



Financial Results Material for FY22/12 Q1

ACSL Ltd.
May 13, 2022

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Summary

Significant change to drone macro environment in FY 22 Q1

ACSL

High attention to drones globally, driven by Russia/Ukraine war, economic security and Digital Rural City progression

01

Economic security

Increased international security awareness due to the situation in Ukraine. While the usefulness of drones has been demonstrated, the need for security has become apparent as awareness of data security and technology leaks has increased. Domestication of drone technologies emerging.

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 (Level 4)

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

Developing drones to address evolving market environment

ACSL

Active commercialization of SOTEN and Fi4. Started taking orders for AirTruck, and preparing for launch



Aerial photography
(SOTEN)

- Began shipments in March 2022 and delivered 475 units by March end
- Secure small aerial photography
- In addition to government procurement, large orders from the 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
(AirTruck)

- AirTruck orders to be received in March 2022
- Specialized drones for delivery capable of carrying a 5 kg payload

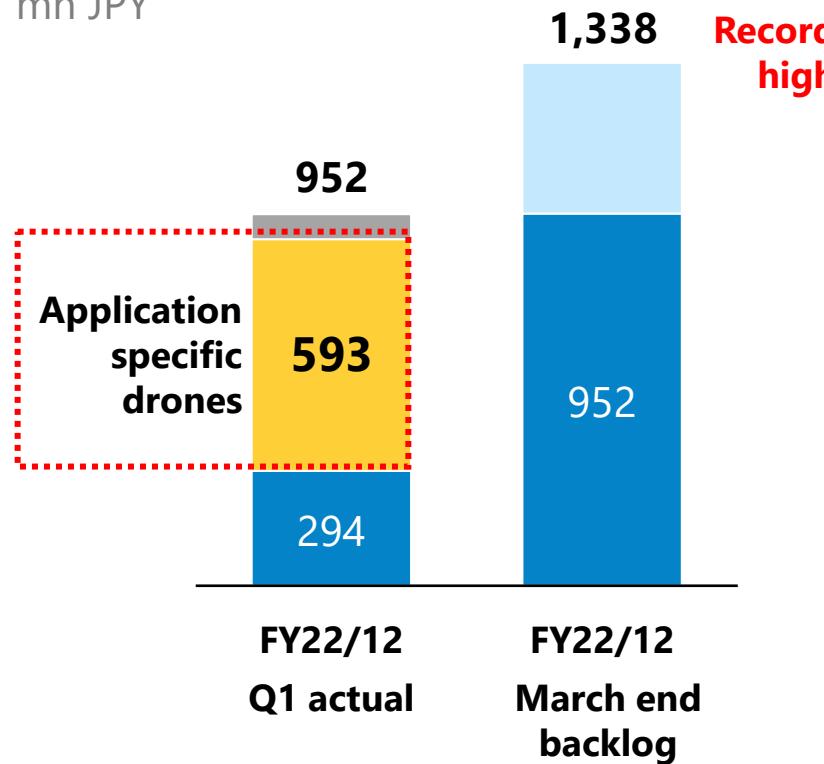
Application-specific drone sales expanded significantly in Q1

ACSL

SOTEN performed well in volume, and marginal profit. Marginal profit of Solution development needs improvement

FY22 Q1 Sales and backlogs as of March end¹

mn JPY



FY22 Q1 Sales and key values by segments

	FY22/12 Q1 actuals	FY22/12 plan
Small aerial photography (SOTEN)	Sales	590 mn JPY
	Units	1 bn JPY
	Marginal gross profit ²	475 units
		18 %
Solution development (Demonstration tests, sales of evaluation drone)	Sales	1,000+ units
	Marginal gross profit	290 mn JPY
		60 % or more
		44 %

1: Backlog is the total value of orders received as of March 31, 2022.

2: Marginal gross profit by product is defined as net sales minus variable costs; for SOTEN and airframe sales, it is defined as net sales minus material costs; for demonstration, it is defined as net sales minus direct subcontracting costs.

Transitioning to mass-produced drone sales for rapid growth

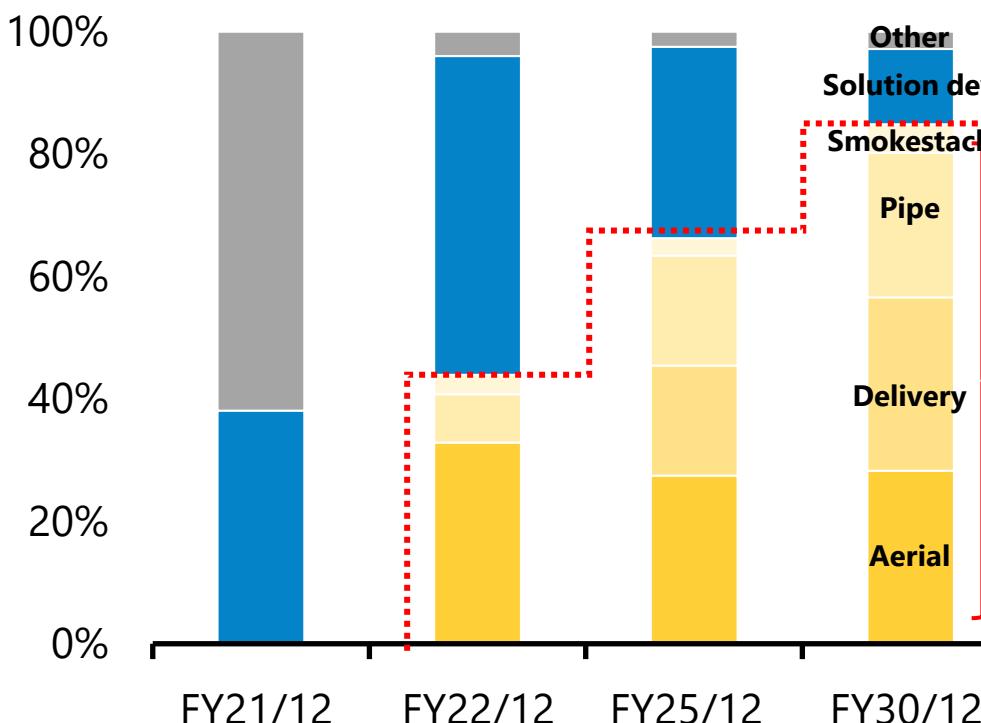
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Application-specific sales will significantly increase from FY22/12 and account for 85% of total sales in FY30/12

