



# Financial Results Material for 2021/12 Full Year

ACSL Ltd.  
February 14<sup>th</sup>, 2022

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# FY21/12 Full Year Highlights



- The drone market environment is favorable for domestic manufacturers with trends such as economic security, de-carbonization and digital garden city taking place. Top-tier companies and governments have recognized the potential of the market and have expressed practical implementation of drones. Great heat in the market.
- ACSL targets 100 bn JPY sales, 10 bn JPY sales profit in 2030, and have steadily implemented the strategies set forth in the mid-term plan "ACSL Accelerate". Japan's first small aerial photography drone "SOTEN" was released in Dec-21, successful drone x UGV collaboration for advanced deliveries conducted with Japan Post, and ACS+ received 3<sup>rd</sup> party ISO 27001 certification, all contributing to build a strong foundation for rapid growth.
- As a result, FY21/12 (Apr~Dec) Sales was 501 mn JPY, Orders Received at the end of Dec was 1,077 mn JPY, both of which recorded the highest in ACSL history for the same period. Active R&D investment was conducted in sight of the growth after FY22, resulting in R&D expense of 604 mn JPY, and net income of ▲1,226 mn JPY
- A new mid-term plan "ACSL Accelerate FY22" was released in Jan-22, which targets to build a profitable state similar to the 2030 picture by 2025. The plan targets sales of 10 bn JPY, and net income of 1 bn JPY in 2025. In addition to the productization of applications already being implemented, new applications development, active entry to Indian market, and strengthening ESG are the backbones of the new plan. The first year of the plan FY22/12 targets 2,500 mn JPY sales, and net income of ▲650 ~▲350 mn JPY.

# Agenda

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- 1 **Overview of the Drone market**
- 2 **FY21/12 Business Highlights and Results**
- 3 **Mid-term Plan “ACSL Accelerate FY22” and FY22/12 Plan**
- 4 **Appendix**

# Macro environment surrounding drone market



There have been changes in the macro environment surrounding the drone market in Japan, all of which are tailwinds for growth.

01

## Economic Security

Awareness increasing around data security and technology leaks, leading to domestication and demand for secure drones

02

## De-carbonization Clean Energy

Increase in clean energy investing creating more O&M demand. . Trend to see drones as de-carbonization technology

03

## Digital Garden City, Smart city

Increase in the use of drones for deliveries and inspections to achieve sustainable, regional development

04

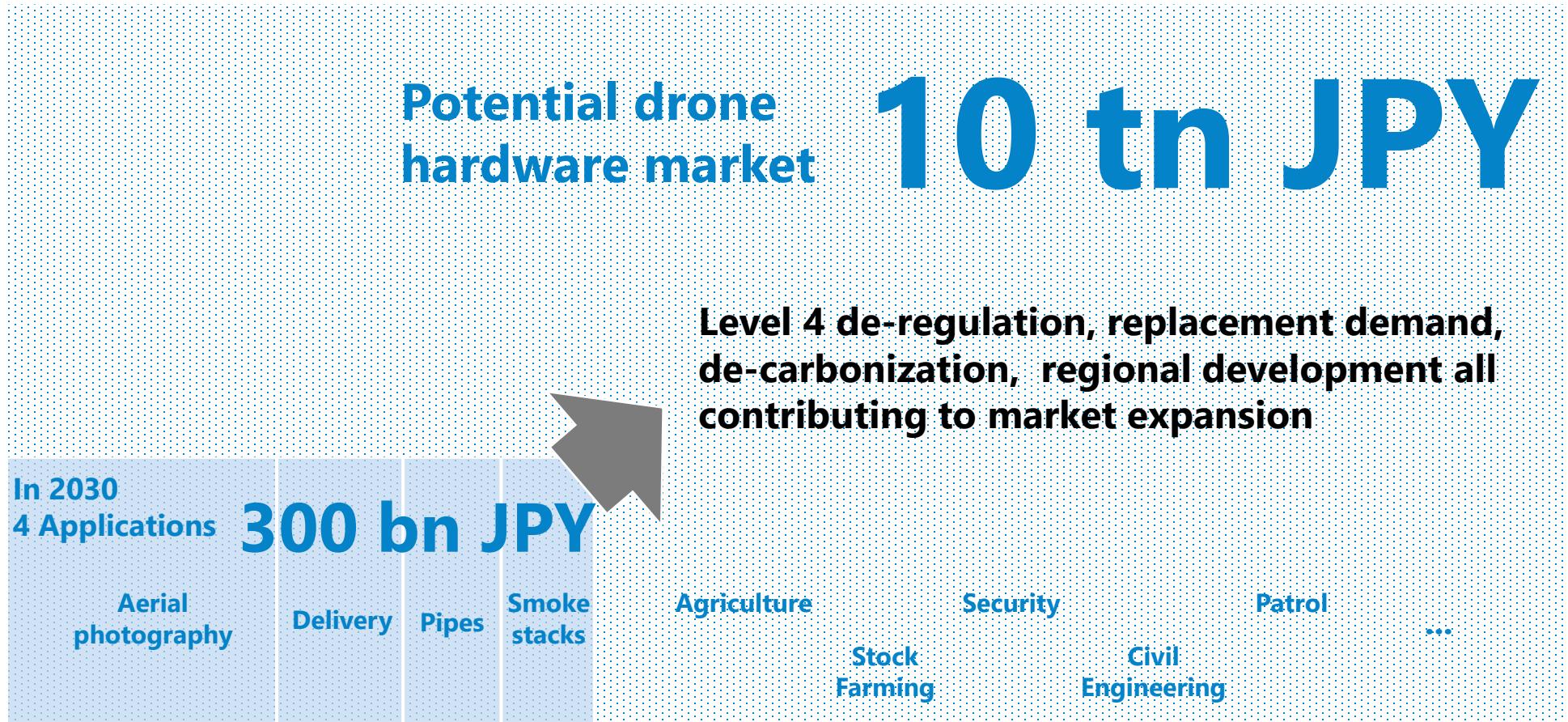
## Aviation Law revision (aka Level 4)

Aviation Law revised to allow flight over manned areas and establish official drone pilot license in FY22

# Potential drone hardware market



Macro environment will accelerate the growth of drone hardware market in Japan,  
unlocking a huge potential



Note: Company estimates based on the following information

Ministry of Land, Infrastructure, Transport and Tourism, "Trends Surrounding Logistics"

Ministry of Land, Infrastructure, Transport and Tourism, "Conditions Surrounding Infrastructure Maintenance"

Cabinet Secretariat, "Estimation of the size of the private sector market for national land fortification"

# Great market momentum as we enter an “Era of the Drones”<sup>1</sup> ACSL

Top-tier companies and governments have shifted to implementing drones for practical use.

In addition, we see huge replacement demand arising from economic security needs.

## 1 Commitment to practical implementation

- Top-tier companies have made official decisions to implement drones to their practical operations (e.g., Japan Post Capital has invested 3 bn JPY into ACSL)
- Fire department has announced the use of drones at all 700 fire stations across Japan

Mass production, ISO  
Maintenance  
After service  
Quality

## 2 Domestication driven by need for security

- Top-tier companies (e.g., NTT/Utility company)<sup>2</sup> made decisions to procure domestic drones for security reasons
- Government announced to only procure “secure” drones and replace all non-secure drones

Domestic products  
Security  
Procurement assurance  
Safety and security

1: NHK, “Drones to be deployed at firefighting headquarters nationwide to assess damage in the event of a disaster.”

2: Nihon Keizai Shimbun, “Chinese drones are being eliminated.”

# Drone market value-chain and where ACSL stands



ACSL, the only listed drone manufacturer, has the capability to provide both agile prototyping and mass production to meet a wide-range of customer demands



## Solution development

Sales of platform drones for testing, trials and customized developments



## Application-specific drone sales

Development, production and sales of mass-produced drones for specific-applications

Systematization

Sales and support

**The only listed drone manufacturer out of 700 drone related companies**

**Using Japanese mass production capability**

**ISO 9001 (Quality)  
ISO 27001 (Security)**

**Proprietary autonomous control system**

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**Eliminate “severe labor shortage” to  
realize a free, open and sustainable world**



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## MISSION

**Liberate humanity through technology**

## VISION

**Revolutionizing social infrastructure by pursuing cutting-edge robotics technology**

# **“To-Be” state in 10 years**



In August 2020, ACSL announced its master plan that sets out its goals over the next decade. 100 bn JPY , 10 bn JPY.

