



Financial Results Material for FY24/12

ACSL Ltd (TYO: 6232)
February 13, 2024

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Company outline



Corporate Name	ACSL Ltd.	
Established	November 2013	
Location	3-6-4 Rinkai-cho, Edogawa-ku, Tokyo Hulic Kasai Rinkai Bldg. 2F	
Description of Business	Manufacture and sale of commercial drones and provision of solution services for unmanned and IoT applications using autonomous control technology	
Management Team	Representative Director, CEO	Satoshi Washiya
	Board Director, CFO	Kensuke Hayakawa
	Board Director, COO	Shoji Terayama
	ACSL, Inc. (US subsidy) Board Director, CEO	Cynthia Huang
	ACSL, Inc. Board Director, Global CTO	Chris Raabe
	Director (External), Audit and Supervisory Committee Member	Kentaro Shizuka
		Kaori Nejihashi
		Ayumi Daimon

No. of Employee (consolidated) 55 (as of Dec 2024)

Ratio of engineers

Approx. **63** %

of Non-Japanese

Approx. **25** %

Group Companies

ACSL, Inc. (U.S. subsidiary)
ACSL India Private Ltd (India JV)
ACSL Limited Liability Partnership 1(CVC)





1. Market / Mission / Growth strategy

2. FY24/12 results and highlights

3. Financial forecast

4. Appendix

MISSION

**Liberate Humanity
Through Technology**

VISION

**Become a partner for those
that build safety and security
around the world**

Issue

Social infrastructure is not sustainable

Lack of workforce

Decreasing workforce willing to work in tough, dirty, dangerous tasks driven by low birth rate

Aging population

Transition of know-hows from experts have not progressed, and accidents still continue

Rapid increase of workload

Aging infrastructure increasing and EC drives # of packages, resulting in increasing workload

Free human from time and physical constraints, and Update social infrastructure

Act autonomously

Drone thinks and act on its own using high level control and AI. No need for human intervention

Become “Eye” and “Hand”

Can act as human’s eye and hand using sensors and mechatronics

Move space freely

Drone can fly both indoor and outdoor in any open space

Control remotely

Drone can be controlled remotely using wireless radio, e.g., between Tokyo and Hokkaido

Effectiveness of drones are being recognized. Further discussions taking place around geopolitics, economic security and data sensitivity

01

Economic Security Data sensitivity

Initiatives related to economic security and data sensitivity taken place at a national scale in the US, India, AU and Japan

02

Unmanned Optimization, DX

Drones and robotics being implemented as unmanned and efficient operations are in demand. Japan promoting Digital Rural City concept

03

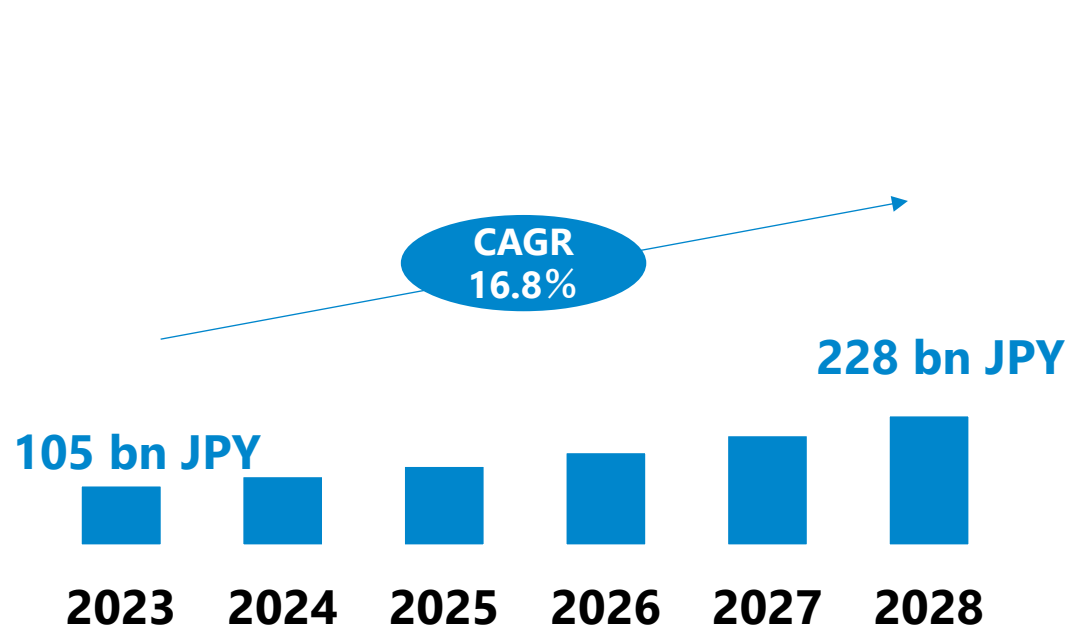
Decarbonization EV

Drones recognized as a tool for decarbonation and EV. Drones are considered to work together with trucks in logistics field

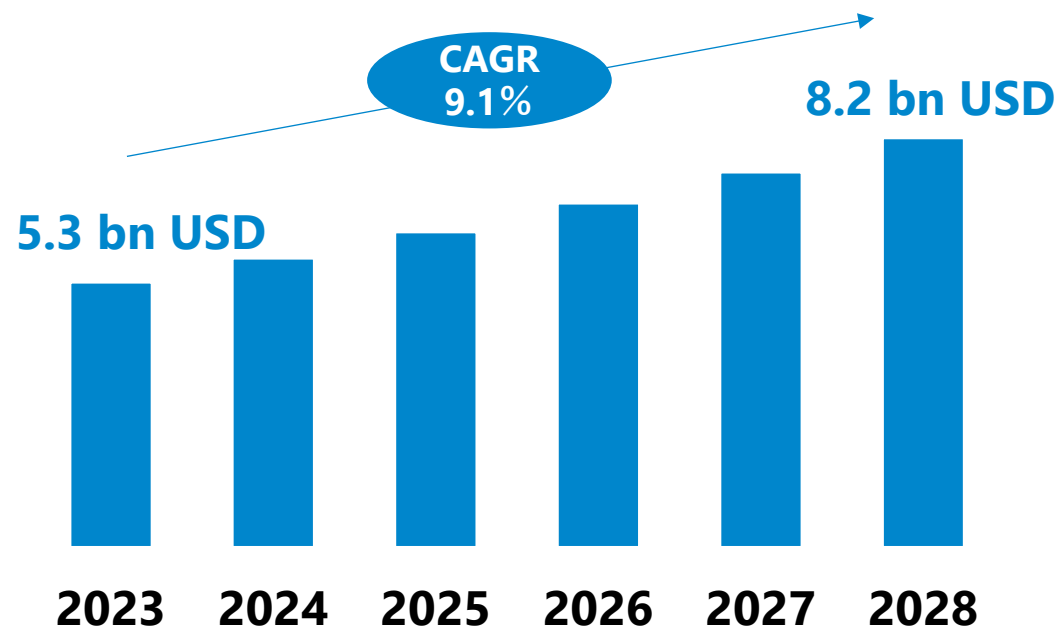
Drone market size

The drone market is expanding rapidly and is expected to exceed 1 tn JPY by 2028 in Japan and U.S. combined

