Disclosed</b>  	Mapping and 3D measurement device for drones	Enables surveying not only in the air, but also with ground-based equipment (dual-use air/land) for comprehensive and highly efficient surveying	A wide range of demand is expected in the forestry, civil engineering and construction, and public sectors, and Kudan aims to expand globally to more than 30 countries	
<b>Disclosed</b>  Drone solution provider				<i>Coming soon</i>
<b>Disclosed</b>  	Mobile mapping system	Significantly reduces development and product costs while maintaining accuracy	Expanding into the mining, civil engineering and construction industries backed by national policy (DX)	
<b>Planned</b>  Robot manufacturer	Logistics robot	Stable localization in diverse environments, greatly improving the practicality of autonomous mobility	Aim for expansion in Japan and Asia with the investor (major Japanese logistics company)	<i>Coming soon</i>

■ In addition, several customer projects are progressing toward commercialization near in the future including EU robotics, US mapping

<sup>1</sup> Revenue from contracts that enable customer commercialization (product sales and internal/external service operations) using Kudan's technology 8

**Ko:** In customer commercialization, we maintained an increase in customer commercialization projects, including the achievement of three new projects.

We are pleased to introduce new projects that have been commercialized.

First is Inertial Lab, a U.S.-based company that provides measurement devices for drones. We have been working with Inertial Lab for the adoption of our technology for mapping and 3D measurement devices for drones. Inertial lab's new product enables not only conventional surveying methods, in which a drone flies and surveys from the air, but also ground-based surveying by attaching the same measurement devices to various non-drone terminals. Our technology enables comprehensive and highly efficient mapping and surveying of any environment with this dual-use air/land mapping and 3D surveying solution.

In addition, a similar product commercialization has been newly realized with a Japanese drone solution company, and it is expected to become a mainstream trend in the future. These advanced products are expected to be in broad and solid demand in the forestry, civil engineering and construction, and public sectors, and the two companies plan to expand their customer products globally to more than 30 countries in total.

Moreover, we have also been working with DatesMetron, a mapping solutions company based in India, and they decided to incorporate our technology in their mobile mapping system and release

it as a customer product. In this project, the uniqueness and versatility of our technology enabled to significantly reduce development and product costs that could not be achieved in the past, while maintaining product accuracy. We aim to widely deploy this product, driven by the market environment in India, where a digital twin strategy for the mining and civil engineering industries is being promoted as a national policy.

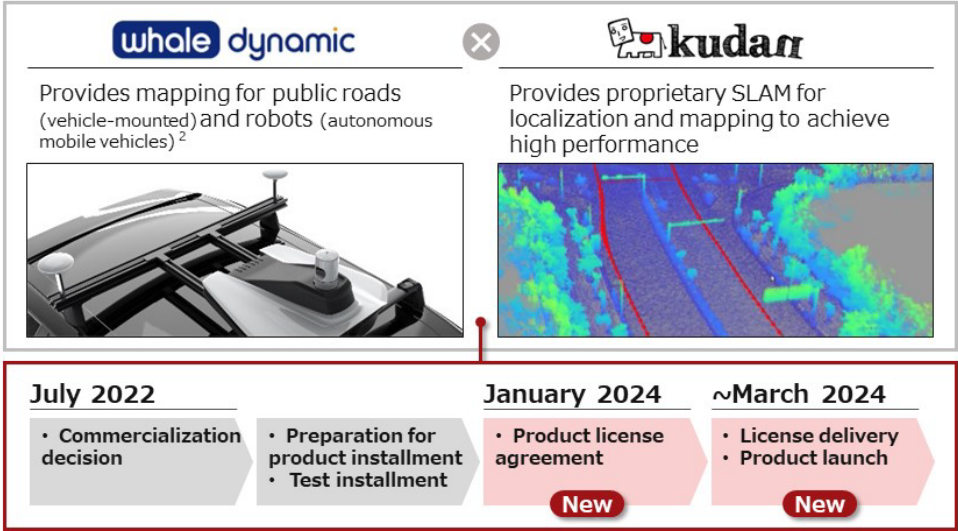
In addition to the new projects already disclosed, another project to be finalized this fiscal year will be the installation of Kudan technology in logistics robots to be released by a robotics company based in China. This project will greatly improve the practicality of autonomous mobility as a robot by ensuring that the robot's localization, which is necessary for autonomous mobility, operates stably in a variety of environments, and we aim to expand the product in Japan and Asia with a major Japanese logistics company that has invested in the customer.

