



Financial Results Material for FY25/12 Q2

ACSL Ltd (TYO: 6232)
Aug 14, 2025

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Received investigation report regarding former representative's misconduct and formulated recurrence prevention measures

Timeline of Misconduct

- **Apr 2025:** Internal investigation by three outside directors on compliance concerns on former Representative Director who resigned at the end of April 2025.
- **Jul 1, 2025:** Established Special Investigation Committee with outside experts.
- **Jul 14, 2025:** Received investigation report.
- **Jul 22, 2025:** Board resolved recurrence prevention measures.

Summary of Report

- Former Representative Director diverted company funds via fictitious contracts in March 2025 for personal debt repayment.
- Direct financial impact to the company: JPY 151.8M.
- Scope of investigation: Jan 1, 2023 – Apr 30, 2025.
- No impact was identified on past fiscal years' financial results, and there was no effect on past securities reports, financial statements, or earnings releases.

Causes and Formulation of Recurrence Prevention Measures

- Causes Identified
 - Lack of compliance awareness and qualifications required of representative director
 - Lack of transparency in rep. director's execution of business operations and hollowing out of internal control functions
 - Weakness of the governance system in contract execution and disbursement processes
- Formulation of Recurrence Prevention Measures (from Jul 2025)
 - Establishment of a nomination committee and enhancement of candidate evaluation process
 - Strengthening of oversight functions over business execution by the representative director
 - Review of authority regulations and approval criteria
 - Strict enforcement of contract and payment procedures, and enhanced vendor management
 - Promotion of compliance awareness and strengthening of whistleblowing system

Executive summary



■ Revision of Full-Year Forecast (FY2025/12 – Consolidated)

- Existing businesses in Japan (1.8 bn JPY) and the U.S. (1.3 bn JPY) remain on track, with gross margin maintained. SG&A expenses are being kept at planned levels through structural reforms.
- Exclude unbooked orders for local government projects and to reflect a timing shift in grant income from the national project (SBIR).
- **Revenue: 3.15 bn JPY; Gross profit margin: 21%; Operating loss: 970 mn JPY (excluding SBIR expenses); Ordinary loss: 1.58 bn JPY.**

■ FY2025/12 Cumulative Q2 Results¹

- **Revenue: 975 mn JPY (+626 mn JPY YoY); Backlog: 1.17 bn JPY (+468 mn JPY); Combined revenue and backlog: 2.14 bn JPY (+1.09 bn JPY).**
- **Gross profit margin: 9% (+4pt YoY); Contribution margin: 22% (+6pt YoY).**
- **SG&A expenses: 599 mn JPY (down 263 mn JPY YoY); Operating loss: 515 mn JPY (improved by 247 mn JPY),** both excluding SBIR expenses of 238 mn JPY).
- Ordinary loss: 45 mn JPY (improved by 918 mn JPY YoY, including 815 mn JPY in SBIR grant income recognized); 225 mn JPY in loss related to misconduct recorded in Q2.

■ Medium- to Long-Term Outlook

- Targeting revenue CAGR of over 20% and gross profit margin above 40%, **aiming to achieve profitability with revenue exceeding 5 bn JPY during FY2026–FY2028.** Detailed numerical targets to be disclosed in due course.

■ Technology Development & Business Expansion Highlights

- New product: Started **mass production of “PF4,” a long-range, multi-use drone**; conducted postal delivery trials in Mongolia.
- Defense initiatives: **Strengthened the relationship with Self-Defense Forces.** Conducted disaster response training with in Q2.
- Local gov.: Continued to expand disaster preparedness agreements with municipalities; currently **signed with 13 municipalities.**
- U.S.: **Tightened regulations on Chinese drones; 20+ dealer network**; launched NDAA-compliant high-res infrared camera.

1: Revenue excludes the 1.7 bn JPY project in India from last year. Order backlog figures are as of today. SBIR (national project) grants are recorded in amounts corresponding to incurred expenses, which are booked as SG&A. The grants are recognized as non-operating income after inspection.



1. Market / Mission / Growth strategy

2. Revision of performance forecasts

3. FY25/12 Q2 results and highlights

4. Appendix

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 June 2025)

Ratio of engineers # of Non-Japanese
Approx. **62** % Approx. **25** %

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



MISSION

**Liberate Humanity
Through Technology**

VISION

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

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

01

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

02

Economic Security Data sensitivity

As economic security gains global importance, the U.S. is advancing national-level regulations on Chinese-made drones, while Japan is steadily strengthening related initiatives.

03

National Land Stabilization Disaster Prevention

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

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

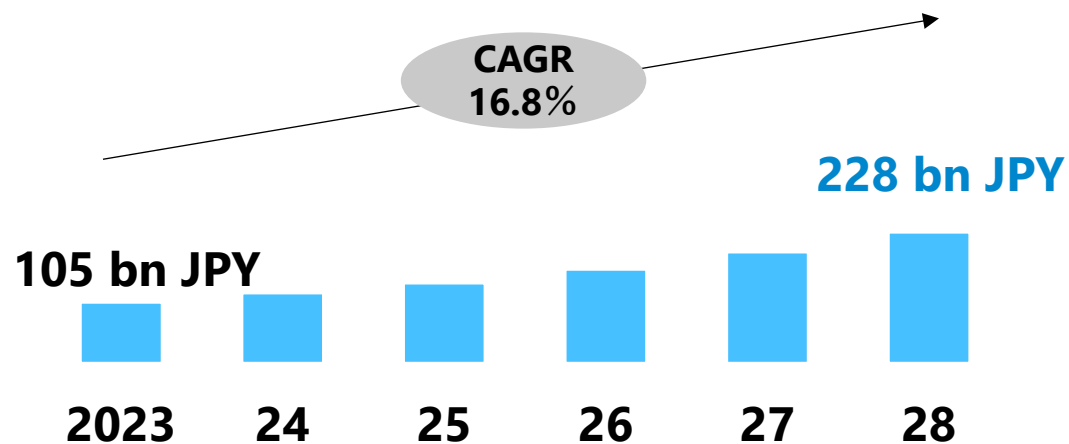
Control remotely

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

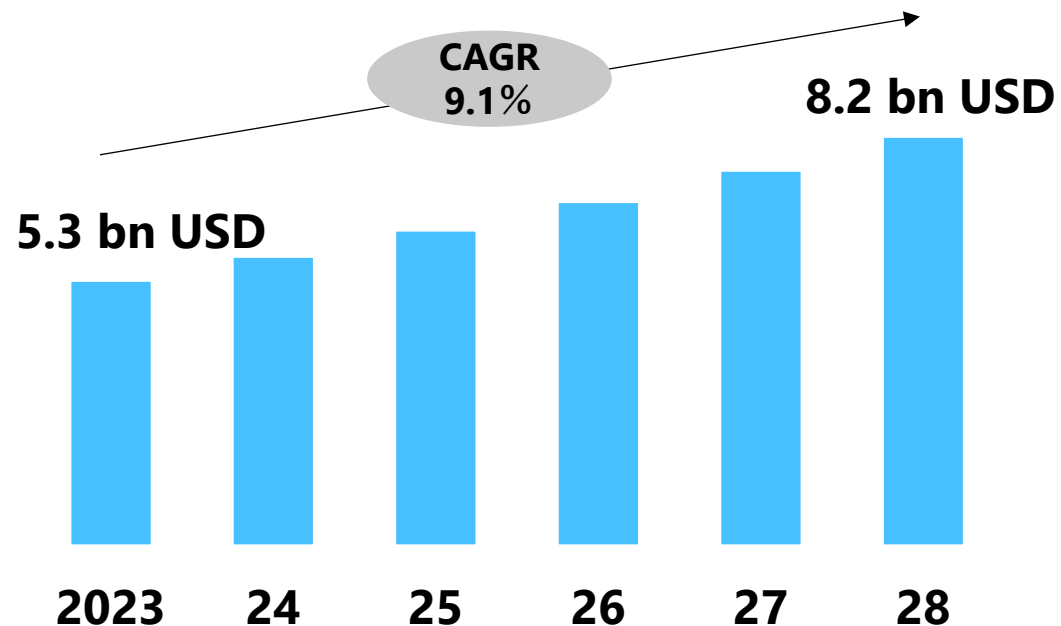
Drone hardware market size

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

Japan drone hardware market¹



US drone hardware market²

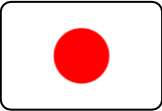



1: Impress Research Institute "Drone Business Report 2024"