Shift from effort-based PoC sales to unit-based drone sales this year

Sales composition

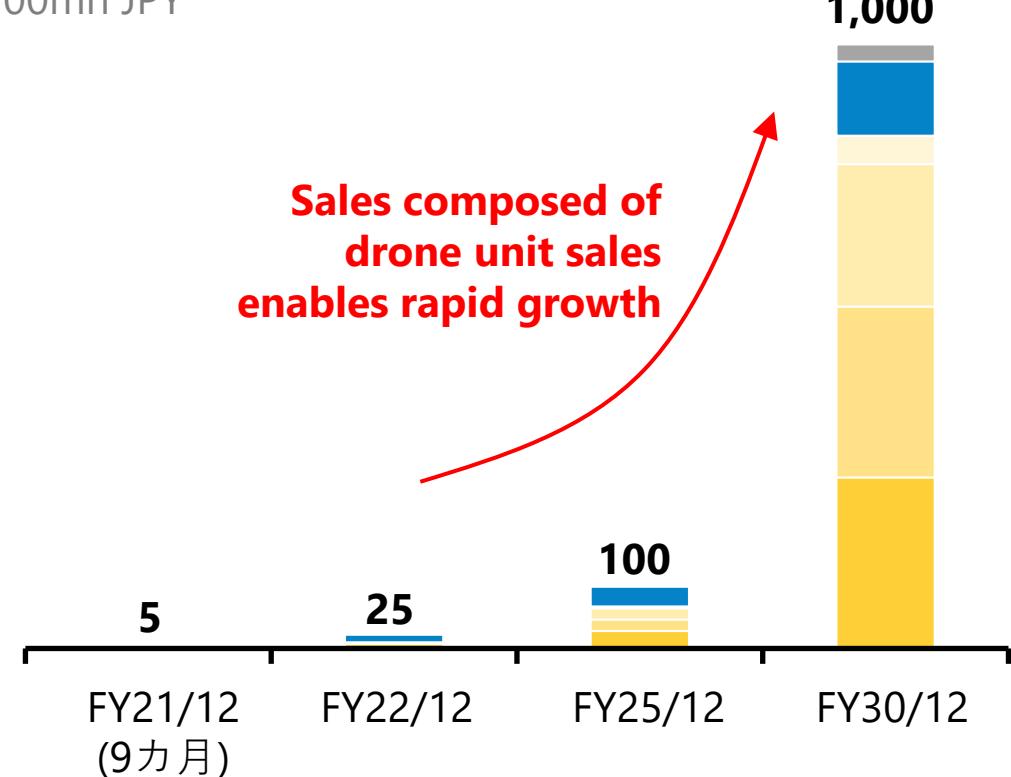
ratio



Application
specific
drone sales
85%

Sales

100mn JPY



Summary of FY22/12 Q1



- Macro environment surrounding the drone market has great momentum – something that could even be called as the "Era of the drones". Tailwind for ACSL as increasing awareness to economic security, decarbonization, digital rural city concept and amendments to the aviation law. Top-tier companies and governments have started to express their commitment to social implementation.
- In January 2022, ACSL released its mid-term plan ACSL Accelerate FY22. The plan aims for sales of 100 bn JPY and profit of 10 bn JPY by 2030, and by 2025, ACSL aims to achieve a profitable structure with 10 bn JPY and net income of 1 bn JPY. To become a "sustainable global manufacturer," ACSL will execute on developing mass production model of four application-specific drones, develop new drones, enter the Indian market on a full-scale basis, and strengthen ESG.
- In March 2022, ACSL began shipping SOTEN, Japan's first secure small aerial photography drone, and has begun taking orders for a delivery-specific drone AirTruck. In addition, ACSL continues to improve its production system in the Indian market and strengthen ESG initiatives.
- As a result, FY22/12 Q1 sales were 952 mn JPY and order backlog was 386 mn JPY at the end of March, both a record high for the same period. Gross profit was 133 mn JPY, and gross profit margin was 14%. R&D expenses totaled 292 mn JPY as a result of upfront investment for future growth, resulting in a net loss of 370 mn JPY.

Main

Agenda



Overview of the Drone market



FY22/12 Q1 Business Highlights



**FY22/12 Q1 Results and Mid-term Plan
"ACSL Accelerate FY22"**



Appendix

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Economic security

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

03

Digital Garden City, Smart city

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Aviation Law revision (aka Level 4)

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

Awareness on drones posing threat to national security

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Increasing discussion on political positioning of drones for national security, as Russia/Ukraine situation evolves

Chinese Drone Company DJI Suspends Operations in Russia and Ukraine

[Guangzhou=Yusuke Hinada] DJI, the world's leading Chinese drone company, announced on April 26 that it will temporarily suspend its business activities in Russia and Ukraine. This is believed to be a measure taken in response to suggestions that the company's products are being used for military purposes in the wake of the Russian invasion of Ukraine. The company stressed that it "consistently opposes the military use of civilian drone technology."

The company announced the temporary suspension of its operations on its English-language website. A DJI spokesperson stated on a social networking site that the scope of the suspension was "primarily exports to the region."

In March, Ukrainian Deputy Prime Minister Vladimir Fyodorov accused the Russian military of using DJI products to guide missiles and demanded that DJI cease its operations in Russia. Some U.S. media outlets have pointed out that DJI's drone detection system, which had been deployed in Ukraine, may have been activated to favor the Russian side.

The company claims to hold 70% of the global market share for consumer drones. The United States and other countries have long claimed that DJI poses a security threat. There are fears that data captured by the company's drones, such as video and location data, may be captured by the Chinese side, and that the company may be complicit in human rights abuses.

On the other hand, DJI drones are used worldwide for a wide range of applications, including aerial photography by individuals and professional photographers, pesticide spraying, and infrastructure inspections. In addition to the quality of its products and services, DJI urgently needs to improve the transparency of its management, and depending on its future response to the situation in Ukraine, the company's management may be shaken.

(Nihon Keizai Shimbun, April 27, 2022)

5 local governments establishes committee on drone delivery

Municipal-led wide-area cooperation in depopulated areas to resolve regional issues through drone delivery

Five Municipalities in Hokkaido and Yamanashi Sign Collaboration Agreement for Next-generation Logistics

Five municipalities, including Kamishihoro Town in Hokkaido and Kosuge Village in Yamanashi Prefecture, signed a wide-area cooperation agreement on April 22, aiming to realize a next-generation logistics network utilizing drones and digital technology in depopulated areas. The agreement will share the know-how of each municipality in conducting demonstration experiments and introduction of drone delivery and building a joint delivery network of logistics companies. The agreement aims to resolve regional issues related to logistics, such as vulnerable shoppers, inaccessibility to medical care, and isolation at the time of disasters.

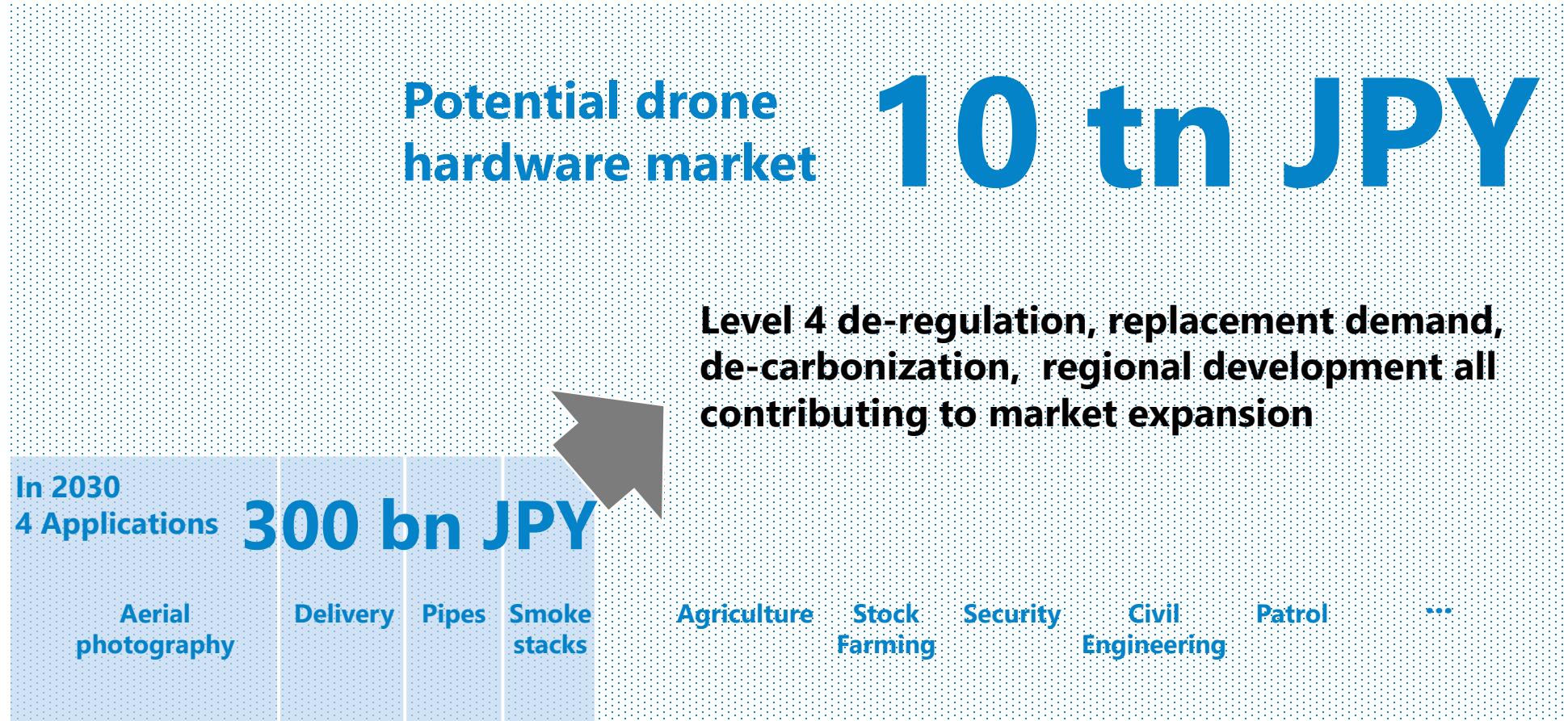
The five municipalities plan to launch a "New Smart Logistics Promotion Council" in the near future, which will serve as a forum for sharing information, and are inviting municipalities and companies to join.

At a press conference held on March 22, Kamishihoro Mayor Mitsugu Takenaka commented, "Logistics is an extremely important issue in realizing a region where people can live with peace of mind. I hope that many local governments will share their various experiences to find solutions and create a more energetic Japan.

