



# Business plan and Growth potential

ACSL Ltd (TYO: 6232)  
Feb. 13, 2026

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- 1. Business model and core competency**
- 2. Market overview**
- 3. Business plan**
- 4. Business highlights and current progress**
- 5. Risk information**

# ACSL is a global drone manufacturer from Japan



## Company Overview

ACSL Ltd.

Established : 2013 November

Headquarters: Tokyo, Japan

Business:

Manufacturing and sales of industrial drones

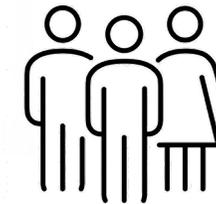


## Employee Composition (61 employees as of Dec. 2025,)



Ratio of engineers

Approx. **59%**



Ratio of non-Japanese

Approx. **28%**

## Management

Representative Director, Co-CEO: Kensuke Hayakawa

Representative Director, Co-CEO: Shoji Terayama

ACSL, Inc. CEO, : Cynthia Huan

Global CTO: Chris Raabe

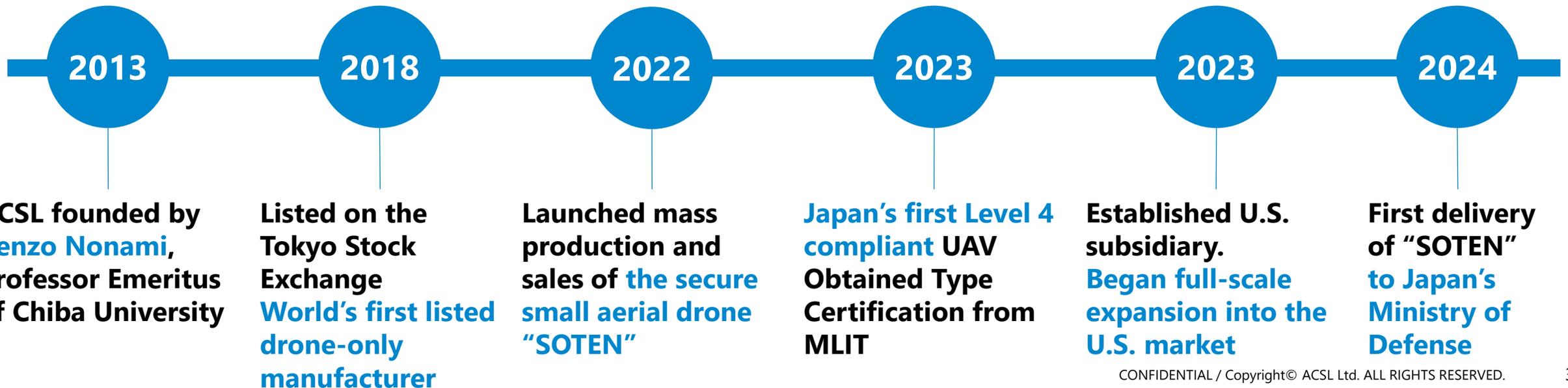
## Group Companies

ACSL, Inc. (U.S. subsidiary)

ACSL India Private Ltd. (India JV)

ACSL No.1 Limited Liability Partnership (CVC)

# ACSL has expanded its customers and markets



# Fundamental Principles Highlighted by ACSL



## Mission

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**Liberate Humanity Through Technology**

## Vision

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

## Value

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### Customer centric

Putting customer needs first, pursuing customer value, and continue to improve customer satisfaction

### Challenge

Continue to change without fear of failure to create unforeseen value

### Collaborate

Proactively co-create with internal and external partners to deliver the best solutions to our customers

### Complete

Get matters done as your own, with quality and speed

# Three social issues ACSL aims to address



## ① Declining workforce



- Fewer workers willing to perform tough, dirty, and dangerous tasks
- Robotics, including drones, are being adopted to improve efficiency and enable unmanned operations



## ② Defense and Security



- As economic security gains importance, the U.S. is advancing national-level regulations on China drones
- In Japan, awareness related to economic security in drone are steadily progressing



## ③ Natural disasters



- Climate change is increasing the frequency and severity of earthquakes etc.
- In disasters such as the Noto earthquake and regional heavy rains, drones proved effective in damage assessment and logistics

# ACSL's Business Domains



Demonstration/  
Customization

Mass Production /  
Deployment

Service Provision

## Business Regions

Primarily operating in  
Japan and North America



## Business Focus

Industrial drones for  
aerial imaging, inspection, and delivery



Aerial photo/  
Inspection



Delivery



Agriculture

Hardware + Software

# ACSL's Competitive Advantages



A leading Japanese manufacturer of small unmanned aircraft addressing economic security needs

## Positioning in the Small<sup>1</sup> UAV Market

	Made in Japan	Overseas-made
Outdoor /Small		Company A Company B Company C ⋮
Outdoor /Medium & Larger	Company D ⋮	Company E ⋮