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

Chinese drones are being 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 European manufacturers are most focused

Strong technical capabilities centered on control technology, customer support, and the ability to expand globally

Industry-leading technology

- High performance achieved through **advanced proprietary control technology** (Control and vision technologies)
- **Established mass production** structure for small aerial photography drones
- High technical capabilities having obtained **the only Level 4 type certification**

Customer solution excellence

- **Extensive customer base, accumulated operational know-how**, abundant experience in demonstrations and sales results
- **Customization and new function development** based on specific use cases in hardware and software
- Speedy **support and extensibility to other companies' applications**

Global expansion capability

- **Aircraft development compatible with economic security**
- Hiring top-class engineers for any nationality and **building a highly skilled technical team**
- Experienced team in the **US market** for many years, **adapting to the needs of the local market**

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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FY25 Revised financial forecast (Consolidated)

Existing business remains on track, but sales and profit have been revised downward due to local government projects review and delay in subsidy receipts

[mn JPY]	Revised FY25/12 Full Year forecast	Pre-revision FY25/12 Full Year forecast	Comparison	Summary
Net sales	3,150	5,110	▲1,960	<ul style="list-style-type: none"> The forecast for existing businesses in Japan (1.8 bn JPY) and the US (1.3 bn JPY) remains unchanged Local gov. projects include only orders already received; orders not yet received aren't included
Gross profit	650	1,630	▲980	<ul style="list-style-type: none"> Expected gross profit for existing businesses to remain unchanged
Gross profit ratio	21%	32%	▲11pt	<ul style="list-style-type: none"> Approx. 1 bn JPY decrease in gross profit due to decline in local government projects
SG&A (excl. SBIR)¹	1,620	1,620	± 0	<ul style="list-style-type: none"> Maintain cost structure after business restructuring and keep SG&A expenses in line with plans
Operating profit (excl. SBIR)	▲970	10	▲980	<ul style="list-style-type: none"> A decrease of 1 bn JPY due to a decline in sales and marginal profit. Excluding SBIR (national project), expect a deficit of hundreds of millions of yen
SBIR (national project)	1,400	1,400	± 0	<ul style="list-style-type: none"> 1.4 bn JPY is planned to be booked as SBIR (national project) expenses in 2025
Operating profit	▲2,370	▲1,390	▲980	<ul style="list-style-type: none"> Non-operating income decreases due to the postponement of this term's national project subsidy income to the next term (total project income remains unchanged)
Ordinary profit	▲1,400	180	▲1,580	<ul style="list-style-type: none"> Recorded 248 mn JPY in losses related to the incident associated with fraud by former representative director
Net Profit	▲1,800	30	▲1,830	

1: Under the national project (SBIR), expenses incurred under the program are recorded as SG&A. In FY2025, JPY 1.4 billion in expenses is scheduled to be recorded. As subsidies are recognized as non-operating income after inspection, expense and revenue recognition will differ in timing. Expenses through Q2 FY2025 will be recorded in FY2025, and those from Q3 onward in FY2026 and thereafter.

FY25/12 Comparison of revised vs. pre-revision (consolidated)

Existing businesses in Japan and the US and cost improvements are on track, but local government projects review and subsidy payment delays

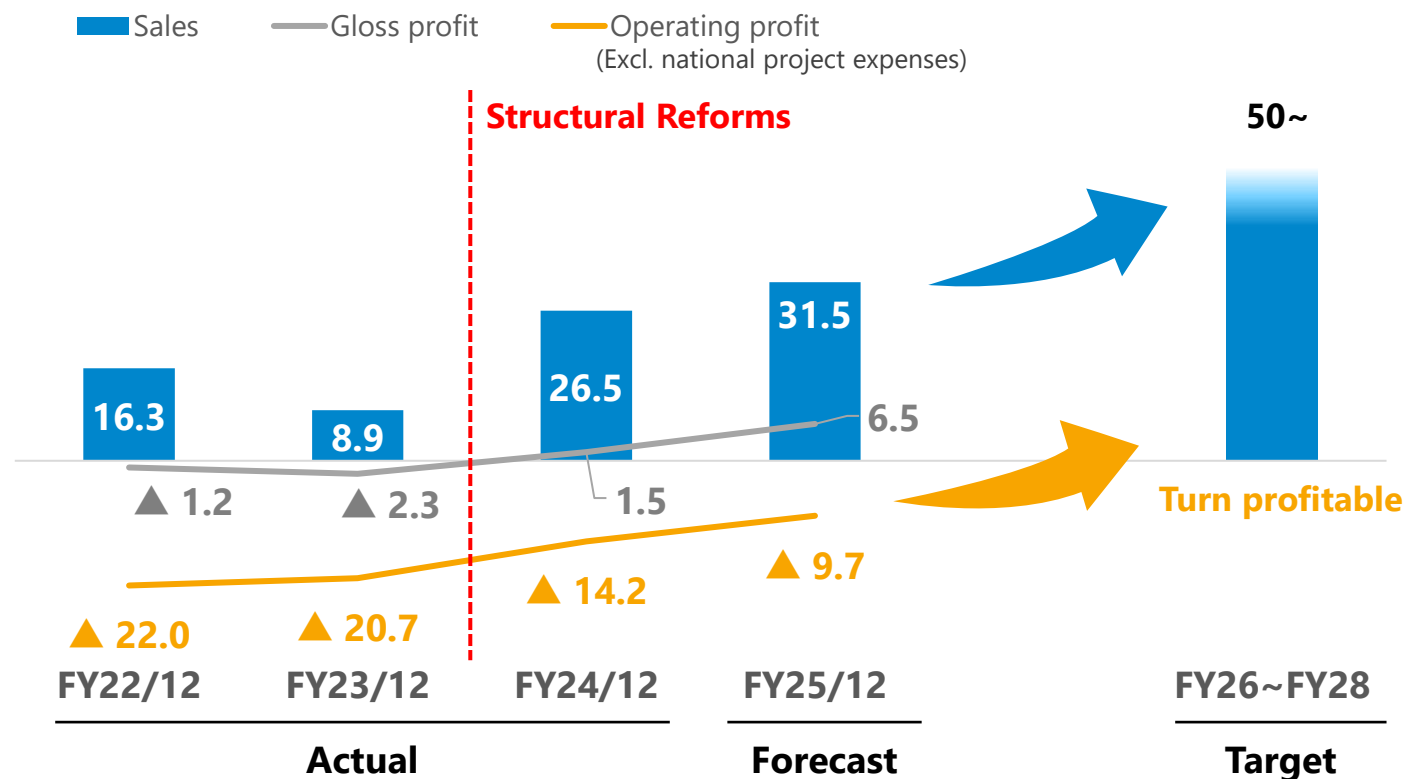
[mn JPY]	FY25/12 Forecast (revised)					FY25/12 Forecast (pre-revised)			
	Existing business	Local gov. project	National Project (SBIR) ¹	Total	Comparison	Existing business	Local gov. project	SBIR (National Project) ¹	Total
Net sales	3,113	+37	-	3,150	▲1,960	3,110	+2,000	-	5,110
Gross profit	632	+18	-	650	▲980	630	+1,000	-	1,630
Gross profit ratio	20%	-	-	21%	▲11pt	20%	-	-	32%
SG&A (inc. R&D, US subsidiary)	1,620	-	+1,400	3,020	±0	1,620	-	+1,400	3,020
Operating profit	▲988	+18	▲1,400	▲2,370	▲980	▲990	+1,000	▲1,400	▲1,390
Ordinary profit	▲1,218	+18 (Non-operating income +1,200)	▲200	▲1,400	▲1,580	▲1,120	+1,000 (Non-operating income +1,700)	+300	180
Net profit	▲1,618	+18	▲200	▲1,800	▲1,830	▲1,270	+1,000	+300	30

1: Under the national project (SBIR), expenses incurred under the program are recorded as SG&A. In FY2025, JPY 1.4 billion in expenses is scheduled to be recorded. As subsidies are recognized as non-operating income after inspection, expense and revenue recognition will differ in timing. Expenses through Q2 FY2025 will be recorded in FY2025, and those from Q3 onward in FY2026 and thereafter.