(Nihon Keizai Shimbun, March 22, 2022)

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"

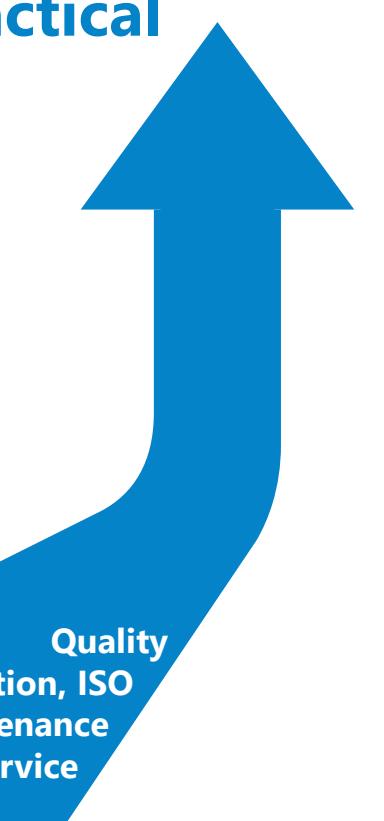
Great market momentum as we enter an “Era of the Drones”

ACSL

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

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



2 Domestication driven by need for security

- Top-tier companies (e.g., NTT/Utility company)² 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

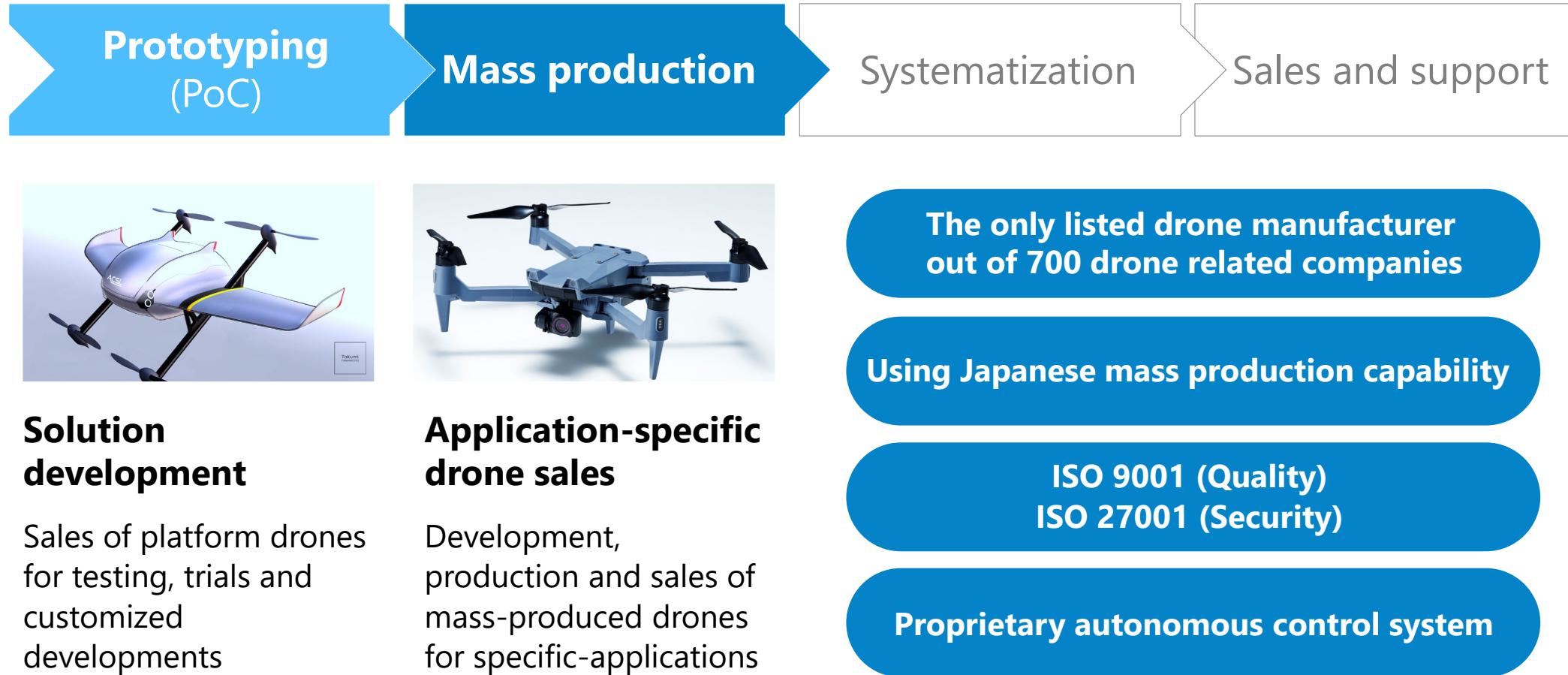
1: NHK, "Drones to be deployed at firefighting headquarters nationwide to assess damage in the event of a disaster."

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

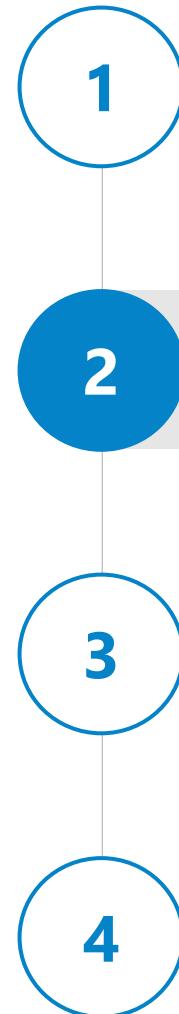
Drone market value-chain and where ACSL stands

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ACSL, the only listed drone manufacturer, has the capability to provide both agile prototyping and mass production.



Agenda



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



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.

- 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”

Rolling update mid-term plan “ACSL Accelerate” will lead to achieving the “To-be” state in 10 years.



ACSL Accelerate FY24 (planned; 2024-26)



ACSL Accelerate FY22 (2022-25)

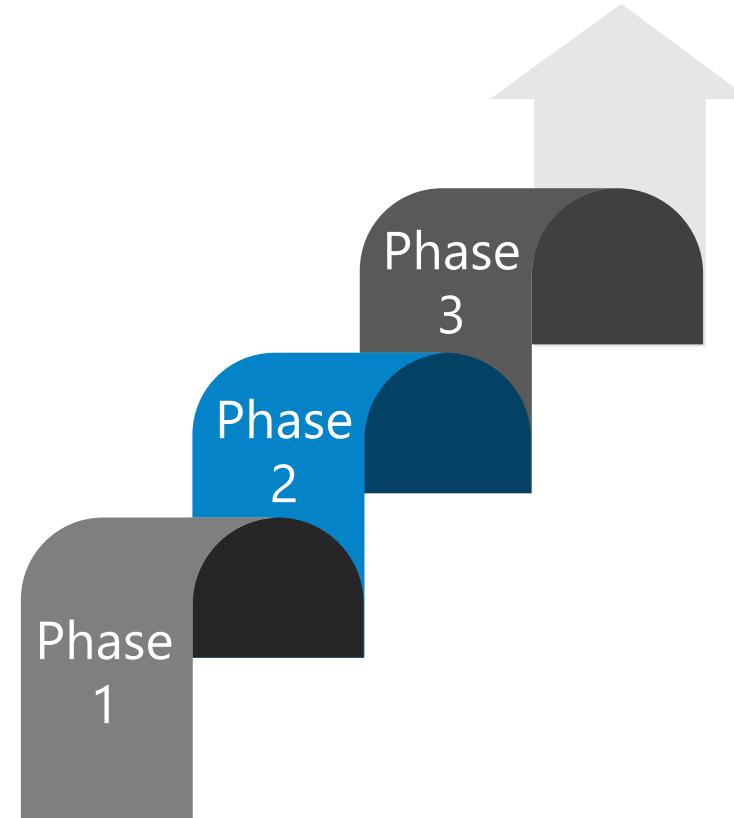
Shift to a sustainable global manufacturer



ACSL Accelerate FY20 (2020-22)

From Prototype Factory to Mass Production Manufacturer

“To-be” state in 10 years



**Shift to a sustainable
global manufacturer**

ACSL Accelerate FY22 Business Strategy and Goals



5 pillars for growth identified in this mid-term plan to realize a sustainable business with global presence.

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

Active commercialization of SOTEN and Fi4. Started taking orders for AirTruck, and preparing for launch



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(SOTEN)

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Delivery
(AirTruck)

- AirTruck orders to be received in March 2022
- Specialized drones for delivery capable of carrying a 5 kg payload

Shipped "SOTEN," a small aerial photography drone

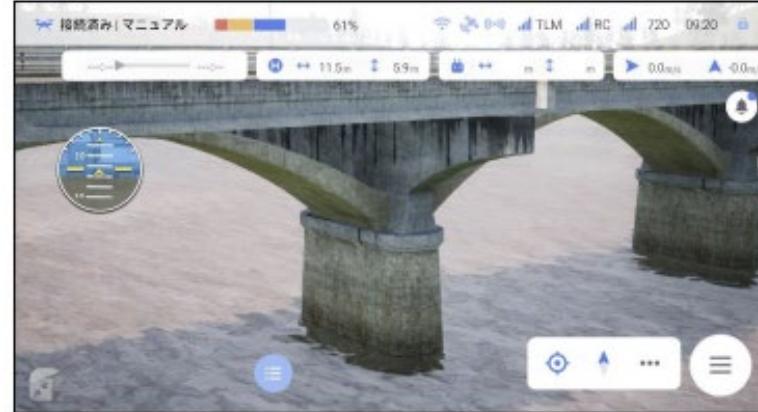
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Began shipping SOTEN in March, a high-security small aerial photography drone. Shipped 475 units by the end of March.

