Financial Results Material for FY25/12 Q1

ACSL Ltd (TYO: 6232)
May 14, 2025

Corporate management structure changes (as of April 30, 2025)

Appointment of 2 new representative directors as Co-CEOs provides a multifaceted perspective and agility, and promote sustainable growth through a mutually complementary and reinforcing structure

Name	New Position	Former Position
Kensuke Hayakawa	Representative Director, Co-CEO	Board Director, CFO
Shoji Terayama	Representative Director, Co-CEO	Board Director, COO
Satoshi Washiya	—	Representative Director, CEO

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, Co-CEO	Kensuke Hayakawa
	Representative Director, Co-CEO	Shoji Terayama
	ACSL, Inc. (US subsidiary) Board Director, CEO	Cynthia Huang
	ACSL, Inc. Board Director, Global CTO	Chris Raabe
	Director (External), Audit and Supervisory Committee Member	Kentaro Shizuka
		Yuka Katsuki
		Tadaharu Shimazu

No. of Employee (consolidated) 52 (as of Mar 2025)

Ratio of engineers

Approx. **62** %

# 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. FY25/12 Q1 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

Issues that social infrastructure is facing today

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

Solutions that drones can bring

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

Drone market environment

Growing use of drones in disaster prevention and response, as well as in economic security and supply chain risks triggered by geopolitical risks

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
National Land Stabilization Disaster Prevention and Response

Active use of drones in disaster prevention and disaster management in the field of hurricane damage in the U.S. and the Noto earthquake and torrential rain disasters. Increased awareness of the usability of disaster investigation and drone delivery

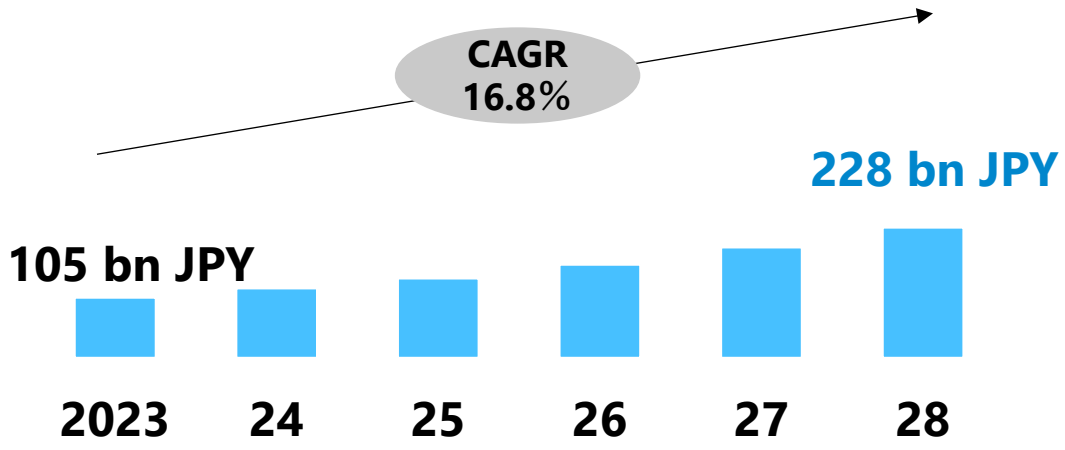
03
Unmanned Optimization, DX

Robotics, including drones, are increasingly implemented globally for more efficient and unmanned operations. Particularly in the logistics field, a combination of trucks and drones is considered

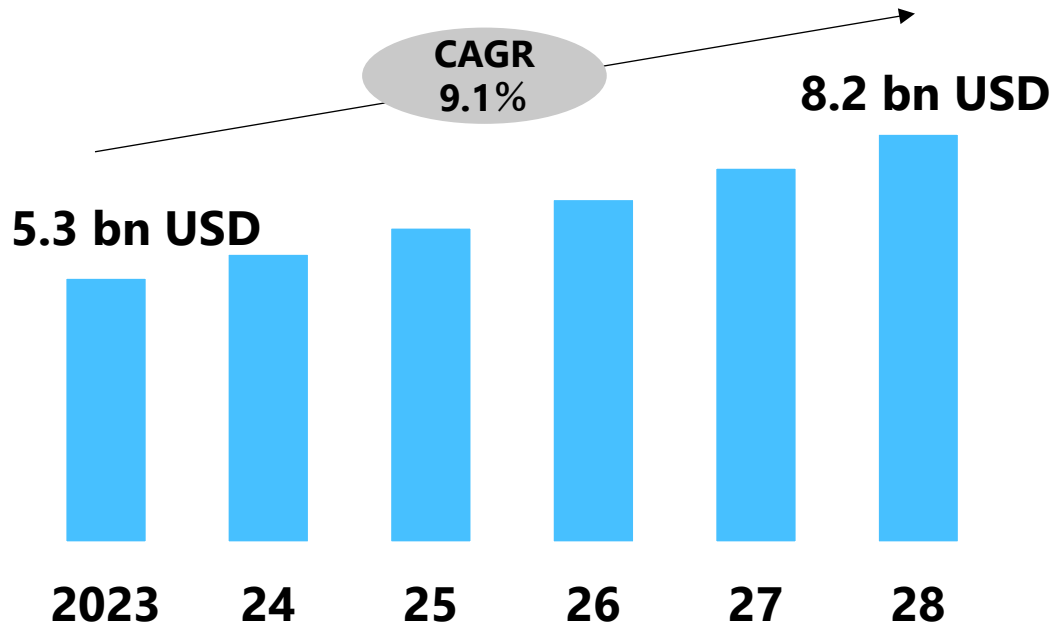
Drone market size

The drone industry is growing swiftly and is projected to surpass 1 trillion JPY by 2028, encompassing both Japan and the U.S.

Japan drone hardware market[1]



US drone hardware market[2]



1: Impress Research Institute “Drone Business Report 2024”
2: Grand View Research 「U.S. Commercial Drone Market Size & Share Report, 2030」

ACSL Competitive Environment

Chinese drones are being substituted in various sectors of the Japanese government as well as in U.S. industry and government sectors

ACSL Target

	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

Who we are

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

ACSL Growth Strategy

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

	Focus	Current activity	Competitiveness
Aerial photo 	**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	■ SOTEN (launched) ■ Development of next gen. aerial photo drone (SBIR ending FY25)	■ 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

1. Market / Mission / Growth strategy

2. FY25/12 Q1 results and highlights

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FY25/12 Q1 results and highlights

Summary

Sales performance was robust, reaching 700 mn JPY, including contracts with ATLA[1], along with backlog of 1.37 bn JPY.

R&D and other SG&A expenses reduced YoY due to cost reductions in business reforms. Ordinary income improved significantly due to subsidy income

Sales

Sales

700 mn JPY

YoY +142%

Backlog at end of 1Q

1.37 bn JPY

In addition to a large order for the ATLA, a large order was received in the U.S. market, and the order backlog at the end of 1Q remained high.