- 1** Global Pioneer in solving social infrastructure issues
- 2** More than 100 bn JPY sales, 10 bn JPY sales profit
- 3** Mass production manufacturer that produces 30,000 units/year
- 4** Supporting the country with de facto standards
- 5** Developing cutting-edge technologies for autonomous control
- 6** Nurturing the industry's most advanced and talented human resources
- 7** Constantly working to improve its corporate value and financial KPIs

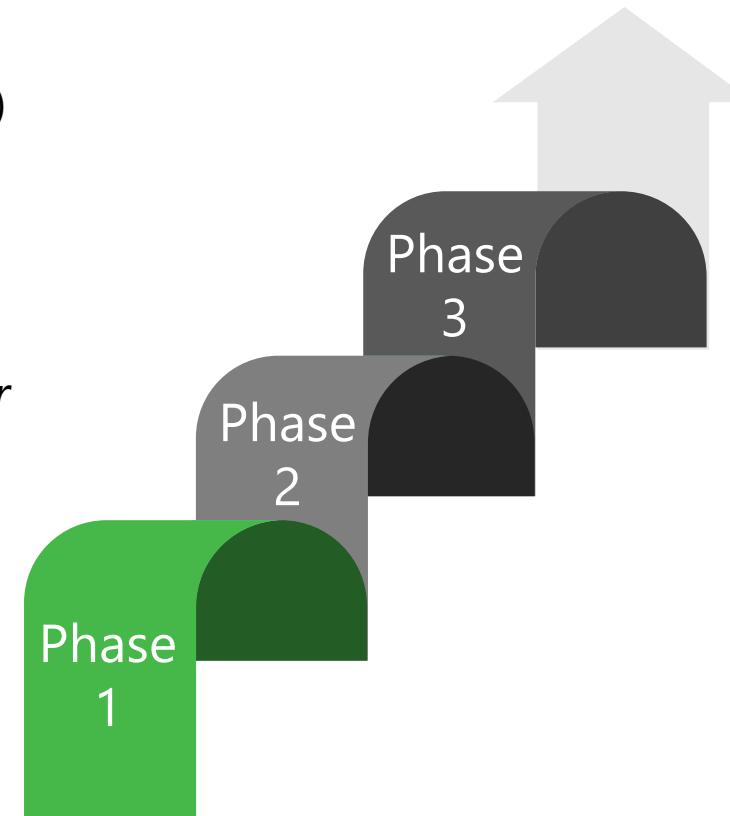
# Mid-term plan “ACSL Accelerate”



To achieve our goals in the next 10 years, ACSL has defined a mid-term plan called the “ACSL Accelerate”. It is a rolling plan that adapts to rapid changes in the business environment

- 3 ACSL Accelerate FY24 (planned; 2024-26)
- 2 ACSL Accelerate FY22 (2022-25)  
*Shift to a sustainable global manufacturer*
- 1 ACSL Accelerate FY20 (2020-22)  
*From Prototype Factory to Mass Production Manufacturer*  
**(Content of the FY21/12 Highlights)**

**“To-be” state in 10 years**



# FY22/12 Highlights



Steadily conducted the 4 strategic pillars defined in ACSL Accelerate FY20

## Strategies in Medi-term Management Policy

## Progress

### Development of application-specific drones

Commercialization of small aerial drones, medium delivery drones (Level 4 compliant), smokestack inspection drones, and enclosed environment inspection drones

**Orders received for small small aerial drone is on track. Closed environment inspection drone is launched** and aim to expand sales. Medium-sized delivery drone being developed to be released in 2023.

### Introduction of subscription model

Subscription-based fixed income/recurring sales model to be introduced to meet various customer needs, in addition to one-off drone sales

**Announced the launch of a subscription model in May 2021.** On-going discussion with multiple clients.

### Full-scale expansion into ASEAN and other Asian countries

Establish an office in Singapore, the core city in the ASEAN region, and India and hire local talents to conduct development and sales activities, and begin full-scale overseas expansion

**Established a JV in India in September 2021 and initiated marketing activities** to replace Chinese drones. ACSL drones already imported to India.

### Technology procurement through CVC

Establish CVC and actively procure technologies with potential for technology synergies, such as AI, blockchain, security, image processing and sensors

Established CVC in December 2020, and **invested in several companies including overseas companies**

# Released aerial photography drone “SOTEN”

ACSL

Released aerial photography drone “SOTEN” and started to receive orders.

Significant market reaction to the secure and reliable drone

1 **Secure:** Data security, domestic and reliable components, encryption,etc.

2 **Usability:** One-touch interchangeable camera, clip-on propellers

3 **Flight performance:** Max 15m/s wind tolerance, SLAS/SBAS QZSS accuracy

4 **Peripherals:** Offline map, Secure LTE network, extension mounts



# SOTEN

# Advanced delivery with Japan Post using Drones x UGV

Continued to promote advanced delivery networks by combining Drones and UGV<sup>1</sup> to conduct autonomous deliveries in rural areas



Collaboration between Drone and UGV

1: Unmanned ground vehicle

- ACSL entered **business partnership** with **Japan Post** and **Japan Post Capital** in Jun-21.
- Delivery trials having **drones and UGV collaboration** took place at Okutama, Tokyo in Dec-21.
- Concept is to **build an unmanned delivery model for rural mountainous areas**, through combining drones and UGV

# Realizing social implementation of drone deliveries

ACSL

In sight of the de-regulation of Level 4 expected to take place in FY22, ACSL actively took part in drone delivery projects that tested practical service operations

## Trials to do drone food delivery in central Tokyo

- **First trial conducted at manned areas** in Nov-21, together with **East Japan Railway Company** and **KDDI**.
- Scope also considered business model of drone deliveries after Corona



## Trials to do drone delivery service

- Immediate drone delivery service to 4 locations conducted in Nov-21 with **ANA HD** and **Seven Eleven Japan**.
- Scope considered **practical service implementation** such as delivery fees, Seven Eleven staff handling goods, take-off locations, etc.

# Strengthened 3<sup>rd</sup> part certification - ISO27001

ACSL

To comply with the increasing demand for quality control and security management, ACSL is actively getting 3<sup>rd</sup> party certification to strengthen governance



JQA-IM1838



JQA-QMA15911

## Information Security Management Certification

- Received Information Security Management Certification **ISO/IEC 27001:2013<sup>1</sup>** on Nov-21
- **Increasing demand towards higher security** to secure flight information and digital data captured by drones
- Continue to provide “safe and secure” drones by promoting **Quality Management Certification ISO9001:2015** that ACSL received in 2018

1: International standard that defines the framework for managing information security, developed by ISO (International Standards Organization)

# Successfully demonstrated indoor inspection

ACSL

Demand for indoor inspection as a candidate for the next application-specific drone is high. Successfully conducted autonomous indoor inspection with Takenaka Corporation

## Indoor inspection at construction site

- Trials conducted at actual construction site with **Takenaka Corporation, Kanamoto**, and **Actio**. Autonomous Flight system jointly developed with **Sensyn Robotics** in Nov-21 was used.
- Drones perform **safety patrols and site inspections**, currently done by manned operations.
- Demand for **productizing indoor patrol drone** is high.