Started shipping SOTEN

- SOTEN began shipments in March 2022. 475 units were shipped by the end of March 2022, with initial lot orders exceeding 600 units since the start of orders in December 2021. Additional production will be added by the end of the year
- Insurance products dedicated to SOTEN are now available, and actual operational aspects as well as the drone are being developed, including the development of a dedicated virtual trainer

SOTEN
virtual
trainer



SOTEN
specific
insurance

ACSL製ドローンSOTEN(蒼天)をご購入の皆様へ

● 2022.3.3

ドローン等の無人機（無人航空機）については、点検・調査・災害・配達など、さまざまな分野での活用拡大が期待されていますが、同時にその活用にあたっては多くのリスクが潜んでいます。

皆様が安心してドローンを活用した事業活動が行えるよう、「SOTEN保険※」をご用意させていただきました。発展が期待されるドローンを活用したビジネスに伴うリスクへの備えとして、是非ご加入いただきますようお願い申し上げます。

※ACSL社SOTENドローン購入者様を対象とした動産総合・施設所有(管理)者賠償責任保険の総称

MS&AD あいおいニッセイ同和損保

ACSL社SOTENドローン購入の皆様へ
～SOTEN購入者様への特典情報～

SOTEN保険（ドローン保険）は
「動産総合保険」と「施設所有（管理）者賠
償責任保険」の二つの保険を組み合わせた保険です。

動産総合保険
機体に関するリスク

ドローンの墜落や盗難などのリスクを中心に機体自体の損害が発生するリスクをカバーします。

墜落

・送信機と機体の通信が途切れ、突如機体が制御不能となり、墜落・破損したり、

・墜落時に炎上にあわれば、ドローンが付近の樹木に接触し、機体を

SOTEN received great attraction in the U.S.

ACSL

SOTEN was exhibited at AUVSI XPONENTIAL 2022, one of the world's largest drone exhibitions



Flight demo by
CTO Chris



Exhibition booth

- AUVSI XPONENTIAL 2022 is the world's largest drone and air mobility exhibition in Florida, USA
- ACSL exhibited for the first time and exhibited SOTEN, a secure small aerial photography drone, as well as conducting simple flight demos
- In addition to the recent increase in security awareness, no other small aerial camera-switchable drone was available in the market. SOTEN received great attention

Mass production of "AirTruck," a delivery-specific drone

ACSL

Released "AirTruck," a delivery-specific drone. Key technology to enable new smart logistics

- Started to take orders for AirTruck, a mass-production model of a delivery-specific drone, from March 2022
- Aerodynamically optimized stable flight, Level 3 remote flight (beyond visual line-of-sight flight in unmanned area), payload expanded to 5kg, user-friendly UX design
- First public presentation in March 2022 at the New Smart Logistics Symposium – a symposium on Digital Rural City concept
- Prototype of AirTruck has undergone a total of 466 demonstration tests in various regions, including Aga-machi, Niigata Prefecture

Appearance of AirTruck



New Smart Logistics Symposium
ACSL President Satoshi Washiya(Left)
and Aeronext CEO Keisuke Toji(Right)

Successful demonstrations conducted in sight of Level 4

ACSL

Conducted challenging demonstrations for social implementation of drone delivery under Level 4 environment

Delivery trial across multiple bridges in central Tokyo

- First trial in central Tokyo on pharmaceutical delivery using drones to cross multiple bridges, including the Eitai Bridge over the Sumida River
- ACSL-PF2 provided for trials conducted by Japan Airlines, KDDI, Weathernews, Terra Drone, and East Japan Railway Company



ACSL-PF2 used in the trial



Flying over the Sumida River

Trial for implementation of remote island delivery service

- Trials on drone delivery of daily necessities and medical supplies for social implementation of drone delivery service on remote islands
- Delivery drone provided for trials conducted by ANA Holdings, Soraya, Goto City, and Nagasaki University



Delivery drone used for the trial

Flight



Steady progress in entering the Indian market



Established a local site in India and is in process for flight and sales licenses. Domestication trend is a tailwind for ACSL

- India announced preferential policies for the manufacture and sale of domestically produced drones and banned the import of finished drone products, accelerating the trend toward domestic production
- ACSL plans to produce locally in a joint venture with AeroArc and is currently in preparation to setup a local site in India
- ACSL-PF2 obtained import license and was exported to India for research and development purposes. Testing and specification adjustments were conducted locally, and local sales certification (QCI) is in process



Local manufacturing sites and
ACSL India

India aims to grow drone industry Security Concerns Lead to Avoidance of Chinese Products

In February 2022, Indian Finance Minister Sitharaman announced a preferential policy for the manufacture and sale of drones. Another government agency banned the import of finished drone products. Prime Minister Modi led a series of drone-related developments, including a plan to distribute 100 domestically produced pesticide-spraying drones.

(Omitted)

(Nihon Keizai Shimbun)

Source: Nihon Keizai Shimbun, April 3, 2022, "India takes name of drone industry, moves to avoid Chinese products amid security concerns."

Strengthening ESG Initiatives

Conducted company-wide discussion on dual use of drones. Diversity and governance has been strengthened.



Shared awareness of dual use of drone technology

- Company-wide meetings to discuss dual use¹ of drone technology.
- Shared company policy to not allow offensive use of our drone technology



New board structure to strengthen governance

- New board structure established in March 2022 (3 internal, 2 external)
- Strengthened governance by increasing the ratio of external board members from the previous structure (4 internal and 1 external)



Further promoting diversity

- Actively recruit and promote members with diverse backgrounds
- As of March 31, 2022, the number of nationalities expanded to 19 countries



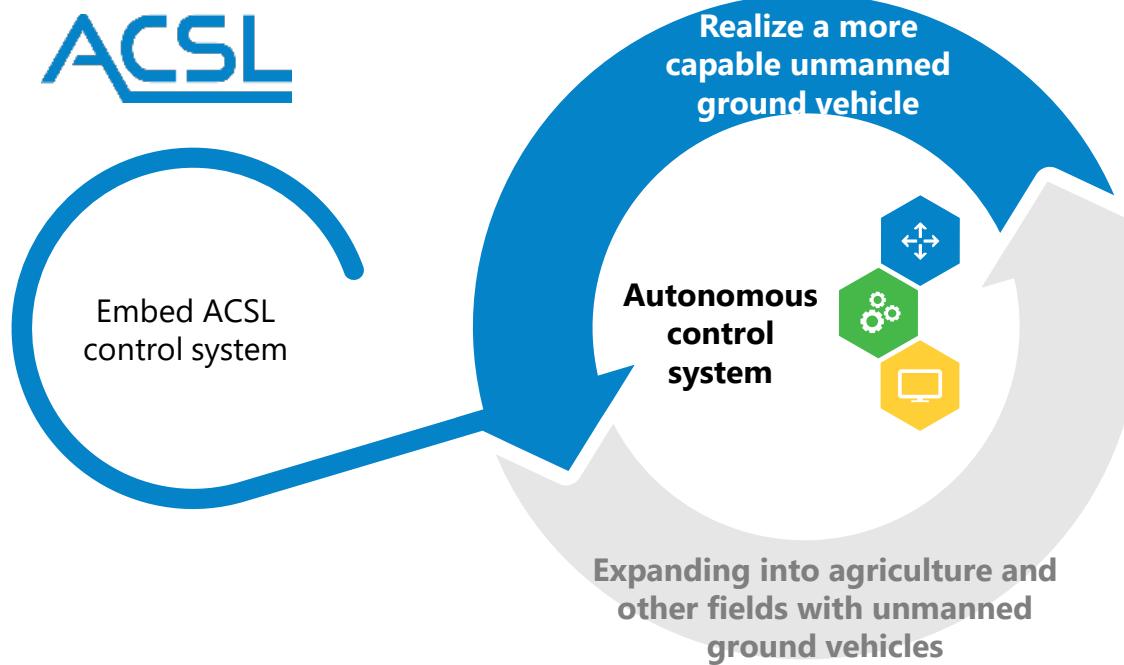
¹: Technology that can be used for both peaceful and military purposes in politics, diplomacy, and export control

Expansion of autonomous control systems to other fields

ACSL

Entering a capital and strategic alliance with i-EAT, a developer of unmanned ground vehicles

Overview of capital and strategic alliance



i-EAT

Provide unmanned ground vehicles for agriculture and other fields

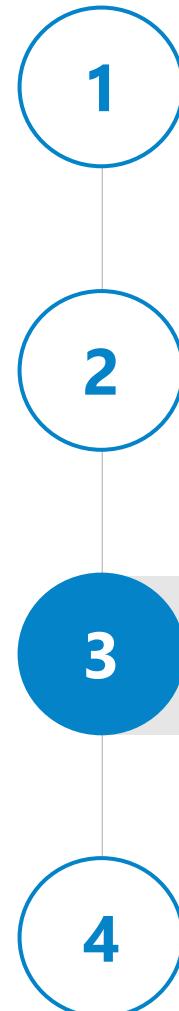
Outline of i-EAT

- Started robot-related business in 2016 as a venture from Utsunomiya University
- Technology that won the 1st Minister's Prize of the Ministry of Education, Culture, Sports, Science and Technology at the 7th Robot Awards
- Production, development and sales of agricultural support robots
- Possesses technology for autonomous mobility and human tracking