Profit rate

Gross profit rate

11%

YoY -2pt

Marginal profit ratio

24%

YoY -36pt

The marginal profit ratio decreased as a result of a shift in the product mix. Conversely, the gross profit margin stayed relatively stable in line with the growth in sales.

Operating income

-239 mn JPY

YoY +355 mn JPY

Ordinary income

-16 mn JPY

YoY +573 mn JPY

Operating loss narrowed YoY due to business reforms. Ordinary income improved significantly due to subsidy income from Gov. project (SBIR).

1: ATLA (Acquisition, Technology & Logistics Agency), affiliated organization of the Ministry of Defense

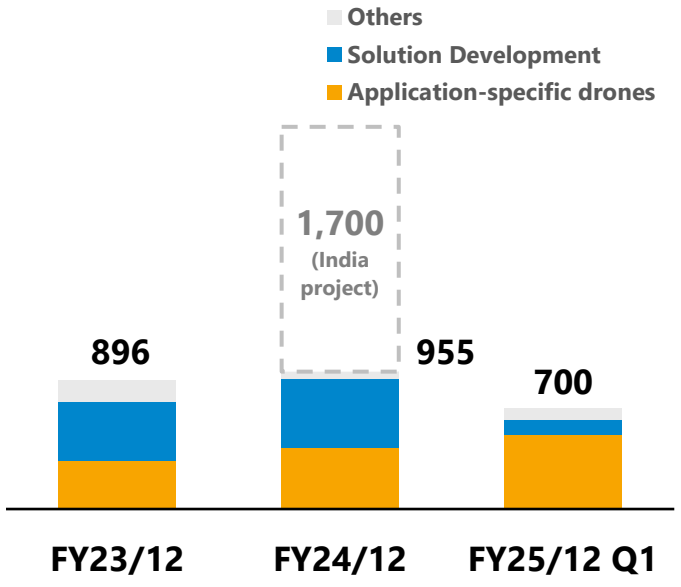
Key Financial Figures

There was a notable rise in sales. The cost structure saw enhancements as a result of the implementation of structural reforms

Sales

mn JPY

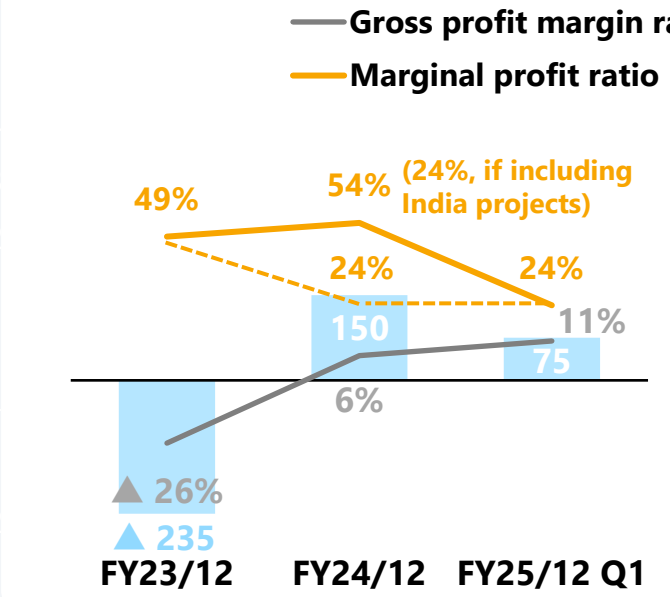
Sales of application-specific drones increased significantly, accounting for 73% of the previous year's annual sales of 955 mn JPY in Q1 (excl. 1.7 bn JPY in large-scale projects in India)



Gross profit

mn JPY

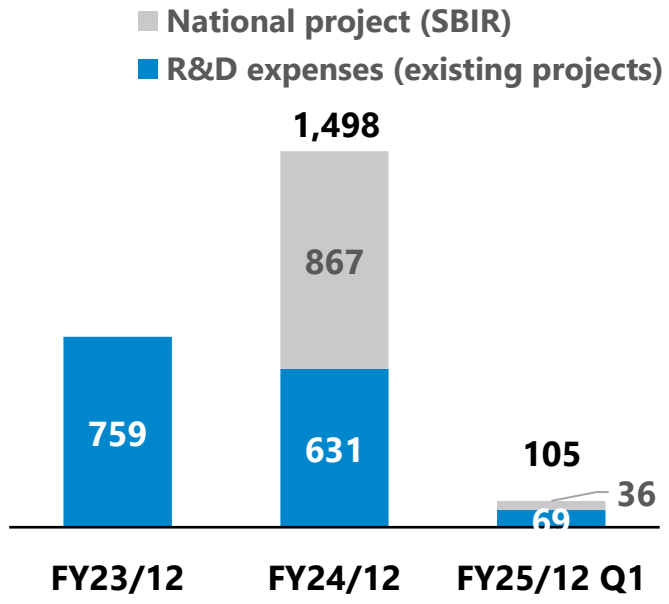
Gross profit and gross profit ratio were consistent, while the marginal profit ratio decreased as a result of a change in the product mix.



R&D Expenses

mn JPY

R&D expenses related to existing projects, excl. national projects, have been significantly reduced as a result of structural reforms



FY25 Consolidated Financial Plan and FY25/12Q1 Actual Results

The yearly projections for sales and profit are on track when compared to the FY25 numerical plan.

[mn JPY]	FY25/12 Q1 actual results				FY25/12 Forecast			
	Existing business	Local gov. projects	SBIR (Gov. Project)[1]	Total	Existing business	Local gov. projects	SBIR (Gov. Project)	Total
Net sales (incl. order backlog)	699 (1,335)	+0 (+36)	-	700 (1,372)	3,110	+2,000	-	5,110
Gross profit	75	+0	-	75	630	+1,000	-	1,630
Gross profit ratio	11%	-	-	11%	21%	-	-	32%
SG&A (inc. R&D, US subsidiary)	279	-	+36	315	1,620	-	+1,400	3,020
Operating profit	▲203	+0	▲36	▲239	▲990	+1,000	▲1,400	▲1,390
Ordinary profit	▲274	+0	+257 (Non-Op. income +293)	▲16	▲1,120	+1,000	+300 (Non-Op income +1,700)	180
Net Profit	▲274	+0	+257	▲16	▲1,270	+1,000	+300	30

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. FY25/12Q1 reflects expenditures for FY24/12Q2 and Q3. Expenditures for FY24/12Q4 and after to be recognized in future periods