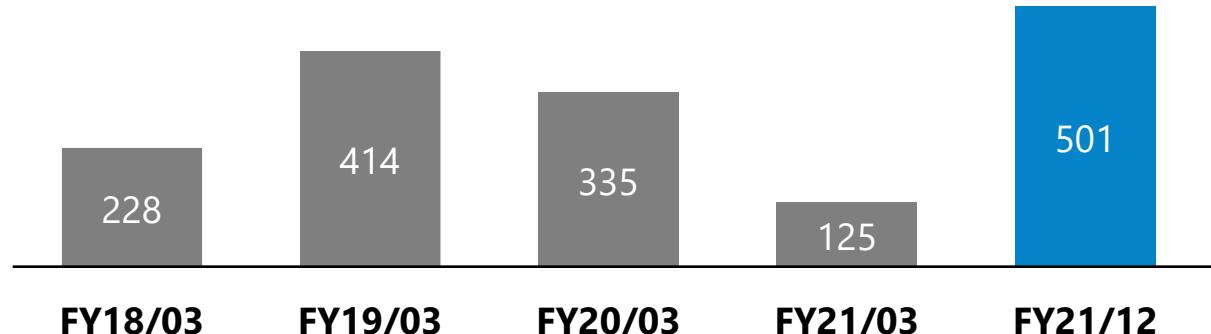
# Sales and Order Received recorded highest



FY21/12 Sales (Apr~Dec) was 501 mn JPY, and Orders Received at the end of December was 1,077 mn JPY, both of which is the highest in ACSL history

**Cumulative sales (Apr~Dec)**

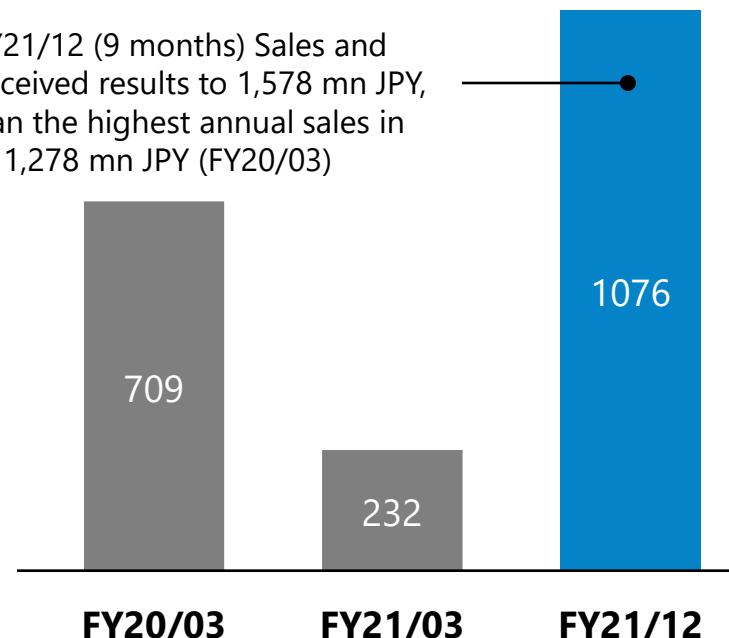
Mn JPY



**Orders Received in December<sup>1</sup>**

Mn JPY

Sum of FY21/12 (9 months) Sales and Orders Received results to 1,578 mn JPY, higher than the highest annual sales in history of 1,278 mn JPY (FY20/03)



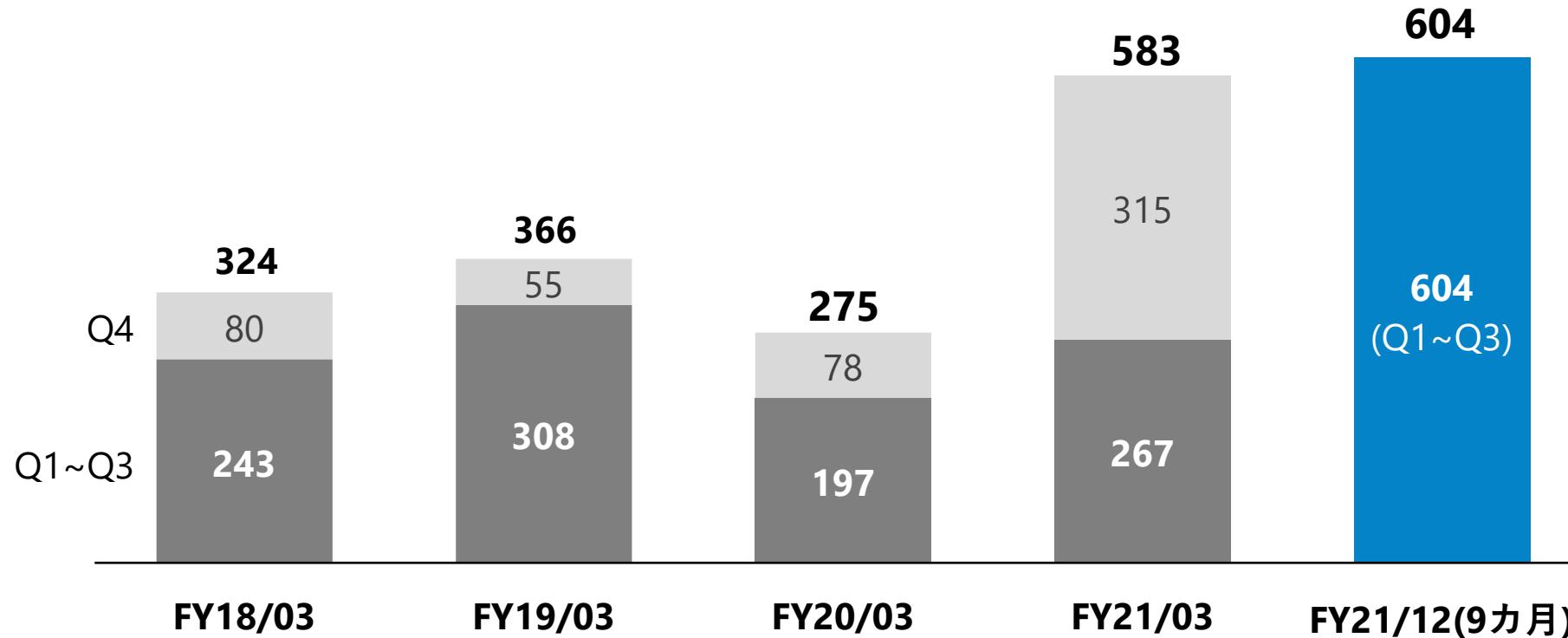
<sup>1</sup>:Orders Received is the sum value of projects that Purchase Order is received at the end of December

# Active investment in R&D in sight of FY22

Continued to actively invest into R&D, regardless of revenue results,  
to capture in coming market opportunity in FY22

## R&D expense (full year)

Mn JPY



# FY21/12 Cumulative (21/04-12) Results



Sales between Apr-Dec 9 months was 501 mn JPY, and net income was ▲1,226 mn JPY.

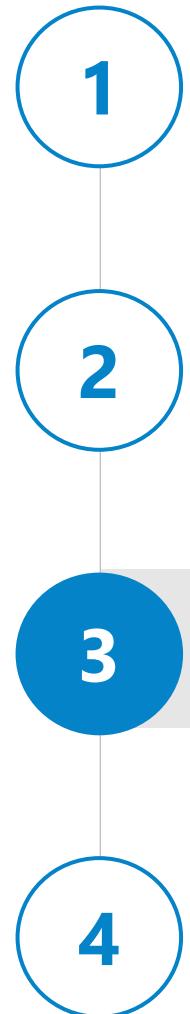
Increased R&D expense compared to previous full year.

Mn JPY	FY21/12			FY21/3 <sup>1</sup>		
	Cumulative (21/4~21/12)	YoY (9 months)	YoY (full year)	Q1~Q3 cumulative (20/4~20/12)	Q4 (21/1~21/3)	Full year (20/4~21/3)
	Actual	YoY (9 months)	YoY (full year)	Actual	Actual	Actual
Sales	<b>501</b>	+375	▲119	125	495	620
Gross Profit	<b>0</b>	+27	▲67	▲26	94	68
Gross profit rate	<b>0%</b>	+21 pt	▲11 pt	▲21%	19%	11%
R&D Expense	<b>604</b>	+336	+20	267	315	583
Operating Profit	<b>▲1,188</b>	▲443	▲49	▲745	▲393	▲1,139
Net Income	<b>▲1,226</b>	▲413	+285	▲812	▲699	▲1,511

1:Figures for the third quarter of the fiscal year ending March 31, 2021 and thereafter are based on consolidated financial statements and figures for earlier quarters are based on non-consolidated financial statements

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A close-up photograph of a blue quadcopter drone. The drone is shown from a low angle, focusing on the bottom left propeller and the central body. A red LED light is visible on the bottom left propeller. The background is a plain, light color.

**Shift to a sustainable  
global manufacturer**

# ACSL Accelerate FY22 Business Strategy and Goals



In addition to developing mass production drones, ACSL will accelerate its entry into the Indian market, reinforce ESG initiatives, and seek the adaption of our core technologies into other fields.