With sales growth, improve profit margins and aim to achieve profitability within the next 3 years

Sales and profit trends¹

100 mn JPY



Mid-long-term growth targets

Sales

- Expect CAGR growth of 20% or more across the entire company
- Expect stable growth in domestic business, mainly from existing customers such as the Ministry of Defense
- High growth expected in the US market as demand for replacement of existing China-made drones increases

Profit

- Aim for gross profit of 40% or more over the medium to long term through increased sales and gross profit margin
- Expecting operating profits to turn positive with sales of over 5 bn JPY
- Growth targets for FY26-28 will be examined in detail and announced at a later date

1: Operating profit for FY24/12 and FY25/12 exclude national project expenses of 860 mn JPY and 1.4 bn JPY, respectively. Including national project expenses, FY24/12 and FY25/12 are 2.29 bn JPY loss and 2.37 bn JPY loss, respectively



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FY25/12 Q2 results and highlights

Summary

Sales are progressing as planned, totaling 975 mn JPY for 2Q. In addition, there are 1.11 bn JPY in outstanding orders, for a **total of 2.08 bn JPY**

Gross profit remained at the same level despite lower sales. SG&A reduced YoY, resulting in a decrease in operating loss YoY. **Ordinary profit improved significantly** due to subsidy income

Sales

Sales

975 mn JPY

Backlog as of today

1.17 bn JPY

YoY + 179 % (Excl. India project)

Cumulative sales for 2Q increased significantly from 349 mn JPY in the previous year (excl. Indian project). Order backlog at the end of 2Q remained at a high level

Gross profit ratio¹

Gross profit ratio

9%

YoY +4 pt

Marginal profit ratio

22%

YoY +6 pt

Marginal profit ratio declined due to changes in product mix. On the other hand, gross profit margin increased YoY

Operating income (excl. SBIR² Costs)

-513 mn JPY

YoY +248 mn JPY

Ordinary profit

-45 mn JPY

YoY +918 mn JPY

Operating losses (excluding SBIR) narrowed YoY due to structural reforms. Ordinary losses narrowed significantly due to subsidy income from national project (SBIR)

1: Including India project

2: National project. Related costs are recorded in SG&A in advance, with corresponding subsidies recorded as non-operating income.

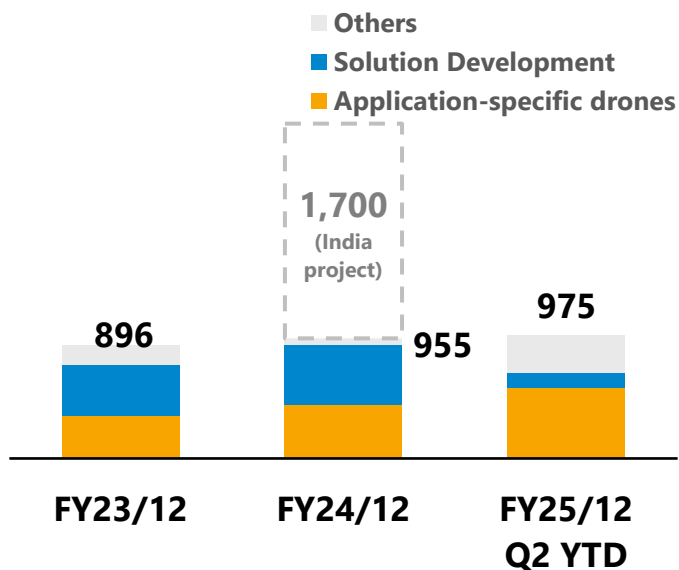
Key Financial Figures

Sales increased significantly. In terms of profits, the cost structure improved as a result of structural reforms

Sales

mn JPY

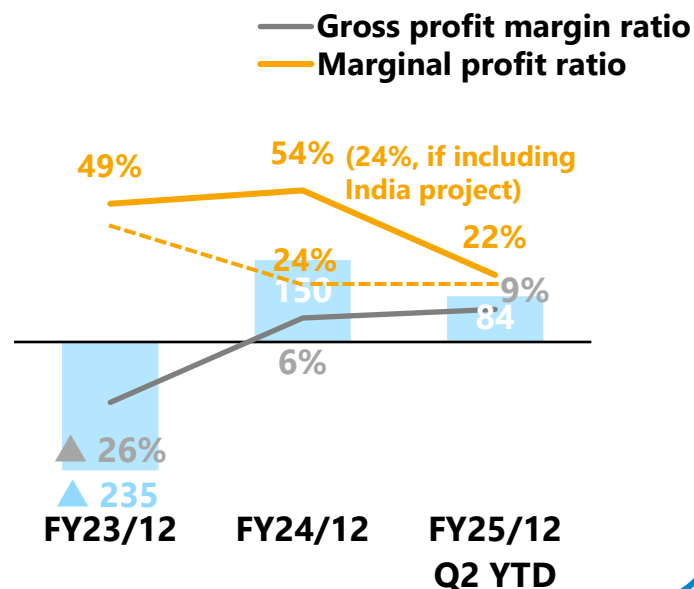
Sales of specialized drones grew significantly. As of Q2, sales exceeded the previous year's annual sales of 955 mn JPY (excl. a large project in India worth 1.7 bin JPY)



Gross profit

mn JPY

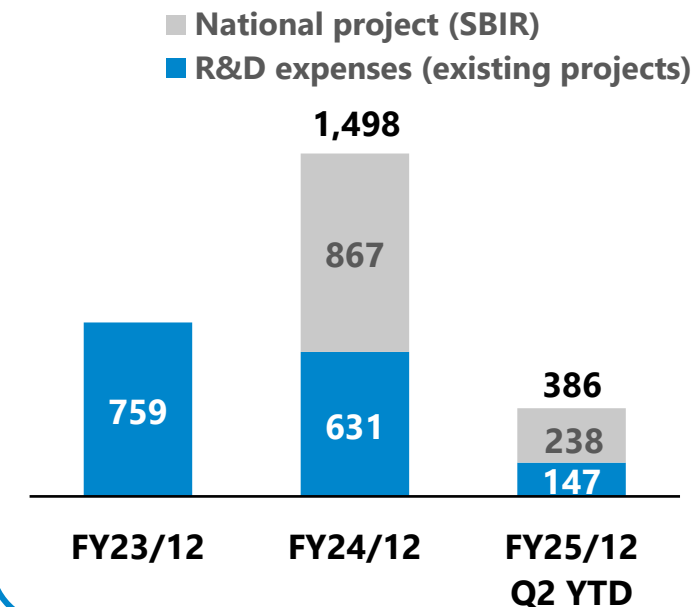
Gross profit and gross profit margin remained steady. Marginal profit ratio declined due to changes in product mix



R&D Expenses

mn JPY

R&D expenses related to existing businesses, excluding national project, significantly reduced due to structural reforms



FY25/12 Q2 results and YoY comparison

Sales exceeded YoY figures(excl. India), realizing structural reforms and improving cost structures