Japan drone hardware market¹



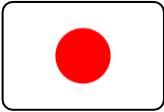

US drone hardware market²



1: Impress Research Institute "Drone Business Report 2024"

2: Grand View Research 「U.S. Commercial Drone Market Size & Share Report, 2030」

Chinese drones are being replaced in both the Japanese government and U.S. industry and government sectors

	 Japan	 US
Consumers	Mainly hobby drones made in China	Mainly hobby drones made in China. U.S.-made drones are also deployed
Industry		
Aerial photography	Foreign products (mainly made in China) are the mainstream. Replacement with domestic products as a security measure is gradual	Chinese-made drone were used, but “Non-China” is proceeding. U.S. and French manufacturers have not become mainstream, and ACSL receive high evaluation
Delivery	ACSL has the most experience in Japan; only ACSL has experience in Lv4; most Lv3 and Lv3.5 flights are ACSL aircraft	US-made VTOL (fixed-wing) aircraft predominate for long-distance flights.
Government (Disaster prevention, public services)	Foreign-made drones (mainly made in China) are the mainstream. Security compliant drones are replacing. ACSL has recently been used by the Ministry of Defense and other organizations.	Chinese drones are being eliminated at the regulatory level. U.S. and French-made drone have not been mainstream, and ACSL plans to expand in the future
Military	Included in the above for government	U.S. and French manufacturers are most focused

ACSL Target

A global manufacturer that **update social infrastructure through realization of **autonomous control technology** and **co-existence of robotics and humans****

Target domain with strong competitiveness

Focus on small aerial photography in Japan and the U.S. and logistics in Japan given our competitive advantage

Aerial photo



Focus

Japan :
Defense and Disaster (public agency), as well as major companies

Overseas :
Focus on US that has shown strong China ban. Start with inspection and expand to defense and disaster

Current activity

SOTEN (launched)
Development of next gen aerial photo drone (SBIR ending FY25)

Competitiveness

Drone development that meets economic security demand
One of the very few mass manufacturer in Japan
System for rapid and continuous development of new functions in response to market feedback

Delivery



Japan :
Continue development with Japan Post, and establish operations for social implementation

Partnership with Japan Post for capital and business alliance for social implementation
Development of Postal delivery drone

High technical capability that achieved the only Level 4 type certificate and abundant record of successful delivery trials in Japan
In-depth technical and operational team setup with Japan Post



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3. Financial forecast

4. Appendix

FY24/12 results and highlights

Summary

Sales were strong, totaling 2.65 bn JPY for the full year due to orders for large US projects, plus order backlog of 1.37 bn JPY

R&D expenses and other SG&A and were reduced from the same period of the previous year, despite upfront SBIR expenses

Sales

Sales

2.65 bn JPY

YoY +196%

Backlog at end of year

1.37 bn JPY

In addition to a large project in India, large orders were received in the U.S. market. Backlog of orders at the end of the fiscal year for existing business¹ is also the highest ever

Profit rate

Gross profit rate

6%

YoY +32pt

Existing business¹

Marginal profit margin

54%

YoY +5pt

Both gross profit margin for the entire company and marginal profit margin for existing businesses improved from last year

Operating income

-2.29 bn JPY

YoY -220 mn JPY

(Existing business¹ -1.54 bn JPY
India +110 mn JPY
National project -860 mn JPY)

National project R&D expenses (SBIR) were recorded as an expense upfront. Existing business portion decreased from last year due to cost reductions in business restructuring

1: Figures exclude costs for large Indian and national projects

Key Financial Figures

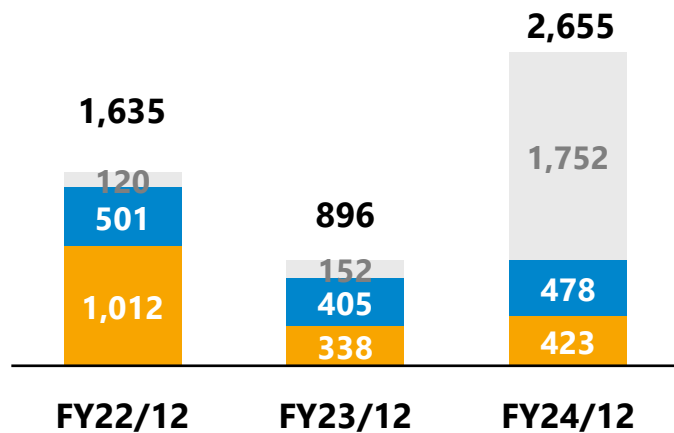
Net sales increased from last year. Cost structure improved due to implementation of structural reforms

Sales

mn JPY

Significant growth due to 1.7 bn JPY large projects in India. Aircraft sales and solutions also expanded compared to last year

■ Others
■ Solution Building
■ Application-specific aircraft sales

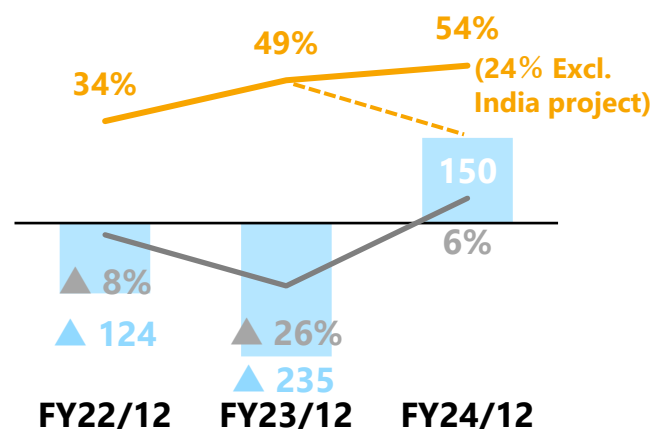


Gross profit

mn JPY

Gross profit recovered from a negative figure. Marginal profit margin (excluding India project) also increased

— Gross profit margin ratio
— marginal profit ratio

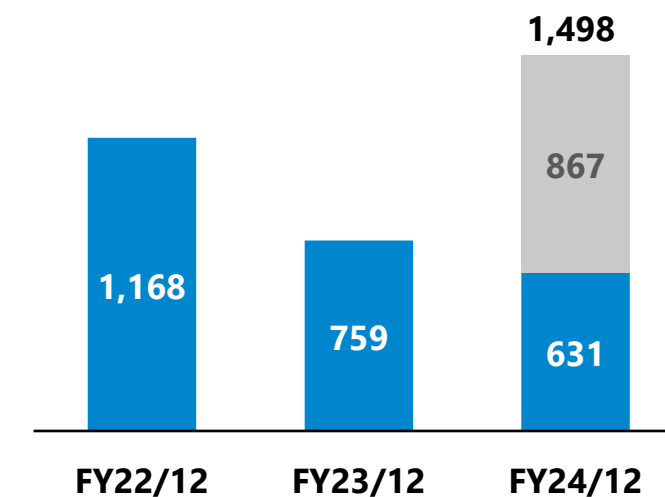


R&D Expenses

mn JPY

In line with structural reforms, R&D expenses related to existing projects, excluding Gov. projects, have been significantly reduced