The number of customer commercialization projects has increased steadily, and several other projects, including European robotics and North American mapping, are progressing toward commercialization in the near future, and we expect product-related revenue to increase through the growth of each of these projects.

**A Customer commercialization**  
**Progress in commercialization projects and shift to harvesting product license revenue**



- 300 million yen in product licenses agreed with WD, 240 million yen of which will be delivered this fiscal year<sup>1</sup>
- Product-related revenue for this fiscal year are expected to be revised upward to 300 million yen (Forecast at the beginning of the fiscal year was 150 million yen)



<sup>1</sup> Annual financial forecast was revised on December 18, 2023 (the upward revision of product-related revenue has been reflected)  
<sup>2</sup> URL for the demonstration video of technologies related to mapping (vehicle-mounted) and robotics (autonomous mobile vehicles)

**Ko:** Progress is also being made on harvesting the customer commercialization projects.

In July 2022, we worked with Whale Dynamic, the first Kudan’s project to achieve customer commercialization, to provide Kudan's SLAM technology for localization and mapping to their vehicle-mounted mapping equipment for public roads and autonomous mobile vehicles, and we have been promoting installment preparation and test installment of the high-performance product.



Based on this progress, we have agreed with whale dynamic to license 300 million yen in product licenses, of which 240 million yen will be delivered this fiscal year for the full-scale market launch of the customer's products.

Product-related revenue for the current fiscal year is expected to be revised significantly upward from the initial forecast of 150 million yen to 300 million yen as the latest forecast.




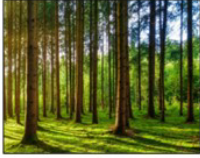
Following Whale dynamic, we will continue to work with each of our other customers to bring their products to market and popularize them, and in the same way, we aim to harvest product license revenue.

**B Solution**  
**Utilize Kudan’s Deep Tech as Solutions in response to demand for facility and infrastructure management DX**


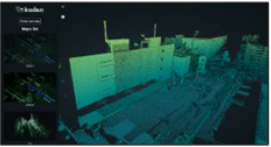



— Structure Kudan’s spatial recognition technologies as solutions for end customers and scale up the projects

**Digital twin demand is growing, driven by promotional measures in major countries**

Energy facilities management 	Infrastructure management 
Building survey 	Green cadastre 

**Launched DAMS<sup>1</sup>, an integrated solution from digitization of all assets to database management, with partners<sup>2</sup>**

Mapping equipment / scanning 	3D digitization by point cloud 
Information assignment / Database management 	

**Expected Impact**

- Data collection efficiency: 10~20x
- Data use efficiency: 2~5x
- Realization of innovation
  - Expand assets that can be managed
  - New business through information sharing
  - Work decentralization, etc.

1 Assets are any equipment or buildings that need to be managed, and DAMS (Digital Asset Management Solution) can digitalize the management and operation of those assets.  
 2 Established collaboration with 10+ companies for system integration, data management, survey, application development, etc. and developed and launched the solutions

**Ko:** As for the other pillar of revenue growth, “solution”, we are also expanding the scale of our projects by developing deep technology solutions in response to the global demand for digitization of facilities and infrastructure management.

For example, DX demand is growing for various industrial and public infrastructure applications, such as energy equipment, infrastructure, construction, and green space, driven in large part by national policies in countries around the world.

In response, Kudan collaborated with ecosystem partners to establish Digital Asset Management Solution, commonly known as DAMS, an integrated solution from digitization of any asset to database management, using Kudan's deep technology on spatial recognition as a solution for end customers.

DAMS is a comprehensive solution that uses mapping and scanning equipment incorporating Kudan technology to acquire 3D data, converts it into 3D point cloud data using Kudan's algorithms, and then adds information and manages the data for the end customer. This will dramatically improve the efficiency of data collection and data usage in the management operations for infrastructure of end customers such as infrastructure companies and public municipalities, and will have a significant impact as an innovation that changes the way asset management itself is carried out.

**B Solution**  
**Project orders and agreements for new energy facilities management in Europe are growing**



— Photovoltaic infrastructure management projects are progressing, driven by investment trends that are gaining social and public momentum

**Tailwind for growth of new energy facilities management projects in Europe**

**Started solution projects in the current fiscal year**

- Acceleration of the decarbonization shift**
  - Increased decarbonization investment in industry and public sector, including the European Green Deal<sup>1</sup>
- The move away from Russian natural gas is rapidly increasing**
  - Security measures are further boosting investment in new energy equipment
- Kudan works with government and public sector projects**
  - Started collaboration with the German Ministry of Transport and Digital Infrastructure for expanding DX in Europe

**Ordered photovoltaic infrastructure (transmission networks and substations)**

<b>Orders expected to be received in the current fiscal year</b>	<ul style="list-style-type: none"> <li>• Over 500 MW of Photovoltaic infrastructure</li> <li>• Over 100 km of transmission</li> <li>• Around 10 large substations</li> </ul>
<b>Orders expected to be received in the next fiscal year (example)</b>	<ul style="list-style-type: none"> <li>• Multi-GW solar Photovoltaic infrastructure</li> <li>• Over 300 km of transmission</li> <li>• Around 30 large substations, etc.</li> </ul>

<sup>1</sup> EU roadmap for zero carbon emissions by 2050, with public and private sector investment of 40 trillion a year planned.

