Supplementary Document
to the financial report for the third quarter
of the fiscal year ending March 2025

Kudan Inc. （TSE Growth : 4425）
February 14, 2025

Highlight of Q3

Financial results up to Q3

- **Revenue of ¥250 million, up 123% YoY**
  - Between the two focus areas, Digital Twin is driving growth while Robotics is experiencing delays
  - We aim to achieve the annual forecast by increasing revenue in Q4
- **Operating profit of -¥680 million, -¥80 million YoY**
  - In response to delays in robotics, we rebalanced focus projects, leading to an increase in upfront costs

Progress of growth strategies

- **Customer commercialization[1] is steadily increasing in number of projects, with revenue from commercialized projects also increasing**
  - Number of projects up to Q3 reached 8 (+166% YoY), commercialization-related revenue[2] reached ¥180 million (+900% YoY)
- **End-solution building[3] is expanding, primarily driven by Digital Twin projects**
  - Digital Twin projects are progressing steadily, expanding from public sector focus to private sector facility management and manufacturing

Toward revenue improvement

- **Due to the prolonged market expansion of next-generation robotics, we are rebalancing key projects (adjusting project composition) to boost short-term revenue and accelerate profit structure improvements**
  - Expanding focus on Digital Twin and driver assistance robotics with expected short-term market expansion (e.g., robot cameras for AR, improving efficiency and safety of driver assistance forklift)
  - Continuing selective engagement in high-quality projects for full automation robotics

1. The turning point in a project where our direct customer decides to adopt Kudan technology for their commercial products and makes the decision to release these products
2. Revenue associated with contracts allowing customers to use our technologies and solutions in their commercial products or internal operation services
3. To build solutions not only for the customer base that directly adopts our deep tech, but also for end customers through business co-ordination with collaborators
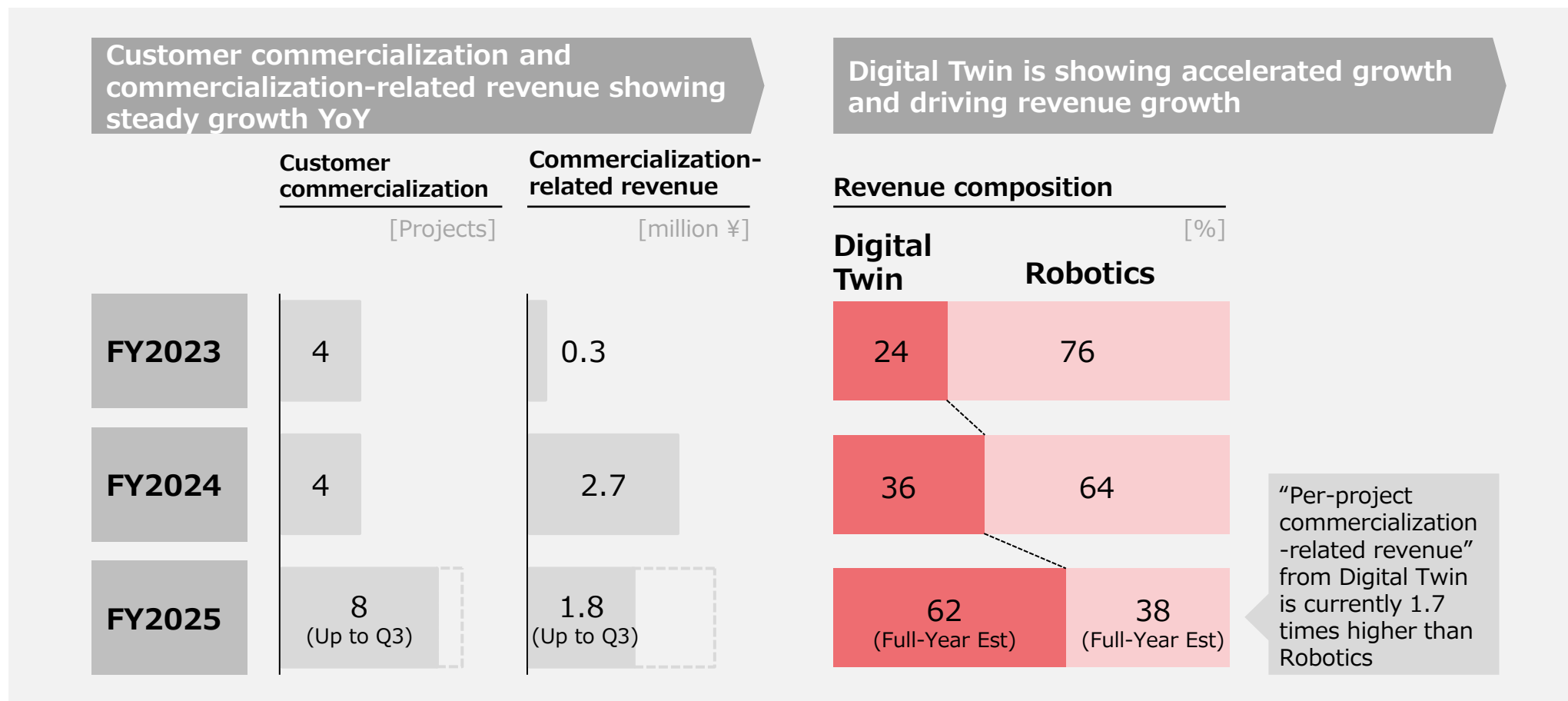
Financial Performance