■ National project (SBIR)
■ R&D expenses (existing projects)



FY24/12 financial plan and Results Summary (Consolidated)

FY24 sales below forecast, but operating profit above forecast. Recurring profit below forecast caused by delayed payment of grants for Gov. projects

[mn JPY]	FY24/12 actual results					FY24/12 Forecast			
	Existing business	India Large projects	SBIR (Gov. Project) ¹	Total	Differences from forecasts	Existing business	India Large projects	SBIR (Gov. Project)	Total
Net sales	955	+1,700	-	2,655	▲244	1,200	+1,700	-	2,900
Gross profit	31	+119	-	150	+10	21	+119	-	140
Gross profit ratio	3%	-	-	6%	+1%	2%	-	-	5%
SG&A (inc. R&D, US subsidiary)	1,576	-	+867	2,444	▲125	1,570	-	+1,000	2,570
Operating profit	▲1,545	+119	▲867	▲2,293	+136	▲1,549	+119	▲1,000	▲2,430
Ordinary profit	▲1,599	+119	▲708 (Non-Op. income +158)	▲2,188	▲158	▲1,649	+119	▲500 (Non-Op income +500)	▲2,030
Net Profit	▲1,782	+119	▲708	▲2,371	▲311	▲1,679	+119	▲500	▲2,060

▲ stands for negative

1: Expenses for gov. projects (SBIR) are booked as SG&A expenses. Subsidies for expenses are earned as non-operating income when the amount of expenditure is finalized after the audit. For the fiscal year ending December 2024, the expenses up to FY2024/Q1 have been accounted for. Expenditures from FY24/Q2 to be booked after 2025.

FY24/12 Q4 Results and YOY Comparison

**Sales increased greatly YoY, and cost structure improved by restructuring.
Operating income/loss deteriorated by government project R&D expenses (SBIR)**

[mn JPY]	FY24/12 results	Full year results	YoY comparison	Summary
Net sales	2,655	896	+1,759	<ul style="list-style-type: none"> Significantly increased YoY due to booking of India project (1.7 bn JPY) Backlog of orders in the existing business, excl. projects in India, was 1.37 bn JPY in 4Q, +1.14 bn JPY YoY, and the business is progressing steadily
Gross profit	150	▲235	+386	<ul style="list-style-type: none"> Gross profit and gross profit margin both increased YoY
Gross profit ratio	6%	▲26%	+32pt	<ul style="list-style-type: none"> Marginal profit margin of existing business excl. India projects improved by 5 pt YoY to 54%
SG&A ¹	2,444	1,836	+608	<ul style="list-style-type: none"> SG&A expenses for existing businesses reduced by 260 mn JPY YoY by restructuring
SG&A (excl.gov. project)	1,576	1,836	▲259	<ul style="list-style-type: none"> Gov. project R&D expenses (SBIR) totaled 870 mn JPY, an overall increase of 0.60 bn JPY YoY
Gov. project expenses	867	-	+867	
Operating profit	▲2,293	▲2,071	▲222	<ul style="list-style-type: none"> Operating income deteriorated YoY due to Gov. project R&D expenses (SBIR), despite sales increase
Ordinary profit	▲2,188	▲2,102	▲85	<ul style="list-style-type: none"> Net income loss narrowed from last year
Net Profit	▲2,371	▲2,543	+171	

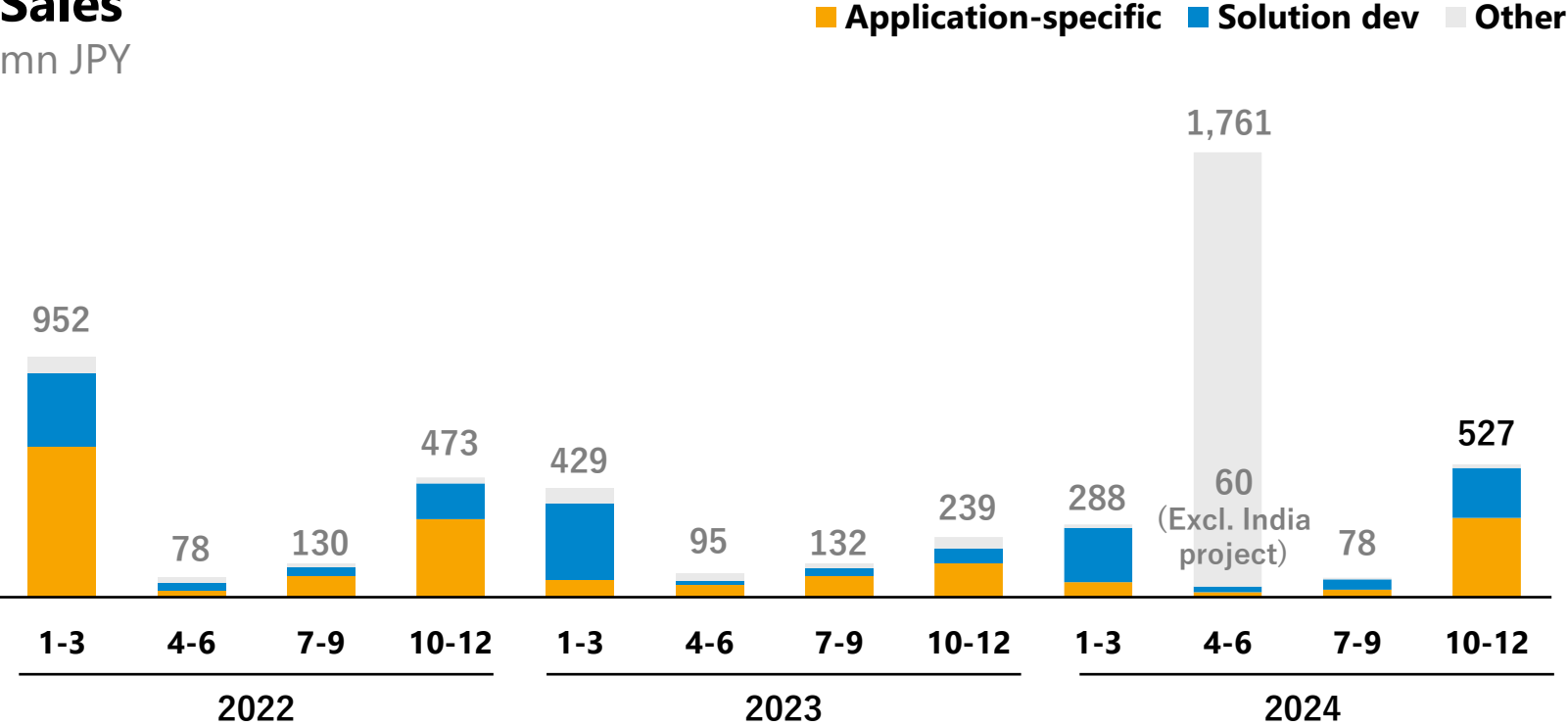
1: R&D, including U.S. subsidiaries

Quarterly sales and backlog

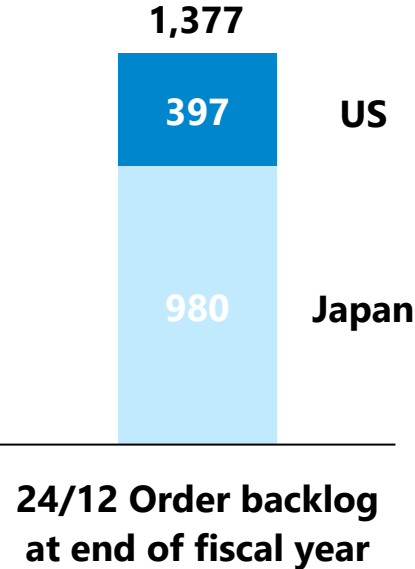


Large projects were booked at the end of the fiscal year, increasing compared to last year. Backlog orders for Japan and the U.S. totaled 1.37 bn JPY

