Supplementary document on the revision of annual earnings forecast of the fiscal year ending March 2025

Kudan Inc.　(TSE Growth : 4425)
March 12, 2025

Overview of the revision of annual earnings forecast

Forecast Revision

	Original	Revised [million yen]	
Net Sales	700	500 ~	550
Cost of Sales, SG&A	1,130	1,350 ~	1,370
Operating Profit	-430	-850 ~	-820
(Ref.) Operating Profit (after-adjustment)[1]	-350	-800 ~	-770

Business Overview

- The number of customer commercializations (8 projects) and commercialization-related revenue (270~300 million yen) are expected to land as initially projected
- The expansion of robotics customer products is taking longer than expected, leading to revenue delays in commercial license and end-solution building (-170 million yen) and revenue delays in the Digital Twin solutions for European new energy facilities (-60 million yen)
- In response, we are prioritizing projects in rapidly growing sectors to accelerate deficit reduction
  - We reinforce Digital Twin solution implementation and enhance driver assistance robotics to drive revenue recovery (+160 million yen)
  - Organizational and development enhancements resulted in increased costs (+160 million yen), along with procurement costs for solutions (+50 million yen)

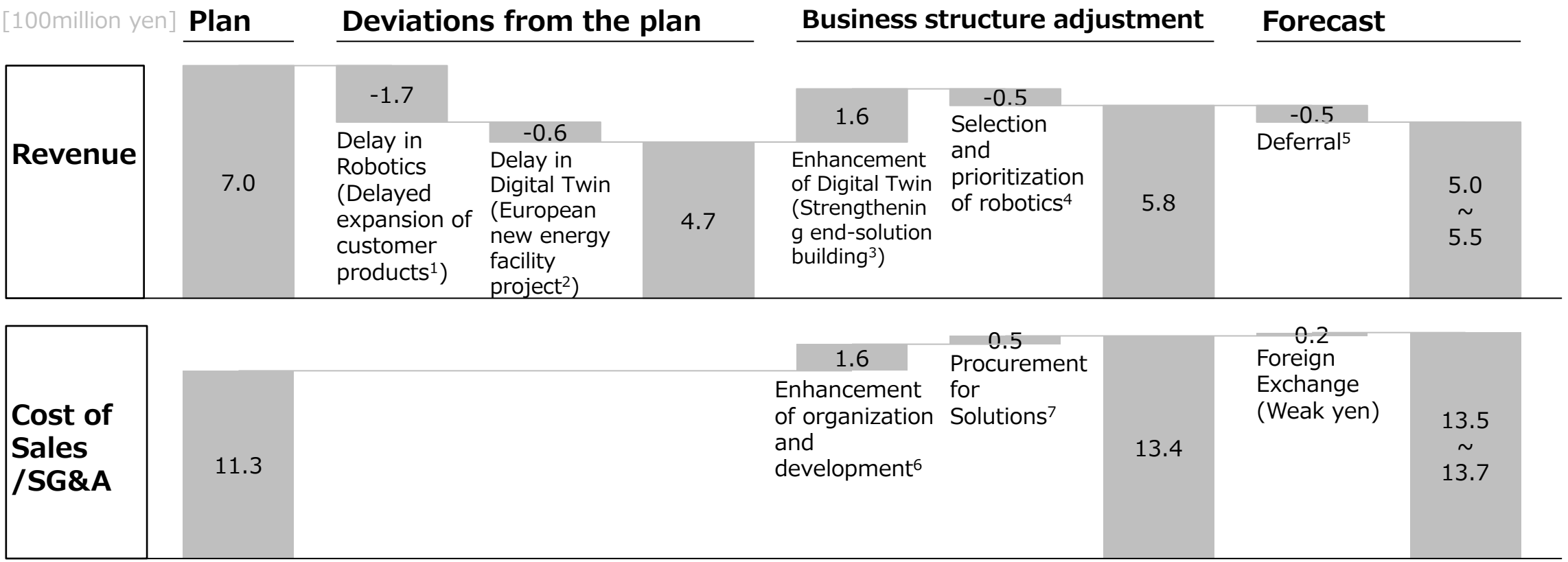
Outlook for the Next Fiscal Year

- Aim for significant improvements in operating profit and cash flow
  - With workforce enhancement completed this fiscal year, we will implement cost optimization by strategically prioritizing and streamlining existing organizational and development operations
  - Continue to focus on short-term growth areas, particularly in Digital Twin solutions, which have already shown positive results this fiscal year
- To expand the business, we aim to enhance end-solution building by leveraging external technologies and offering a broader range of spatial technologies