FY25/12 Q1 results and YoY comparison

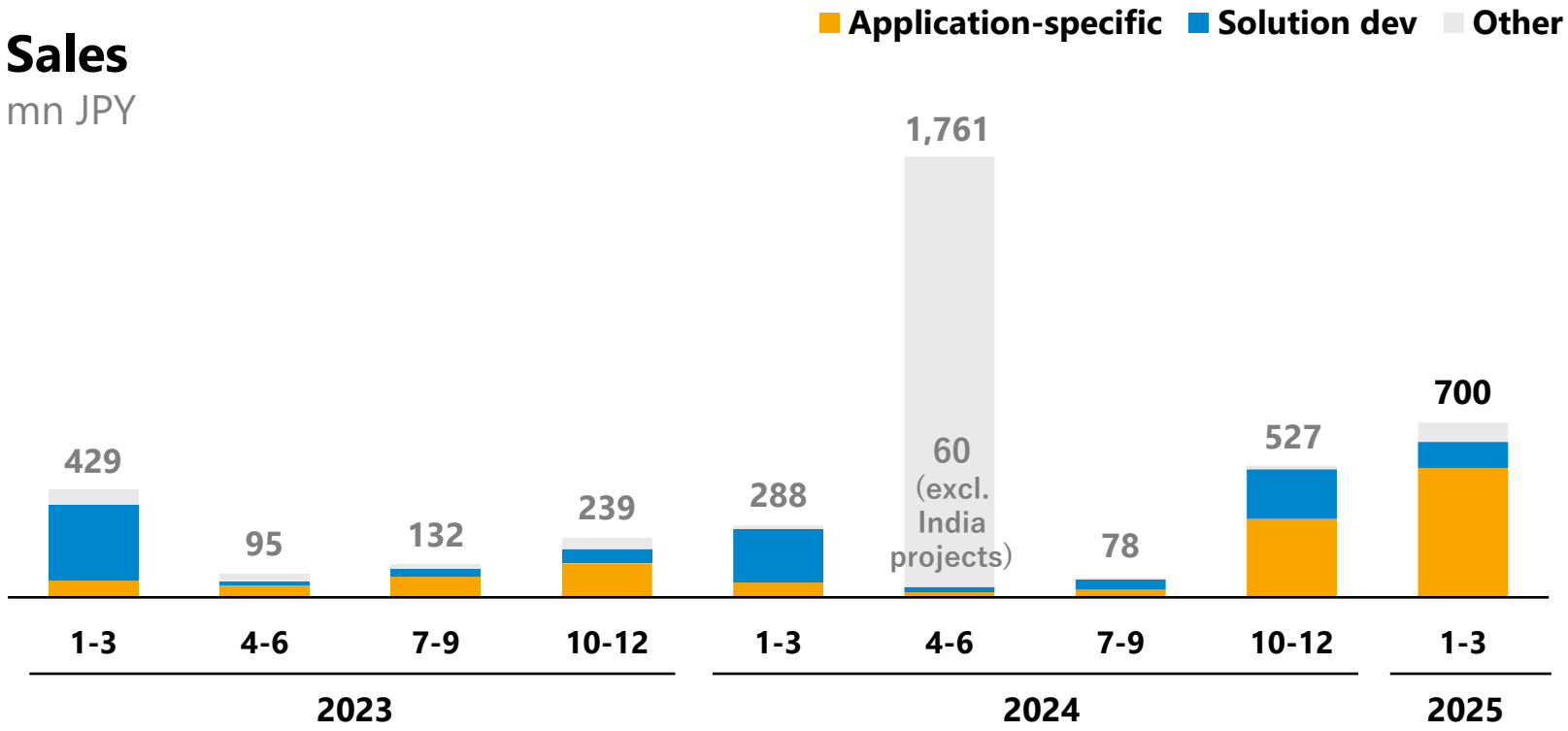
Sales experienced a substantial increase YoY, while the cost structure was enhanced through the introduction of structural reforms

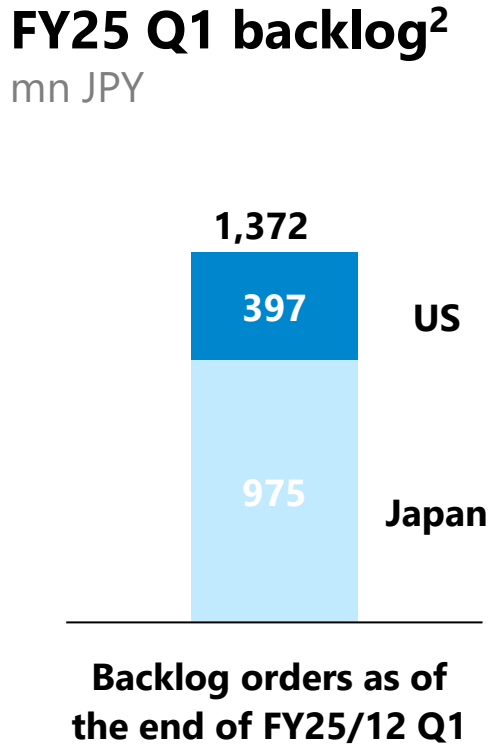
[mn JPY]	FY25/12 Q1 actual	FY24/12 Q1 actual	YoY comparison	Summary
Net sales	700	288	+411	■ Significantly increased YoY due to booking of Self defense force projects for FY24 implementation ■ Order backlog was 1.37 bn JPY as of FY25/12 Q1, up 0.64 bn JPY YoY (excl. India projects), and business is progressing steadily
Gross profit	75	36	+39	■ YoY gross profit saw an increase. ■ Marginal profit ratio experienced a decline as a result of changes in product mix, however, the gross profit ratio remained stable due to an increase in sales.
Gross profit ratio	11%	13%	▲2pt	
SG&A[1]	315	631	▲315	■ SG&A expenses (excl. gov. project) were reduced by 192 mn JPY YoY due to structural reforms ■ 36 mn JPY was booked for government project R&D expenses (SBIR) in Q1. Overall project progressed smoothly, and budget execution is on schedule
SG&A (excl.gov. project)	279	472	▲192	
Gov. project expenses	36	158	▲122	
Operating profit	▲239	▲594	+355	■ Operating loss narrowed YoY due to higher sales and lower SG&A expenses ■ Ordinary loss was 16 mn JPY due to a smaller operating loss and 293 mn JPY in subsidy income from the government SBIR project (part of the subsidy income for last year)
Ordinary profit	▲16	▲589	+573	
Net Profit	▲16	▲656	+640	

▲ stands for negative
1: R&D, including U.S. subsidiaries

Quarterly sales and backlog

411 mn JPY increase YoY, primarily due to a project for ATLA[1]. Backlog reached 1.37 bn JPY, with an increase of 0.64 bn JPY (excluding India) from last year





1: ATLA (Acquisition, Technology & Logistics Agency)
2: Backlog is the total amount of orders received at the end of the FY25/12 Q1. Assuming 1 USD=150 JPY

US drone market environment

Regulations for Non-Chinese drones in the U.S. are materializing, and demand for NDAA[1] compliant drones is high

Changes in Regulations on Drones in the U.S.

2020
- DJI was 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
- Mandatory transition from Chinese drones for many critical infrastructure organizations by the end of 2025 in response to the most recent regulatory activities
- 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

Status of Overseas Expansion

U.S. sales and marketing activities are in full swing and large orders received. Despite cost increase due to tariffs, SOTEN will maintain competitive pricing

Acceleration of sales in US

- SOTEN is highly evaluated for its NDAA[1] 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, and partnering with over 25 sales dealers[2]. Accelerating sales in response to the development of regulations for non-Chinese drones

Effect of Tariff

- Due to the tariffs, the cost of drones sold in the U.S. is expected to increase (for every manufacturer). The extent of the impact is currently being examined.
- Planning to adjust sales price for the increased costs
- Even with the price adjustments, SOTEN will maintain competitive pricing in the U.S. market.