[mn JPY]	FY25/12 Q2 YTD actual	FY24/12 Q2 YTD actual	YoY comparison	Summary
Net sales	975	2,050	▲1,074	<ul style="list-style-type: none"> Sales of 975 mn JPY in Q2, a significant increase of 626 mn JPY YoY (excluding India project of 1.7 bn JPY)
Excl. India project	975	349	+626	<ul style="list-style-type: none"> Backlog orders as of today, 1.1 bn JPY, up 4.6 bn JPY YoY
Gross profit	84	100	▲16	<ul style="list-style-type: none"> Gross profit decreased slightly YoY (attributed to the disappearance of the India project)
Gross profit ratio	9%	5%	+4pt	<ul style="list-style-type: none"> Gross profit margin increased YoY
SG&A (excl. national project) ¹	599	863	▲263	<ul style="list-style-type: none"> SG&A (excluding national project) decreased by 265 mn JPY YoY as a result of structural reforms
Operating profit (excl. national project)	▲515	▲762	+247	<ul style="list-style-type: none"> Operating loss excluding national project decreased YoY due to mainly reduced SG&A expenses. Operating loss for the full year is projected at 988 mn JPY, with 513 mn JPY recorded through Q2.
National project	238	263	▲25	<ul style="list-style-type: none"> National R&D expenses (SBIR) amounted to 238 mn JPY in Q2. The project as a whole is progressing positively, and budget execution is proceeding as planned
Operating profit	▲754	▲1,026	+272	<ul style="list-style-type: none"> Ordinary income improved significantly due to a reduction in operating losses and the recording of 8.1 bn JPY in subsidies from the National Program (SBIR) (part of last year's implementation), resulting in a loss of 45 mn JPY
Ordinary profit	▲45	▲963	+918	
Net Profit	▲271	▲1,010	+758	<ul style="list-style-type: none"> 2.2 bn JPY in losses related to misconduct recorded in Q2 due to fraud committed by former representative

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

FY25 Financial Plan and FY25/12 Q2 Actual Results (Consolidated)



For the revised FY25 forecast, sales forecast based on backlog and cost structure are expected to be as planned

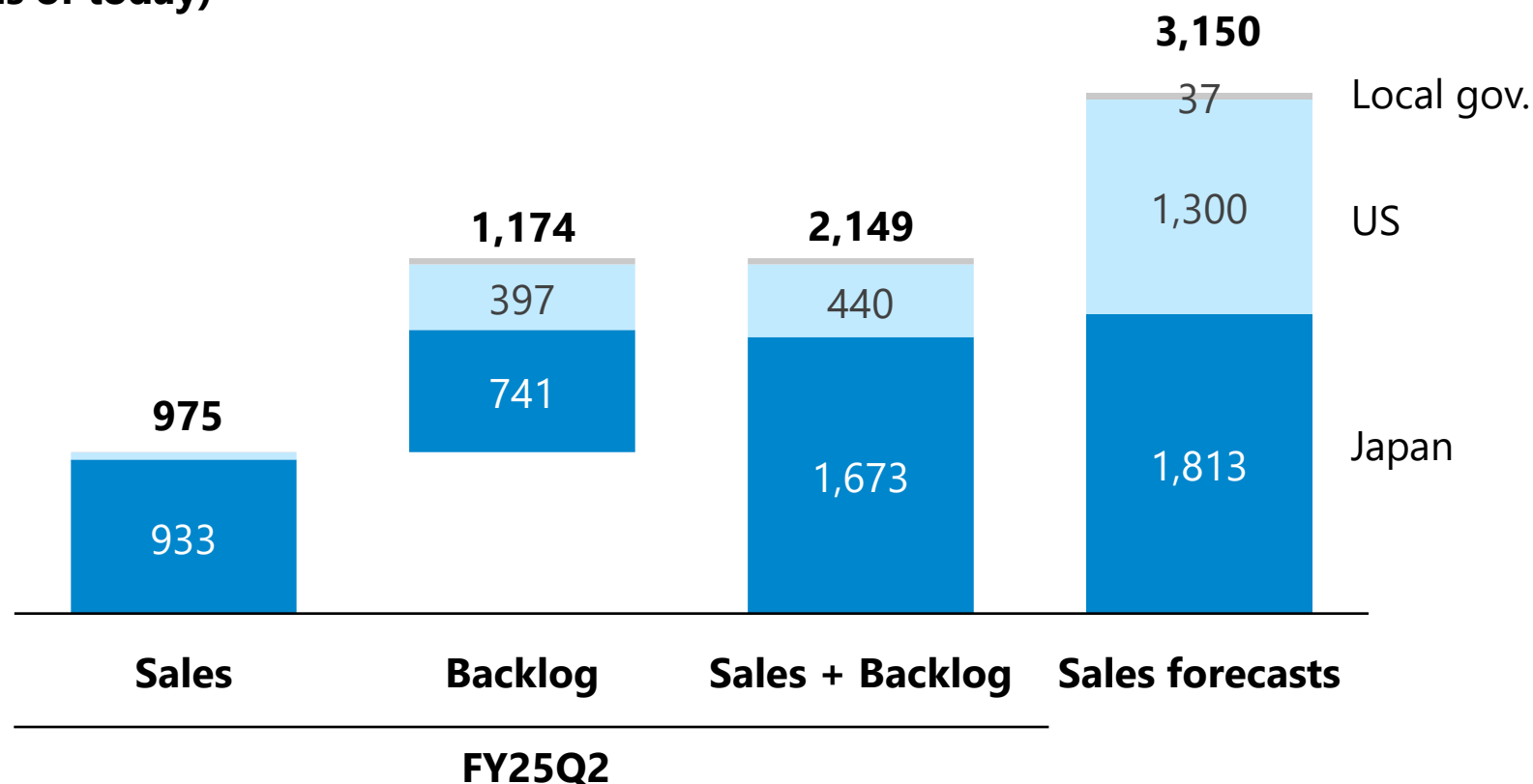
[mn JPY]	FY25/12 Q2 YTD actual					FY25/12 Forecast (revised)			
	Existing business	Local gov. projects	SBIR (National Project) ¹	Total	Balance to forecast	Existing business	Local gov. projects	SBIR (National Project) ¹	Total
Net sales	975	+0	-	975	2,174	3,110	+37	-	3,150
(Backlog)	(+1, 138)	(+36)	-	(+1,174)					
Gross profit	84	+0	-	84	565	630	+18	-	650
Gross profit ratio	9%	-	-	9%	26%	20%	-	-	21%
SG&A (inc. R&D, US subsidiary)	599	-	+238	838	2,181	1,620	-	+1,400	3,020
Operating profit	▲515	+0	▲238	▲ 754	▲1,616	▲988	+18	▲1,400	▲ 2,370
Ordinary profit	▲621	+0	+576	▲ 45	▲1,354	▲1,218	+18	▲200	▲ 1,400
			(Non-operating income +815)					(Non-operating income +1,200)	
Net profit	▲848	+0	+576	▲ 271	▲1,528	▲1,618	+18	▲200	▲ 1,800

1: Under the national project (SBIR), expenses incurred under the program are recorded as SG&A. In FY2025, JPY 1.4 billion in expenses is scheduled to be recorded. As subsidies are recognized as non-operating income after inspection, expense and revenue recognition will differ in timing. Expenses through Q2 FY2025 will be recorded in FY2025, and those from Q3 onward in FY2026 and thereafter.

With sales of 3.15 bn JPY expected for the current fiscal year, more than 2 bn JPY in sales and backlog orders are already secured through 2Q

Sales and backlog (as of today)