1. Operating profit (losses) plus government R&D subsidy income occurring every year, a profit figure that serves as an indicator of business profitability

Details of the revision of annual earnings forecast

- Addressing downward deviations from the plan, rebalancing focus area, and aiming for significant improvements in operating profit and CF from the next fiscal year onward

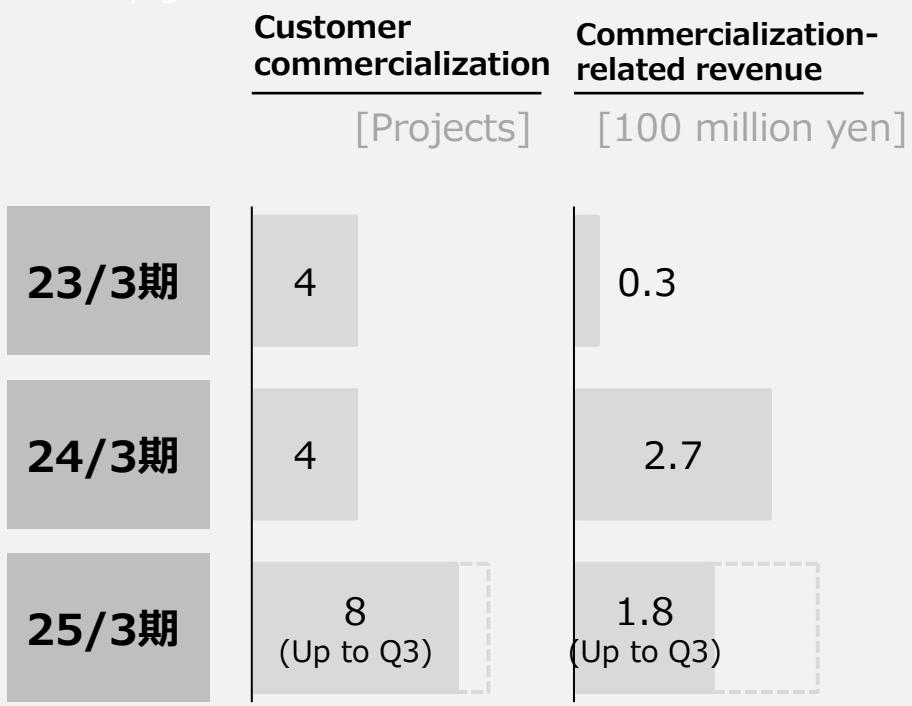


1. Revenue decline due to slower-than-expected market adoption of customer-commercialized products
2. Although previously disclosed energy infrastructure projects are delayed due to adjustments in public policies, the launch of projects for private sectors such as industrial and logistics facilityis progressing smoothly, allowing the overall pace of Digital Twin projects to grow than expected
3. Strengthening the development and sales of Digital Twin solutions
4. Shifting focus to Digital Twin and Robotic for driver assistance and prioritizing high-quality full-automation robotics projects
5. Revenue originally expected this fiscal year but deferred to the next fiscal year
6. Strengthening human resources to reinforce the development and sales of Digital Twin solutions
7. Procurement related to external partnerships for Digital Twin solutions