1: The NDAA (National Defense Authori zation 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 May14, 2025

US Expansion

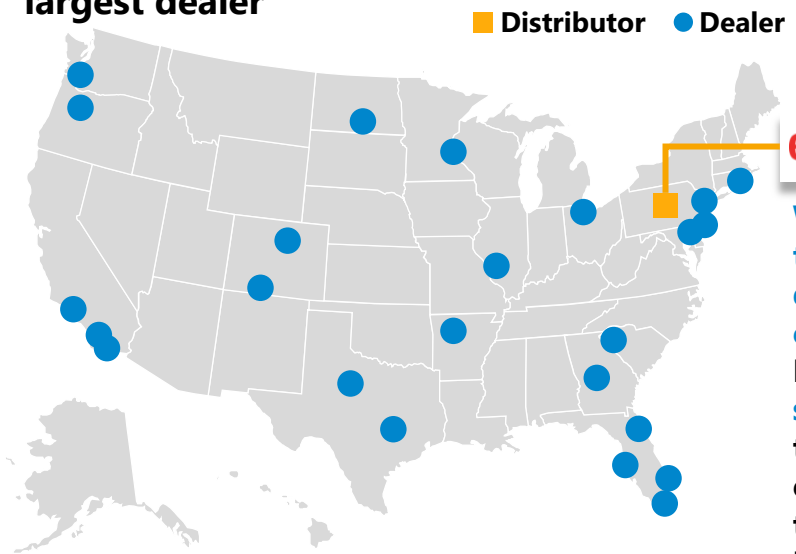
Started sales of SOTEN in the US from Dec 2023. Strategic MOUs signed with infrastructure companies. Expanding distributor and dealer network

MOUs signed in the US

GEN PAC General Pacific, Inc.	Provide drone program development support for utilities, on-site UAV services
C2 GROUP	Drone solution provider to infrastructure companies
FIRMATEK	Provide drone services in mining and essential infrastructure inspections
Ameren	Largest utility company in Missouri. Listed at Fortune 500
valmont	Global agri and infra company with footprint in 21 countries
CYBERHAWK Your assets. Our solutions. Better decisions.	Over 300 customers in 40 countries, hundreds of thousands of drone facility inspections per year

Distributor and dealer network in the US[1]

Expanding throughout US via largest distributor and 25+ dealers, including Drone Nerds, DJI's largest dealer



exertis | ALMO

World's leading technology distribution company. Provides drone sales and support through a supply chain established throughout the U.S.

1: As of May. 14, 2025

Partnership with Drone Nerds Inc. by ACSL, Inc.

Strengthen SOTEN sales in North America through the extensive distribution network and services of Drone Nerds

- One of the largest distributors in the U.S. specializing in industrial drones
- Wide variety of customers from government, construction, energy, and other industries
- Expertise in industrial drones and tailored drone solutions for client-specific operations

Company Profile

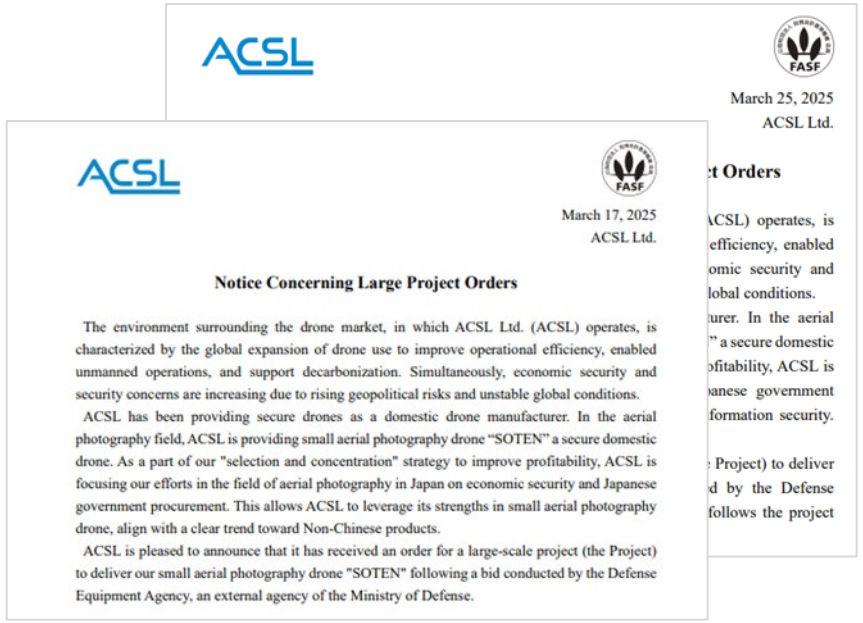
- Location: 5553 Ravenswood Rd Ste 109, Fort Lauderdale, FL 33312
- Representative: CEO Jeremy Schneiderman
- Business: Sales and service of industrial drones
- Date of establishment: 2014

SOTEN on Drone Nerds website

Source: Drone Nerds website

Large project orders

Secured two significant orders amounting to 520 million JPY[1] for the delivery of SOTEN after last year's bidding by ATLA[2], a Ministry of Defense affiliate



March 17, 2025
ACSL Ltd.

Notice Concerning Large Project Orders

The environment surrounding the drone market, in which ACSL Ltd. (ACSL) operates, is characterized by the global expansion of drone use to improve operational efficiency, enabled unmanned operations, and support decarbonization. Simultaneously, economic security and security concerns are increasing due to rising geopolitical risks and unstable global conditions.

ACSL has been providing secure drones as a domestic drone manufacturer. In the aerial photography field, ACSL is providing small aerial photography drone "SOTEN" a secure domestic drone. As a part of our "selection and concentration" strategy to improve profitability, ACSL is focusing our efforts in the field of aerial photography in Japan on economic security and Japanese government procurement. This allows ACSL to leverage its strengths in small aerial photography drone, align with a clear trend toward Non-Chinese products.

ACSL is pleased to announce that it has received an order for a large-scale project (the Project) to deliver our small aerial photography drone "SOTEN" following a bid conducted by the Defense Equipment Agency, an external agency of the Ministry of Defense.

