Supplementary document on the revision of annual earnings forecast of the fiscal year ending March 2026

Kudan Inc.（TSE Growth : 4425）
October 31, 2025

Revision to Annual Earnings Forecast – Summary

- Driven by steady progress[1] in our growth strategies — the “utilization of HW(hardware) packages” and the “expansion of SW(software) technologies” — Kudan has revised its full-year earnings forecast upward[2]
  - **Full-year revenue has been revised upward from 700 million yen to between 920 million yen and 1.02 billion yen** (+31% to +46% compared to the previous forecast, and +80% to +100% YoY)
  - While **adjusted operating profit[3] for the full year is expected to improve slightly from -720 million yen to between -720 million yen and -680 million yen**, profitability is projected to improve significantly in the second half. As a result, **adjusted operating profit[3] at the end of the fiscal year[4] is expected to improve more substantially, from -590 million yen to between -520 million yen and -480 million yen**
  - Consequently, **loss reduction is expected to accelerate further in the next fiscal year, with adjusted operating profit[3] projected to narrow to between ¥ -350 million and ¥ -400 million** (See page 5 for details)

Earnings Forecast for the Fiscal Year Ending March 31, 2026 [Million yen]

	Before Revision	After Revision	
Revenue	700	920~1020	• Increase in sales for digital twin (+150–250 million yen) • Higher-than-expected orders for robot-related government projects[*5] (+70 million yen)
Operating profit	△780	△770~△730	• Progress in profit increase driven by higher digital twin revenue (+80–120 million yen) • Impact on profit for the current fiscal year remains limited due to delays in cost reduction
Adjusted operating profit[3]	△720	△720~△680	
Adjusted operating profit[3] at the end of FY[4]	△590	△520~△480	• Cost reduction is expected to be achieved within this fiscal year, leading to a significant improvement in profitability by the end of the fiscal year and accelerating loss reduction throughout the next fiscal year

1. See P12–15 of the **Supplementary Document to the financial report for the fiscal year ended March 2025** (reposting in the appendix of this document)
2. Following the confirmation of a large government project order, Kudan finalized the accounting treatment as client-side approval and payment processes progressed
3. The profit figure shown here represents a measure of business profitability, calculated as operating profit (loss) plus recurring government research and development subsidy income, which is recorded every fiscal year
4. Expenses are annualized based on the actual and estimated figures as of the end month of each fiscal year
5. Calculated by deducting the cost level at fiscal year-end from full-year sales and subsidy income

Revision to Annual Earnings Forecast – Revenue Growth

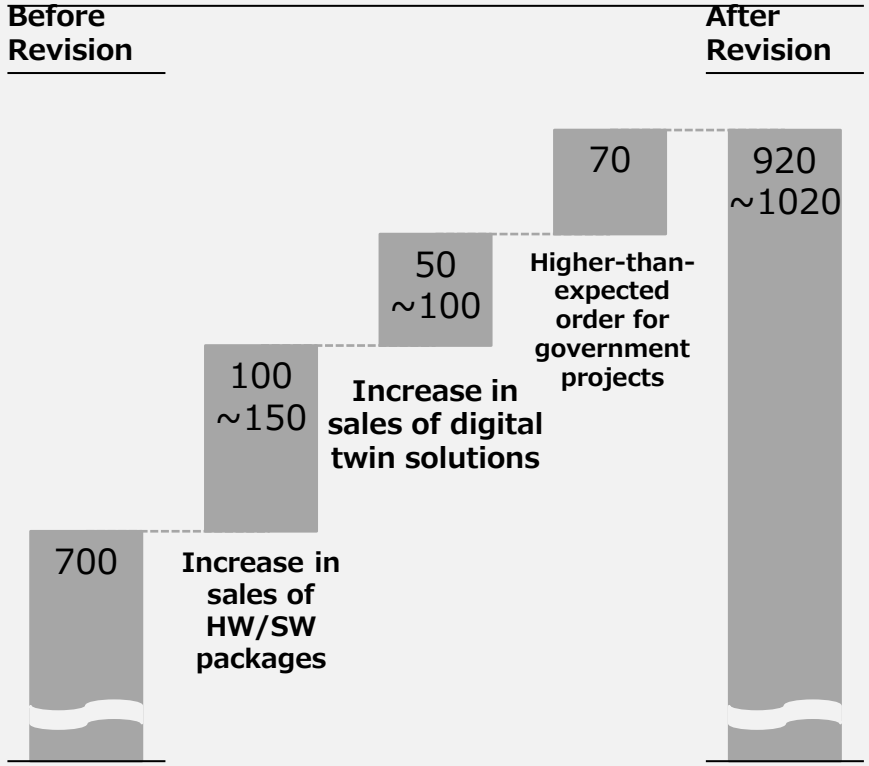
- Revenue has grown across both digital twin and robotics applications
- For digital twin, growth has been driven by maximizing synergies and securing short-term profitability, while for robotics, it has contributed to strengthening the development structure and enhancing mid- to long-term competitiveness[1]