Agricultural Support Robot by i-EAT

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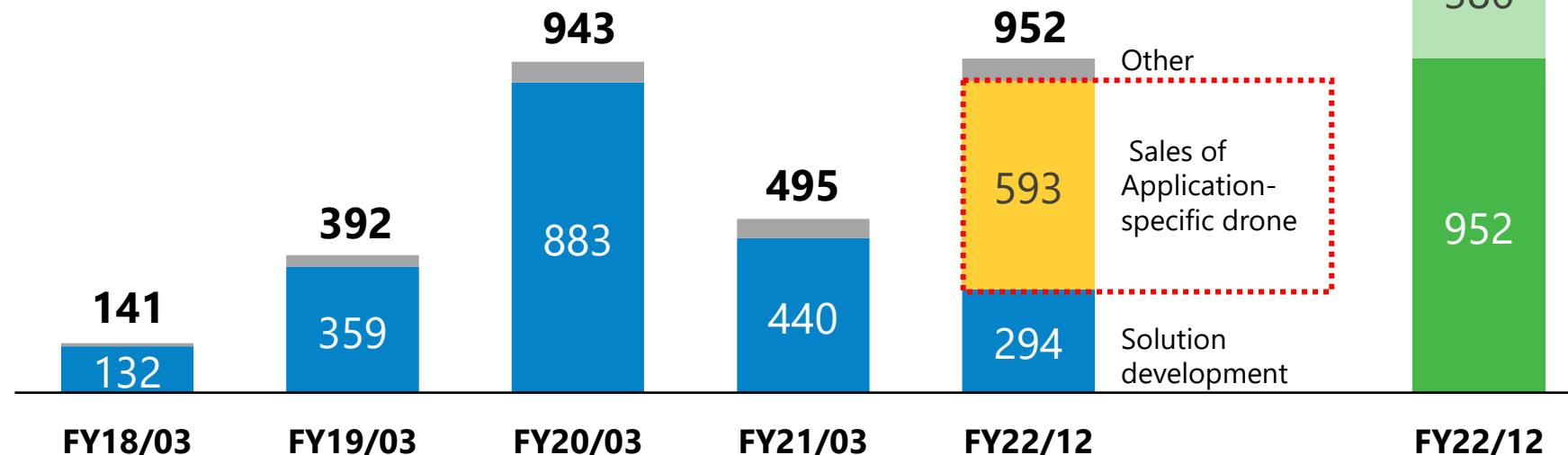
Application-specific drone sales expanded significantly in Q1

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FY22/12 Q1 application-specific sales grew to 62% of total sales. Total with backlog of 1,338 mn JPY was a record high

January~March Total Sales¹

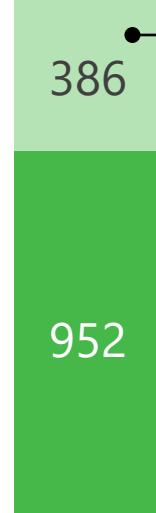
mn JPY



Backlog as of March 31²

mn JPY

1,338



FY22/12 Q1 cumulative sales and order backlog totaled 1,338 mn JPY, exceeding the record annual sales of 1,278 mn JPY (FY20/03)

1: FY21/12 is an irregular 9-month accounting period from 21/04 to 22/12.

2: Backlog is the total value of orders received as of March 31, 2022.

SOTEN is on track. Solution needs to improve profitability

ACSL

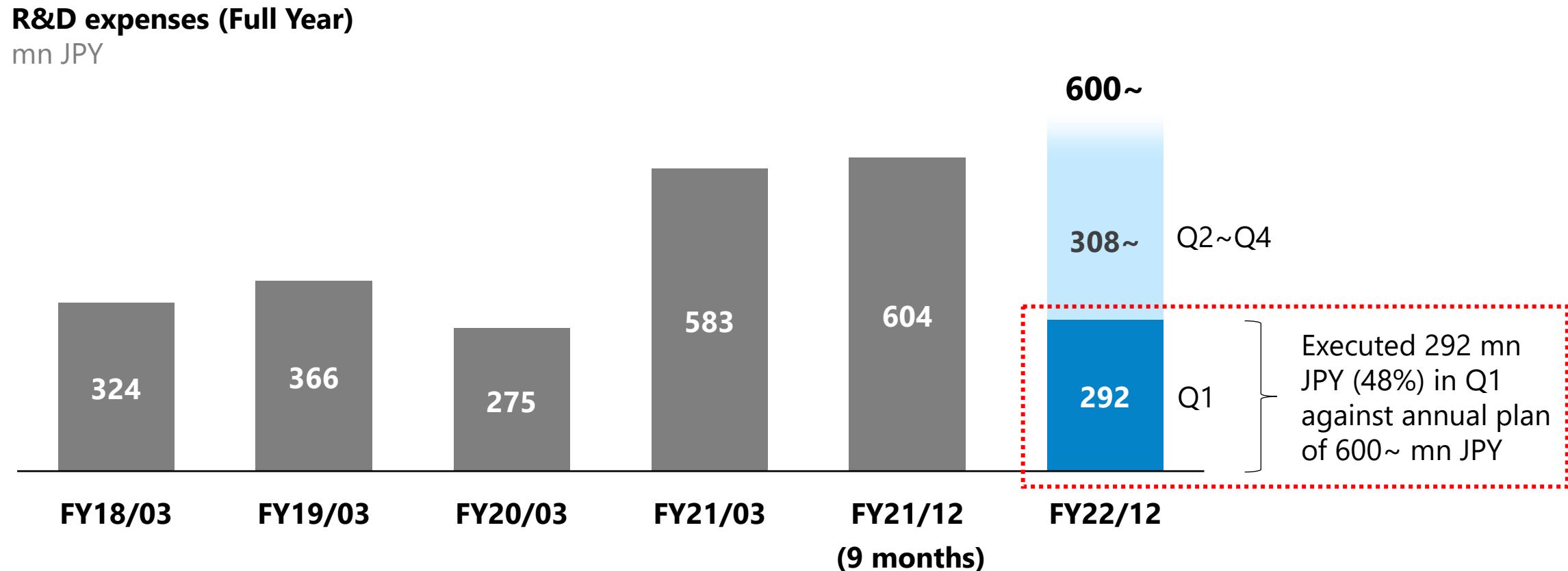
SOTEN performed well in volume, and marginal profit¹. Marginal profit of Solution development needs improvement

		FY22/12 Q1 Results	FY22/12 Target
Small Aerial Photography (SOTEN)	Net sales	590 mn JPY	1 bn JPY
	Number of drone	475 units	More than 1,000 units
	Marginal profit ratio ¹	18 %	15% or more
Solution development (Demonstration tests, sales of evaluation drone)	Net sales	290 mn JPY	1.2 bn JPY
	Marginal profit ratio	44 %	60% or more

1: Marginal gross profit by product is defined as net sales minus variable costs; for SOTEN and airframe sales, it is defined as net sales minus material costs; for demonstration, it is defined as net sales minus direct subcontracting costs. Gross profit is defined as marginal profit less labor and manufacturing costs.

48% of R&D planned expenses executed in Q1

Continue our core R&D activities regardless of sales and conduct an up-front investment for market expansion.



FY22/12 Targets and Q1 Results

Net sales were 950 mn JPY in Q1 against a target of 2.5 bn JPY. Operating income landed ▲400 mn with upfront R&D

	FY22/12 Q1 Actual	FY22/12 Target	Remark
Net sales	950 mn JPY	2.5 bn JPY	SOTEN sales on track with 590 mn JPY in Q1 alone. Proceed with shipments against orders in the remaining period
Gross profit margin ratio	14%	-40%.	Impacted by lower profit margins on solution projects. Plans to address this issue considering soaring semiconductor prices and other factors in the future
R & D	290 mn JPY	600- mn JPY	R&D progressed as planned as of Q1. Continue to invest aggressively in development as needed
Operating income	▲400 mn JPY	▲350-650 mn JPY	Loss of 400 mn JPY was recorded against the annual target
Ordinary income	▲370 mn JPY	▲350-650 mn JPY	Non-operating income from national projects, etc.

Target values in ACSL Accelerate



Aiming to achieve 10 bn JPY sales and 1 bn JPY profit by 2025 to realize the "Master Plan," goal for the next 10 years.