ACSL Accelerate FY22

**Shift to a sustainable  
global manufacturer**

**Development and commercialization of  
four application-specific drones**

**Development of new application drones  
and compliance with security**

**Full-scale launch into the Indian market**

**Reinforce ESG initiatives**

**Exploring potential adaptation of  
autonomous control systems to other fields**

# Commercialization of four application-specific drones



The focus is to bolster nationwide commercial activities for the two launched products SOTEN and Fi4, and accelerate development of mass production models for the remaining two applications



**Aerial photography**  
(SOTEN)

- Launched Dec. 2021
- Secure small aerial photography drone for governments and private companies



**Pipe inspection**  
(Fi4)

- Launched May 2021
- Drones to inspect pipe structures such as sewers and drains



**Smokestack inspection**

- Under development to be launched 2022
- Drones capable of flying in GPS-denied cylinder structures, smokestacks and water-pressure towers



**Delivery**

- Under development to be launched 2023
- Specialized drones for delivery capable of carrying a 5 kg payload, with 20+km flight distance

# Development of new application drones

ACSL will initiate development of additional application-specific drones based on intel gathered from various successful trials. Furthermore, all products will comply with the market security trends

## Demonstrated applications (examples)



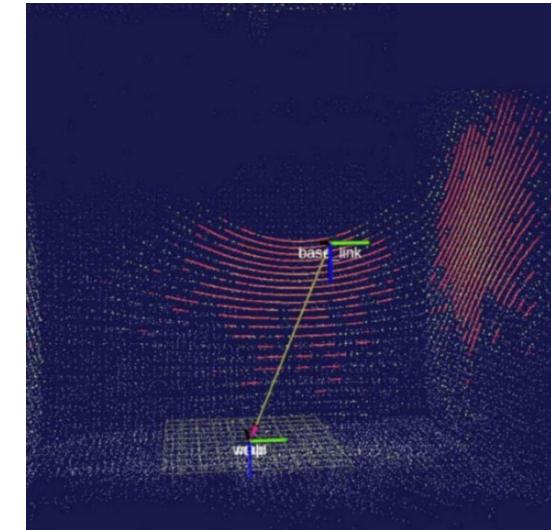
### Wind turbines

Automated blade inspection for wind power generation



### Indoor inspection

Automation of indoor inspection at construction sites, power plants, etc.



### Ships

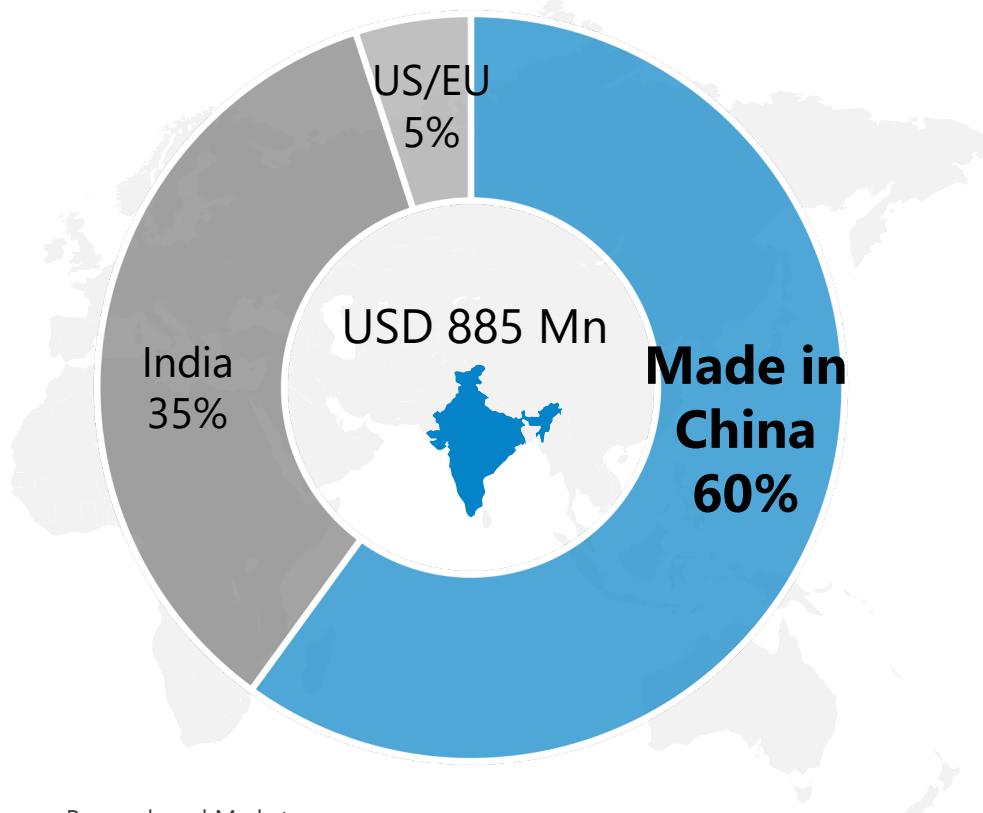
Cargo hold inspections for tankers and cargo ships

# Full-scale launch into the Indian market



With increasing awareness for economic security, ACSL will partner with local companies to capture the replacement demand for Chinese drones

## Drone origin in the India Market (2021)



Source: Research and Markets

### Launch of ACSL India, a local JV

Active recruitment of local talent and establishment of manufacturing, sales, and maintenance operations

### Launch of secure drones, SOTEN and PF2

Obtain local sales certification (QCI) for SOTEN and PF2, both of which comply with the demand for higher security

### Business collaboration with local companies

Build local use cases through collaboration with local companies and participate in major drone related exhibitions in India

### Public affairs

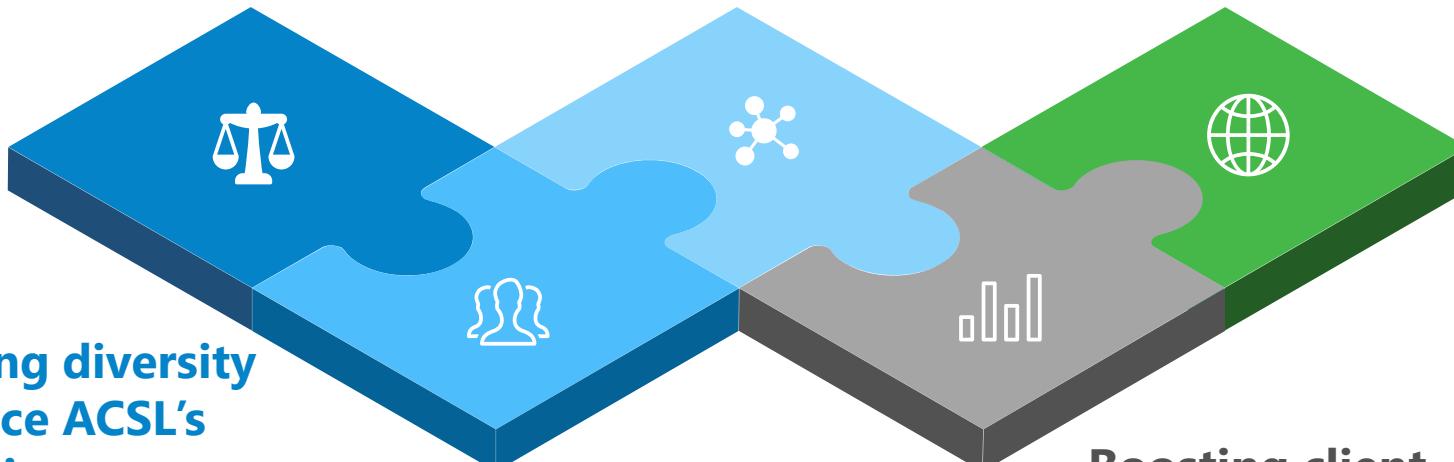
Actively share information with local regulators to accelerate deregulation and technology adaptation of Japanese drones

# Reinforcing ESG initiatives

To build our competitive advantage, ACSL will reinforce ESG initiatives that will ultimately contribute to upscaling clients' competitiveness and social resilience.

## Adherence to Strong Governance

Maximize organizational robustness and boost governance as the foundation of ACSL's corporate activities



## Leveraging diversity to enhance ACSL's competitiveness

- Broaden diversity
- Diversify work styles and further enhance career development

## Technology for sustainability

- Regional revitalization and development
- Reinforce disaster prevention/response and environmental initiatives

**Achieving a free, open and sustainable world**

**Boosting client competitiveness and social resilience**

# Examples of existing ESG initiatives

ACSL has been already working on a number of ESG initiatives, most of which have turned into positive output and competitive advantages

**E**

**Disaster relief support :  
Marine garbage  
identification**

As part of a CSR initiative, ACSL offers free drone support in times of disaster. A disaster treaty with Self Defense Force.