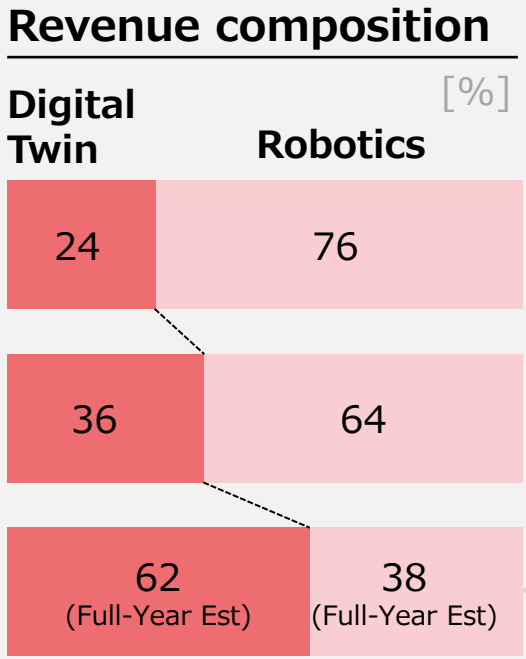
Customer commercialization is progressing steadily, with revenue increase driven by Digital Twin

- 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



"Per-project commercialization - related revenue[1]" 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 A: Asset Management for European Industries (1/2)

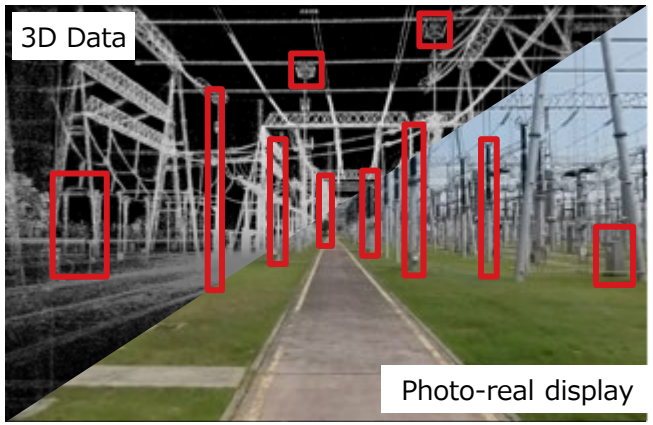
- Capturing demand for industrial and logistics facilities, progressing toward large-scale projects in Europe[1]
- Developed next-generation Digital Twin technology, the core of the solution, in collaboration with XGRIDS

"Digital Asset Management Solution"

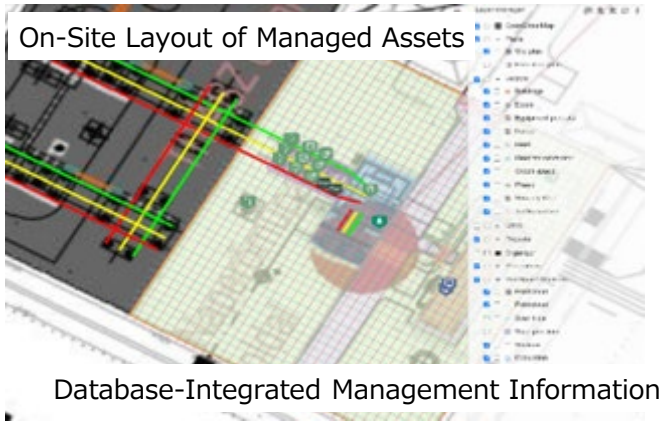
Data Generation with Next-Generation Digital Twin Technology

Rapid Spatial Data Acquisition

Automated Recognition and Registration of Managed Assets using AI



Database Integration and Efficient Management Tools



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 grow than expected

Highlighted Project A: Asset Management for European Industries (2/2)

- We have entered into a strategic partnership with a global provider of diversified industrial services
- By leveraging AI and photorealistic 3D Digital Twins, we are revolutionizing asset management and significantly accelerating the partner's digital transformation

Company overview of the partner

- Industry leader of a global provider of diversified industrial services, who has over 40,000 employees and generates annual revenue exceeding 4 billion EUR
- They operates in more than 35 countries, managing facilities for over 5,000 corporate clients, including major industrial, logistics, public and commercial facilities
- They have been working on digital transformation and plan to enhance the implementation of advanced solution services