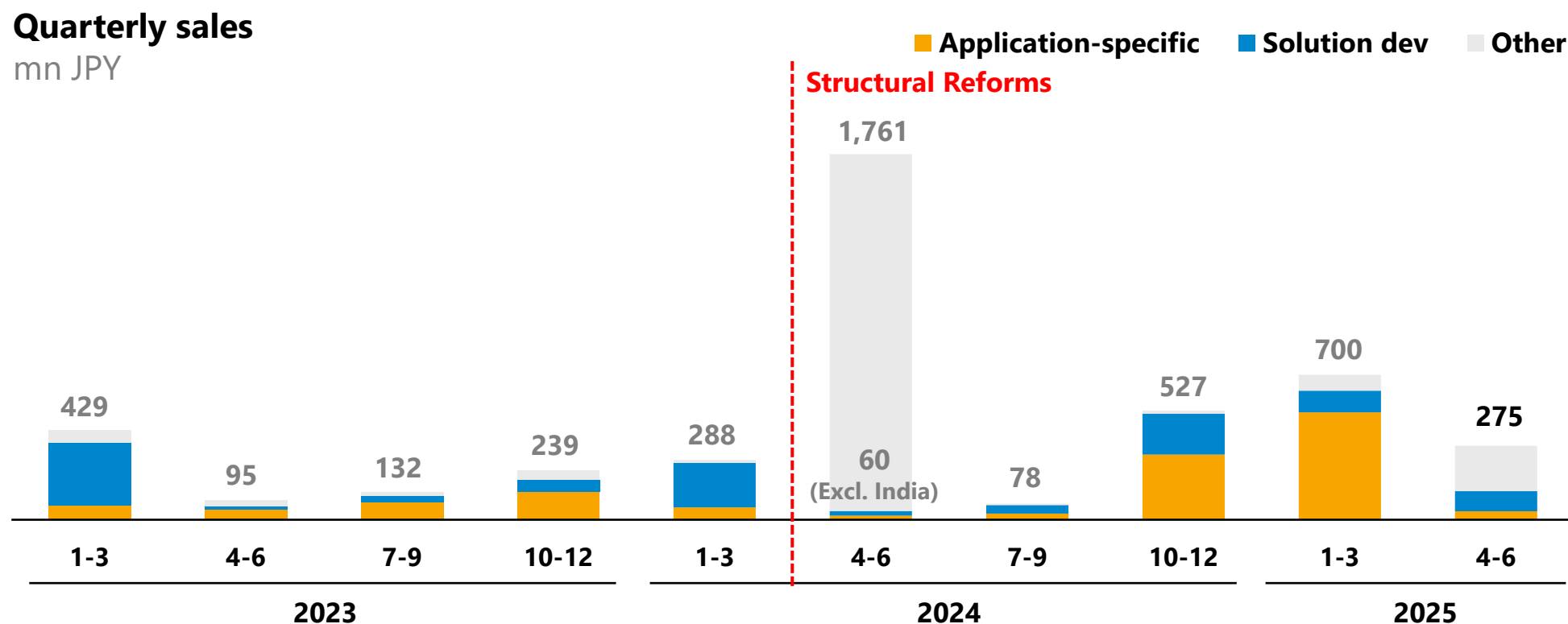
mn JPY



1: Backlog is the total amount of orders received as of today(25/08/14). 1 USD = 150 JPY

Quarterly sales and backlog

While no significant sales are expected in Q2, revenue is up JPY 215 million year on year (excluding India).



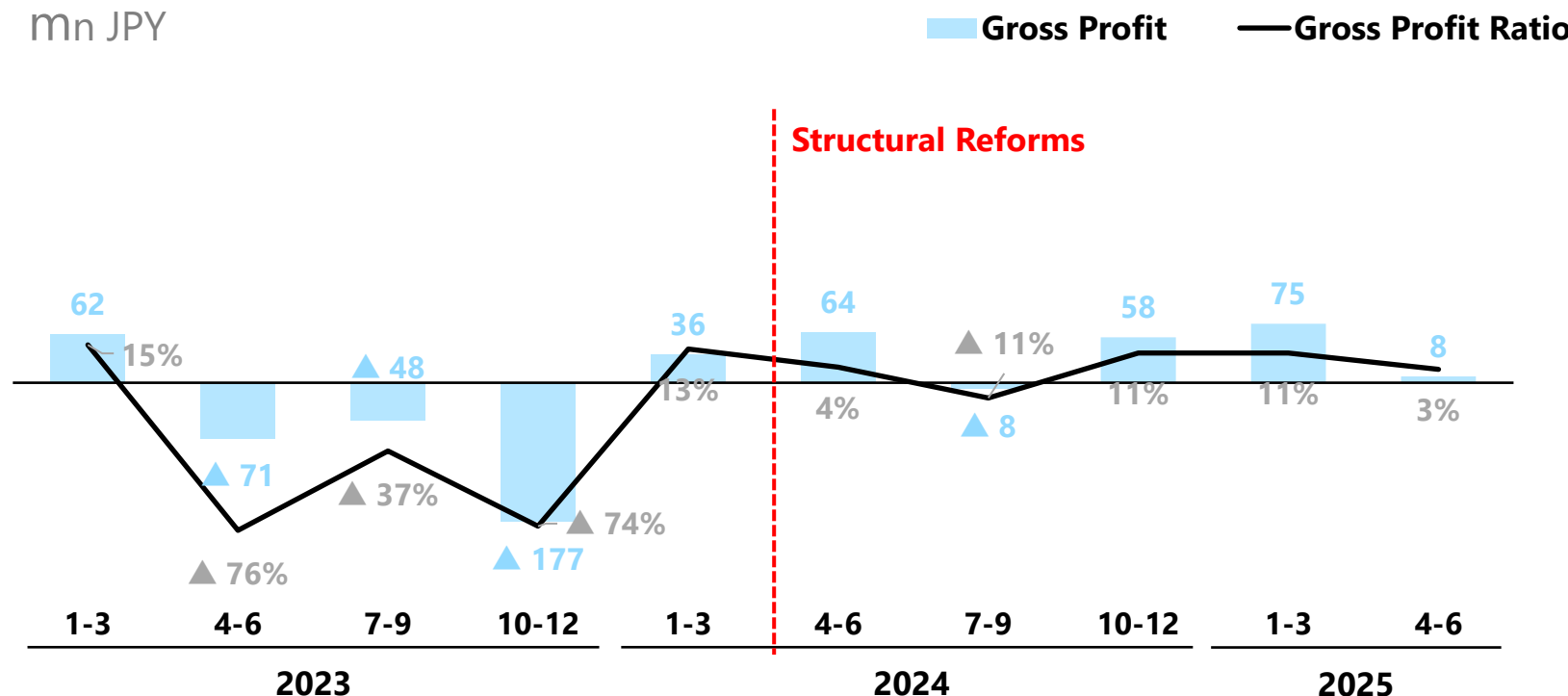
1: Backlog is the total amount of orders received at the end of Q2. 1 USD = 150 JPY

Gross Profit and Gross Profit Ratio

Gross profit decreased YoY. Gross profit margin remained at the same level as the previous quarter

Gross profit and gross profit ratio

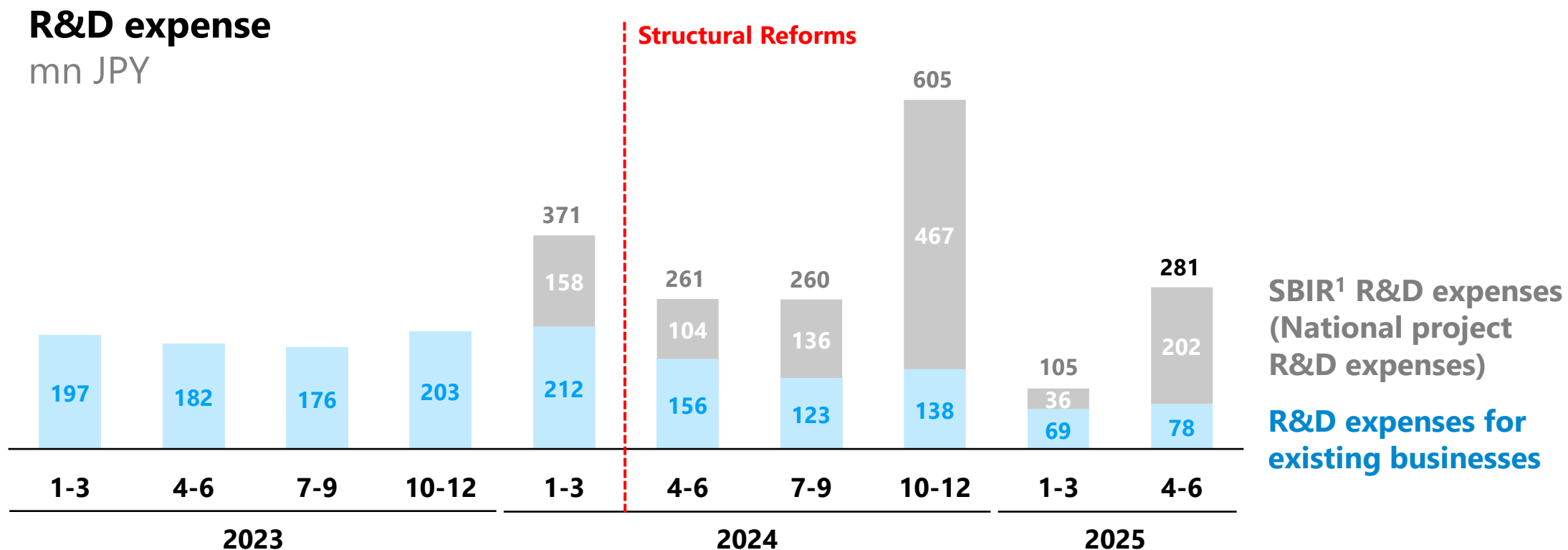
mn JPY



- Gross profit decreased by 16 mn JPY YoY
- Due to low sales in Q2, gross profit margin is low, 3% in Q2 (YTD 9%)
- Cost structure reforms enabled gross profit to remain positive even in 2Q, when sales were low

