

February 12, 2021
Autonomous Control Systems Laboratory Ltd.

**Notice regarding Consolidated Financial Forecasts due to the
Adoption of Consolidated Accounting, Posing an Extraordinary Loss,
and Revisions to Financial Forecasts for fiscal year ended March 2021
(April 1st, 2020 to March 31st, 2021)**

Autonomous Control Systems Laboratory Ltd. (ACSL) hereby announces that shift from non-consolidated accounting to consolidated accounting starting with the third quarter of the fiscal year ended March 2021 (FY2020). In addition, ACSL posted an impairment losses as extraordinary loss and revised its non-consolidated financial forecast for FY2020, which were announced on August 14, 2020.

1. Adoption of Consolidated Accounting

As announced in “Notice Regarding Establishment of Corporate Venture Capital” dated November 11, 2020, ACSL established a corporate venture capital (CVC) to invest in domestic and international companies that have the potential for technological synergies. As a result, ACSL has adopted consolidated accounting beginning with the third quarter of FY2020.

2. Consolidated financial forecast for FY2020 (April 1st, 2020 to March 31st, 2021)

	Sales	Operating Income	Ordinary Income	Profit Attribute to Owners of Parent	Profit per Share
FY2020	Millions of Yen 600	Millions of Yen ▲1,200	Millions of Yen ▲1,150	Millions of Yen ▲1,300	Yen ▲120.01

3. Outlook of Consolidated financial forecast

The influence of the establishment of the CVC to the business performance is limited.

4. Posted of Extraordinary Loss(Impairment losses)

The book value of the fixed asset is reduced to the recoverable amount as a result of a re-evaluation of future business plans in response to changes in the business environment due to the expansion of COVID-19. As a result, ACSL posted an impairment loss of approximately 86 million Yen as an extraordinary loss in FY2020.

5. Revisions to non-consolidated financial forecast for FY2020 (April 1st, 2020 to March 31st, 2021)

	Sales	Operating Income	Ordinary Income	Net Income	Profit per Share
Previous forecast (A)	Millions of Yen 1,400 ~1,700	Millions of Yen ▲250 ~0	Millions of Yen ▲200 ~50	Millions of Yen ▲230 ~50	Yen ▲21.41 ~4.65
Revised forecast (B)	600	▲1,200	▲1,150	▲1,300	▲120.01
Difference (B - A)	▲800 ~▲1,100	▲950 ~▲1,200	▲950 ~▲1,200	▲1,070 ~▲1,350	—
Difference (%)	▲57.1 ~▲64.7	—	—	—	—
(Reference) Previous year results (fiscal year ended March 2020)	1,278	15	231	239	23.00

6. Reasons for revision

ACSL has revised non-consolidated financial forecast for FY2020 based on the information available at this time, while ACSL had disclosed non-consolidated financial forecast for FY2020 in the form of a range due to the difficulty in reasonably forecasting customer demand trends.

The upper range of the non-consolidated financial forecast in the form of a range for FY2020, announced on August 14, 2020, assumed that the expansion of COVID-19 would be brought under control by around September 2020, and that corporate activities would immediately begin to recover. For the lower end of the range, ACSL assumed that the expansion of COVID-19 would be under control by the end of 2020 and normal operations would be possible.

On January 7, 2021, the government declared a state of emergency regarding the expansion of COVID-19 again, and this has had a significant impact on ACSL business performance which requires on-site operations and actual equipment testing. The implementation of some projects has been postponed from the initial plan due to the shift of the implementation phase to the next fiscal year, such as finalizing the order through on-site test and demonstrations project. In addition, Customer acquisition activities involving on-site demonstrations have been restricted due to the

cancellation of scheduled drone events, the inability to conduct site visit, and face-to-face meetings all over Japan.

On the other hand, the market demand for unmanned solutions and efficiency improvement in operation as a macro trend has not changed. The social implementation of a new way of life such as remote work, non-contact, and remote-control operation is accelerating and utilization of drones are continuing to be considered positively. ACSL recognizes that the impact of the expansion of COVID-19 is temporary effects.

With this understanding, in order to expand sales from the next fiscal year, ACSL continues to invest in R&D activities for drone systems and software development with remote work environment. For the next fiscal year, the mass production of small aerial drones and of enclosed environment inspection drones such as sewage inspection, and the development of delivery drones are proceeding as planned. The revised forecast assumes that the current COVID-19 expansion situation will continue until March 2021.

For details on R&D, KPI, etc. after the revision, please refer to the "Financial Results Material for the 3rd Quarter of Fiscal Year Ending March 31st, 2021" released today.

Satoshi Washiya, President and COO of ACSL, made a public comment on this announcement today as follows.

"ACSL is a manufacturer of industrial drones that plays a central role in the development of application-specific drones through discussions and demonstrations with customers, using proprietary autonomous control technology as its core technology. In August 2020, we announced our mid-term management direction "ACSL Accelerate", aiming to meet sales of 100 billion JPY after 10 years and sales of over 5 billion JPY in FY2022 (ending March 2023).

Unfortunately, the current fiscal year was strongly affected by the infection COVID-19 and the declaration of a state of emergency from the beginning of the year. Projects during the current fiscal year have been postponed to the next fiscal year, and demonstrations have been temporarily suspended, prioritizing customer safety at the decision of ACSL. As a result, sales shifted across the fiscal year.

We continued R&D investment aggressively to realize mid-term management

direction. We are forecasting sales of 600 million JPY for the current fiscal year, while previous forecast was from 1.4 to 1.7 billion JPY in sales. In addition to making further efforts to strengthen the foundation of our business structure, we are already conducting to acquire projects for the next fiscal year and beyond and are currently acquiring projects at a higher pace than the same period of the previous fiscal year, including shifted projects from this fiscal year.

As for the industrial drone market, the market environment announced in the mid-term management direction has been established. The Japanese government indicated its intention to establish a pilot licensing institution and safety certification for drone in preparation for the regulation of Level 4 (Beyond-visual-line-of-sight in populated areas, including cities) in 2022. In addition, the demand for secure drones is becoming more apparent, and the U.S. government has also imposed a ban on the import of DJI, a Chinese drone manufacturer.

As for our business progress, we are boosting the four key strategies announced in our mid-term management direction. As for the development status of application-specific drones, we expect to launch a small aerial drone for government procurement after mid of FY2021 and an enclosed environment inspection drone by the middle of 2021. As for delivery drone, we have succeeded on-site demonstration of 5 kg payload delivery drone prototype. For the smokestack inspection drone, we are also aiming for the first launch in the first half of FY2021. As for the provision of a wide sales promotion models such as subscription, we expect to be able to create a track record during this fiscal year. We will continue to conduct demand surveys and pursue the optimal sales model for each area. Regarding the entry into ASEAN market, while there were restrictions on local activities due to COVID-19, we are preparing for expansion into India, Singapore, and other countries. The CVC was established in December 2020 with the aim of technological synergies, and we are actively pursuing sourcing activities.

With the steady increase in demand for industrial drones as a tailwind, we will continue to advance our business aggressively and drive market development so that we can achieve commercialization as soon as possible with our current strong customer base.”

An informational meeting on the business situation and outlook based on the Financial Results Material is scheduled for noon on February 15 in Japan time.

Attention



*This document is an unofficial translation of the timely disclosure on
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by ACSL and this is for reference purpose only. In case of a discrepancy between the
English and Japanese versions, the Japanese original shall prevail*