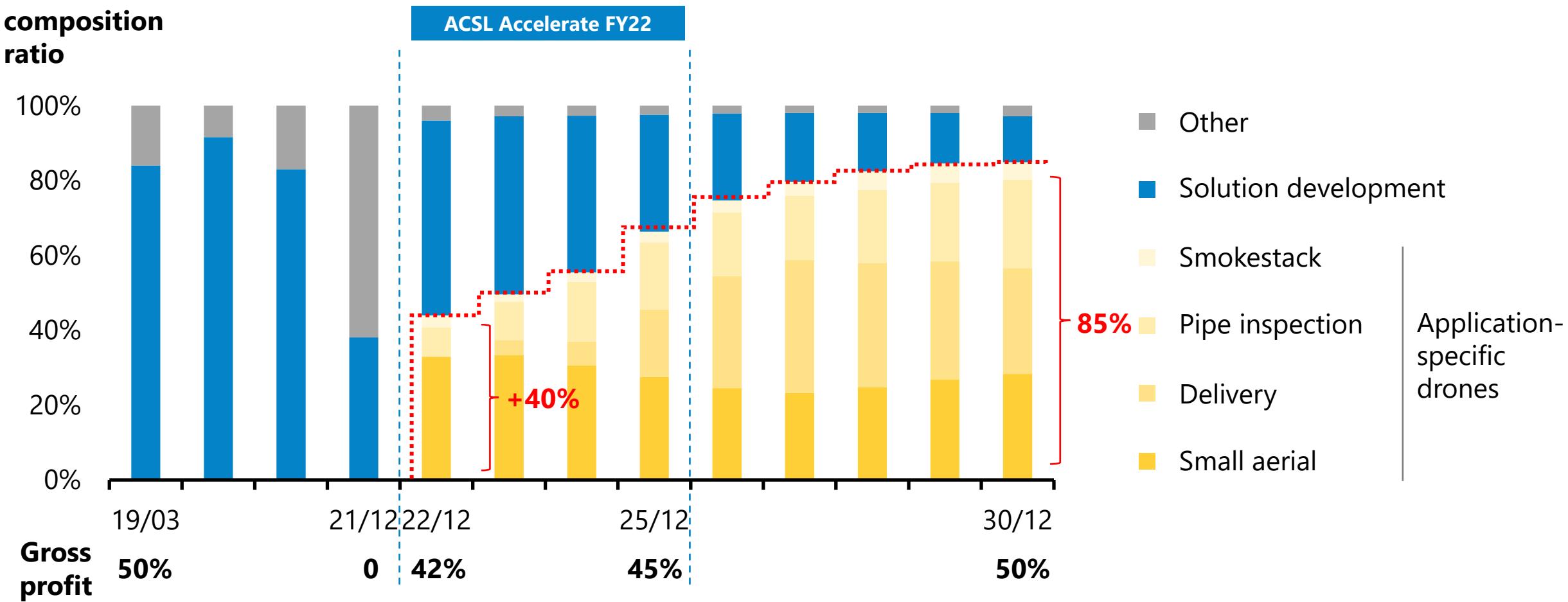
	This year 2022	ACSL Accelerate FY22 2025	Master plan 2030
Net sales	2.5 bn JPY	10 bn JPY	100 bn JPY
Operating profit	▲350-650 mn JPY	1 bn JPY	10 bn JPY

Transitioning to mass-produced drone sales from this year

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Application-specific sales will significantly increase from FY22/12 and account for 85% of total sales in FY30/12

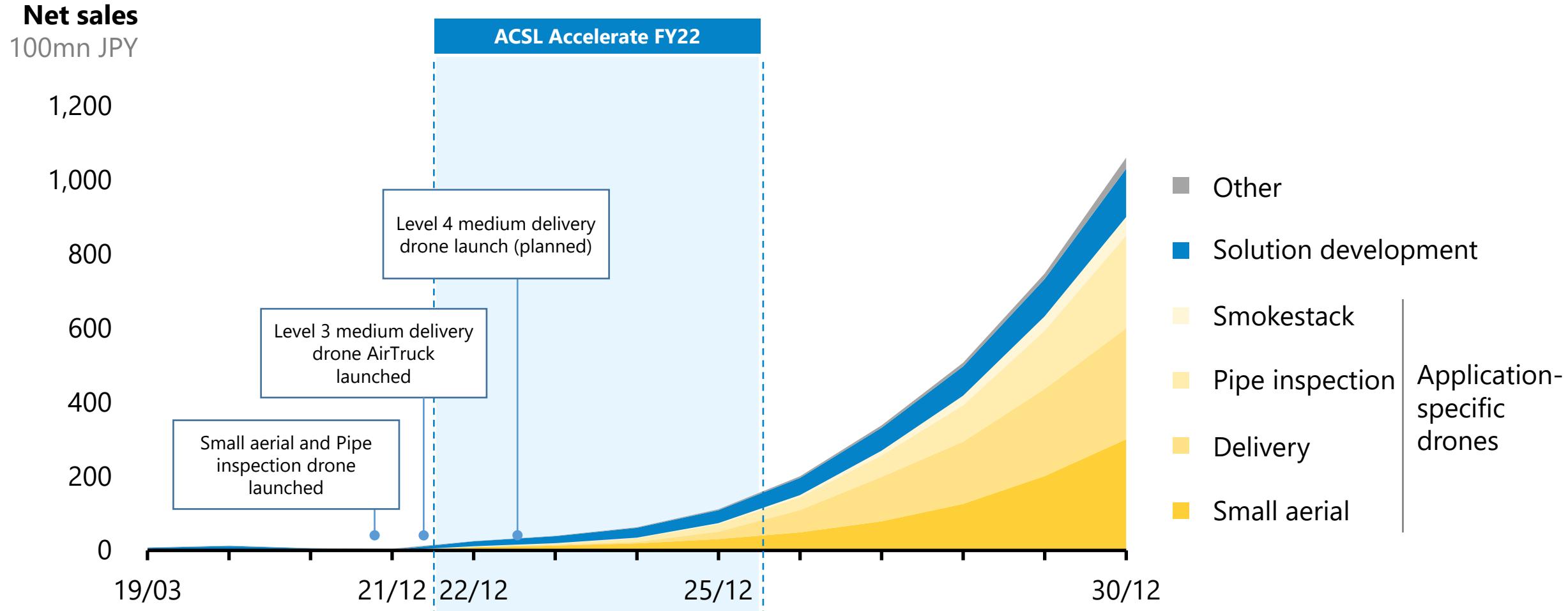
Sales
composition
ratio



Rapid revenue growth achieved by shifting to drone sales

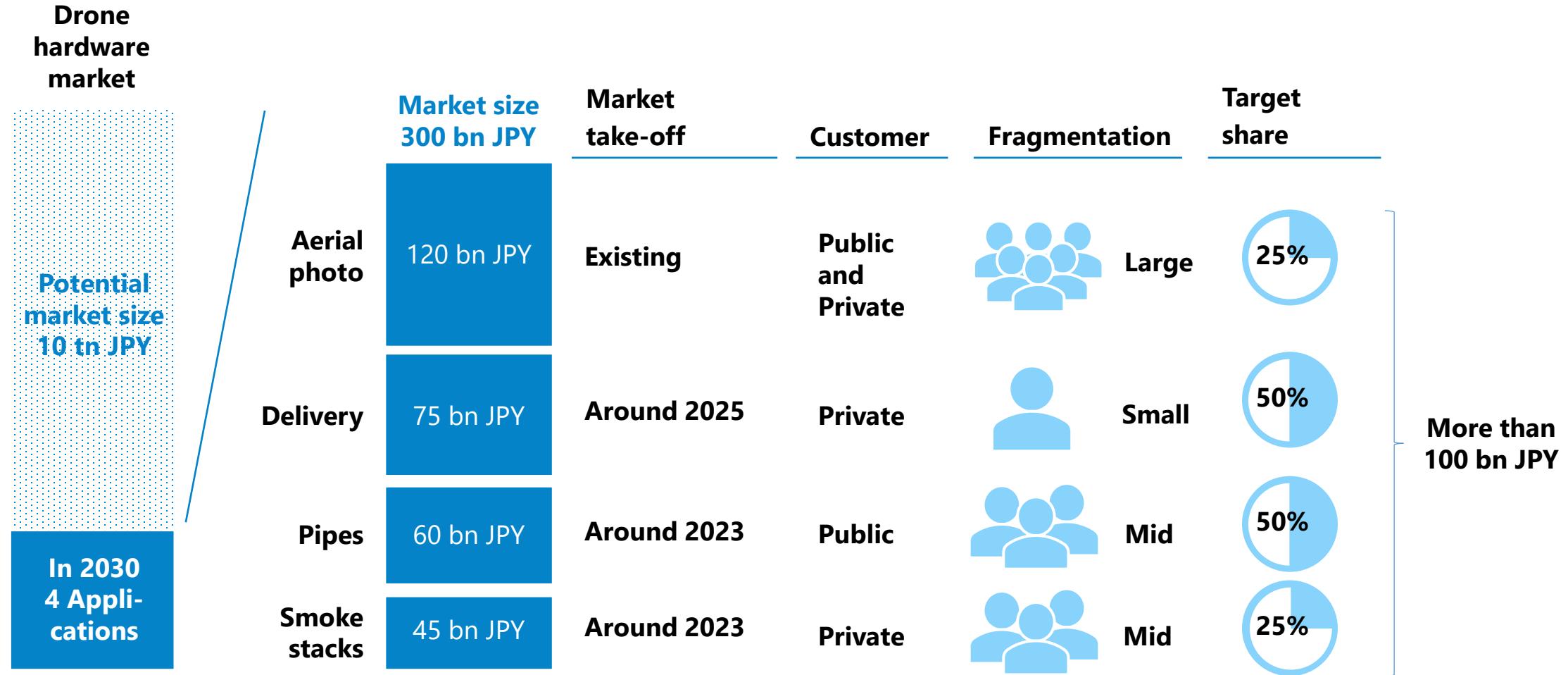
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Early growth will be led by small aerial SOTEN and pipe inspection Fi4. Deliver will start growing from 2025