R&D expense

R&D expenses for existing businesses, excl. national project (SBIR¹), were significantly reduced compared YoY. SBIR expenses amounted to 202 mn JPY in Q2. Expenses for 2H are expected to total 1.4 bn JPY for the full year



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. 2023 to Dec. 2025 for the development of new high-performance small aerial photography drones that take into account economic security and safety

Launch PF4, a multi-use drone for long-distance flight

Designed for multiple uses, mainly for logistics, enabling surveying, patrols, and inspections. Attractive design for actual user operations

1

Environmental durability and long-distance flight performance :

Capable of withstanding **wind speeds up to 25 m/s** and **flying up to 40 km**, with **high environmental performance** enabling operation in rainfall of up to 10 mm/h.

2

Redundant systems and safety functions :

Equipped with **redundancy required for Type 1 certification**, with a safety feature enabling emergency landing even if one motor becomes inoperable.

3

Enhanced operational support functions :

Delivers **high-precision positioning via CLAS¹** and supports **hot-swapping** of batteries for smooth operation.

4

Multi-payload support :

Supports a wide range of use cases with a single unit, including **logistics, surveying, disaster assessment, inspection, and BVLOS night flights**.



1: Centimeter-level positioning augmentation service

PF4 Mail delivery test in Mongolia

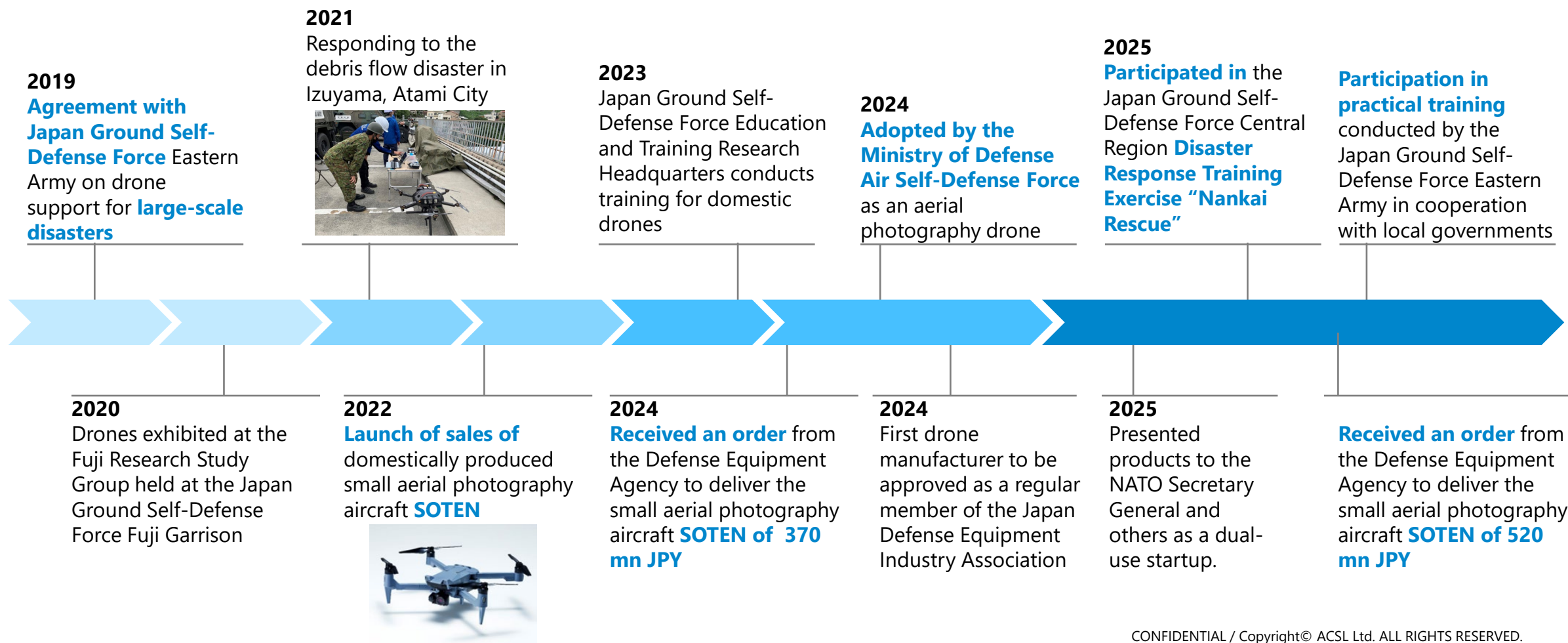
Testing mail delivery with PF4 in Ulaanbaatar Mongolia

- In June 2025, the **PF4 was used** in a trial drone delivery of postal items conducted **in Ulaanbaatar, Mongolia**.
- The drone transported postal items weighing **approximately 4.8 kg between Mongol Post branches (one-way distance: 3.58 km)** in about seven minutes.
- The flight was **an autonomous operation over third parties**, equivalent to Japan's Level 4 (BVLOS over populated areas without on-site observers).
- Since August 2024, the PF4 has also been in regular operation delivering blood from the National Blood Transfusion Center in Ulaanbaatar, **with over 50 flights in 2024 and a total of 90 flights in 2025**.



Flying over Ulaanbaatar city

Long-standing partnership with the Self-Defense Forces, with recent delivery to the Defense Equipment Agency



Strengthen cooperation with Self-Defense Forces, local gov., and other organizations, and participate in disaster response and damage assessment drills

Participate in Response Training Exercise

- “Nankai Rescue” is a large-scale exercise aimed at enhancing disaster response capabilities in preparation for a potential Nankai Trough megathrust earthquake.
- Participated in the 1st Nankai Rescue opinion exchange meeting
- Provided recommendations on drone deployment in municipalities based on experience in disaster relief activities during the Noto Peninsula Earthquake and heavy rain disasters in the Noto Peninsula.

Aircraft used in disaster response



SOTEN



PF4-CAT3

Participated in practical training

- In July 2025, participated in a field training exercise with local governments and other organizations.
- Took part in a drone-based relief supply transport drill assuming support for isolated individuals following a potential Tokyo inland earthquake.
- PF4 transported approximately 4.5 kg of medical supplies, including IV fluids.



Loading pharmaceuticals
onto PF4



Flying over Asaka
Training Ground

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 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
 - US Customs have been rejecting almost all incoming shipments of DJI products since early 2025 due to ongoing investigations.