1: Less than 4kg as weight

## Industry-Leading Technical Capabilities

### R&D

- ① Proprietary control technologies (FC and Vision)
- ② Reliable aircraft compliant with economic security requirements

### Manufacturing

- ① Mass-production capability for small drones

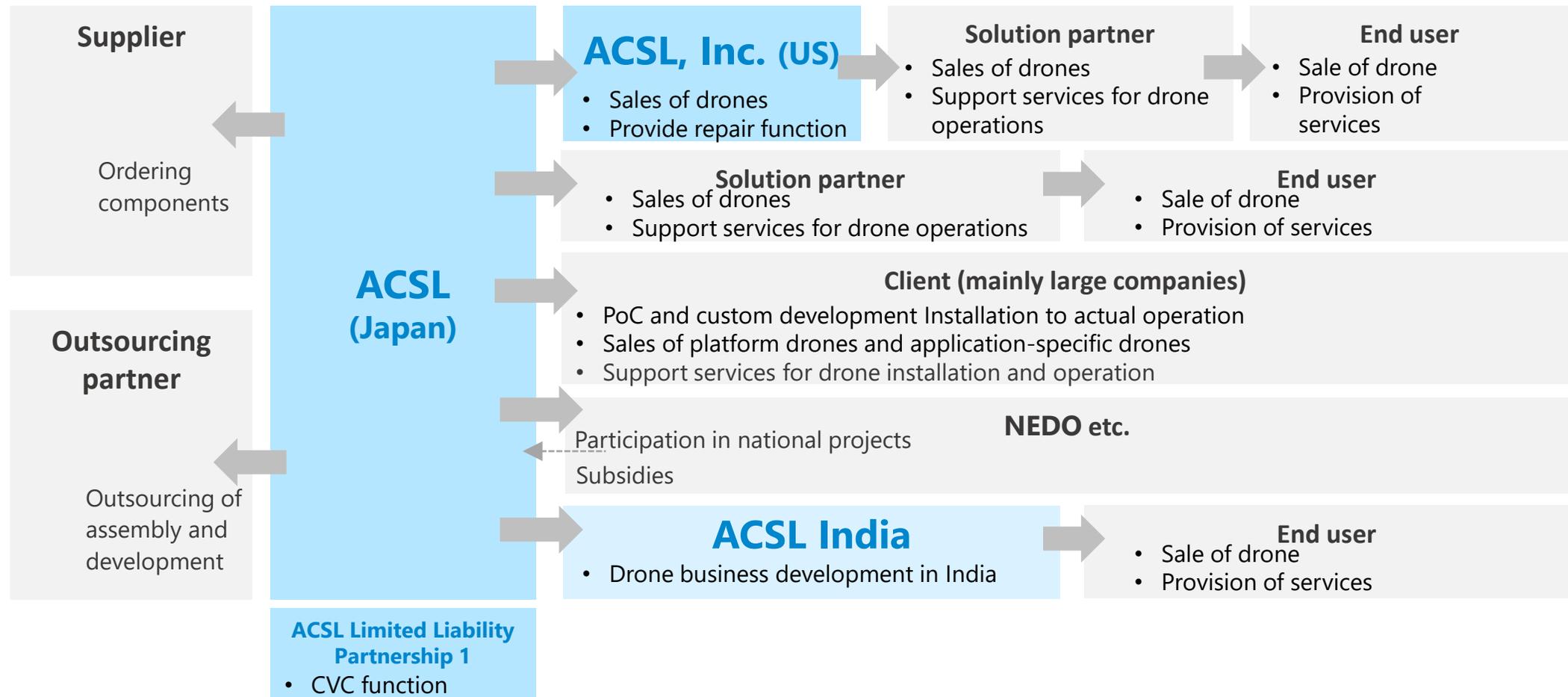
### Operation

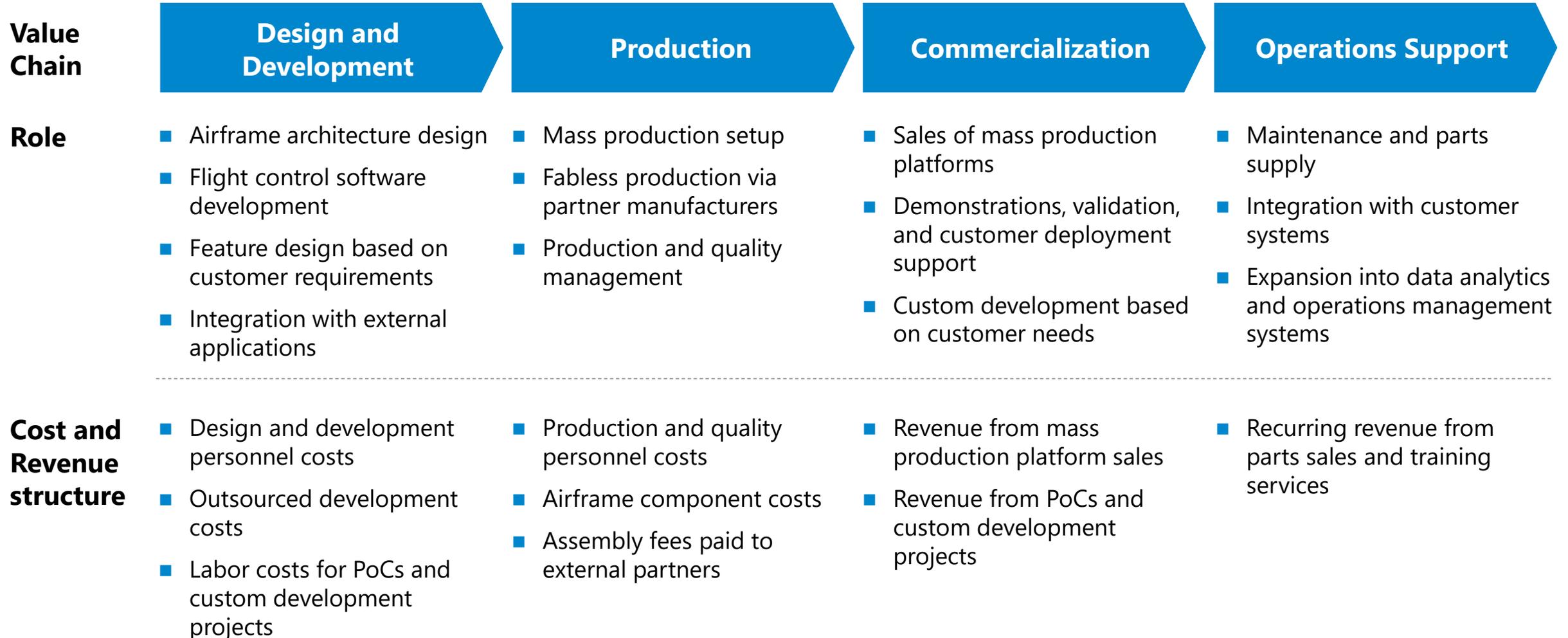
- ① The only company to obtain a Type Certification (Level 4)