Revenue has been steadily increasing in areas aligned with Kudan's growth strategy

Growth Strategy for This Fiscal Year	Breakdown of Upward Revision	Positioning within the Overall Business
Utilization of HW packages[2] • Expanding HW packages with strong synergy to SW • Maximize multi-layered revenue streams	**Digital twin** **HW/SW Packages**[3] • Scanner devices and other complementary technologies to next-generation solutions	• Driving short-term growth and profitability in the digital twin, where market expansion is progressing ahead of other areas • Strengthening business across hardware, software, and solutions in an integrated manner to achieve multi-layered and synergistic growth
Expansion of SW technologies[2] • Extending core software technologies into spatial perception • Enhancing profitability of development projects through a solution-oriented approach while promoting broader technology adoption	**Digital twin solutions**[3] • Next-generation solutions for facility management and inspection (Kudan PRISM)	
	Robots **Government projects**[3] • Leading R&D on autonomous robot navigation technologies promoted by the Ministry of Economy, Trade and Industry and major construction companies	• Enhancing Kudan's early positioning in the robotics which is expected to see larger market expansion over the long term • Improving efficiency in the effective burden of development costs[1]

Revenue has been revised upward by +31% to +46%

Full-Year Revenue Forecast [Million yen]



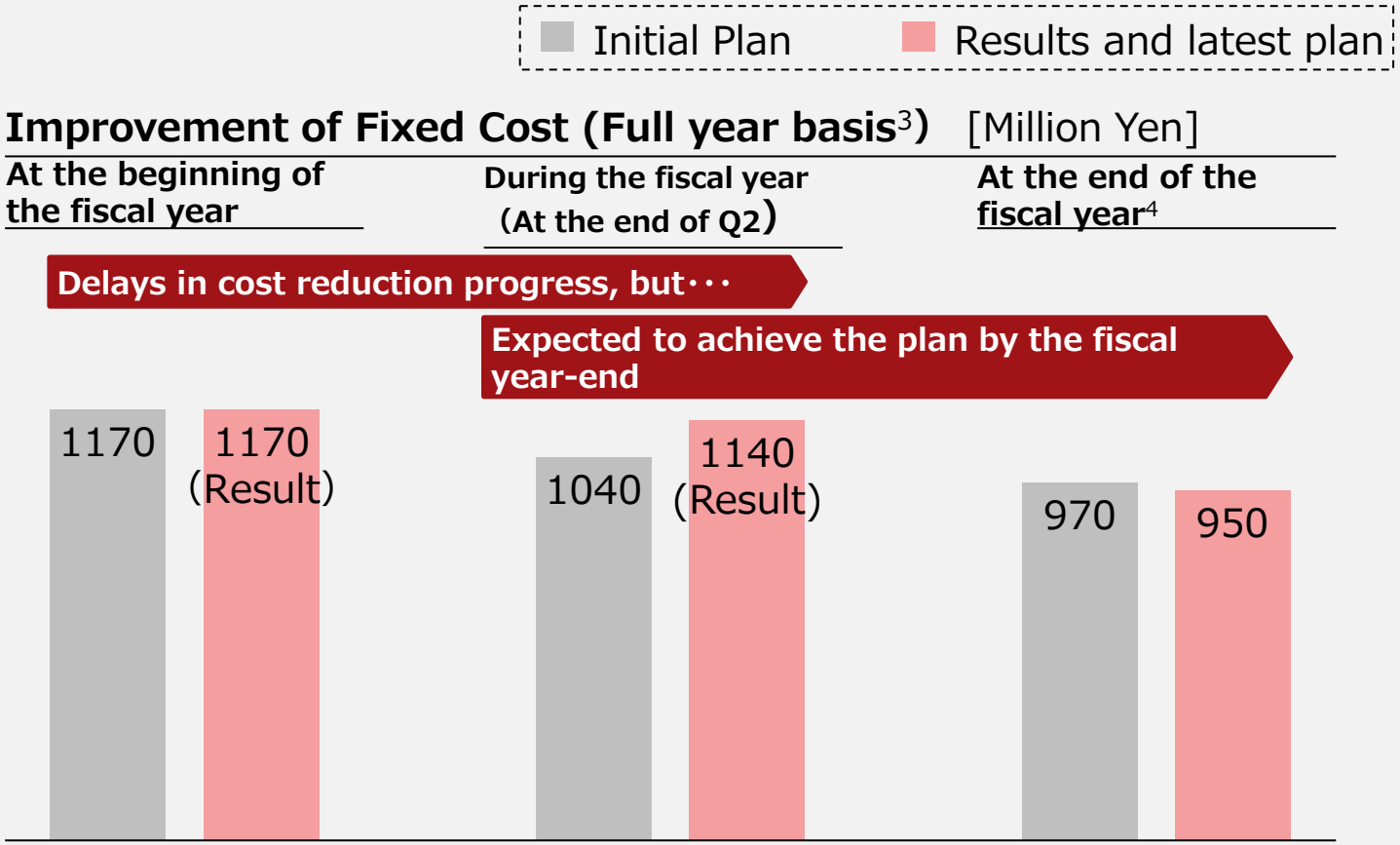
1. Revenue corresponding to research and development expenses is allocated, allowing Kudan to significantly reduce the effective cost burden associated with development
2. See P12–15 of the **Supplementary Document to the financial report for the fiscal year ended March 2025** (reposting in the appendix of this document)
3. See P12–15 of the **Supplementary Document to the financial report for the first quarter of the fiscal year ending March 2026** (reoisting in the appendix of this document)
4. This represents the upward revision from the earnings forecast at the beginning of the fiscal year and differs from the individual contract amount or initial payment amount.

Details of Earnings Revision - Improvement of Cost Structure

- Promoting fixed cost reduction and development expense optimization toward structural cost reduction[1]
- Although there are delays compared to the initial plan, we expect to achieve cost reduction as planned by the fiscal year-end[2].

Measures on structural reduction on fixed costs

Fixed cost reduction	• Fixed cost reduction on structural optimisation (150Milion Yen)
Development cost optimization	• Freezing and outsourcing of development on non-core areas (50Milion Yen)