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

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 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 comparison** tests using drones at multiple critical infrastructure and inspections companies
- **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 20 sales dealers². 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 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 May14, 2025

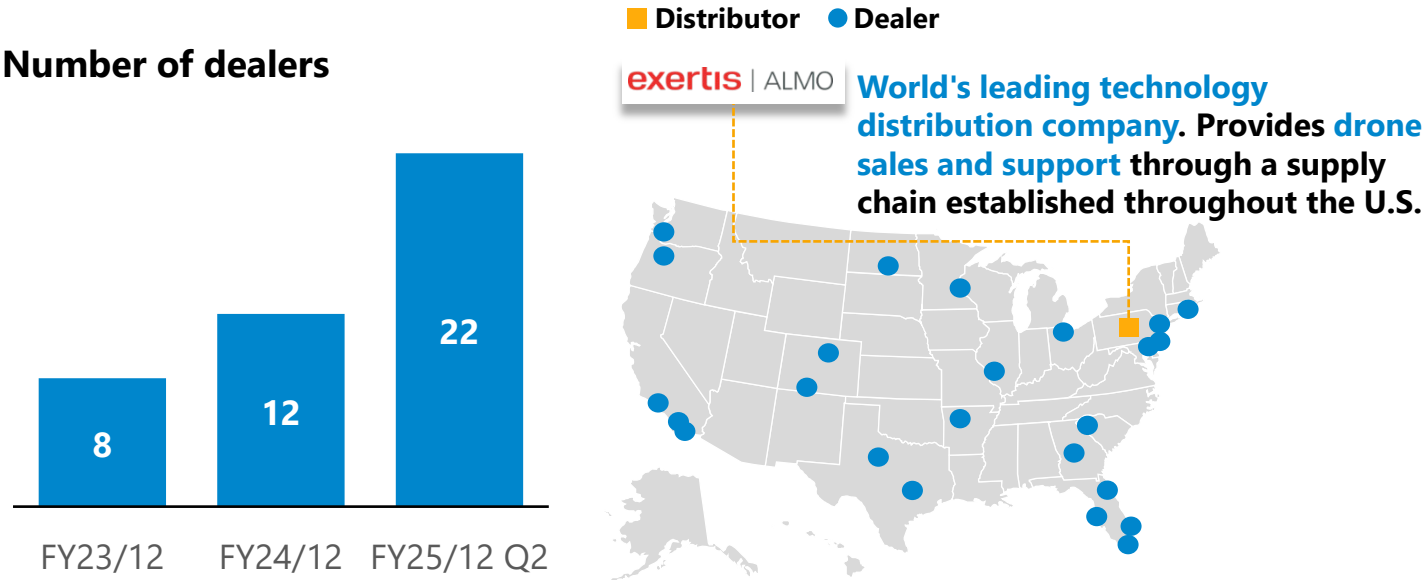
Started sales of SOTEN in the US from Dec 2023. Strategic MOUs signed with infrastructure companies. Expanding distributor and dealer network

MOUs signed in the US

 General Pacific, Inc.	Provide drone program development support for utilities
	Drone solution provider to infrastructure companies
	Provide drone services in mining and 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, drone facility inspections

Distributor and dealer network in the US¹

Expanding throughout US via largest distributor and 20+ dealers, including Drone Nerds, DJI's largest dealer



1: As of August 14, 2025

New NDAA¹-compliant high-resolution infrared camera attracts attention

- XPONENTIAL is **one of the world's largest exhibitions** organized by AUVSI (Association for Uncrewed Vehicle Systems International), with over 7,500 expected attendees and more than 650 exhibitors.
- Exhibited the SOTEN, its optional cameras, and smart controller. The **variety of optional cameras, competitive pricing, and NDAA compliance were highly valued by users** such as energy facility inspection companies and public safety agencies.
- An NDAA-compliant high-resolution **infrared camera developed for the U.S. market**, based on user feedback, **received positive reviews**.



ACSL exhibition booth



SOTEN exhibition

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.

Disaster Relief Agreements signed with 13 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



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



YAMANASHI 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



- May. 20, 2025, with **1 city and 5 towns in the Ashigara Upper Region of Kanagawa Pre.**
- 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

Participates in comprehensive disaster prevention drill in Sakai Town, Ibaraki pref.

Live streaming of river conditions by SOTEN at the Sakai Town disaster response headquarters meeting

- In June 2025, Sakai Town conducted a training exercise focused on **large-scale evacuation drills in the event of major flooding, such as the overflowing of the Tone River**
- ACSL conducted **aerial photography** with SOTEN, a small aerial photography aircraft, from above the Tone River to **assess the river conditions**, and **live-streamed the footage at the Sakai Town disaster response headquarters meeting**
- **Drones contribute to rapid assessment of disaster situations and risk mitigation for rescue workers**




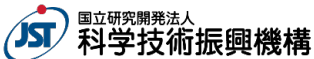

Sakai Town
Disaster response headquarters meeting



Live streaming

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



- 1. Market / Mission / Growth strategy**
- 2. Revision of performance forecasts**
- 3. FY25/12 Q2 results and highlights**
- 4. Appendix**

FAQs (Performance 1/3)

Item	Question	Answer
Macro	Impact on the company from expected global expansion of military and defense	With the growing awareness of economic security, government agencies are accelerating the replacement of China-made drones with other drones, and it is expected that there will be a stronger trend toward domestic production or procurement from allied countries.
Macro	Impact of inflation and exchange rates	Inflation is causing procurement material prices to rise. Design changes, cost reductions, and passing on costs to sales prices are being considered as countermeasures. On the other hand, a weak yen is expected to have a positive effect on sales. If the yen remains at 140-150 JPY, it is unlikely to have a significant impact on plans.
Macro	Regulations, tariffs, and other conditions in the US	In the US, regulations related to drones are becoming more specific, which is a plus for us. At this point, tariffs are expected to affect all drone companies. We expect costs to go up, but we plan to adjust our sales prices to deal with that. Even after the price adjustments, we expect to keep our prices competitive. We'll keep an eye on the impact going forward.
Domestic existing businesses	Order forecast for existing domestic businesses	We expect to sell SOTEN to our main customers, which are defense-related companies and domestic operating companies. We have already received orders worth approximately 520 million yen for defense-related projects this fiscal year. In addition, orders worth 370 mn JPY received in FY24 for deliveries to the Defense Equipment Agency will be recorded in FY25 due to a delay from FY24. We expect sales of over 1.8 bn JPY for the full fiscal year.
Domestic existing businesses	Future prospects for initiatives with the Ministry of Defense	In addition to receiving a large-scale order worth 370 mn JPY from the Defense Equipment Agency in FY24, we also received a large-scale order in FY25. We expect to receive orders for other projects. We consider Ministry of Defense projects to be an area of focus where we can leverage our strengths.
Overseas	US progress, specific sales timing, and future outlooks	Received orders for 500 units in FY24 and delivered 100 units in FY24. Expects to deliver the remaining 400 units in FY25. Although customer demand remains strong, purchasing activity is expected to be delayed in 1H FY25 due to uncertainty surrounding regulations and tariffs. In FY25, in addition to delivering 400 units, we aim to secure orders at the same scale as last year and deliver them in 2H. We target annual sales of over 1.3 bn JPY.
Overseas	Other overseas outlooks	Target market is the United States, and sales in other overseas markets are not currently included in the forecast.

FAQs (Performance 2/3)

Item	Question	Answer
Local government projects	Specific actions taken by local governments projects. Reasons for the revision	Promote the use of drones in collaboration with local governments, such as Sakai Town. Specifically, promote initiatives such as drone logistics, sewer inspections, disaster response and prevention, and crime prevention measures. In light of recent cases of fraud, local governments are exercising caution in their decisions. Although discussions are ongoing, sales projections for the current fiscal year remain uncertain. Therefore, with the exception of orders already received, we have decided to postpone sales recognition in FY25.
Performance Outlook	Factors affecting changes in gross profit	As a further improvement in marginal profit margin, we will promote unit price optimization, including options for SOTEN products, and cost reduction initiatives. With the expansion of sales, the fixed cost ratio is expected to decrease. In FY25 Q2, the marginal profit margin is expected to decline due to the high proportion of aircraft units in the product mix.
Performance	Seasonality of sales and expense recognition	Sales are expected to be recorded toward the end of the fiscal year. Expenses are expected to be recorded in the 2H due to the timing of recognition of expenses for large-scale projects.
Performance	Risk factors affecting business performance	Risk of sales recognition being postponed to the following fiscal year if delays in delivery occur despite orders being received, particularly in the US.
Outlook for the next fiscal year and beyond	Prospects for future profitability	Expecting operating profits to turn positive with sales exceeding 5 bn JPY. Specific growth targets for FY26-28 will be announced after examining the figures.
National project	Recognition of expenses and revenues for national project (SBIR) Reasons for the revision	SBIR expenses are recorded as selling, general, and administrative expenses. Subsidies for expenses are recognized as non-operating income when the expenditure amount is determined after inspection. There is a time lag between the occurrence of expenses and the recognition of income. For FY25, we plan to record 1.4 bn JPY in expenses for the full year. As non-operating income, we expect to record a total of 1.2 bn JPY, consisting of a portion of the FY24 implementation and a portion of the FY25 implementation. Due to the low-cost recognition in the 1H of FY25, the subsidy income expected to be received this fiscal year is expected to be carried forward to the next fiscal year. The total subsidy income is expected to be received as planned.