Orders received	**SOTEN, a small aerial photography aircraft**
Order amount	**Total approx. 520 mn JPY (FY24: 370 mn JPY order received)**
Delivery date	**December 2025 (scheduled)**

1: The total of approx. 350 mn JPY order (announced on Mar. 17) and approx. 170 mn JPY order (announced on Mar. 25). The impact of this order on business performance has already been factored into the full-year forecast for FY12/2025 announced on Mar. 19, 2025.
2: Acquisition, Technology and Logistics Agency

Disaster Relief Agreements signed with 7 municipalities

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

西条市 Saijo City Website

- 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

今治市 IMABARI 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

つくばみらい市 TSUKUBAMIRAI CITY

- 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

Oyama-Town 小山町

- Jan. 29, 2025, with Oyama Town, Shizuoka Pref.
- Using 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

埼玉県 鳩山町 HATOYAMA TOWN

- Mar. 26, 2025, with Hatoyama Town, Saitama Pref.
- Using 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

YAZU 鳥取県 八頭町

- Apr. 2, 2025, with Yazu Town, Tottori Pref.
- Using 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

FUEFUKI CITY 笛吹市

- May. 12, 2025, with Fuefuki City, Yamanashi Pref.
- Using 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

Comprehensive cooperation agreement with Sakai Town, Ibaraki Pref.

Comprehensive collaboration agreement with Sakai Town, Ibaraki Pref. to promote specific initiatives using drones, such as drone logistics, sewer inspections, and disaster response

ACSL

PRESS RELEASE

March 24, 2025
ACSL Ltd.

ACSL Signed a Comprehensive Partnership Agreement with Sakai-machi Town, Ibaraki prefecture

- ACSL signed a comprehensive partnership agreement with Sakai-machi Town, Ibaraki prefecture.
- ACSL has been conducting R&D and production activities in the town since last year and will engage actively in activities to solve local issues based on the agreement.
- Specific initiatives utilizing drones, such as drone delivery, sewer inspections, and disaster response will be considered.

ACSL Ltd. (ACSL) hereby announces that on March 24, 2025, signed a comprehensive partnership agreement (the agreement) with Sakai-machi Town, Ibaraki prefecture.

茨城県 境町 Sakai Town

- Signed a comprehensive partnership agreement with Sakai Town, Ibaraki Pref., on March 24, 2025
- Aims to solve regional issues and revitalize local communities by using drones to replace understaffed operations, respond to disasters, and promote regional development
- Main initiatives of the agreement
  - Establishment of continuous drone logistics
  - Implementation of drone-based security and monitoring demonstrations
  - Drone survey of sewage pipes and development of new models
  - Cutting-edge education for children
  - Utilization of drones in times of disaster

Sewer inspection with Air Slider® Fi4 for closed environment inspections

Sewer inspection with Air Slider® Fi4 in Sakai Town and Tsukubamirai City, Ibaraki Pref.

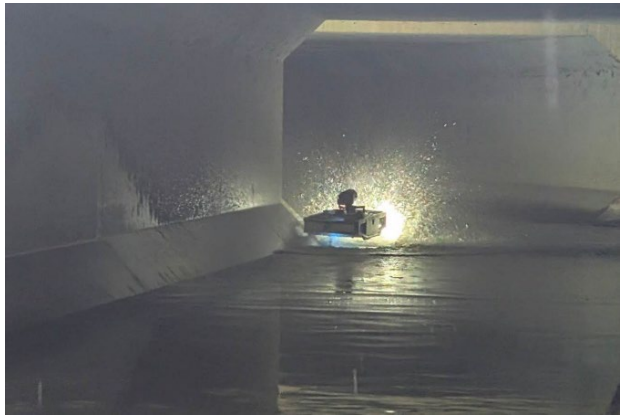
茨城県 境町 Sakai Town

つくばみらい市 TSUKUBAMIRAI CITY

- MLIT[1] announced on March 3 a proposal to conduct a simultaneous inspection survey of sewer pipes by local governments across Japan
- Sewer inspection with closed environment inspection drone Air Slider® Fi4 in Sakai Town and Tsukubamirai, Ibaraki pref. in March 2025
- By flying the Fi4 into the sewer pipe and taking pictures with the onboard camera, inspections can be performed safely without humans entering the pipe

Air Slider® Fi4

Sewer pipe inspection
(March 7 in Sakai Town)



Fi4 flying over a storm drain (photo taken March 3 in Sakai Town)

1: Ministry of Land, Infrastructure, Transport and Tourism

Nighttime drone monitoring demonstration in Sakai Town, Ibaraki Pref.

Monitoring drone flights to deter and detect criminal activity

茨城県 境町 Sakai Town

- **Nighttime drone monitoring demonstration in Sakai Town, Ibaraki Pref. on March 31, 2025**
- **Monitoring drone flights to deter and detect criminal activities such as burglary, theft, suspicious persons, and illegal dumping by black market operators**
- **"SOTEN", small aerial photography drone and "PF2-AE", medium-sized drone are used**

Photo of a convenience store in the town from the air

SOTEN

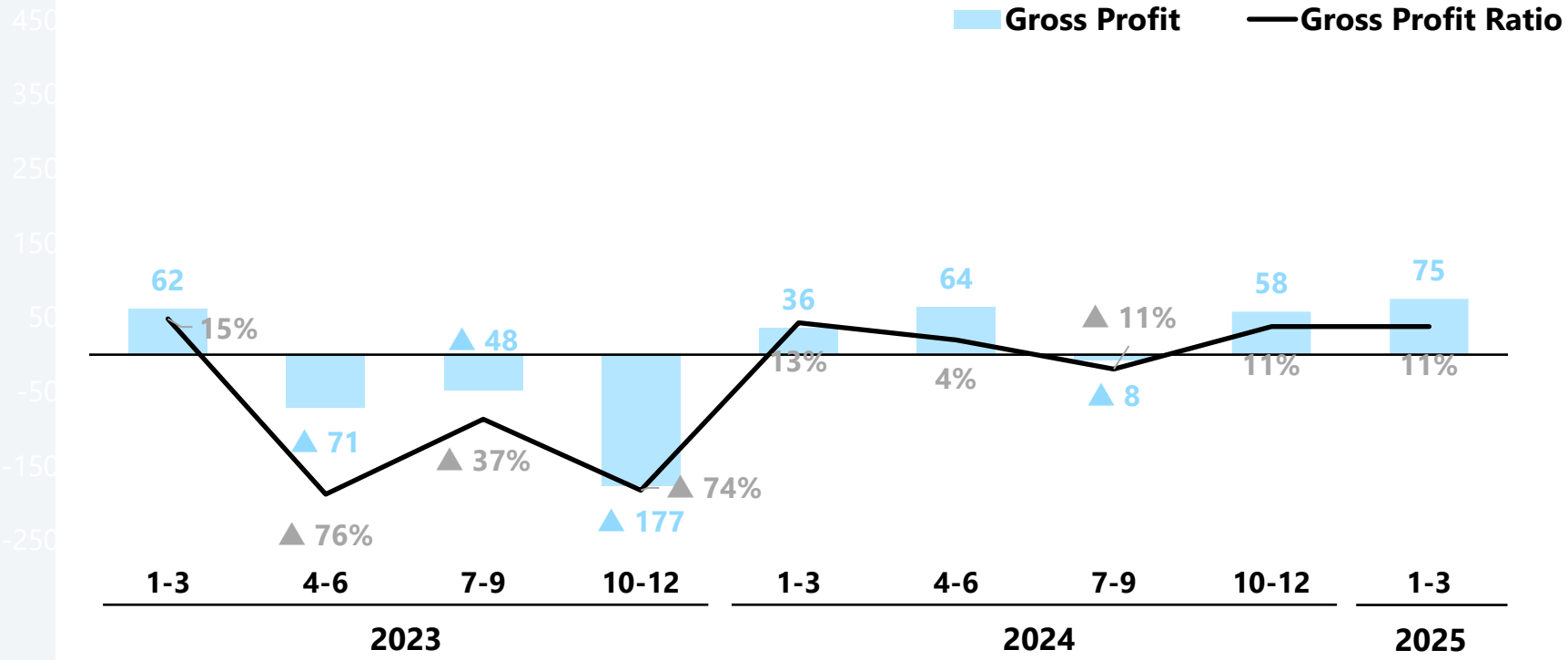
PF2-AE

Gross Profit and Gross Profit Ratio

YoY gross profit saw an increase, while the gross profit ratio stayed consistent with the previous year's figures.