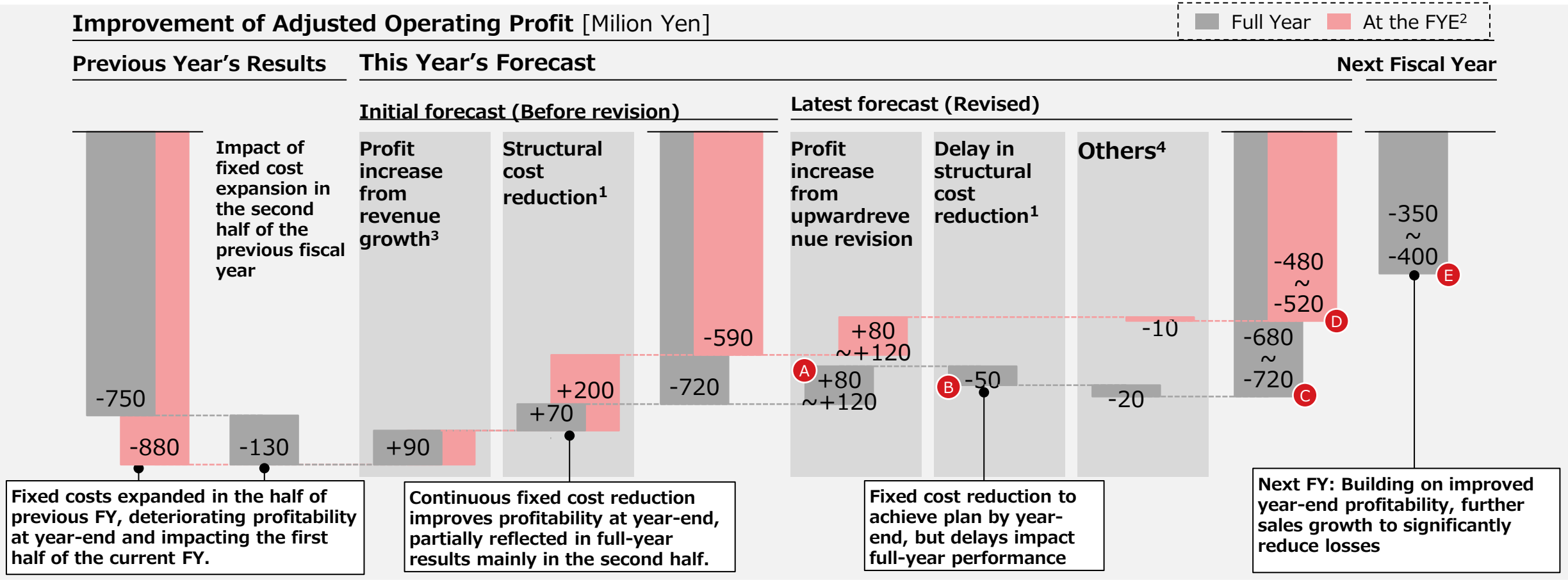


1. Reference to previous material Supplementary Document to the financial report for the fiscal year ended March 2025Page 16
2. The measures taken in the first half are expected to yield visible cost reduction effects in the second half of the fiscal year
3. SG&A expenses excluding transitional costs, including R&D expenses
4. Actual and estimated cost at each point, annualized

Details of Earnings Revision - Outlook for Loss Reduction

- While the A upward revision in sales will increase profits (+0.8 to 1.2 billion yen), C the impact on full-year operating profit will be limited (+0 to 0.4 billion yen) B due to delays in cost reduction and other factors.
- On the other hand, as the cost reduction centered on fixed costs will be completed by the end of this fiscal year, D profitability will significantly improve at fiscal year-end, serving as a turning point. Furthermore, we anticipate a E substantial reduction in losses for the next fiscal year (+3 to 3.5 billion yen), with the path to profitability becoming increasingly clear.

Improvement of Adjusted Operating Profit [Milion Yen]



1. Detail on page 4
2. Earnings structure at the Fiscal Year End, calculated by deducting the cost level at fiscal year end from full sales and subsidy income
3. Including an increase in subsidy (+10MJPY)
4. Effect from foreign currency fluctuation and others

Appendix（Reposting of Previous Related Materials）

Initiatives for the Current Fiscal Year

- We have started offering Spatial Perception as a broader suite of technologies by expanding into new and complementary technologies, aiming to enhance revenue and profitability from development projects
- As part of resolving one-time costs through business rebalancing, we focus on optimizing costs and expanding revenue through selective concentration on Spatial Perception, aiming for a significant improvement in operating profit and cash flow