FAQs (Performance 3/3)



Item	Question	Answer
Finance	Financial strategy	Cash equivalents at the end of December 2024 were 2 bn JPY, and cash on hand remained at a stable level. Net assets improved from the end of 2024. Considering cash levels, debt ratios, and other factors, we will continue to explore various methods of financing.
Misconduct	Impact of recent misconduct by former representative director	Although approx. 240 mn JPY in expenses related to the misconduct were recorded as extraordinary losses, there was no direct impact on business operations. Projects with existing clients, such as government agencies and US customers, will continue without interruption. National projects currently underway will continue, and subsidies are expected to be received. Local government projects are an area where concrete initiatives began this fiscal year, and each local government is making careful judgments. Management structure remains unaffected, with the two Co-CEOs, Hayakawa and Terayama, continuing to lead the company following the resignation of the former CEO.

Item	Question	Answer
Competitive environment	Chinese manufacturers have a high market share in the drone industry. How can other manufacturers compete with them?	Chinese manufacturers have a high market share in the consumer market, but in the industrial drone market, the trend away from Chinese drones is accelerating. Our competitive advantages are threefold: (1) technical standards for industrial drones (autonomous control technology, specialized aircraft tailored to specific use cases, and aircraft certification), (2) understanding of customer operations and establishment of support systems to meet the needs of local customers, and (3) provision of secure and reliable aircraft to address security concerns. Recently, due to the growing concerns over security, some overseas markets have explicitly banned the import or use of China-made drones, which we recognize as a favorable situation for our company.
Competitive environment	As a drone manufacturer, the emergence of competing companies and the possibility of new companies entering the market	Companies that possess drone autonomous control system technology at the source code level, especially those that have commercialized the advanced model-based control technology that we use, are rare even on a global scale. Furthermore, considering security measures, we recognize that there are currently few competitors, including overseas companies. In addition, while there are a certain number of companies developing military drones, industrial drone development is rare. The development of autonomous control systems for industrial drones requires verification in actual field conditions, and our company has a strong customer base. Through dialogue with customers and verification in actual fields, we can promote development in line with the actual needs of each application, thereby enhancing our competitiveness.
Sales structure	Overseas sales structure	Depending on the situation in each country, in the US, we plan to set up a subsidiary with sales functions and expand sales by utilizing the agency network of distributors and dealers who already have a track record of selling drones locally. In India, we will establish a joint venture with a partner company. We believe that local sales and support systems are important in both regions, and we will continue to deepen our partnerships with local companies.
Production system	Any possibility of insufficient manufacturing capacity	As a fabless manufacturer, we outsource production to external partners in Japan, and we are able to increase manufacturing capacity as needed.

Mapping of the Drone Airframe Market

ACSL is the only domestic manufacturer capable of mass-producing small airframes. Globally, the number of small airframe manufacturers is limited

Small Drones

- Used for outdoor photography, surveying, and inspection;
- **Mainstay of industrial/commercial drone use**
- Payload limited to camera; features include GPS and obstacle avoidance
- Ultra-light models ($\leq 250\text{g}$) have limited functions, mainly for hobbies, education, and indoor inspection

Medium and Larger Drones

- For agriculture, surveying, and cargo transport
- Can carry multiple payload types; some support long flights
- 25 kg+ models are large UAVs comparable to aircraft

Japanese Manufacturer

(Outdoor)

ACSL



SOTEN (only domestically mass-produced)

(indoor)

- Small drone manufacturers for indoor inspection

ACSL



ACSL PF-4

- Mid sized drone manufacturers for agri.
- Large airframe manufacturers for high-volume cargo transport

Overseas Manufacturer

(Outdoor)

- Some Chinese-made drones, including those from major manufacturers
- Other mass-produced models from U.S. and European manufacturers

(Indoor)

- European manufacturers of small indoor inspection drones
- Chinese manufacturers for hobby use

- Large Chinese manufacturers supply most models
- Multiple Chinese manufacturers for agriculture
- Many manufacturers in each country produce medium-sized drones
- Large drone manufacturers specializing in cargo transportation

Balance Sheet

mn JPY	FY25/12 Q2		FY24/12 Q2	FY24/12
	Actual	YoY	Actual	Actual
Current assets	3,868	▲25%	5,183	3,877
Cash	1,816	+ 3%	1,770	1,243
Fixed assets	602	▲40%	997	685
Current liabilities	811	▲64%	2,228	2,129
Fixed liabilities	3,113	+ 29%	2,412	2,238
Total liabilities	3,924	▲15%	4,641	4,368
Net assets	546	▲65%	1,539	194
Total assets	4,470	▲28%	6,180	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 Q2
Net sales		807	1,278	620	501	1,635	896	2,655	975
Small aerial photography drone	mn JPY					939	206	402	532
	Units					645	101	240	416
- Japan	mn JPY					939	144	276	490
	Units	-	-	-	-	645	50	128	416
- Overseas	mn JPY						61	125	42
	Units					-	50	112	-
Other application-specific drones	mn JPY					73	132	21	27
	Units	-	-	-	-	18	26	2	3
Solutions	mn JPY	678	1,171	515	192	501	405	478	119
Others	mn JPY	129	107	105	308	120	152	1,752 (India project 1,700)	295
Gross profit		403	808	68	0	▲124	▲235	150	84
Gross profit ratio		50%	63%	11%	0%	▲8%	▲26%	6%	9%
SG&A		733	792	1,207	1,189	2,079	1,836	2,444	838
- R&D expenses		366	275	583	604	1,168	759	1,498	386
Operating profit		▲330	15	▲1,139	▲1,188	▲2,203	▲2,071	▲2,293	▲754

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	2Q
Net sales			36	42	46	495	267	133	100	952	78	130	473	429	94	132	239	288	1,761	78	527	700	275
Small aerial photography drone	mn JPY									590	21	25	301	33	49	37	86	46	19	30	304	504	28
	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	10
	Units		-				-			475	6	7	157	13	16	13	9	31	8	7	82	416	-
- Overseas	mn JPY																61	-	5	9	110	24	17
	Units									-				-			50	-	7	5	100	-	-
Other application-specific drones	mn JPY									3	2	60	7	34	0	46	50	12	0	-	8	13	13
	Units		-				-			1	2	15	-	6	-	10	10	1	-	-	1	1	2
Solutions	mn JPY		5	33	35	440	30	77	85	294	33	33	140	305	15	32	53	215	22	41	198	104	15
Others	mn JPY		30	8	10	55	237	55	15	64	20	11	24	56	30	16	49	13	1,717	6	15	77	218
Gross profit			▲6	▲6	▲13	94	17	5	▲22	133	▲30	▲23	▲204	62	▲71	▲48	▲177	36	64	▲8	58	75	8
Gross profit ratio			▲19%	▲16%	▲28%	19%	7%	4%	▲23%	14%	▲39%	▲18%	▲43%	15%	▲76%	▲37%	▲74%	13%	4%	▲11%	11%	11%	3%
SG&A			230	173	314	488	325	348	515	535	442	431	670	419	451	469	495	631	495	488	829	315	522
- R&D expenses			60	77	129	315	153	165	285	292	228	224	424	197	182	176	203	371	261	260	605	105	281
Operating profit			▲237	▲180	▲328	▲393	▲308	▲342	▲538	▲401	▲473	▲454	▲874	▲356	▲523	▲517	▲672	▲594	▲431	▲496	▲770	▲239	▲514

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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