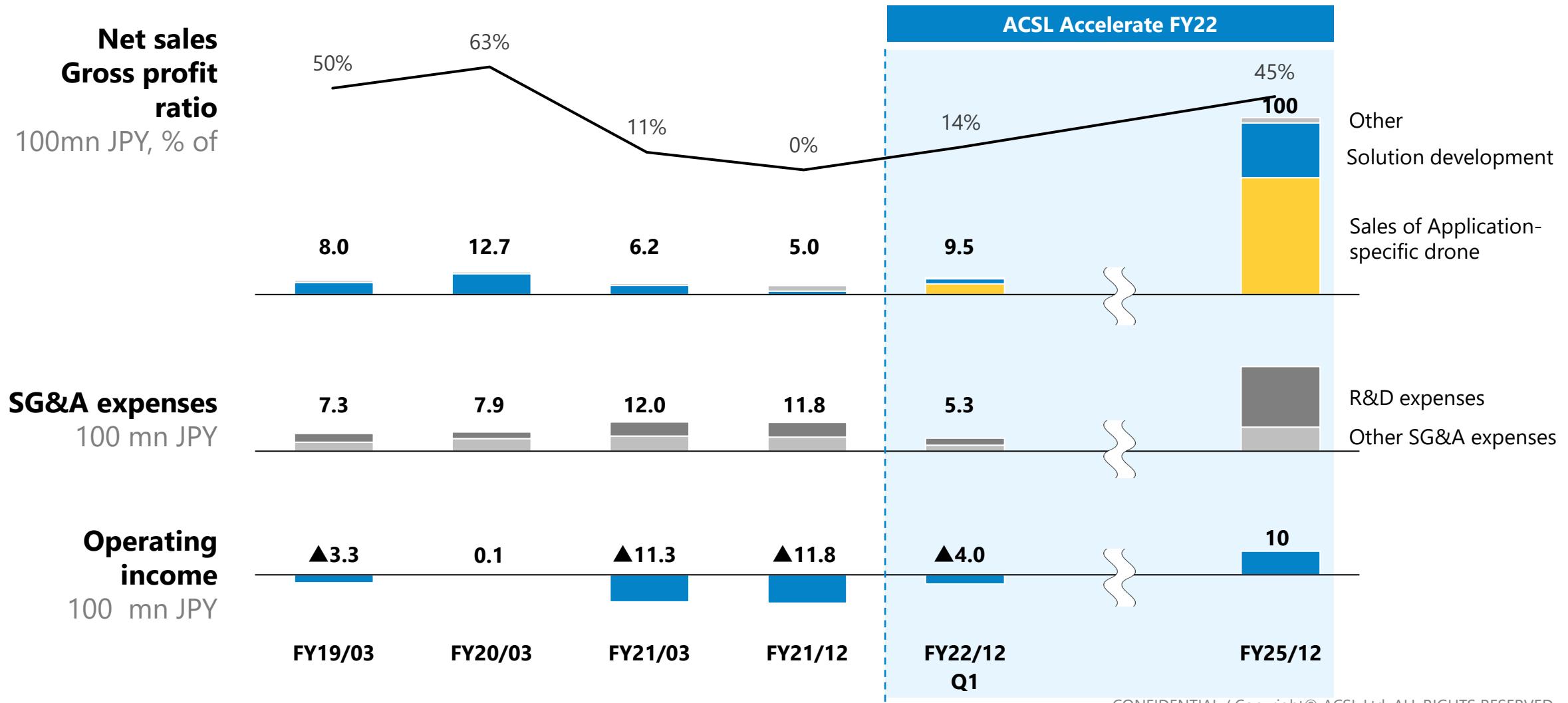
Targeting to achieve 25~50% market share in 2030

In 2030, ACSL will mass-produce four application-specific drones to achieve a sales of more than 100 bn JPY



Sales Composition and Gross Profit

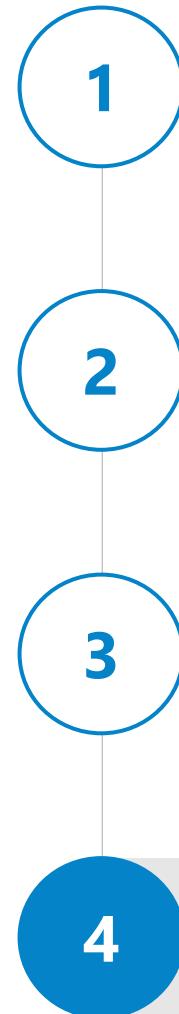
Sales of application-specific drones are expected to grow significantly for FY25. Gross profit is also aiming for 45%.



Potential Risks and Responses

Items	Major Risks	Our perception and risk response measures
Performance	<ul style="list-style-type: none">Insufficient procurement of materials for production plans due to semiconductor shortages and price hikesIncrease in material cost to sales ratio and development costs due to soaring semiconductor pricesNeed for aggressive investment in R&D	<ul style="list-style-type: none">Arrangements to secure parts and materials to meet this fiscal year's planned figures are being done, however may be difficult to respond quickly to demand beyond this fiscal year's planSemiconductor prices are procured at a level that will enable us to secure gross profit at this point in time, and selling prices are adjustedFlexible investment policy in R&D for future business expansion
Customer demand trends	<ul style="list-style-type: none">Emergence of competitors and entry of new companies as drone manufacturersDelays in drone utilization due to mismatch with customer needsLoss of public trust and delay in customer adoption due to serious accidents involving drones, including those of other companies	<ul style="list-style-type: none">The development of autonomous control systems for industrial drones requires verification in real-world conditions, and there are currently few competitors and high barriers to entry when security measures are taken into accountStrong customer base to promote development necessary for specific applications through dialogue with customers and demonstration in actual environmentsWe place the highest priority on safety design in the development of our drone
Manufacturing system	<ul style="list-style-type: none">Insufficient manufacturing capacity when sales volume increases	<ul style="list-style-type: none">As a fabless manufacturer, outsourcing to an external partner, the increase in manufacturing capacity can be accommodated
Regulation	<ul style="list-style-type: none">Delay in the implementation of Level 4 regulations due to delays in the development of the Civil Aeronautics Act, etc.Potential impact of laws, regulations, and local business practices on overseas expansion	<ul style="list-style-type: none">Aviation Law passed; Level 4 system expected to be in place in late FY2022.Examine possible risks when expanding overseas, with the cooperation of specialized domestic and overseas organizations
Acquisition of human resources	<ul style="list-style-type: none">Delays in hiring plans, especially for R&D personnel, and outflow of core human resources	<ul style="list-style-type: none">Acquire mainly foreign nationals with cutting-edge technology by requiring development personnel to speak only English

Agenda



- 1 **Overview of the Drone market**
- 2 **FY22/12 Q1 Business Highlights**
- 3 **FY22/12 Q1 Results and Mid-term Plan
"ACSL Accelerate FY22"**
- 4 **Appendix**

FAQs

(data) item	Question	Answer
Macro	Drones are attracting attention in the Ukraine situation.	The situation in Ukraine has had no direct impact on the Company's performance and is not expected to have any in the future at this time. It is the Company's policy not to develop or provide drone technology for military purposes such as attacks.
Macro	How has the semiconductor shortage affected FY22/12 Q1 results and how is it expected to affect this year's results?	The company has been affected by the rise in component procurement prices due to the shortage of semiconductors. In FY22/12 Q1, the impact was absorbed to a certain extent by the revision of SOTEN's selling prices. On the other hand, we expect little likelihood that the effects of semiconductor shortages and price hikes will subside, and we are currently working to secure inventories even if prices are a little high.
Performance	What is SOTEN's projected sales plan for the remainder of the year?	The majority of the remaining 1,000 units planned are expected to be sold in the second half of the year. Additional production added to the initial lot is currently on track to procure parts in the second half of the year.
Performance	What factors contribute to the difference in marginal profit margin in FY22/12 Q1 vs. target?	SOTEN achieved a marginal profit target of over 18% versus a target of over 15%. This was due to the revision of selling prices in line with the increase in semiconductor prices and sales of optional products. In Solution Development, the marginal profit margin was lower than expected due to higher-than-expected outsourcing costs for some large-scale demonstration experiments.
Performance	What is your forecast for R&D expenses for the current fiscal year?	For the current fiscal year, the company targets more than 600 mn JPY, including personnel expenses and subcontracting. The company plans to invest aggressively throughout the year, even though the timing of subcontracting costs is expected to vary from quarter to quarter depending on the timing of inspection and acceptance of subcontracts. The company plans to hire about 5 to 10 development personnel per year.
India	What is your sales plan for India?	The company is in the process of acquiring certification, etc., with the goal of starting sales this fiscal year. However, due to the impact of regulations and other factors, the company has not factored in sales in India in its forecast for the current fiscal year.
Investment	The investment scheme for iEat, Inc.	Investment from ACSL itself. The investment ratio is less than 50% and the amount is undisclosed. It is expected to become an equity method affiliate in the future, but this is not expected to have a significant impact on the company's performance.