- Revenue expanded significantly, up 123% YoY, but did not meet budget expectations. We aim to achieve the annual target through revenue growth in Q4.

- Operating profit fell below budget expectations. In addition to accumulating profit through Q4 revenue, we are accelerating improvements in the profitability structure by rebalancing projects and expanding commercialization-related revenue.

[million ¥]	Previous FY（24/3）		Current FY（25/3）		
	Q4	Q3	Q4 (Est)	Q3	
Revenue	490	112	700	250	• Driven by Digital Twin • Following the typical year-end concentration trend, expecting large-scale revenue in Q4
Operating profit	△527	△598	△430	△687	• Costs increased due to organizational expansion and the acquisition of complementary technologies[1] as part of strategic adjustments for improving profitability structure
Ordinary profit	△50	△409	-	△480	• 46 million in development grants from the UK government and ¥165 million in foreign exchange gains from intra-group transactions, due to yen depreciation, classified as non-operating income.
Profit	△69	△419	-	△519	

1. Research and development expenses and cost of sales including procurement of hardware and other items

Customer commercialization is progressing steadily, with revenue increase driven by Digital Twin

■ Customer commercialization and commercialization-related revenue, which are indicators of business progress, are advancing as expected, with practical applications of our technology expanding

■ In the short term, Digital Twin is leading revenue growth with faster market adoption, while Robotics is experiencing delays

Customer commercialization and commercialization-related revenue showing steady growth YoY

Digital Twin is showing accelerated growth and driving revenue growth

	Customer commercialization [Projects]	Commercialization-related revenue [million ¥]
FY2023	4	0.3
FY2024	4	2.7
FY2025	8 (Up to Q3)	1.8 (Up to Q3)

Revenue composition [%]

	Digital Twin	Robotics
FY2023	24	76
FY2024	36	64
FY2025	62 (Full-Year Est)	38 (Full-Year Est)

"Per-project commercialization-related revenue" from Digital Twin is currently 1.7 times higher than Robotics

1. Calculated based on the estimated cumulative commercialization-related revenue forecast and the number of customer commercialization projects from FY2023 to FY2025.

Rebalancing projects toward revenue improvement, aiming for driving short-term revenue growth

- Expanding Digital Twin and Driver Assistance Robotics, both expected to achieve rapid technology penetration, by increasing project number and more focusing on end-solution building

- For Full Automation Robotics, requiring a longer timeframe for technology penetration, we are selectively continuing engagement in high-quality projects

Application Areas of AP technologies	Solution Examples	Market Characteristics	Implementation of Project Rebalancing	Q3 Highlighted Projects
Digital Twin	• 3D Scanning • Spatial & Facility Information Management • Design, Planning & Simulation • Inspection & Maintenance	• Rapid development, validation, and deployment, with early market expansion expected	• Expanding the number of projects in line with market growth • Additional investment in End-Solution building[1] to scale project size	(A) Asset Management for European Industries
Robotics				
Driver Assistance	• Safety Enhancement • Efficiency Improvement & Advanced Functionality • Special Effects			(B) Robotic camera for AR (FOX Sports) (C) Efficiency and safety enhancement for Forklift
Full Automation[2]	• Fully Autonomous Mobility • Fully Automated Driving	• Requires a longer timeframe from pilot operation to full technologypenetration[2] • Large-scale potential market	• Continuing with selected "high-quality projects" that have scalable potential	• Robot taxi • Industrial conveyance vehicles • Drones for railway uses

1. To build solutions not only for the customer base that directly adopts our deep tech, but also for end customers through business co-ordination with collaborators
2. Next-gen full automation robotics, more complex than 2D-based robots (e.g., serving robots), are expected to expand into a massive market.