Details of the strategic partnership

- Our solution aims to drive the digital transformation of the partner's entire asset management portfolio, encompassing both existing and future facilities under its management
- Leveraging our photorealistic Digital Twin technology, we provide highly accurate and realistic 3D digital replicas. Additionally, our AI-powered spatial recognition technology automates conventional workflows and seamlessly integrates with asset management systems
- The completed pilot project has demonstrated significant improvements in asset data accuracy, operational efficiency, and data reliability

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

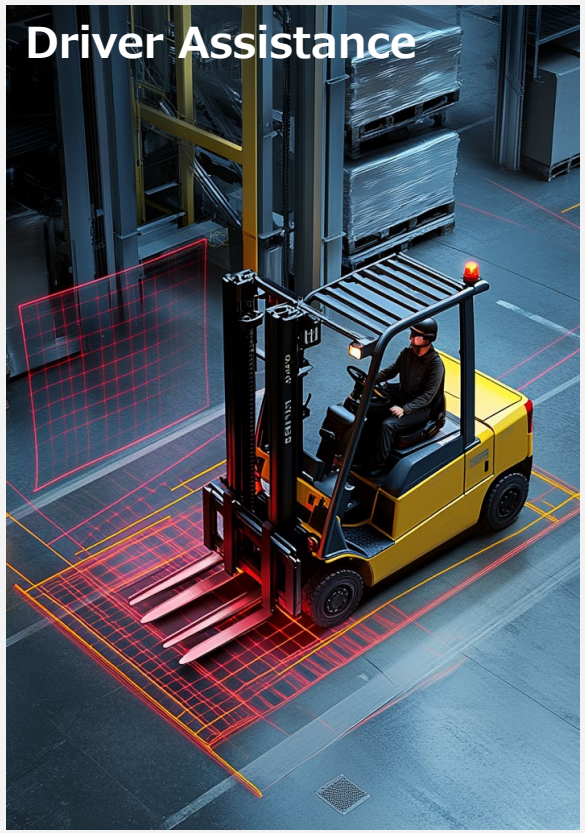
- Integrated LiDAR sensors into AR wire robotic cameras, enabling precise camera position recognition using our technology
- Achieved high-precision recognition in fast, wide-area, and dynamic camera movements, previously unattainable

Revolutionizing the Viewing Experience and Enhancing Content Value

- Delivers immersive AR visuals with seamless precision
- Successfully deployed at Super Bowl LIX, viewed by 140 million people
- Utilized in various scenes, from the opening to game commentary.
- Aiming for further implementation in large-scale global events

Highlighted Project Ⓒ: 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



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

1. Continuing fully autonomous projects while adjusting project balance

Outlook for the Next Fiscal Year

- We aim to significantly improve operating profit and cash flow by optimizing costs through selection and concentration within our existing organization and development, while accelerating revenue growth, particularly through solutions for digital twins.
- To maximize the utilization of our core technologies in end-solution building, we also strive to expand the use of external technologies, enabling the provision of a broader range of spatial technologies.

	Current Fiscal Year Initiatives	Next Fiscal Year Initiatives
Cost Optimization	• Strengthening organizational and development personnel in response to the rebalancing of focus area	• Cost reduction and optimization through selection and concentration
Accelerating revenue growth	• Strengthening focus on solutions for digital twins and other areas[1] expected to drive short-term revenue growth, along with continued expansion of related sales	• Expansion of our core technologies that support end-solution building[2], as well as increased utilization of external technologies

→

- significantly improve operating profit and cash flow
- Expansion of growth opportunity by providing a broader range of spatial technologies

1. Applications expected to achieve short-term market expansion, focusing on solutions for digital twins and including robotics for human assistance
2. Technologies for digital twins and robotics, centered on artificial perception and enhanced with artificial intelligence (including photorealistic digital twins and semantic digital twins, etc.).

Disclaimer

Handling of This Document

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 at the present time and may not be updated or changed to reflect future developments or changes in status.

Information about companies other than Kudan and information prepared by third parties contained in this document has been quoted from public sources. Kudan has not independently verified the accuracy or appropriateness of such data and indicators and assumes no responsibility for them.

Eyes to the all machines

https://www.kudan.io/

https://www.youtube.com/user/KudanLimited/featured