Sales
mn JPY



FY25 backlog¹
mn JPY



1: Backlog is the total amount of orders received at the end of the fiscal year. FY25 backlog is the amount of orders that are scheduled to be booked as sales in FY25. Assuming 1 USD=150 JPY

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16

U.S. sales and marketing activities are in full swing and large orders received. Focusing on US market in overseas expansion given the market environment

Acceleration of sales in US

- SOTEN is highly evaluated for its NDAA¹ compliance and competitive pricing **in the U.S., where the shift away from China is progressing**, and has attracted high interests and expectations from facility inspection companies in the U.S.
- **Obtained better results than U.S.-made drones in a comparison** test using drones at a local infrastructure inspection company
- **Established a subsidiary in 2023 and acquired SOTEN export license**. Began sales to end-users through a U.S. distributor
- **Signed a distributorship agreement with Exertis Almo in Oct. 2024 and received an order for 500 units**
- **MOUs have been signed with 7 companies in total, creating a 16 sales dealers². Accelerating sales** in response to the development of regulations for non-Chinese drones

Other overseas progress

- Trend of Non-China drones is accelerating in India, Taiwan, and other countries outside of the U.S.
- **Received a large order in India** and booked sales in FY24/12
- **Explore the possibility of collaborating with local partners** in Taiwan

1: The NDAA (National Defense Authorization Act) is a law that governs U.S. national defense policy and establishes rules that prevent companies from being employed in the U.S. that could be quickly converted to the military or arms industry of a particular country.

2: As of February 13, 2025

Regulations for Non-Chinese drones in the U.S. are materializing, and demand for NDAA¹ compliant drones is high

Changes in Regulations on Drones in the U.S.

- 2020 ■ DJI added to entity list as product may affect U.S. national security
- 2024 ■ **Countering CCP Drones Act (a bill to combat the use of China drones)** introduced and passed in the U.S. House of Representatives
- 2025 ■ By the end of 2025, if **the National Security Agency determines that Chinese drones pose a national security risk**, or if the Chinese manufacturer does not provide the necessary information and an evaluation is not possible, in either case, there is a **possibility that the sale of Chinese drones will be banned**²

Customer Trends in the U.S.

- U.S. electric utilities and others have **invested in drone-based workflows** to inspect power lines, monitor substations, and assess critical infrastructure
- Potential for tighter regulations and growing security concerns drive companies to rethink use of Chinese drones and **transition to NDAA-compliant drones**
- Considering transition from Chinese drones **by the end of 2025 in response to the most recent regulatory announcement**
- When evaluating these drones, a key consideration is whether **further improvements can be made while maintaining the efficiency of existing drone workflows**

1: The NDAA (National Defense Authorization Act) is a law that governs U.S. national defense policy and establishes rules that prevent companies from being employed in the U.S. that could be quickly converted to the military or arms industry of a particular country.

2: <https://www.govinfo.gov/content/pkg/CPRT-118HPRT57838/pdf/CPRT-118HPRT57838.pdf>; Section 1709

Started sales of SOTEN in the US from Dec 2023. Strategic MOU signed in infrastructure companies. Expanding distributor and dealer network.

MOU signed in the US



Provide drone program development support **for utilities**, on-site UAV services



Drone solution provider to infrastructure companies



Provide drone services **in mining and essential infrastructure inspections**



Largest utility company in Missouri. Listed at Fortune 500



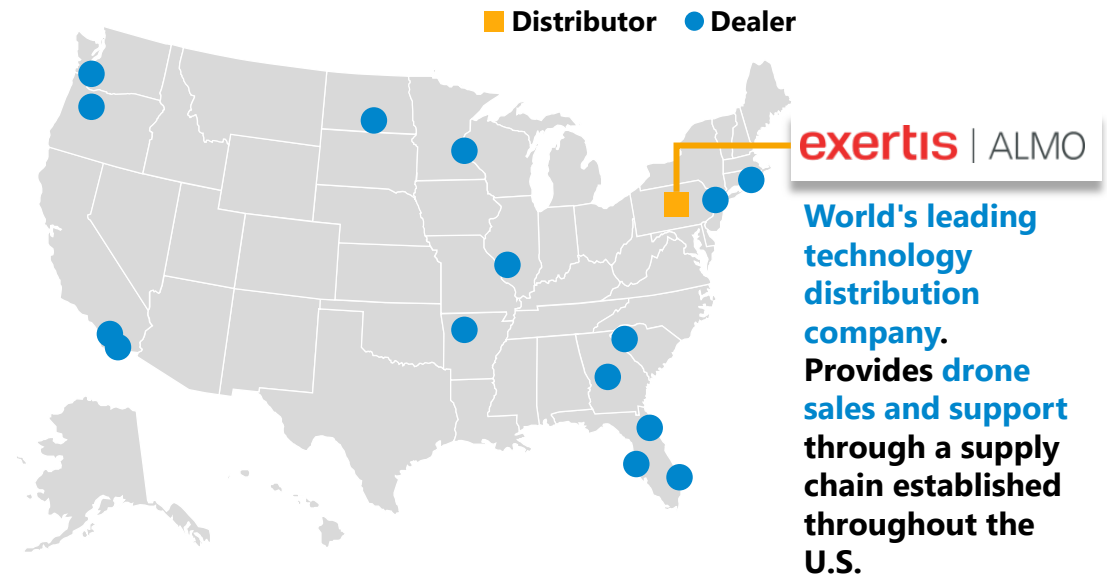
Global agri and infra company with footprint in 21 countries



Over 300 customers in 40 countries, hundreds of thousands of **drone facility inspections** per year

Distributor and dealer network in the US¹

Expanding throughout US via 16 distributors



Partnership with Exertis Almo by ACSL, Inc.