Gross profit and gross profit ratio

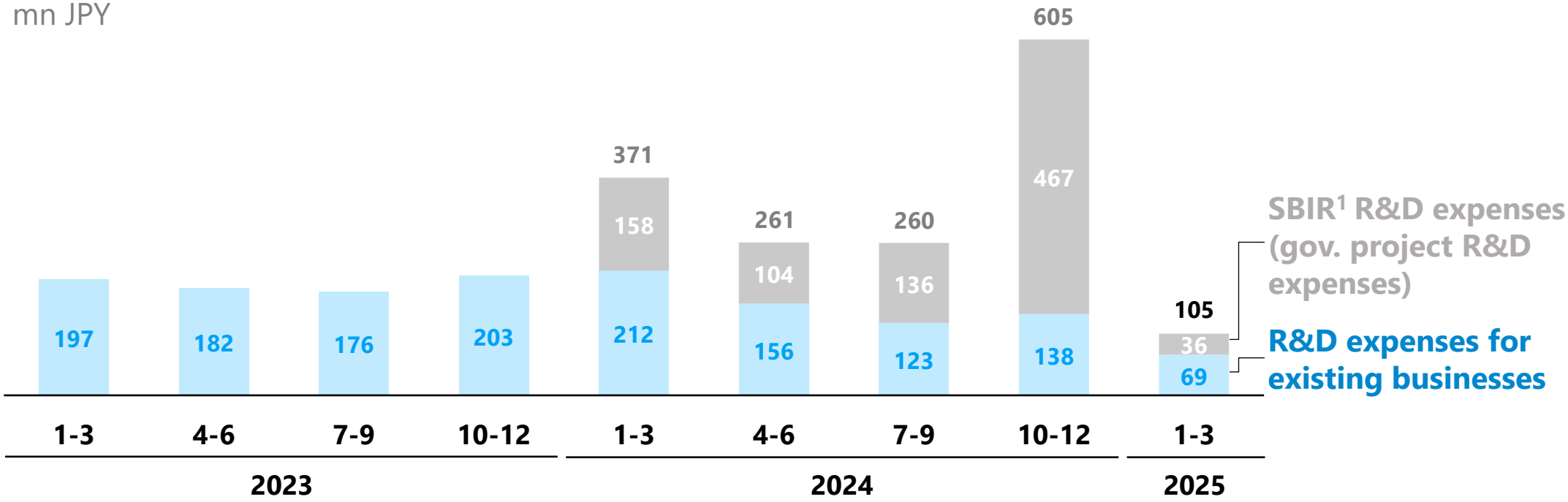
mn JPY



- Gross profit increased 39 mn JPY YoY
- Gross margin maintained FY24/12 Q4 level
- Q4 of FY23/12 includes temporary decrease due to inventory write-down (140 mn JPY)

R&D expense

Allocated 36 million JPY for SBIR[1], with budget implementation on track. R&D expenses excluding SBIR, have significantly reduced due to structural reforms



1: Government project; 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
経済産業省 Ministry of Economy, Trade and Industry **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	■ 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	■ Dec 2023 ~Dec 2025 (scheduled) ■ Subsidy：Max 2.6 bn JPY
国立研究開発法人 科学技術振興機構 **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	■ Research and development of control technology and system construction that can realize autonomous group flight[1] in harsh environments ■ Development of technology for multiple drones to estimate and understand their own spatial position and share	■ Apr 2024 ~Mar 2028 ■ R&D subsidy：Max 1 bn JPY[2]
NEDO **K Program** (Economic security important technology development program)	same as above	■ 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	■ 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

1. Market / Mission / Growth strategy

2. FY25/12 Q1 results and highlights

3. Financial forecast

4. Appendix

FY25 Financial plan (Consolidated)

With a significant increase in sales, expect to return to profitability in terms of operating profit(excluding gov. project) and net profit

[mn JPY]	FY25/12 Full Year forecast	FY24/12 actual	YoY Comparison	Summary
Net sales	5,110	2,655	+2,454	■ Aim for sales of 1.8 bn JPY in Japan, mainly to the Ministry of Defense and other major customers, and sales of 1.3 bn JPY in the U.S., with more than 1,000 SOTEN units ■ Aim for sales of 2 bn JPY through multiple projects for local governments
Gross profit	1,630	150	+1,479	■ Aim to improve gross profit from 6% in FY24 to 32% in FY25 ■ Marginal profit ratio is expected to improve, and fixed cost ratio is expected to shrink in line with sales expansion
Gross profit ratio	32%	6%	+26pt	
SG&A (excl. gov. project)[1]	1,620	1,576	+43	■ In Japan, maintain cost structure reduced in line with structural reforms ■ Expansion of U.S. sales structure and development for U.S. customers for U.S. business expansion
Operating profit (excl. gov. project)	10	▲1,425	+1,435	■ Aim to return to profitability in operating profit excluding government project expenses by increasing sales and marginal profit and improving cost structure
Gov. project	1,400	867	+532	■ 1.4 bn JPY to be expensed in 2025 as government project costs
Operating profit	▲1,390	▲2,293	+903	■ Grant income from the implementation of gov. projects 1.7 bn JPY to be recognized as non-operating income[1] ■ Aim to return to profitability in ordinary income and net income
Ordinary profit	180	▲2,188	+2,368	
Net Profit	30	▲2,371	+2,401	

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. FY25/12Q1 reflects expenditures for FY24/12Q2 and Q3. Expenditures for FY24/12Q4 and after to be recognized in future periods

FY25/12 Forecast and YoY Summary (Consolidated)

Expect to increase sales in existing businesses and increase sales from local government projects while maintaining cost structure