Development of solutions to solve marine garbage issues in Project IKKAKU



**S**

**A Diverse R&D Team**

<b>Ph.D. holders</b>	<b>Approx. 15 %</b>
<b>Foreign nationals</b>	<b>Approx. 50 %</b>
<b>Nationalities</b>	<b>17</b>



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# Potential of our autonomous control system

ACSL's proprietary autonomous control system is being applied in drones, one of the most difficult robotics environments, and this technology can be adapted to a wide variety of robotics

## Autonomous control system

### Cerebrum- Sensing

Technology that uses sensors such as cameras and lidar to actively understand one's surrounding environment.

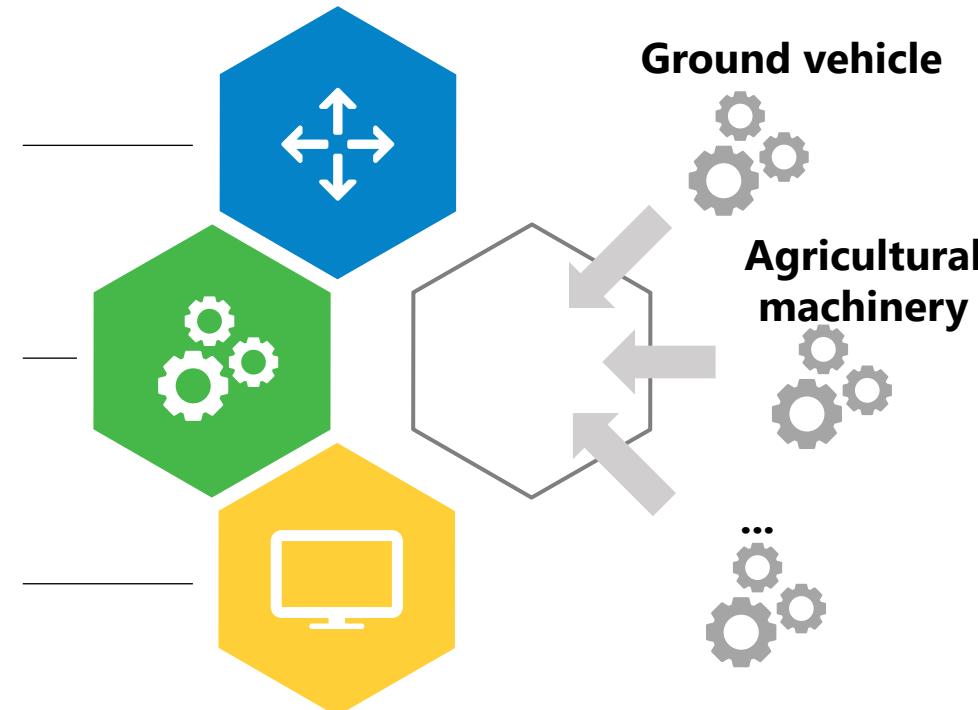
### Cerebellum- Control

Technology that controls operations such as posture, orientation changes, and movement based on information from the cerebrum.

### UI/UX- Interface with humans

Technology that enables humans to interact with robots, such as monitoring their status and issuing commands.

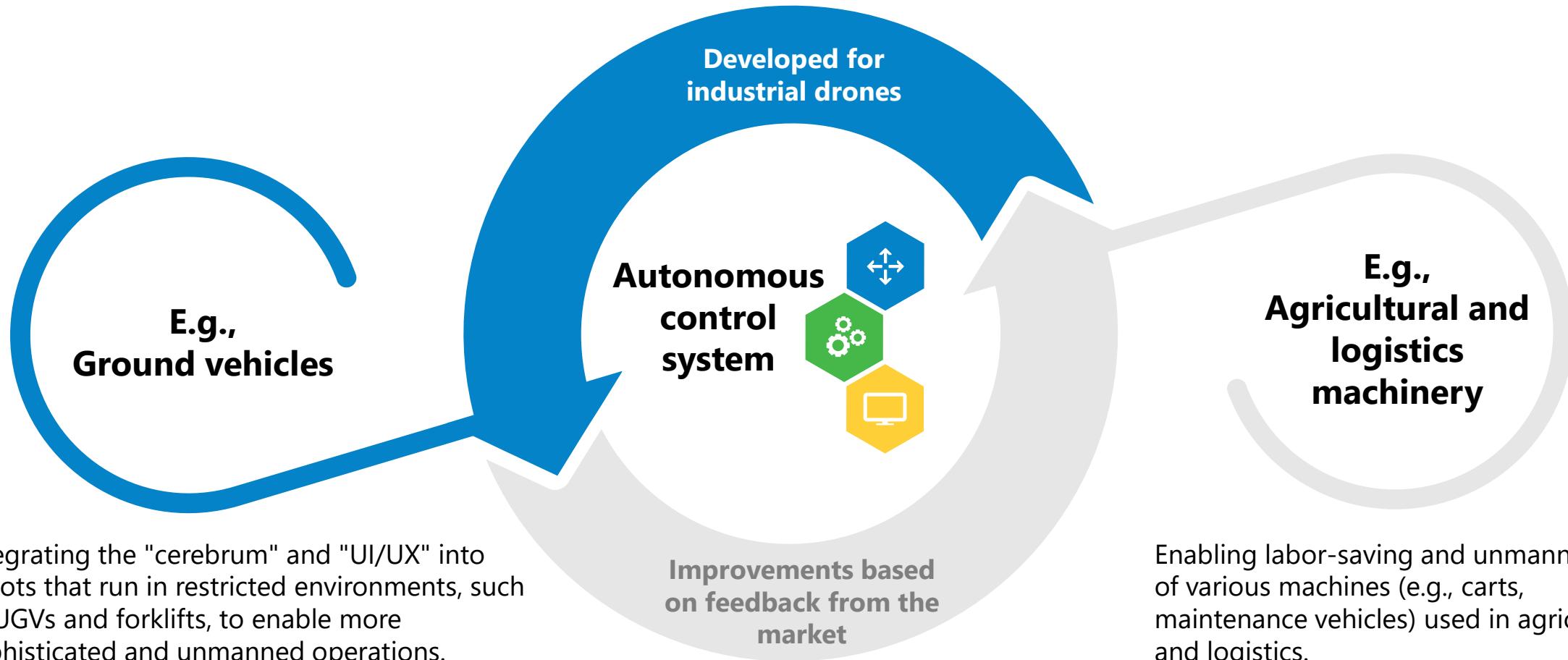
## Adaptation



Autonomous control systems can be adapted to a wide variety of robotics to enable them to be autonomous