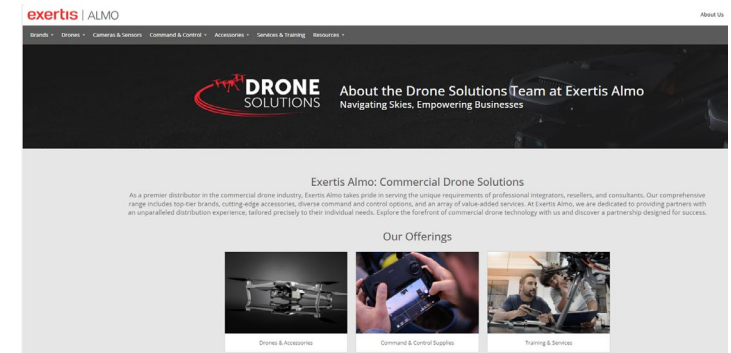
Strengthen SOTEN sales in North America through the extensive distribution network and services of Exertis Almo



- **Subsidiary of DCC plc, a constituent of the FTSE 100 Index**
- **Provides drone sales, training programs and support services, leveraging its supply chain of commercial AV equipment and other products throughout the U.S.**
- **500 SOTEN units ordered (approx. 510 mn JPY / 3.4 mn USD) in 2024. 100 units have already been delivered, and the remaining 400 units are scheduled for first half of FY25**

Partnership summary

- **Provide comprehensive sales, support, and training to SOTEN dealers and further develop sales and market development in North America**
- **Provides for a variety of applications including inspection, surveying, and monitoring for industries such as energy, public safety, and agriculture**
- **SOTEN to be featured at Exertis Almo E4 Experience training and AV tech expo in Dallas**



Commercial Drone Solutions by Exertis Almo



SOTEN

1: 1USD = 150円

Source: Exertis Almo website

Disaster Relief Agreements signed with 4 municipalities

Provide information, support for goods transportation in the event of a disaster, utilizing the experience of disaster site



- Sept. 19, 2024, with **Saijo City, Ehime Pref.**
- The use of drones in the event of a disaster to assess the situation at the disaster site, search and transport supplies, and train human resources for disaster management activities and drone applications during normal times



Left: Satoshi Washiya, ACSL CEO
Right: Toshihisa Tamai, Mayor of Saijo City



- Jan. 21, 2025, with **Imabari City, Ehime Pref.**
- Rapid information gathering and emergency response using drones in diverse areas such as mountainous regions and islands



Left: Shigeki Tokunaga, Mayor of Imabari City
Right: Satoshi Washiya, ACSL CEO



- Jan. 22, 2025, with **Tsukubamirai City, Ehime Pref.**
- Using drones for disaster awareness projects not only during disasters, but also during normal times. Improvement of the city's overall disaster preparedness, including the transportation of goods



Left: Satoshi Washiya, ACSL CEO
Right: Hiroshi Odagawa, Mayor of Tsukubamirai City



- Jan. 29, 2025, with **Oyama Town, Shizuoka Pref.**
- The use of drones in the event of a disaster to assess the situation at the disaster site, search and transport supplies, and train human resources for disaster management activities and drone applications during normal times



Left: Masahide Komiya Mayor of Oyama Town
Right: Satoshi Washiya, ACSL CEO

Level 3.5¹ delivery by Japan Post with a new logistics drone (PF4)

"Sustainable logistics" through social implementation by logistics drones by further improving the performance of PF4

- Conducted in Toyooka City, Hyogo Pref. from Oct. 22 to Dec. 6, 2024
- "Community delivery by drone" in cooperation with local residents by Japan Post, with supply of drones and operation by ACSL.
- Long distance delivery of up to **25.5 km (approx. 40 min) per flight** and **complete remote operation from Tokyo**



New logistics drone PF4



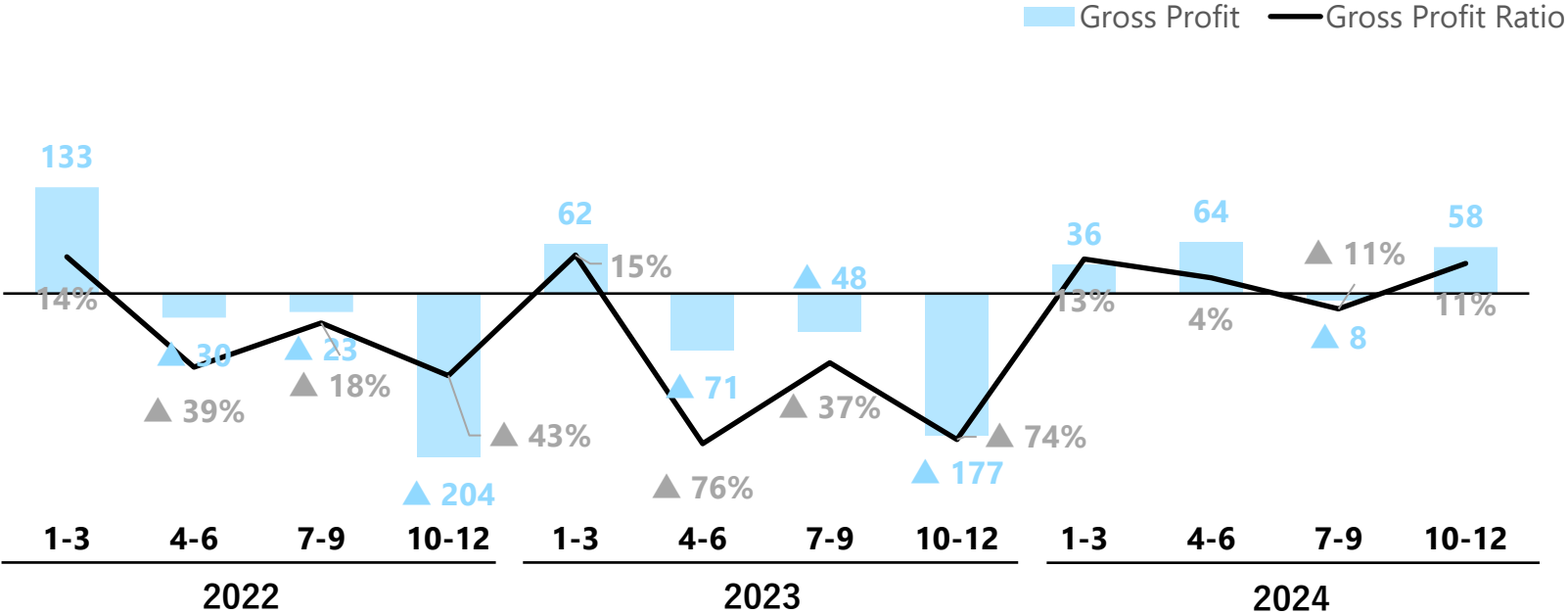
Remote operation base
(ACSL office in Tokyo)

1: Level 3.5 flight is a flight that facilitates the crossing of roads, railroads, etc. without the need for entry control measures (deployment of assistants, signboards) that are conventionally required, through possession of drone operator proficiency certificate, insurance coverage, and use of on-board cameras

Gross profit margin improved YoY. Increased both gross profit and profit margin YoY

Gross Profit and Gross Profit Ratio¹

mn JPY



- Gross profit margin improved significantly from the previous period
- Increased Gross Profit and Improved Gross Profit Margin YoY
- FY23/12 Q4 includes one-time decrease due to inventory write-down (140 mn JPY)

Marginal profit ratio by segments¹

SOTEN as a marginal profit margin improved to 49%, while Solutions maintained around 60%