[mn JPY]	FY25/12 Forecast					FY24/12 Actual results			
	Existing business	Local gov. project	Gov. Project (SBIR)[1]	Total	YoY	Existing business	India Large projects	Gov. Project (SBIR)	Total
Net sales	3,110	+2,000	-	5,110	+2,454	955	+1,700		2,655
Gross profit	630	+1,000	-	1,630	+1,479	31	+119	-	150
Gross profit ratio	21%	-	-	32%	+26%	3%	-	-	6%
SG&A (inc. R&D, US subsidiary)	1,620	-	+1,400	3,020	+576	1,576	-	+867	2,444
Operating profit	▲990	+1,000	▲1,400	▲1,390	+903	▲1,545	+119	▲867	▲2,293
Ordinary profit	▲1,120	+1,000	+300	180	+2,368	▲1,599	+119	▲708	▲2,188
			(Non-operating income +1,700)					(Non-operating income +158)	
Net profit	▲1,270	+1,000	+300	30	+2,401	▲1,782	+119	▲708	▲2,371

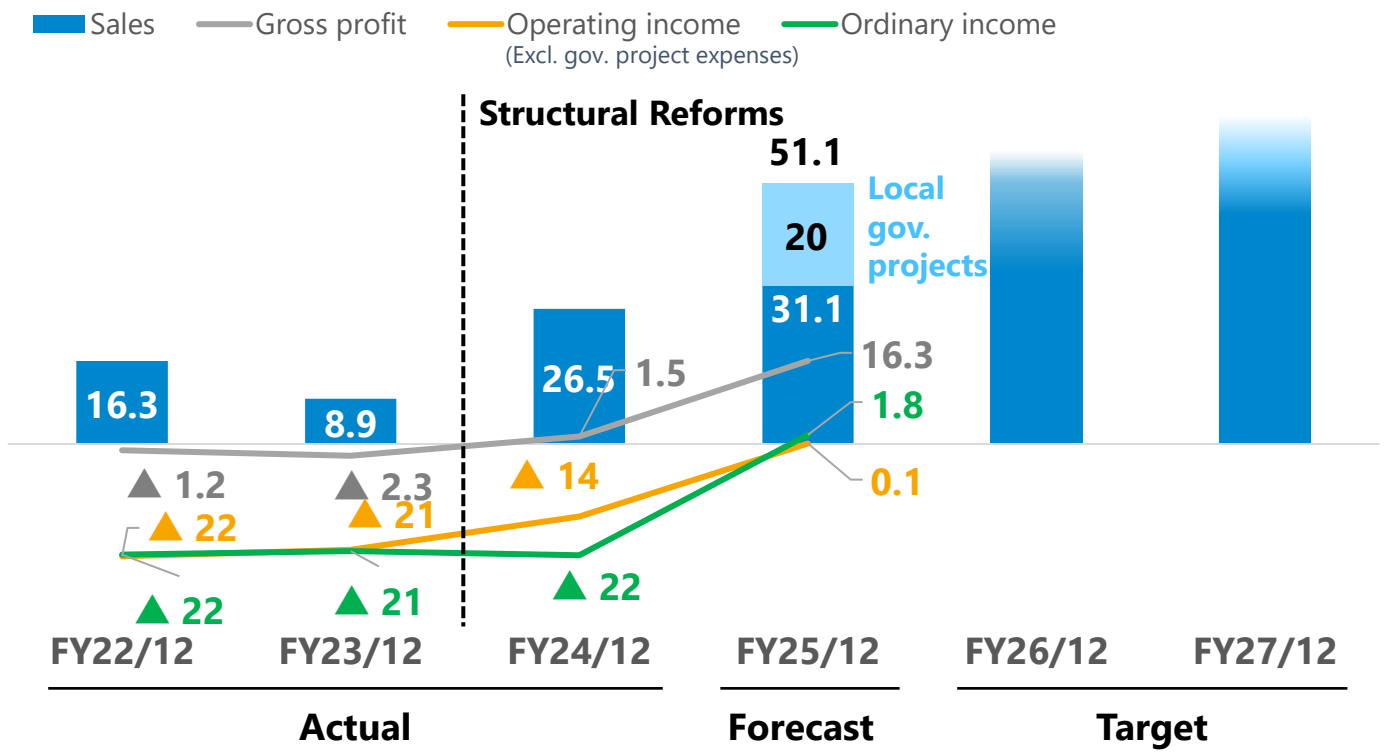
1: Expenses for gov. projects (SBIR) are booked as SG&A expenses. Subsidies for expenses are earned as non-operating income when the amount of expenditure is finalized after the audit. FY25/12Q1 reflects expenditures for FY24/12Q2 and Q3. Expenditures for FY24/12Q4 and after to be recognized in future periods

Mid-Long-Term Outlook

Expect to return to profitability in FY25 due to sales increase in local government projects in addition to expansion of existing businesses

Sales and profit trends[1]

100 mn JPY



Mid-long-term growth targets

Sales

- Expect existing businesses to grow at a CAGR of more than 20%, mainly due to sales expansion in the U.S. market
- Expect sales of 2 bn JPY in FY25 as local government projects

Gross profit

- Target 32% in FY25 and over 40% in FY27
- In addition to improvement in marginal profit ratio, fixed cost reduction due to sales expansion is expected

Profit

- Operating profit (excluding gov. projects) and ordinary profit are expected to return to profitability in FY25
- Cost structure will be maintained after structural reforms. Emphasis on high-growth U.S. market as an area for investment.

1: Operating income for FY24/12 and FY25/12 exclude gov. project expenses of 860 mn JPY and 1.4 bn JPY, respectively. Including gov. project expenses, FY24/12 and FY25/12 are 2.29 bn JPY loss and 1.39 bn JPY loss, respectively.

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4. Appendix

FAQs 1/3

Item	Question	Answer
Macro	Will the global expansion of military demand have an impact on the Company	With the growing awareness of economic security, government agencies are accelerating the replacement of Chinese drones in their drone applications, and the trend toward domestic production or procurement from allied countries is expected to intensify.
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. We 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. 140-150 JPY is not expected to have a significant impact on the plan
Macro	The status of regulations, tariffs, etc. in the U.S.	U.S. drone regulations are evolving with a clear shift toward de-Sinicization, which presents a favorable environment for ACSL. Tariff measures are anticipated to impact the entire drone sector at this stage. While we foresee a rise in costs, we intend to mitigate this by recalibrating our pricing strategy. We anticipate sustaining competitive pricing even after these adjustments. We will continue to monitor and evaluate the implications as they unfold."
Domestic market	Future Prospects for Working with the Ministry of Defense	In FY24, we secured a significant contract valued at 370 million JPY for SOTEN from the Acquisition, Technology & Logistics Agency (ATLA), followed by the successful acquisition of another major project for FY25. Beyond these, we are actively engaged in additional contracts and opportunities under review. We have identified them as a strategic partner in a priority domain where our core competencies are particularly well aligned.
Domestic market	Specific order prospects for existing domestic business	In addition to the Ministry of Defense-related customers (above), which are our main customers, we expect to sell SOTEN to major domestic operating companies such as electric power companies, and conduct demonstration.
Overseas	The progress in US and the future prospect	In October 2024, we signed a distribution agreement with Exertis Almo and secured an initial order of 500 units—100 delivered in FY24, with the remaining 400 scheduled for early FY25. We anticipate similar order volumes in 2025, with deliveries in the second half. Our goal is to exceed 1,000 units and 1.3 billion JPY in total sales.
Overseas	Prospect in other area	The U.S. is our focus market, and other overseas sales are not factored in at this time.
Local gov. projects	Specific initiatives for local government projects	We are advancing drone deployment with municipalities, starting with Sakai Town, in areas such as logistics, infrastructure inspection, disaster response, and public safety. These initiatives combine hardware sales with integrated service solutions, in collaboration with local partners.