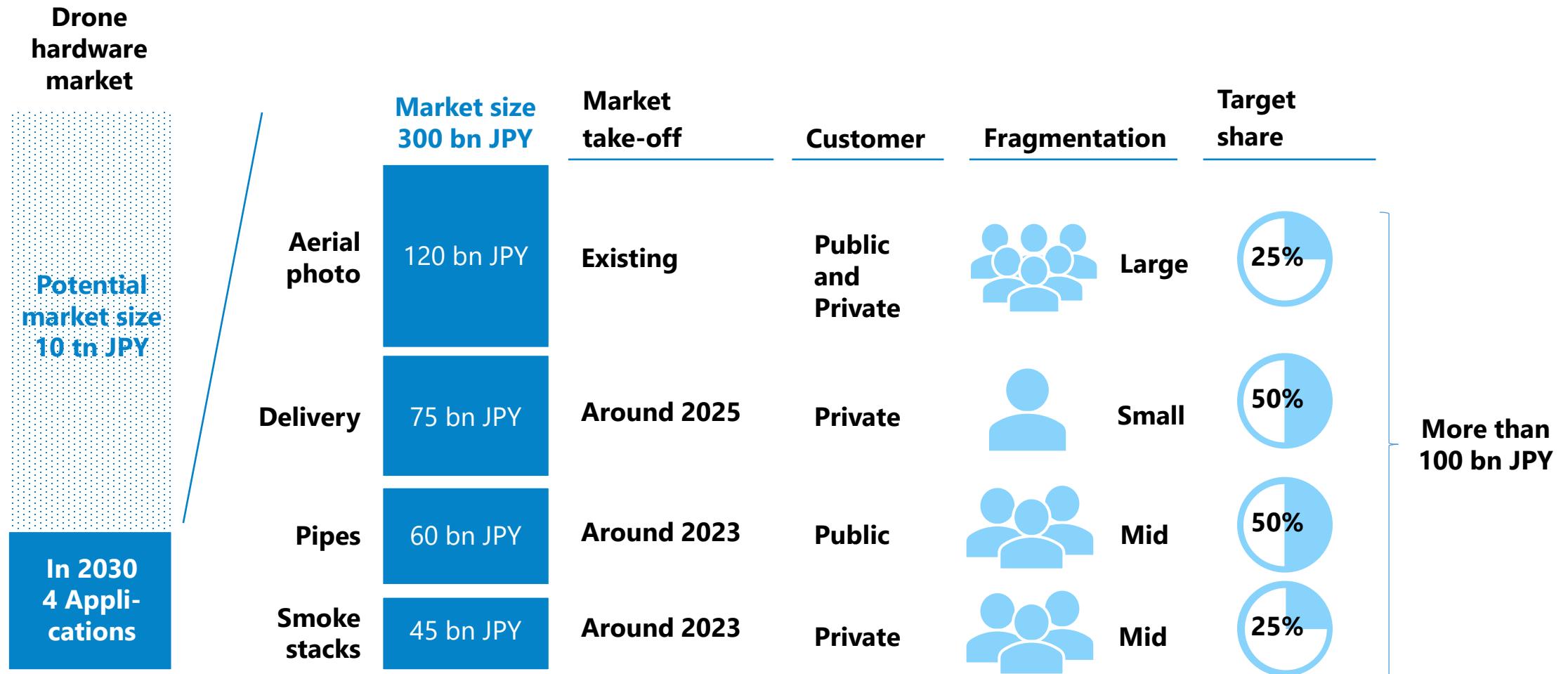
# Exploring adaptation of autonomous control systems

ACSL will explore the adaptation of autonomous control systems through industrial drone development to other robotics to promote unmanned systems in other fields



# Targeting 100 bn JPY sales in 2030

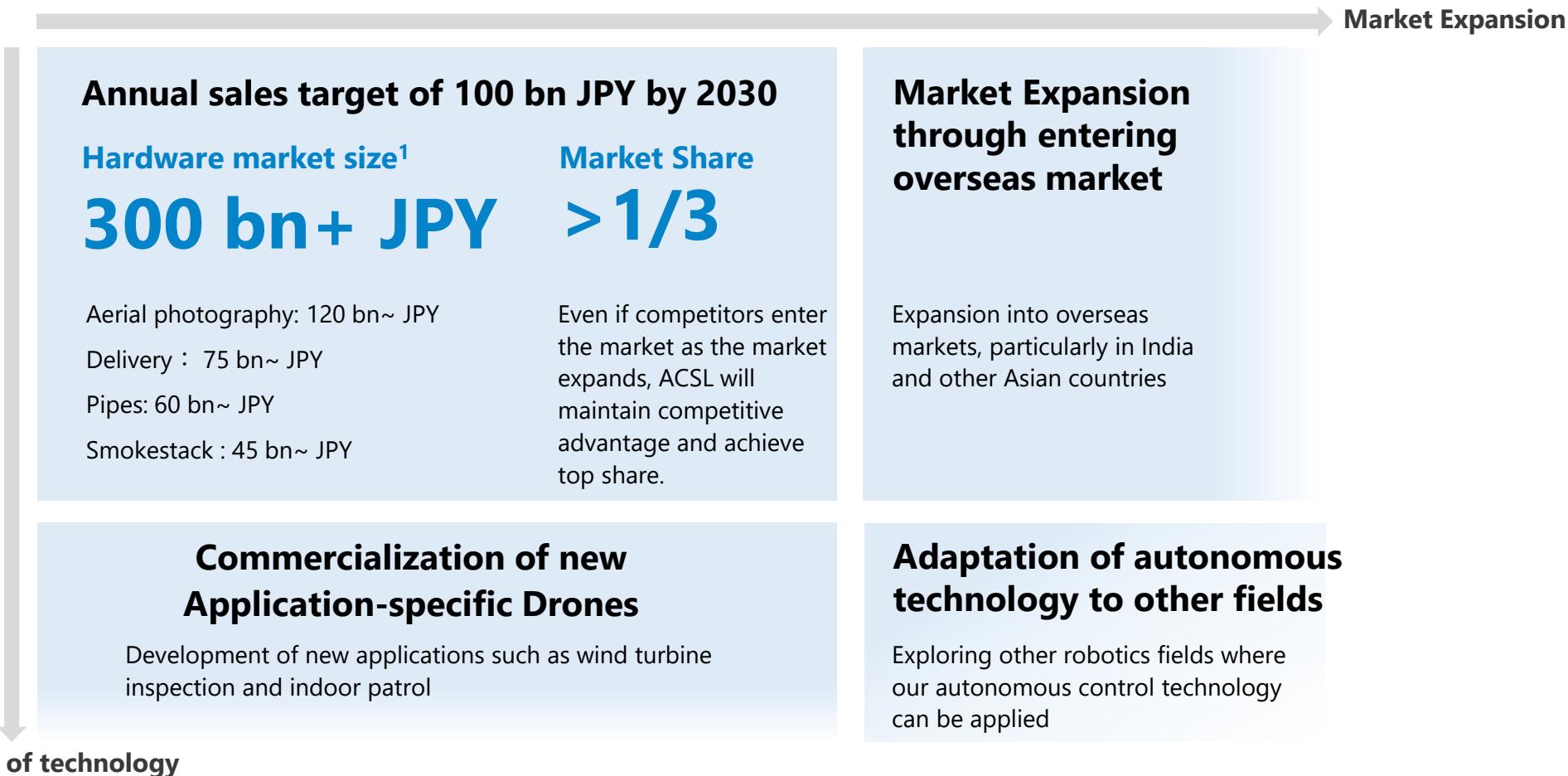
By 2030, ACSL will mass-produce four application-specific drones  
to achieve total sales in excess of 100 bn JPY



# Further expansion through successful initiatives



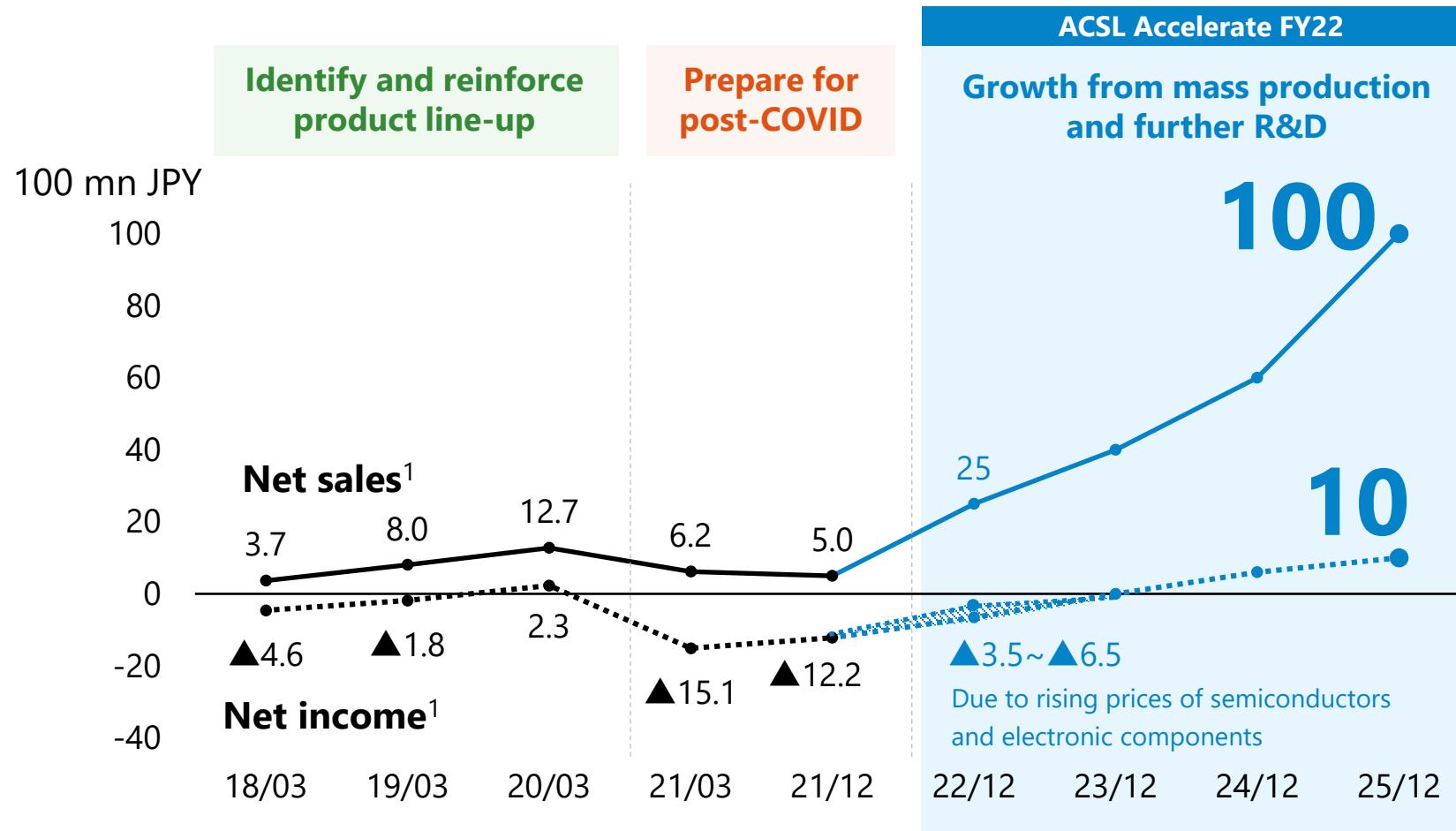
Overseas market entry, development of new applications, and adaptation of autonomous control systems to other fields will provide opportunities for further growth.