	Aiming to Improve Growth and Profitability	Measures Taken in the Previous Fiscal Year	Initiatives for the Current Fiscal Year
Growth Strategy Update	• Strengthen revenue and profitability from development projects by aligning with the market adoption speed of advanced customer products • In addition, we aim to drive market acceleration and achieve revenue growth on a per-project basis	• We are expanding into Spatial Perception A Expand our core software technologies with a solution-oriented approach B Add and expand SW/HW packages through increased utilization of external technologies • Establishment of organizational structure • Initiation of early-stage development	• Continuation and enhancement of development activities • Monetization through project conversion
Cost Optimization and Profitability Improvement	• Under our new growth strategy aimed at expanding our technological domains, we are restructuring our business with a focus on organizational and development portfolios	• Reinforced organizational and development teams in line with the rebalancing of focus projects	C Under our growth strategy, we are taking selective approaches to eliminate one-time costs and enhance profitability

A Growth Strategy Update (1/2): Expansion into Spatial Perception

- Integrating Artificial Intelligence (AI) into our Artificial Perception (AP), and evolving it into Spatial Perception (SP)
- By reinforcing our solution-oriented approach, we aim to improve profitability during the development phase and support the adoption of fast-growing customer products

Existing

Artificial Perception

- Intuitive-led spatial recognition (machine's eyes)

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New

Artificial Intelligence

- Learning-based pattern recognition (machine's brain)

New

Spatial Perception

- Leveraging the strengths of our proprietary SLAM technology while expanding into a broader range of 3D spatial recognition technologies
- Integrating technologies across robotics and Digital Twin solutions to mutually enhance their capabilities

Existing

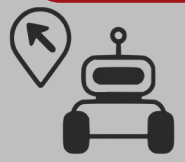
Localization and Mapping[1]

New

Semantic 3D recognition[2]

New

Robotic navigation[3]



New

Photo-real 3D representation[4]

Existing Existing core technologies: Continuing to maintain and enhance our strengths

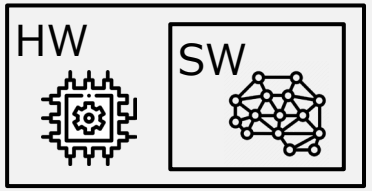
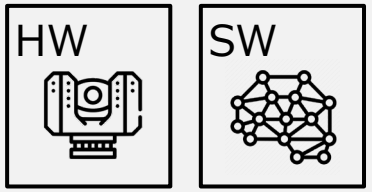
New New technological domains: Expanding through approaches that generate synergy with Artificial Perception

- The expansion into new technological domains enables higher value-added offerings, which will help strengthen revenue and profitability from development projects
- By effectively supporting application of our technologies to solutions, we aim to accelerate market growth
- Expect to achieve revenue growth on a per-project basis
- Building our organizational structure and initiating early-stage development since previous fiscal year, with large-scale commercialization expected this year (coming soon)

1. Localiation and environmental mapping related to SLAM and similar technologies
2. Object recognition, segmentation, and semantic extraction from 3D data and maps
3. Autonomous navigation including route planning and obstacle avoidance
4. Photorealistic rendering of 3D data and maps using techniques such as Novel View Synthesis

B Growth Strategy Update (2/2):Expansion of SW/HW Packages

- Expand embedded and complementary SW/HW packages that offer strong synergies in both technology and sales, with software (SW) remaining at the core of our business[1]
- By leveraging external technologies for the hardware (HW) components, we aim to build a more multi-layered business structure and maximize both revenue and profitability