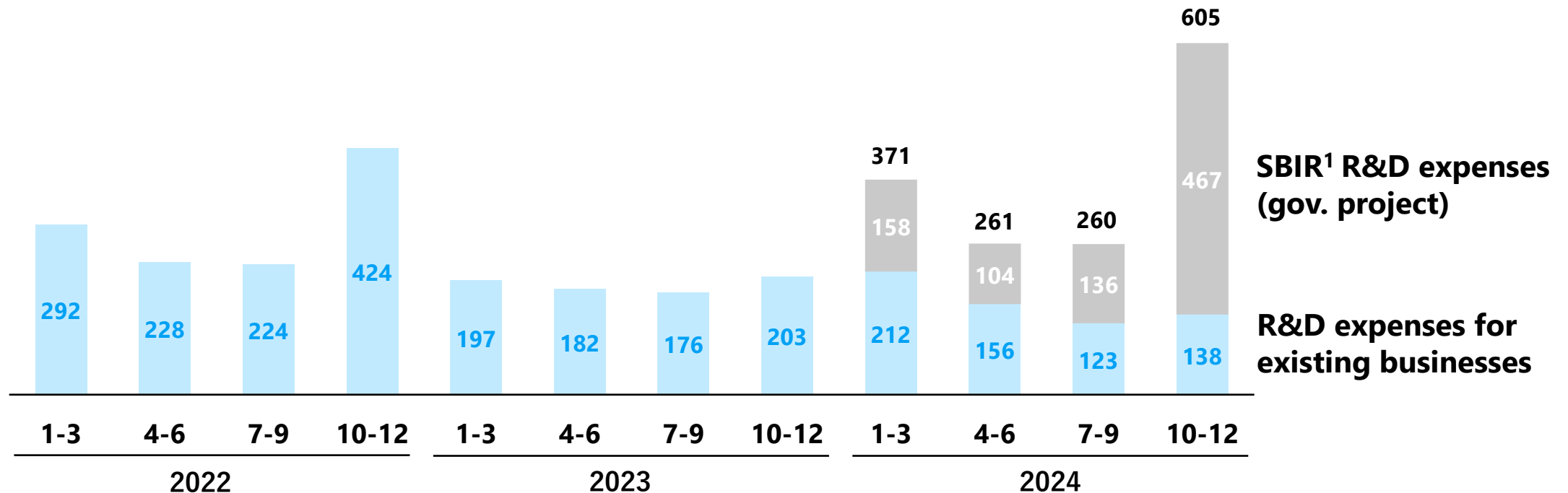
		FY22/12 full year	FY23/12 full year	FY24/12 full year
SOTEN (Aerial photography)	Sales (100 mn JPY)	9.3	2.0	4.0
	# of drones (units)	645	101	240
	Marginal profit ratio (%)	20	47	49
Solution Development (Proof-of-concepts trials, sales of prototype drone)	Sales (100 mn JPY)	5.0	4.0	4.7
	Marginal profit ratio (%)	54	61	58

1: Marginal profit by product is defined as net sales minus variable costs; for SOTEN and aircraft sales, it is defined as net sales minus material costs; and for demonstration projects, it is defined as profit minus direct subcontracting costs. Gross profit is defined as marginal profit less labor and manufacturing costs.

Increase in total R&D expenses due to gov. project (SBIR¹); decrease YoY in R&D expenses for existing businesses excl. SBIR, due to restructuring

R&D expense


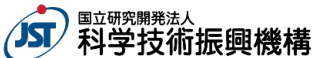

mn JPY



1: Small and Medium Enterprise Innovation Creation Promotion Project. Expects to receive up to 2.6 bn JPY in subsidies for the period from Dec. 2011 to Dec. 2013 for the development of new high-performance small aerial photography drones that take into account economic security and safety

Awarded 3 large national projects for technical development

Award 2.6 bn JPY by FY26 for SBIR. 1 bn JPY in total and 100 mn JPY in project size for 2 K Programs

	Project Summary	ACSL Role	Period / Value
 SBIR (Small Business Innovation Research program)	A large-scale technology demonstration project to promote research and development by small and medium-sized enterprises and quickly bring innovative and superior technology to social implementation	<ul style="list-style-type: none">■ Development of a new high-performance compact aerial photography drone that takes economic security and security into consideration■ Utilizing the knowledge gained through the development of SOTEN and feedback from the market, we will respond to the demand for small aerial photography drones in Japan and overseas	<ul style="list-style-type: none">■ Dec 2023 ~Dec 2025 (scheduled)■ Subsidy : Max 2.6 bn JPY
 K Program (Economic security important technology development program)	Developing cutting-edge and important technologies that are essential for Japan to maintain a firm position in the international community	<ul style="list-style-type: none">■ Research and development of control technology and system construction that can realize autonomous group flight¹ in harsh environments■ Development of technology for multiple drones to estimate and understand their own spatial position and share	<ul style="list-style-type: none">■ Apr 2024 ~Mar 2028■ R&D subsidy : Max 1 bn JPY²
 K Program (Economic security important technology development program)	same as above	<ul style="list-style-type: none">■ Study for hardware development of small drones with autonomous and decentralized control functions■ Surveys of advanced technologies in Japan and abroad, existing drones and research and development trends, determine the direction of competitive drone development	<ul style="list-style-type: none">■ May 2024 ~Mar 2025■ R&D subsidy : within 100 mn JPY

1: Multiple drones flying simultaneously and in collaboration

2: Value will be determined based on discussion with funding parties

Approx. 1.5 bn JPY financing completed through a business and capital alliance with Murata in Dec. 2024

Raised amount

1.48 bn JPY

From	Murata Manufacturing Co., Ltd. and CVI Investment
Summary	Convertible bond (Convertible Bond with Stock Acquisition Rights) Interest rate : 2% Repayment date : Feb. 2030
Details	Mutual collaboration in product development, production and sales
Use	<ul style="list-style-type: none">■ R&D expenses for development and evaluation of drones and business investments related to mass production■ Working capital for overseas business expansion

A photograph of a drone flying over a misty mountain range. The drone is in the foreground, and the mountains are in the background, creating a sense of depth and scale.