# ACSL Accelerate FY22 financial target



At the end of the mid-term plan, ACSL aims to achieve sales of 10 bn JPY and net income of 1 bn JPY in 2025



## Financial Policies for ACSL Accelerate FY22

- Establishing a profitable structure in-line with 2030
- No large-scale capex production facilities
- Continued strategic upfront investment in R&D
- Secure cash for overseas investment and expansion, M&A and other growth

# Financial plan for FY22/12



In 2022, with the start of mass production of application-specific drones, ACSL will increase drone sales and ship more than 1,100 units in total

Target figures		Sales composition	
		Units	Sales (100 mn JPY)
Net sales	2.5 bn JPY (of which 1.0 bn orders received)	Sales of application-specific drones	1,100~
R&D expenses	600 mn JPY~	Aerial photography	1,000~
Net income <sup>1</sup>	▲650 ~▲350 mn JPY	Other applications	100~
		Solution development	~150
		PoC and custom development	-
		Sales of platform/evaluation drones	~150
		Other	1

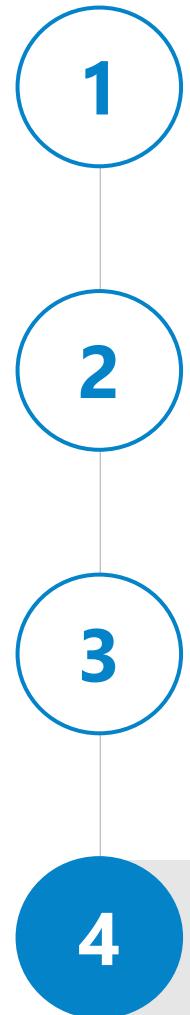
1: The upper limit of net income assumes that the impact of the semiconductor shortage and soaring prices of electronic components will be resolved by the end of the year, and the lower limit assumes that the impact of the semiconductor shortage will continue throughout the year and that we will flexibly invest in R&D upfront.

# Possible risks and responses

Item	Major Risks	Our recognition and risk response measures
Customer demand trends	<ul style="list-style-type: none"><li>▪ Emergence of competitors and new entrants</li><li>▪ Delay in drone utilization due to mismatch with customer needs</li><li>▪ Loss of public trust due to serious accidents by drones, including those caused by other companies, and delays in customer adoption</li></ul>	<ul style="list-style-type: none"><li>▪ In the development of autonomous control systems for industrial drones, verification in the actual field is of utmost importance, and considering security measures, there are currently few competitors and the barriers to entry are high.</li><li>▪ With a strong customer base, ACSL promotes the development required for specific applications through dialogue with customers and demonstration in real environments.</li><li>▪ We place the highest priority on the safety design of the drone.</li></ul>
Manufacturing and supply system	<ul style="list-style-type: none"><li>▪ Insufficient manufacturing capacity when sales volume increases</li></ul>	<ul style="list-style-type: none"><li>▪ As a fabless manufacturer, we outsource to external partners and can handle increased production capacity.</li></ul>
regulation	<ul style="list-style-type: none"><li>▪ Delay in implementation of Level 4 regulations due to a delay in the passing of the Civil Aeronautics Act and other laws</li><li>▪ Possibility of being affected by laws and regulations and local business practices in overseas expansion</li></ul>	<ul style="list-style-type: none"><li>▪ Aviation law has passed the Diet; Level 4 regulation is expected to be in place by fiscal year 2022</li><li>▪ When expanding overseas, consider possible risks with the cooperation of domestic and overseas specialized organizations.</li></ul>
Acquisition of human resources	<ul style="list-style-type: none"><li>▪ Delays in hiring plans, especially for R&amp;D personnel, and outflow of core human resources</li></ul>	<ul style="list-style-type: none"><li>▪ By requiring development staff to speak only English, we are able to entice foreign staff members with cutting-edge technology</li></ul>
Cost	<ul style="list-style-type: none"><li>▪ Higher cost to sales ratio due to a sharp rise in semiconductor prices</li><li>▪ Need to invest aggressively in R&amp;D</li></ul>	<ul style="list-style-type: none"><li>▪ Semiconductor supply for the near term has been secured</li><li>▪ Flexible investment policy in R&amp;D for future business expansion</li></ul>

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## Company Outline

Industrial drone manufacturer



**Corporate Name**

ACSL Ltd.

**Representative**

Satoshi Washiya (President and COO)

**Established**

November 2013

**Location**

Hulic Kasai Rinkai Building 2F, 3-6-4 Rinkaicho,  
Edogawa-ku, Tokyo 134-0086, Japan

**Capital**

4.5 bn JPY (as of Sept. 2021)

**No. of employees**

74 (as of Dec. 2021)

**Description of  
Business**

Manufacturing and providing industrial drones.  
Providing automation solution services using  
autonomous technology.

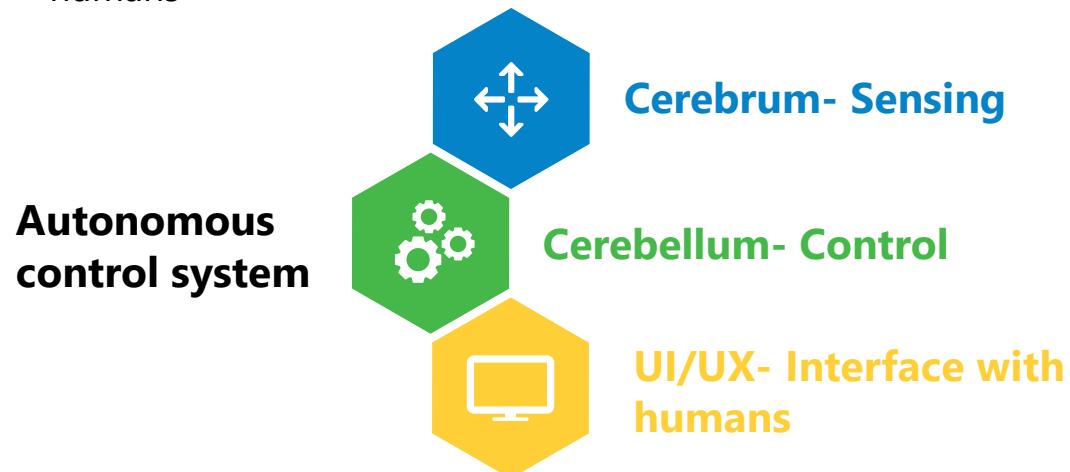
# ACSL - a pioneer in drone manufacturing in Japan



ACSL manufactures application-specific drones using proprietary autonomous control technology, and upgrades operations at client site

## Core technology: Autonomous Control System

Our proprietary control technology consists of the "cerebrum", which actively grasps the surrounding environment, the "cerebellum", which controls movement of robotics and "UI/UX" that serves as the interface with humans



## Competitive advantage: Knowing our Client

ACSL works closely with clients to understand their operations and the difficulties they face. We develop drones tailored to individual applications through trials and testing.