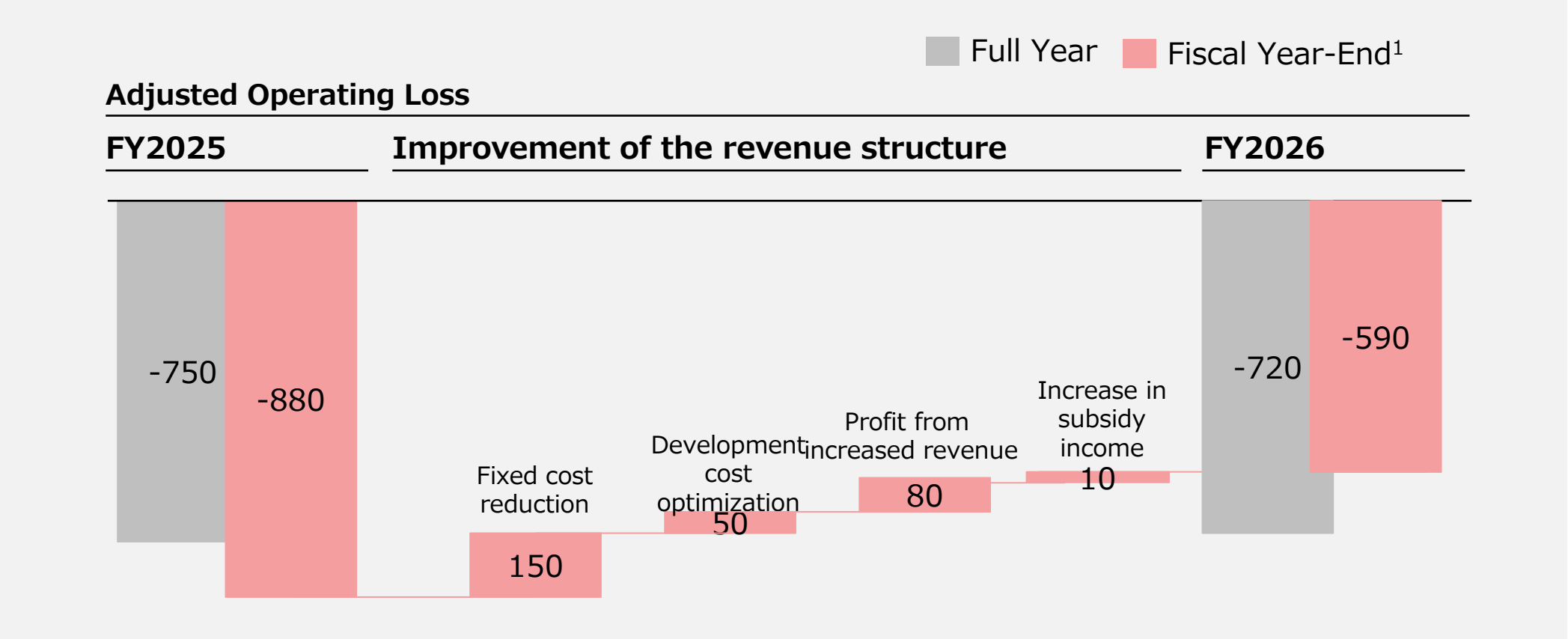
	Package Structure	For Development Use	For Commercial Use
Embedded SW/HW Package	• Integrating HW into SW for optimal performance 	• Development-use packages integrated with sensors and processors (MMDK/MRDK)	• Provision of practical packaging for mass production and user interfaces and for operational use New
Complementary SW/HW Package	• Independent SW and HW that complement each other 	• We offer external HW packages—such as 3D scanners and robot controllers—that are fully compatible with our proprietary SW technologies New	

- Strengthen revenue and profitability by enhancing technological competitiveness through SW/HW optimization and capturing demand for related hardware
- Secure sufficient profit margins (targeting over 50%) by combining externally sourced hardware components
- In addition to development-oriented packages, expand offerings to include commercial-use packages
- Expect strong growth this fiscal year, particularly for Digital Twin applications.
- Continue to maintain and expand our proprietary software as the core of our business[1]

1. Plan to expand the business while maintaining the software revenue ratio at or above 50%.

C Improvement of Revenue Structure

- Reduction of fixed costs through cost optimization (¥150 million), suspension and outsourcing of non-core technology development (¥50 million), profit contribution from increased revenue (¥80 million), and expected increase in subsidies (¥10 million)
- We aim to improve the underlying loss by ¥290 million by the end of this fiscal year[1], and to further reduce losses and achieve profitability from the next fiscal year onward



1. This represents the profitability structure at the end of the fiscal year, calculated by deducting the year-end cost level from full-year revenue and subsidy income

B Digital Twin Projects (1/2)

- With a portfolio of highly innovative technologies and products combining software solutions and hardware packages, Kudan has cultivated new market demand, making a significant contribution to 1Q performance growth

New Release (details on next page)