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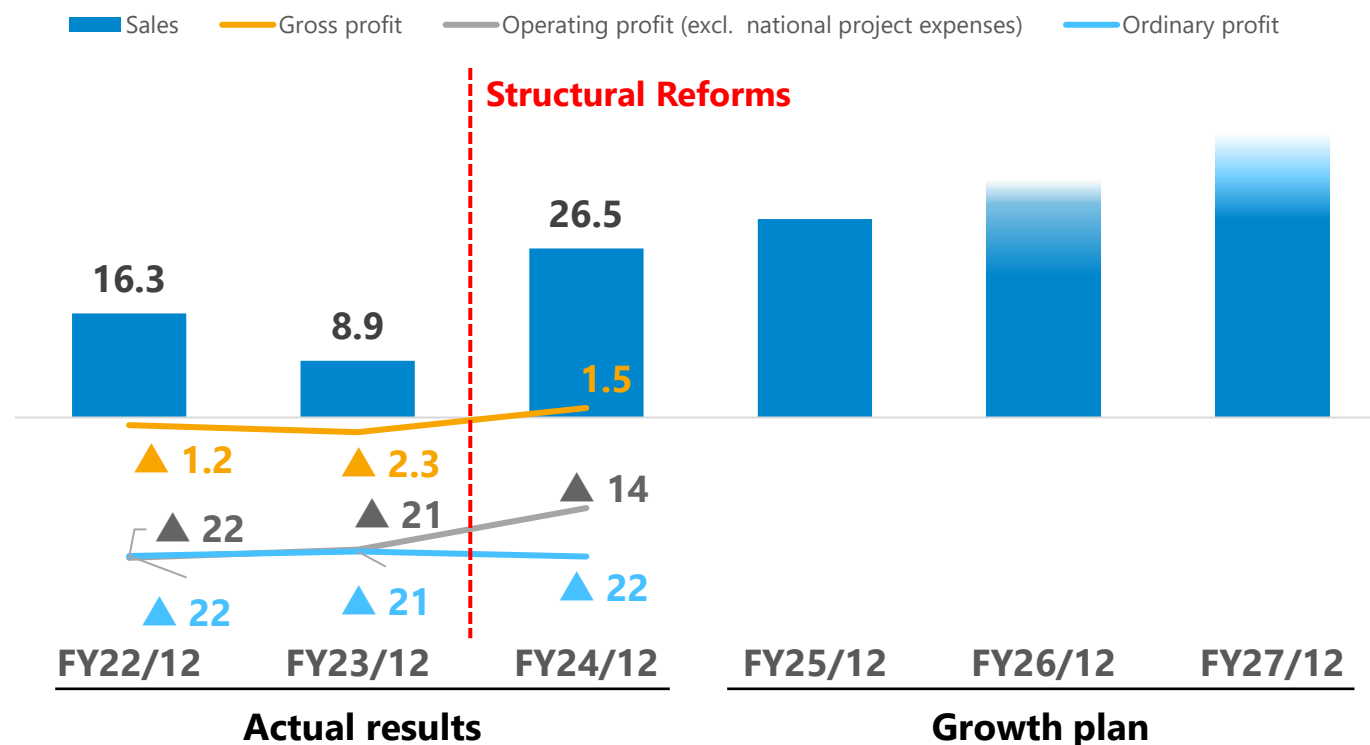
3. Financial forecast

4. Appendix

Aim to be profitable through sales expansion and profitability improvement

Sales and Profit¹

100 mn JPY



Mid-long-term growth targets

Continued improvement in profitability

- Focused on economic security, Japanese government and U.S. inspection and disaster response areas for procurement of Non-China drones. Drone development and social implementation with Japan Post Co.

- Maintained cost structure after structural reform. Focus on high-growth U.S. market as investment areas

Capture new market opportunities

- Expand sales in response to the trend of Non-China drone in the U.S.
- Increase in domestic demand due to promotion of drone utilization by local governments

Business results are not disclosed because the business scale of drone utilization for local governments is large and it is difficult to calculate appropriate and reasonable figures for the forecast for FY25 at this time. It will be disclosed as soon as it becomes visible based on future progress.

1: Operating profit is excluding national project expenses of 860 mn JPY for FY24/12. Operating profit Including national project expenses, FY24/12 is ▲2.29 bn JPY.

A vertical image on the left side of the slide shows a drone flying over a range of misty, blue-toned mountains under a clear sky.

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Item	Question	Answer
Macro	Will the global expansion of military demand have an impact on the Company?	It is our policy not to develop or provide technology for drones used for offensive purposes. On the other hand, it is expected that drones used for defense purposes such as reconnaissance and patrol will either be produced domestically or procured from allied countries.
Macro	What is the impact of inflation and a weaker yen, and what is the outlook for the future?	Prices of procured parts and materials are on an increasing trend due to inflation and the weak yen. The Company will respond by considering design changes, cost reductions, and shifting of costs to selling prices. On the other hand, the weaker yen against the U.S. dollar is expected to have a positive effect on the sales of rice grains.
Macro	The status of regulations, tariffs, etc. in the U.S.	In the U.S., regulations related to drones are taking shape in the Non-China, which is a plus for ACSL. As for tariffs, there is no direct reference to drones at this time, and we will assess the impact in the future.
Domestic market	Future Prospects for Working with the Ministry of Defense	In addition to the 370 million yen order for SOTEN from the Defense Acquisition Agency, we have also been selected as a drone for aerial photography by the Air Self-Defense Force of the Ministry of Defense. The Ministry of Defense is highly interested in economic security and security measures in Japan, and we recognize that this is an area where we can take advantage of our strengths, and we will continue to focus on this area in the future.
Overseas	The progress in US and the future prospect	In October 2024, we signed a distributorship agreement with Exertis Almo and received an order for 500 units, of which 100 units were delivered in FY24 and the remaining 400 units are expected to be delivered in the first half of FY25.
Overseas	The progress in Taiwan	We have signed a dealership contract with a local sales agent and conducted demos. We are discussing sales plan with the distributor
Overseas	The content of the large project in India	Large projects were booked in FY24 through Indian partners. However, due to low profit margins, it was not incorporated into the plan for FY25 and beyond.

Item	Question	Answer
Outlook	Factors contributing to the difference from FY24/12 guidance are	<p>Sales were affected by a delivery of 370 million JPY to the Defense Equipment Agency, which was delayed to FY25. As of the end of FY24, the drones have been delivered to the customer and have been inspected, and we had assumed that revenue would be recognized in FY24. However, based on the auditor's overall judgment, we decided to recognize the revenue in FY25.</p> <p>Non-operating income was expected to include 500 million JPY in subsidies for expenses up to 3Q of FY24, but only 160 million JPY was recognized up to 1Q. 710 million JPY in subsidies from 2Q to 4Q of FY24 will be recognized in FY25.</p>
Outlook	Plan for this fiscal year, the product composition of sales and the ratio of overseas sales to total sales	<p>Excluding large projects in India, SOTEN sales are the main source of sales. In addition, sales of existing aircraft and demonstration tests in the logistics field in Japan are also included. Sales to the U.S. accounted for less than 10% of total sales in FY24, and are expected to increase to more than 40% of total sales in FY25 and beyond.</p>
Finance	What is financial policy	<p>Cash equivalents at the end of FY12/12 were 1.2 billion JPY, plus 1.48 billion JPY raised through the allocation of convertible bonds to Murata Manufacturing and CVI Investment in January 2025, maintaining a certain level of cash on hand. As the debt ratio is rising, we will take appropriate measures to deal with the situation.</p>
Competitive environment	Chinese drone manufacturers have a high market share, but how to compete against them?	<p>We recognize that although Chinese manufacturers have a large share of the consumer market, there is no clear dominant player in the industrial drone market. In addition, we have three competitive advantages over Chinese manufacturers: (1) technological standards for industrial drones (autonomous control technology, application-specific drones tailored to each use case, and drone certification), (2) understanding customer operations and building a support system to meet local customer requirements, and (3) providing secure and reliable drone to exclude security concerns.</p> <p>Recently, due to growing security concerns, some overseas countries have explicitly banned the import or use of Chinese drones, a situation that we recognize is favorable to us.</p>