Highlighted Project Ⓐ: Asset Management for European Industries

kudan

- Capturing demand for industrial and logistics facilities, progressing toward large-scale projects in Europe[1]
- Developed next-generation Digital Twin technology, the core of the solution, in collaboration with XGRIDS
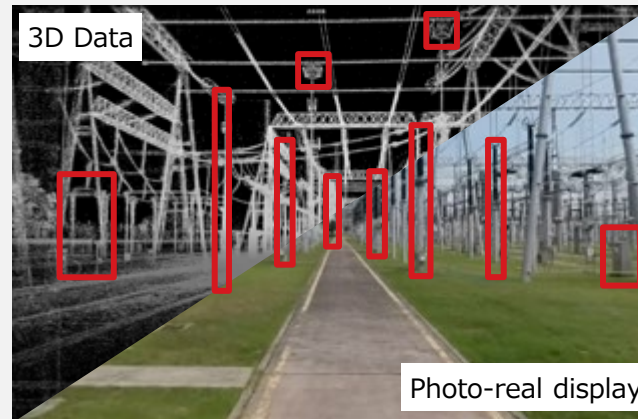
"Digital Asset Management Solution"

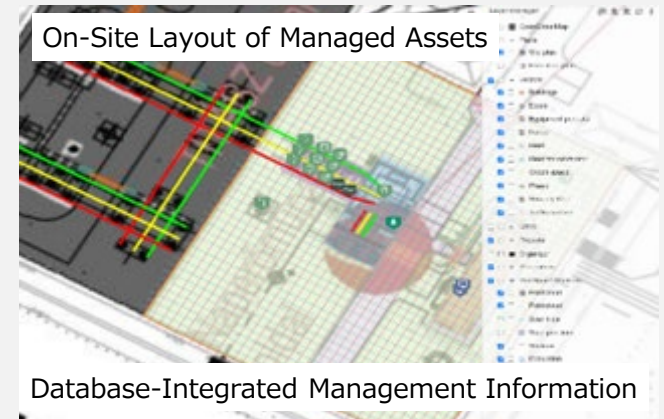| Data Generation with Next-Generation Digital Twin Technology	**Rapid Spatial Data Acquisition**	**Automated Recognition and Registration of Managed Assets using AI**	**Database Integration and Efficient Management Tools**
	3D Scanner	3D Data Photo-real display	On-Site Layout of Managed Assets Database-Integrated Management Information

Integrated Management Operations DX	Facility Ledger Management	Document Management	Equipment Viewer	Parts Inventory Management	Maintenance Planning/History Management	Search/Aggregation/Analysis Tools	Work Instruction Management	Work Time Management

Added Value	Data Generation Efficiency: 20×	Data Search Efficiency: 5×	Enabling Remote Operations	Improved Management Efficiency & Equipment Utilization

1. The previously disclosed energy infrastructure projects are experiencing delays due to adjustments in public policies. However, the steady launch of industrial and logistics facility projects has allowed the overall progress of Digital Twin projects to remain largely on track.

Highlighted Project B : Robotic Camera for AR (FOX Sports)

- Adopted for position recognition in human-operated robotic cameras for sports broadcasting, delivering an innovative AR viewing experience
- Recognized as the only technology capable of tracking high-speed camera movements, successfully deployed at Super Bowl, one of the world's largest event

Utilizing Proprietary Technology for Special Effects in Human-Operated Robots

Revolutionizing the Viewing Experience and Enhancing Content Value

- Integrated LiDAR sensors into AR wire robotic cameras, enabling precise camera position recognition using our technology
- Achieved high-precision recognition in fast, wide-area, and dynamic camera movements, previously unattainable.

- Delivers immersive AR visuals with seamless precision
- Successfully deployed at Super Bowl LIX, viewed by 140 million people
- Aiming for further implementation in large-scale global events.

Highlighted Project C : Forklift Efficiency & Safety Enhancement

- Focusing on efficiency and safety enhancement for driver assistance forklifts, which have low deployment complexity and high potential for early full technology penetration[1]
- Expanding projects with major Japanese and European companies, aiming for short-term profitability

Driver Assistance

Operational Efficiency
- Real-time tracking of forklift movement and operations within workspaces to enhance overall workflow efficiency

Safety Enhancement
- Recognizes forklift position, environmental conditions, and obstacles, providing driver assistance to prevent accidents

Full Automation
- Achieves efficient and safe automated forklift operation, enabling total cost savings through workforce reduction and full automation operations.

Full Automation

1. Continuing fully autonomous projects while adjusting project balance

Reference) Company overview

"Six perspectives" to understand Kudan

1		Artificial Perception, which is close to but different from Artificial Intelligence
2		Robotics and digital-twins changing the world
3		"Ultra-deep tech" to underpin industry from the deepest layer
4		World-class, cutting-edge tech firm born as global
5		Non-competing strategy to focus on areas where it is difficult for the major players
6		Kudan technology now begins to reach the market

Technical demo videos

https://www.youtube.com/@KudanLimited/videos

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Eyes to the all machines
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