Digital Twin Solution (Kudan PRISM[1])

- The world's first[2] next-gen solution integrating photorealistic visualization and semantic 3D recognition to innovate digital twin utilization
- Validated in Europe[3] and Japan for facility management, inspection, and maintenance; driving full-scale rollout and commercial user base expansion this fiscal year
- Rapid market growth expected in civil engineering and construction, real estate, infrastructure, logistics, and manufacturing (¥100 trillion[4]+ by 2040)

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3D Scanner (XGRIDS)

- Scanner device complementary to Kudan PRISM (generating high-precision data)
- High performance, low cost, and strong competitiveness — leading globally in practical photorealistic visualization
- Rapid growth since expanding strategic partnership[5] with XGRIDS from the previous fiscal year

- **Strong tech & sales synergies — driving 1Q revenue growth**
- **Highly novel, cultivating new market demand**
- **High growth potential in global expansion**

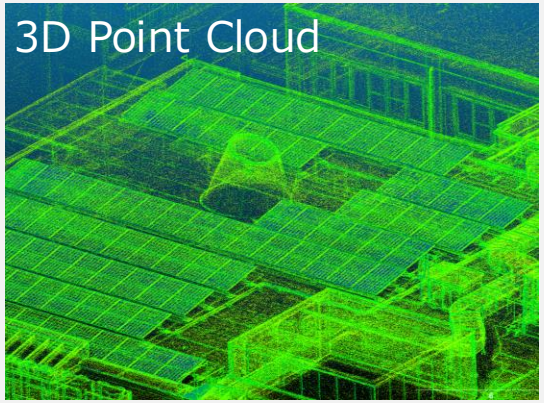
1. PRISM : Photo-Realistic Integrated Spatial Management
2. Practical application of a facility management solution integrating photorealistic visualization and semantic 3D recognition (Kudan research, June 2025)
3. An example of initiatives in the expanding asset management (facility management) sector in Europe（reference link）
4. Based on growth rates (CAGR of 20-40%) reported by various research organizations, including Verdantix, IMARC, and MRFR, the overall digital twin market is estimated to reach 100 trillion yen (approximately USD 700 billion) by 2040.
5. Business partnership with XGRIDS（reference link）

B Digital Twin Projects (2/2) – Details of Kudan PRISM

- While social demand is extremely high, existing methods have limited practical application. Kudan PRISM introduces an innovative technical approach, aiming for the practical application and market diffusion of the solution

End-solution building with Kudan PRISM's innovative approach

Existing Method



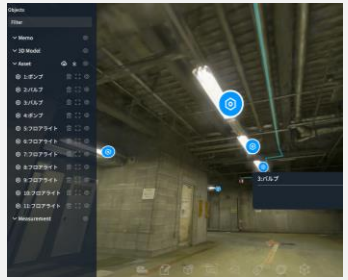
- **Use of 3D point cloud–centric data**
- Challenges: low AI recognition accuracy, large data volumes, complex data handling, and difficulty integrating with existing systems, etc
- Limited practical application

Kudan PRISM's Innovative Approach

- **In addition to 3D point clouds, leveraging photorealistic visualization**
- **Semantic 3D recognition enables a dramatic expansion of AI utilization**
- Data usage and integration become more efficient
- Practical application is expected to expand

Applied to DX across diverse industries (selected)

Facility Management



Infrastructure Maintenance

Smart City and Disaster Response

- Promoting DX in areas previously difficult, enabling automation, operational efficiency, and remote work
- Growing demand to address labor shortages and aging infrastructure in developed countries
- Enhancing disaster simulation and prevention design to protect lives and support recovery

Autonomous Robot Mobility Packages (1/2)

- Expanding technology domains to pursue larger-scale projects and accelerate social implementation, while advancing multiple projects globally

Technical challenges in a potentially huge market

Only 3–5% of the ¥300 trillion[1] robot market projected to grow by 2040 has practical application with conventional technologies