1 USD = 135 JPY

FAQs 2/3

Item	Question	Answer
Outlook	Domestic, international, and local government sales ratio	We expect 3.11 billion JPY for existing business in Japan and overseas, and 2 billion JPY for local government projects. As for existing business, from FY25 onward, we expects to increase the share of sales to the U.S. to about 30~40%.
Outlook	Reason of change in gross profit ratio	To enhance marginal profit margins, we are pursuing unit price optimization and cost reductions, including option configurations for SOTEN. As sales scale, fixed cost ratios are expected to decline. In FY25 Q1, margins temporarily contracted due to a product mix weighted toward drone hardware.
Outlook	Seasonality in sales and cost	Orders for Ministry of Defense projects secured FY24 have already been booked. U.S. orders received in FY24 are expected to be recognized in the first half of FY25. New contracts awarded FY25 are primarily scheduled for booking in the second half, particularly toward year-end. Expense levels will vary depending on the timing of cost recognition for large-scale projects.
Outlook	Risk factor of outlook	There is a risk that planned sales may not be recognized within FY25 if there are delays in order placement, production, or delivery schedules, or if customer and municipal budget approvals deviate from expectations.
National project	How will the national project (SBIR) be expensed and revenue recognized	SBIR-related expenses are recorded as SG&A, while subsidies are recognized as non-operating income upon confirmation, creating a timing gap. FY25/12Q1 reflects expenditures for FY24/12Q2 and Q3. Expenditures for FY24/12Q4 and after to be recognized in future periods.
Finance	What is financial policy	Cash and equivalents stood at 2 billion JPY at FY25Q1 end, maintaining a stable cash position. Net assets improved from FY24 year-end. We continue to explore diverse financing options, considering cash levels and leverage.
Management	Effect of change management members	The transition following former CEO Washiya's resignation is being effectively managed by Co-CEOs Hayakawa and Terayama, with no material impact expected on current operations. We continue to assess any potential business implications and will disclose information as necessary.

1 USD = 135 JPY

FAQs 3/3

Item	Question	Answer
Competitive environment	Chinese drone manufacturers have a high market share, but how to compete against them?	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. 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.
Competitive environment	The possibility of emergence of competitors as drone manufacturers?	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. 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.
Sales structure	What is the sales structure in overseas market?	While approaches vary by country, in the U.S. we have established a subsidiary focused on sales and are leveraging a network of experienced distributors and dealers to drive market expansion. In India, we have formed a joint venture with a local partner. Across all regions, we view localized sales and support capabilities as critical and are deepening collaboration with local enterprises.
Manufacturing System	Is there a potential shortage of manufacturing capacity?	As a fabless manufacturer, we outsource production to an external partner in Japan and can handle increased manufacturing capacity.

Balance Sheet

mn JPY	FY25/12 Q1 Actual	FY25/12 Q1 YoY change to same period previous year	FY24/12 Q1 Actual	FY24/12 Actual
Current assets	4,785	▲12%	5,434	3,877
Cash	2,024	▲11%	2,274	1,243
Fixed assets	635	▲33%	944	685
Current liabilities	1,496	▲28%	2,074	2,129
Fixed liabilities	3,322	＋24%	2,675	2,238
Total liabilities	4,818	＋2%	4,749	4,368
Net assets	602	▲63%	1,628	194
Total assets	5,421	▲15%	6,378	4,563

KPI and key financial items by fiscal year

Fiscal Year[1]		FY19/03	FY20/03	FY21/03	FY21/12	FY22/12	FY23/12	FY24/12	FY25/12 Q1
Net sales		807	1,278	620	501	1,635	896	2,655	700
Small aerial photography drone	mn JPY	-	-	-	-	939	206	402	504
	Units					645	101	240	416
- Japan	mn JPY					939	144	276	479
	Units					645	50	128	416
- Overseas	mn JPY					-	61	125	24
	Units						50	112	-
Other application-specific drones	mn JPY	-	-	-	-	73	132	21	13
	Units					18	26	2	1
Solutions	mn JPY	678	1,171	515	192	501	405	478	104
Others	mn JPY	129	107	105	308	120	152	1,752 (India project 1,700)	77
Gross profit		403	808	68	0	▲124	▲235	150	75
Gross profit ratio		50%	63%	11%	0%	▲8%	▲26%	6%	11%
SG&A		733	792	1,207	1,189	2,079	1,836	2,444	315
- R&D expenses		366	275	583	604	1,168	759	1,498	105
Operating profit		▲330	15	▲1,139	▲1,188	▲2,203	▲2,071	▲2,293	▲239

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

Fiscal Year[1]		FY21/03				FY21/12			FY22/12				FY23/12				FY24/12				FY25/12
Quarterly Results		1Q	2Q	3Q	4Q	1Q	2Q	3Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q
Net sales		36	42	46	495	267	133	100	952	78	130	473	429	94	132	239	288	1,761	78	527	700
Small aerial photography drone	mn JPY								590	21	25	301	33	49	37	86	46	19	30	304	504
	Units								475	6	7	157	13	16	13	59	31	15	12	182	416
- Japan	mn JPY			-			-		590	21	25	301	33	49	37	24	46	14	20	194	479
	Units								475	6	7	157	13	16	13	9	31	8	7	82	416
- Overseas	mn JPY								-				-			61	-	5	9	110	24
	Units															50	-	7	5	100	-
Other application-specific drones	mn JPY			-			-		3	2	60	7	34	0	46	50	12	0	-	8	13
	Units								1	2	15	-	6	-	10	10	1	-	-	1	1
Solutions	mn JPY	5	33	35	440	30	77	85	294	33	33	140	305	15	32	53	215	22	41	198	104
Others	mn JPY	30	8	10	55	237	55	15	64	20	11	24	56	30	16	49	13	1,717	6	15	77
Gross profit		▲6	▲6	▲13	94	17	5	▲22	133	▲30	▲23	▲204	62	▲71	▲48	▲177	36	64	▲8	58	75
Gross profit ratio		▲19%	▲16%	▲28%	19%	7%	4%	▲23%	14%	▲39%	▲18%	▲43%	15%	▲76%	▲37%	▲74%	13%	4%	▲11%	11%	11%
SG&A		230	173	314	488	325	348	515	535	442	431	670	419	451	469	495	631	495	488	829	315
- R&D expenses		60	77	129	315	153	165	285	292	228	224	424	197	182	176	203	371	261	260	605	105
Operating profit		▲237	▲180	▲328	▲393	▲308	▲342	▲538	▲401	▲473	▲454	▲874	▲356	▲523	▲517	▲672	▲594	▲431	▲496	▲770	▲239

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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