Numerical Targets and Results for the Year Ending December 31, 2022



In 2022, sales of 950 mn JPY were recorded in Q1 against a target of 2.5 bn JPY.

R&D expenses totaled 290 mn JPY versus a forecast of more than 600 mn JPY.

FY22/12		
	Q1 Results	Target Value
Net sales	952 mn JPY	2.5 bn JPY
R&D expenses	292 mn JPY	600- mn JPY
Net income ¹	▲370 mn JPY	▲650- ▲350 mn JPY

Sales Composition					
	Q1 Results	Unit	Amount (100 mn JPY)	Target Value	Unit
Sales of application-specific drone	476	5.9	1,100~	12	
Small aerial photography drone	475	5.9	1,000~	10	
Other application-specific drone	1	0.03	100~	2	
Creating Solutions	8	2.9	~150	12	
Demonstration experiments and contracted development	-	2.5	-	7	
General-purpose and evaluation drone	8	0.4	~150	5	
Other	-	0.6	-	1	

1: The upper limit of net income assumes that the effects of shortages and price hikes in semiconductors and electronic components will be resolved by the end of the year, and the lower limit assumes that these effects will continue to a certain extent throughout the year and that R&D expenses will be invested flexibly upfront.

KPI Forecast

Index	FY18/03	FY19/03	FY20/03	FY21/03	FY21/12 (9 months)	FY22/12	
	Actual	Actual	Actual	Actual	Actual	Q1 Results	Full Year Forecast
Sales of application-specific drone							
Small aerial photography drone (Low ASP)	Unit					475	1,000~
	Amount (100mn JPY)	-	-	-	-	5.9	10
Other application-specific drone (High ASP)	Unit					1	100~
	Amount (100mn JPY)					0.03	2
Development of application-specific drone¹							
PoC and Development	Project	60	81	112	82	41	34
	Amount (100mn JPY)	2.1	2.9	8.6	3.7	1.2	2.5
Sales of Platform/ Evaluation drone ¹	Unit	40	106	101	46	18	8
	Amount (100mn JPY)	0.9	3.8	3.0	1.4	0.6	0.4
Number of shipments ¹	-	136	128	71	25	19	~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)

Quarterly Sales Trends

ACSL

Fiscal Year		FY19/03				FY20/03				FY21/03				FY21/12			FY22/12
Quarterly Results		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q1
Demonstration experiment¹ • Proof of Concept • Custom development	Sales mn JPY	25	59	75	133	27	65	102	671	1	22	22	323	14	42	67	252
	Num. of projects	6	16	22	37	14	22	21	55	2	11	15	54	6	14	21	34
Sales of platform drone² • Sales of standard and general-purpose drone • Drone modified for customers based on the standard drone	Sales mn JPY	10	67	80	225	24	48	19	212	4	10	13	116	15	34	17	42
	Num. of units	8	20	31	47	6	12	9	74	1	3	5	37	6	6	6	8
Sales of application-specific drone³ • Sales of mass-produced drone	Sales mn JPY	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	593
	Num. of units	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	476
Other⁴ • Sales of parts • Fuselage repair service • Some national projects	Sales (of which national projects) mn JPY	68 (65)	14	12	33	9	29 (18)	9	59	30 (21)	8	10	55	237 (219)	55 (50)	15	64 (21)

1: Solution development (STEP 1 and 2) was renamed to "Demonstration experiment" from FY21/03 Q1.

2: Drone sales (STEP3,4) was renamed to "Sales of platform drone" from FY21/03 Q1.

3: Sales of mass-produced drone are recorded for drone that are expected to be mass-produced in specific areas.

4: National projects are generally recorded as non-operating income with respect to grants received. On the other hand, some projects whose main purpose is to conduct commissioned experiments are recorded as revenues.

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Major financial items by quarter

Fiscal Year ¹	FY19/03				FY20/03				FY21/03				FY21/12			FY22/12
Quarterly Results	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q1
Sales mn JPY	104	141	168	392	60	143	130	943	36	42	46	495	267	133	100	952
Gross profit mn JPY	13	83	101	204	8	69	75	655	▲ 6	▲ 6	▲ 13	94	17	5	▲22	133
Gross profit margin	13%	59%	60%	52%	14%	48%	58%	70%	▲19%	▲16%	▲28%	19%	7%	4%	▲23%	14%
SG&A mn JPY	157	172	244	159	205	171	201	213	230	173	314	488	325	348	515	535
of which R&D expenses mn JPY	85	95	128	58	66	54	77	78	60	47	160	316	153	165	286	292
R&D expenses ratio to Sales	82%	67%	76%	15%	110%	38%	59%	8%	167%	112%	340%	64%	57%	124%	283%	31%

1: Figures for the FY21/03 Q3 and thereafter are based on consolidated financial statements, while figures for earlier quarters are based on non-consolidated financial statements.

Balance Sheet

mn JPY	FY22/12 Q1 (22/03)		FY21/03 Q4 (21/03)	FY21/12 Q3(21/12)
	Actual	YoY Increase/Dicrease ¹	Actual	Actual
Current assets	4,343	+33%	3,257	4,177
Cash	2,246	+19%	1,891	2,759
Fixed assets	1,655	+120%	751	1,537
Current liabilities	892	+106%	432	287
Fixed liabilities	26	+419%	3	8
Total liabilities	918	+111%	436	295
Net assets	5,080	+42%	3,572	5,419
Total assets	5,999	+50%	4,008	5,715

1: FY21/03 Q4 end vs. FY22/12 Q1 end

Company Outline

Industrial drone manufacturer



Corporate Name	ACSL Ltd.
Representative	Satoshi Washiya (President)
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 March 2022) Resolution to reduce capital to 10 mn JPY was passed at the March 2020 general meeting of shareholders.
No. of employees	74 (as of March 2022)
Description of Business	Manufacturing and providing industrial drones. Providing automation solution services using autonomous technology.

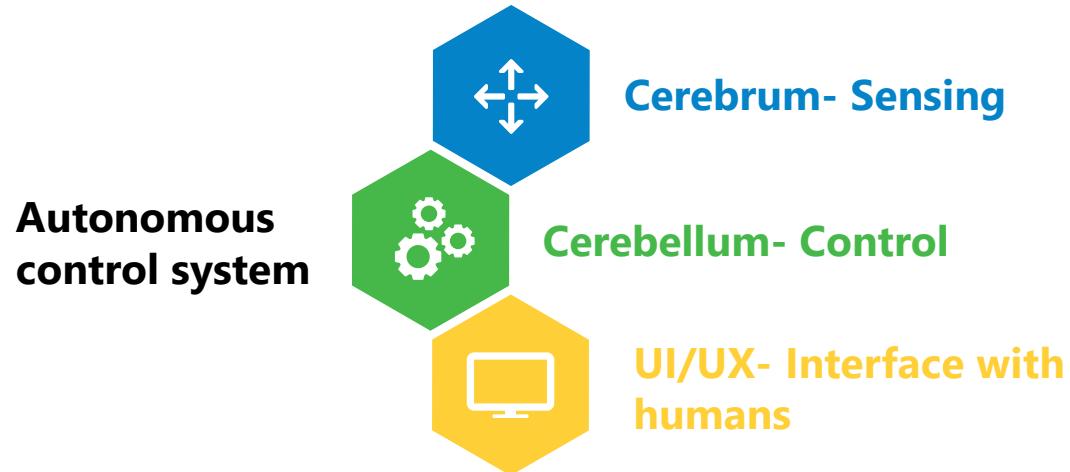
ACSL - a pioneer in drone manufacturing in Japan



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



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.

Key market segments

 ACSL product

		Consumer (B to C)	Industrial (B to B)	
		Aerial	Inspection	Logistics
General purpose	Mainly inexpensive foreign-made general-purpose drones	 Platform PF2 Other companies: Mostly foreign-made general-purpose drones with GPS support	 Platform PF2 Other companies: Mainly large logistics drones such as foreign-made VTOL drone	 Platform PF2 Other companies: Mainly foreign-made general-purpose drones
	No application-specific drone for consumer use	 Small aerial  Smokestack  Enclosed environ. Other companies: A limited number of drones for each inspection application	 Delivery (Level 4) Other companies: A very limited number of drones with Level 3 or higher safety features	 Small aerial 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



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.

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. Assistant professor at Department of Aeronautics and Astronautics, University of Tokyo. Joined ACSL as CTO in April 2017.

External Director

Masanori Sugiyama

External Director

Tadaharu Shimazu

Audit & Supervisory

Akira Ninomiya

Audit & Supervisory

Hideki Shimada

Audit & Supervisory

Takeshi Ohnogi

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