

May 12, 2021

Autonomous Control Systems Laboratory Ltd.

**Notice Regarding Differences between
 Financial Results and Forecasts for the fiscal year ended March 2021
 (April 1st, 2020 to March 31st, 2021) and Record Extraordinary Loss
 (Impairment of Investment Securities)**

Autonomous Control Systems Laboratory Ltd. (ACSL) hereby announces that differences between earning forecast for the fiscal year ended March 2021 (April 1st, 2020 to March 31st, 2021), announced on 12 February 2021, and actual financial results announced today. In addition, ACSL decided to record extraordinary loss (impairment of investment securities).

1. Difference between financial forecasts and actual results

Difference between Consolidated Financial Forecasts and Actual results fiscal year ended March 2021 (April 1st, 2020 to March 31st, 2021)

	Sales	Operating Income	Ordinary Income	Profit Attribute to Owners of Parent	Profit per Share
Previous forecast (A)	Millions of Yen 600	Millions of Yen ▲1,200	Millions of Yen ▲1,150	Millions of Yen ▲1,300	Yen ▲120.01
Actual results (B)	620	▲1,139	▲1,081	▲1,511	▲139.54
Difference (B - A)	20	60	68	▲211	—
Difference (%)	3.5	—	—	—	—

* As consolidated financial results were not filed for the previous fiscal year, previous year results are not listed.

Difference between non-Consolidated Financial Forecasts and Actual results fiscal year ended March 2021 (April 1st, 2020 to March 31st, 2021)

	Sales	Operating Income	Ordinary Income	Net Income	Profit per Share
Previous forecast (A)	Millions of Yen 600	Millions of Yen ▲1,200	Millions of Yen ▲1,150	Millions of Yen ▲1,300	Yen ▲120.01
Actual results (B)	620	▲1,131	▲1,081	▲1,511	▲139.54
Difference (B - A)	20	68	68	▲211	—
Difference (%)	3.5	—	—	—	—
(Reference) Previous year results (fiscal year ended March 2020)	1,278	15	231	239	23.00

2. Reason for the differences

Sales were generally in line with the forecast, despite the impact of COVID-19. As for profits, operating income and ordinary income improved as a result of cost optimization, including R&D outsourcing costs and other expenses. On the other hand, due to the impairment of investment securities as described below, profit attribute to owners of parent and net income fell short of the previous forecast.

3. Record Extraordinary Loss (Impairment of Investment Securities)

AutoModality Inc. in the U.S., in which ACSL invested in August 2019, was affected by activity restrictions due to COVID-19 in the U.S., resulting in a large discrepancy between the business plan at the time of investment and the actual results. As a result of evaluation in accordance with accounting rules, it was assessed that the excess earning capacity has decreased at present. 305 million yen was recorded as an extraordinary loss as an impairment of investment securities on a consolidated and non-consolidated.

Without any change from the initial investment, ACSL will continue to collaborate with AutoModality in order to utilize AutoModality's "Perceptive Navigation*" as a complement to ACSL's control technology, and aim to acquire more challenging projects for autonomous flight.

* Perceptive Navigation In AutoModality's definition, a technology to estimate self-position for non-GPS environments through recognition of closed objects using Lidar technology (laser-light-based remote sensing technology). Perceptive Navigation enables drones to operate in open spaces such as bridges and improves

location estimation of drones by providing absolute position information of the nearby objects

Attention

This document is an unofficial translation of the timely disclosure on May 12, 2021 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.