Item	Question	Answer
Competitive environment	The possibility of emergence of competitors as drone manufacturers?	<p>Companies that possess autonomous control system technology at the source code level, especially those that have commercialized the advanced model-based control technology that we employ, are rare worldwide.</p> <p>The development of autonomous control systems for industrial drones requires verification in the field. We have a strong customer base, and we can enhance our competitiveness by promoting development in response to actual demand for each application through dialogue with customers and verification in actual environments.</p>
Sales structure	What is the sales structure in overseas market?	<p>Depending on the situation in each country, in the U.S., a subsidiary was established with a sales function. In India, we have established a JV with a local partner company. In each of these regions, we believe that local sales and support functions are important, and we will work to deepen cooperation with local companies.</p>
Risk	What are the biggest perceived risks?	<p>We recognize that major accidents involving drones, including those involving drone manufacturers other than our company, are a major risk. Stricter laws and regulations on drones due to serious accidents, deterioration of public trust in drones, and other factors are expected to delay the commercialization of drones and delay the introduction of drones by customers, slowing the speed of the ACSL's business development.</p>
Manufacturing System	Is there a potential shortage of manufacturing capacity?	<p>As a fabless manufacturer, we outsource production to an external partner in Japan and can handle increased manufacturing capacity.</p>
Performance	How seasonality in sales occurs?	<p>For delivery of drones, sales are recorded when all the drones have been delivered and inspected by the client; for trial projects, sales are recorded when the entire project is completed. For large projects, sales are often recorded from January to March, depending on the budget cycle of the client company. On the other hand, sales are usually small from April to June. However, the recent supply side has had an impact on drone sales, and the concentration of sales in the January-March period tends to be less than in the past.</p>

Balance Sheet

Mn JPY	FY24/12		FY23/12	FY22/12
	Actual	YoY change to same period previous year	Actual	Actual
Current assets	3,877	▲8%	4,203	3,572
Cash	1,243	▲17%	1,499	1,356
Fixed assets	685	▲23%	891	1,403
Current liabilities	2,129	+ 33%	1,603	2,003
Fixed liabilities	2,238	+ 83%	1,227	34
Total liabilities	4,368	+ 54%	2,830	2,037
Net assets	194	▲91%	2,264	2,938
Total assets	4,563	▲10%	5,094	4,976

Capital reduction and compensation for losses

Capital reduction and deficit compensation to ensure flexibility and mobility of capital policy, and impact on tax aspects such as corporate enterprise tax

Mn JPY	As of 25/2/13 Non-Consolidated Net Assets
Capital stock	149
Capital surplus	
- Capital reserve	1,564
- Other capital surplus	827
Retained earnings	
Other retained earnings (Retained earnings carryover)	▲2,464
Treasury stock	▲0
Total shareholders' equity	77

Reduction of capital and capital reserve (capital reduction)

Reduced capital stock to 10 mn JPY and capital reserve to 0 JPY, and transferred 1,704 mn JPY to other capital surplus

Appropriation of Surplus (Compensation for losses)

1,704 mn JPY transferred from capital stock and capital reserve to other capital surplus is transferred to other retained earnings to compensate for the negative balance of retained earnings brought forward

Total shareholders' equity

No change in total shareholders' equity after capital reduction and loss adjustment

KPI and key financial items by fiscal year

mn JPY Fiscal Year ¹		FY19/03	FY20/03	FY21/03	FY21/12	FY22/12	FY23/12	FY24/12
Net sales		807	1,278	620	501	1,635	896	2,655
Small aerial photography drone	mn JPY					939	206	402
	Units					645	101	240
- Japan	mn JPY	-	-	-	-	939	144	276
	Units					645	50	128
- Overseas	mn JPY					-	61	125
	Units						50	112
Other application-specific drones	mn JPY	-	-	-	-	73	132	21
	Units					18	26	2
Solutions	mn JPY	678	1,171	515	192	501	405	478
- Demo experiment	mn JPY	293	866	370	124	397	337	271
	No. of cases	81	112	82	41	71	52	34
- Platform drone	mn JPY	384	304	145	67	103	67	207
	Units	106	101	46	18	27	15	47
Others	mn JPY	129	107	105	308	120	152	1,752 (India project 1,700)
Gross profit		403	808	68	0	▲124	▲235	150
Gross profit ratio		50%	63%	11%	0%	▲8%	▲26%	6%
SG&A		733	792	1,207	1,189	2,079	1,836	2,444
- R&D expenses		366	275	583	604	1,168	759	1,498
Operating profit		▲330	15	▲1,139	▲1,188	▲2,203	▲2,071	▲2,293

1: Figures are based on consolidated financial statements for the third quarter of FY2021 and thereafter, for earlier quarters figures in the non-consolidated financial statements FY21/03 through April to March of the following year. FY21/12 is an irregular accounting period from April to December; FY22/12 and beyond are from January to December.

Quarterly KPI and key financial items

mn JPY		Fiscal Year ¹		FY21/03				FY21/12			FY22/12				FY23/12				FY24/12			
Quarterly Results				1Q	2Q	3Q	4Q	1Q	2Q	3Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Net sales				36	42	46	495	267	133	100	952	78	130	473	429	94	132	239	288	1,761	78	527
	Small aerial photography drone	mn JPY								590	21	25	301	33	49	37	86	46	19	30	313	
		Units								475	6	7	157	13	16	13	59	31	8	12	182	
	- Japan	mn JPY	-				-			590	21	25	301	33	49	37	24	46	14	20	194	
		Units								475	6	7	157	13	16	13	9	31	8	7	82	
	- Overseas	mn JPY								-				-		61	-	5	9	110		
		Units																50	-	7	5	100
	Other application-specific drones	mn JPY	-				-			3	2	60	7	34	0			46	50	12	0	-
		Units								1	2	15	-	6	-	10	10	1	-	-	1	
	Solutions	mn JPY	5	33	35	440	30	77	85	294	33	33	140	305	15	32	53	215	22	41	198	
	- Demo experiment	mn JPY	1	22	22	323	14	42	67	252	16	25	103	265	5	28	37	192	22	5	50	
		No. of cases	2	11	15	54	6	14	21	32	1	10	17	29	4	10	9	18	4	5	7	
	- Platform drone	mn JPY	4	10	13	116	15	34	17	42	17	7	37	39	9	3	15	23	-	36	148	
		Units	1	3	5	37	6	6	6	8	4	2	13	7	3	1	4	4	-	11	32	
Others	mn JPY	30	8	10	55	237	55	15	64	20	11	24	56	30	16	49	13	1,717	6	15		
Gross profit				▲6	▲6	▲13	94	17	5	▲22	133	▲30	▲23	▲204	62	▲71	▲48	▲177	36	64	▲8	58
Gross profit ratio				▲19%	▲16%	▲28%	19%	7%	4%	▲23%	14%	▲39%	▲18%	▲43%	15%	▲76%	▲37%	▲74%	13%	4%	▲11%	11%
SG&A				230	173	314	488	325	348	515	535	442	431	670	419	451	469	495	631	495	488	829
- R&D expenses				60	77	129	315	153	165	285	292	228	224	424	197	182	176	203	371	261	260	605
Operating profit				▲237	▲180	▲328	▲393	▲308	▲342	▲538	▲401	▲473	▲454	▲874	▲356	▲523	▲517	▲672	▲594	▲431	▲496	▲770

1: Figures are based on consolidated financial statements for the third quarter of FY2021 and thereafter, for earlier quarters figures in the non-consolidated financial statements FY21/03 through April to March of the following year. FY21/12 is an irregular accounting period from April to December; FY22/12 and beyond are from January to December.

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