**Ko:** These business initiatives are leading the way in Europe, where project orders and agreements for new energy facilities management are growing.

Specifically, in Europe, photovoltaic infrastructure management projects are progressing, driven by a trend that is gaining social and public momentum.

In Europe, the move away from Russian natural gas, supported by security measures, is further encouraging investment in new energy facilities, while investments in the industrial and public sectors are increasing, such as European Green Diesel, with the aim of decarbonizing the industry.

In this environment, Kudan has started working with the German Ministry of Transport and Digital Infrastructure for DX in the European region, and expects to launch solution projects during this fiscal year.

While we have already received orders for solar power generation infrastructure such as power grids and substations, we expect to receive orders for solar power generation infrastructure in

excess of 500 MW this fiscal year, including over 100 km of power grids and approximately 10 large-scale substations, and for solar infrastructure of several gigawatts in size next fiscal year, including over 300 km of power grids and approximately 30 large-scale substations.

**B** Solution

**Seize expanding business opportunities through solutions and aim for sales growth**



- Growing business opportunities with a view to expanding into other regions and into public and industrial infrastructures

**Business opportunities aiming to achieve**













1 Projects for energy facilities management expected to be ordered or agreed (to the implementation policy) this fiscal year, and sales are expected to be recorded from the next fiscal year onwards  
 2 Revenue opportunities that are currently being planned with customers and expected within 3 years  
 3 Estimated amount for the entire market (by Kudan based on market opportunities in each country, etc.), and Kudan may receive a part of the order. 12

**Ko:** Currently, Kudan expects to receive revenue of 50 million yen, or 10% of total revenue, from energy facility projects that have been solutionized this fiscal year, but Kudan is aiming to expand its business dramatically, with more than 500 million yen in orders and policy agreements expected this fiscal year for energy facilities and 16 billion yen in direct revenue opportunities for Kudan from the projects discussed during the mid-term plan, which are expected to be completed within the next three years.

In addition, global expansion into other regions, expansion into public and industrial sectors other than energy facilities, as well as potential market expansion, will open up market opportunities of at least several hundred billion yen in the mid to long term, and we will proceed with our business to capture these opportunities for growth.

## (Reference) Other 3Q project highlights<sup>1</sup>

	Customer	3Q progress
<b>Robotics</b>	 Robots related company	Technical verification of autonomous mobile robots in multiple environments has been completed and discussions are being finalized for a product license agreement
	 Robots related company	Decision made to develop a product after adopting a productization package for robots <sup>2</sup> . Development and verification work is in progress for commercialization in the next fiscal year
	 Robots related company	Development progresses toward commercialization of next-generation of autonomous mobile robot that provides delivery services for commercial facilities. Development was accelerated after the adoption of a productization package for robots <sup>2</sup>
	 Major heavy industries manufacturer	Completed demonstration experiments on autonomous mobility of industrial equipment for transportation within factory premises
	 Major heavy industries manufacturer	Decided to introduce a productization package of autonomous robots <sup>2</sup> for logistics
<b>Mapping</b>	 Mapping system company	Started integrating technologies to develop mapping products for construction sites
	 Mapping system company	Completed initial phase of validation for next generation release to enhance existing mapping products
	   Several companies	Expanded introduction of productization packages <sup>2</sup> for mapping in the regions of Japan, the U.S., and Europe

<sup>1</sup> This slide shows a selection of projects that made particularly strong progress during the quarter. Projects not listed such as major Japanese telecom companies, ERASMO, etc. are still ongoing. Please refer to P8-12 for highlights of commercialized projects and solution projects

<sup>2</sup> A package that reduces the time required to develop and test customer products, and also enables them to be commercialized directly as products. Mapping package has been introduced since 2022 and robot package has been introduced on a trial basis to a limited number of customers since 2023 and will be officially available soon

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**Ko:** Finally, for other project highlights that made significant progress during the quarter, please see the slide.

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](#).