日本郵便



docomo



accenture



NJS



関西電力  
power with heart



ANA



UNISYS



西松建設



建設電気技術協会  
AETELI



# ACSL - What we do



Our business constitutes demonstration and sales of platform drones and promoting development, mass production, and sales of application-specific drones.



## **Solution development**

Sales of evaluation and platform drones for technology verification, as well as proof-of-concept trials and custom development based on customer requests



## **Sales of application-specific drones**

Development, mass production, and sales of application-specific drones using the knowledge gained from demonstration tests

# Competitive landscape

Drones for industrial purposes are different from that of consumer use. Industrial drones tend to be application specific, as one-fits-all does not work for all use cases.

 ACSL product

## Key market segments

	Consumer (B to C)			
	Aerial	Inspection	Logistics	Disaster Prevention
<b>General purpose</b> Can be applied to multiple purpose	Mainly inexpensive foreign-made general-purpose drones	 <b>Platform PF2</b> Other companies: Mostly foreign-made general-purpose drones with GPS support	 <b>Platform PF2</b> Other companies: Mainly large logistics drones such as foreign-made VTOL drone	 <b>Platform PF2</b> Other companies: Mainly foreign-made general-purpose drones
<b>Application-specific</b> Optimized performance and specification for each application	No application-specific drone for consumer use	 <b>Small aerial</b>  <b>Smokestack</b>  <b>Enclosed environ.</b> Other companies: A limited number of drones for each inspection application	 <b>Delivery (Level 4)</b> Other companies: A very limited number of drones with Level 3 or higher safety features	 <b>Small aerial</b> Other companies: A limited number of drones with flight performance and safety features for disaster prevention applications

# Management Team (as of Dec 31, 2021)



**President  
and COO**

**Satoshi Washiya**

M.S. in Architecture from Waseda University. Served both domestic and multinational companies in corporate wide transformation projects at the Tokyo and Stockholm office of McKinsey & Company. Joined ACSL in July 2016.



**Chairman**

**Dr. Hiroaki Ohta**

Ph.D. from Kyoto University. Assistant professor at Department of Aeronautics and Astronautics, Kyoto University, followed by research scientists at University of California, Santa Barbara. Also served as Technical Advisor for a start-up in Silicon Valley. McKinsey & Company from 2010. Joined ACSL as in July 2016.



**CFO**

**Kensuke Hayakawa**

M.S. in Management of Technology from Tokyo institute of technology. Implemented operational improvement/transformation of portfolio companies at KKR Capstone. Joined ACSL as CFO in March 2017.



**CTO**

**Dr. Chris Raabe**

Ph.D. from University of Tokyo. Embedded software engineer at Boeing from 2006. Assistant professor at Department of Aeronautics and Astronautics, University of Tokyo from 2014. Joined ACSL as CTO in April 2017.

**External  
Director**

**Masanori Sugiyama**

**Audit & Supervisory  
member**

**Akira Ninomiya**

**Audit & Supervisory  
member**

**Hideki Shimada**

**Audit & Supervisory  
member**

**Takeshi Ohnogi**

# Difference between actuals and forecast for FY21/12



Sales overachieved previously announced forecast.

Cost increased to accelerate R&D and mass production setup for SOTEN.

mn JPY	Actual	Previously announced forecast	Difference	Remarks
Sales	501	480	+21	Positive trend in PoCs and platform drones sales
Operating profit	▲1,188	▲980	▲208	R&D for Level 4 and mass production setup accelerated in sight of positive market reaction after releasing SOTEN. Profit declined due to semicon procurement challenges
Ordinary income	▲1,213	▲1,020	▲193	Additional income in non-operating income
Net income	▲1,226	▲1,020	▲206	Impairment of fixed assets

# Balance Sheet

Mn JPY	FY21/12 3Q (21/12)		FY21/03 3Q(20/12)		FY21/03 Actual
	Actual	YoY Increase/Decrease	Actual	Actual	
Current assets	4,177	+ 21%	3,454	3,257	
Cash	2,759	+ 8%	2,566	1,891	
Fixed assets	1,537	+ 59%	965	751	
Current liabilities	287	+ 58%	181	432	
Fixed liabilities	8	-	-	3	
Total liabilities	295	+ 63%	181	436	
Net assets	5,419	+ 28%	4,238	3,572	
Total assets	5,715	+ 29%	4,420	4,008	

Note: Figures for the third quarter of the fiscal year ending March 31, 2021 and thereafter are based on consolidated financial statements and figures for earlier quarters are based on non-consolidated financial statements

# KPI forecast

Index	FY18/03	FY19/03	FY20/03	FY21/03	FY21/12 (9 months)	FY22/12
	Actual	Actual	Actual	Actual	Actual	Forecast
<b>Sales of application-specific drones</b>						
Small aerial photo (low ASP)	Unit					1,000~
	Value (100 Mn JPY)					10
Other application-specific drones (high ASP)	Unit	-	-	-	-	100~
	Value (100 Mn JPY)					2
<b>Development of application-specific drones<sup>1</sup></b>						
PoC and Development	Project	60	81	112	82	41
	Value (100 Mn JPY)	2.1	2.9	8.6	3.7	1.2
Sales of Platform/ Evaluation drones <sup>1</sup>	Unit	40	106	101	46	16
	Value (100 Mn JPY)	0.9	3.8	3.0	1.4	0.6
Number of shipments <sup>1</sup>		-	136	128	71	23
						~150

1: The number of Sales of Platform/Evaluation drones represents drone sold in the platform sales (former STEP 3 and 4), and the number of shipments represents the total number of drones shipped including the demonstration experiments (former STEP 1 and 2)

# Sales by quarter

Fiscal Year		FY18/03				FY19/03				FY20/03				FY21/03				FY21/12		
Quarterly Results		1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q
Demonstration Experiment <sup>1</sup> • Proof of Concept • Custom Development	Sales Mn JPY	6	37	57	116	25	59	75	133	27	65	102	671	1	22	22	323	14	42	67
	Number of projects	8	6	27	19	6	16	22	37	14	22	21	55	2	11	15	54	6	14	21
Platform Selling the drone <sup>2</sup> • Sales of standard and general-purpose drone • Drone modified for customers based on the standard drone	Sales Mn JPY	16	25	32	16	10	67	80	225	24	48	19	212	4	10	13	116	15	34	17
	Number of units	7	10	18	5	8	20	31	47	6	12	9	74	1	3	5	37	6	6	6
Other <sup>3</sup> • Sales of parts • Fuselage repair service • Some national projects	Sales (of which, national pro) Mn JPY	30 (27)	6	16	9	68 (65)	14	12	33	9	29 (18)	9	59	30 (21)	8	10	55	237 (219)	55 (50)	15

1: Solution development (STEP1, 2) was renamed to "Demonstration Experiment" from FY21/03 Q1

2: Mass production (STEP3, 4) was renamed to "Platform Selling the drone" from FY21/03 Q1

3: For national projects, subsidies received are generally posted as non-operating income. On the other hand, some projects whose main purpose is to conduct commissioned experiments are recorded as sales

# Major financial items by quarter

Fiscal year <sup>1</sup>	FY18/03				FY19/03				FY20/03				FY21/03				FY21/12		
Quarterly Results	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q
Sales Mn JPY	53	68	106	141	104	141	168	392	60	143	130	943	36	42	46	495	267	133	100
Gross profit Mn JPY	4	40	63	68	13	83	101	204	8	69	75	655	▲ 6	▲ 6	▲ 13	94	17	5	▲22
Gross profit margin	9%	60%	60%	48%	13%	59%	60%	52%	14%	48%	58%	70%	▲19%	▲16%	▲28%	19%	7%	4%	▲23%
SG&A Mn JPY	149	165	218	186	157	172	244	159	205	171	201	213	230	173	314	488	325	321	515
of which R&D expenses Mn JPY	67	62	113	80	85	94	127	58	66	54	76	78	60	77	129	315	153	165	285
R&D expense ratio to Sales	127%	91%	107%	57%	82%	67%	76%	15%	109%	38%	59%	8%	167%	183%	278%	64%	57%	124%	285%

1: Figures for the third quarter of the fiscal year ending March 31, 2021 and thereafter are based on consolidated financial statements and figures for earlier quarters are based on non-consolidated financial statements

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