2D Recognition | Infrastructure | GPS Positioning

Environment changes

Mixed indoor/outdoor

Complex 3D structures/terrain

Many moving objects/people

Low-feature environments

Open indoor spaces

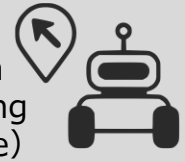
Expanding technology domains based on past achievements

- With core AP tech (localization & mapping), Kudan achieved commercialization in previously difficult cases

- Packaging complementary technology (SW) for autonomous mobility to broaden the customer base and boost development efficiency

Localization & Mapping
(Core elements of navigation)

Robot Autonomous Navigation
(Full-stack navigation including route planning and collision avoidance)



- Advancing multiple projects with robotics companies in the U.S. and Asia

1. Based on research by BCC Research, Market Research Future, and others, supported by multiple high-growth segments (CAGR of 12–16% or higher), the overall market is projected to potentially reach a scale of 300 trillion yen (approximately USD 2 trillion) by 2040.

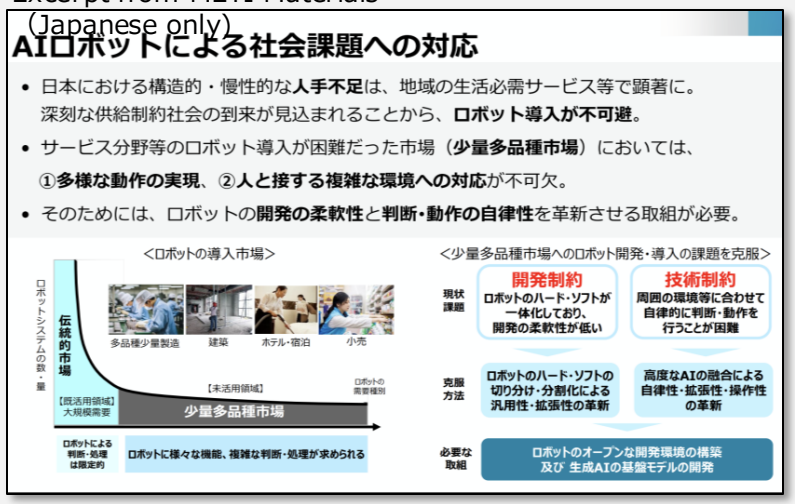
Autonomous Robot Mobility Packages（2/2）- Participation in Government Project

- For robotics, Kudan has been selected as development leader[1] for a METI-promoted software project with major construction companies, leading core technology development of autonomous robot mobility in Japan

Japan's National Policies

- Labor shortages are a growing social issue, making robot deployment essential as government and industry strengthen initiatives
- In markets where deployment was difficult, innovation to enhance robot autonomy is essential

Excerpt from METI Materials (Japanese only)



Project Overview

- Taking the the construction sector—where challenges are significant—as a model, the initiative is being advanced across the industry via the Construction RX Consortium[2] including major general contractors
- Aiming to establish general purpose autonomous robot mobility technologies, with future expansion expected into a broader range of industries[3]

Organizer	NEDO (New Energy and Industrial Technology Development Organization)
Project Name	Research and Development Project of the Enhanced Infrastructures for Post-5G Information and Communication Systems: Building a Software Development Platform for Robotics
Adopted Theme	R&D on a Software Development Platform in the Robotics Field for the Construction Market
Period	From FY2025 to FY2027 (planned)
Total Budget	¥10.3 billion (total over 3 years)

Kudan's Role and Future Expectations

- Recognized for its technology and track record, Kudan has been selected as the core software leader[1]
- Expects this to accelerate the social implementation and adoption of Kudan's technologies
- Also aim for continued close collaboration on related government policies for robotics


Image of Autonomous Robot in Use at Construction Site

1. Leading the development of software modules to realize autonomous robot mobility, including project planning and management, design and development of core technologies, and integration of development outcomes from participating companies
2. Private organization promoting "Robotics Transformation" via construction robots and IoT to tackle workforce decline and improve productivity and safety in construction
3. Also expected to expand into a wide range of industries, including logistics, manufacturing, infrastructure management, and agriculture

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.

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Eyes to the all machines

https://www.kudan.io/

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