## A Strong Customer Base and Sales Network

- ① A broad customer base and deployment track record across defense, public, and private sectors
- ② A distributor network of over 15 partners in Japan and over 20 in the US

The main source of revenues is from the provision of demonstration services and the sale of drones our clients





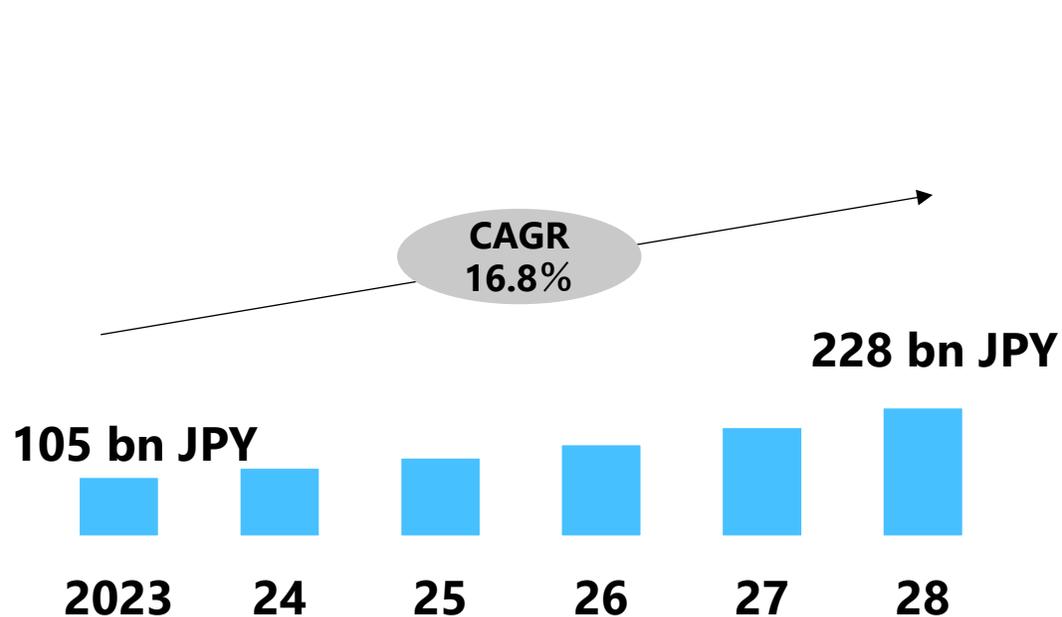


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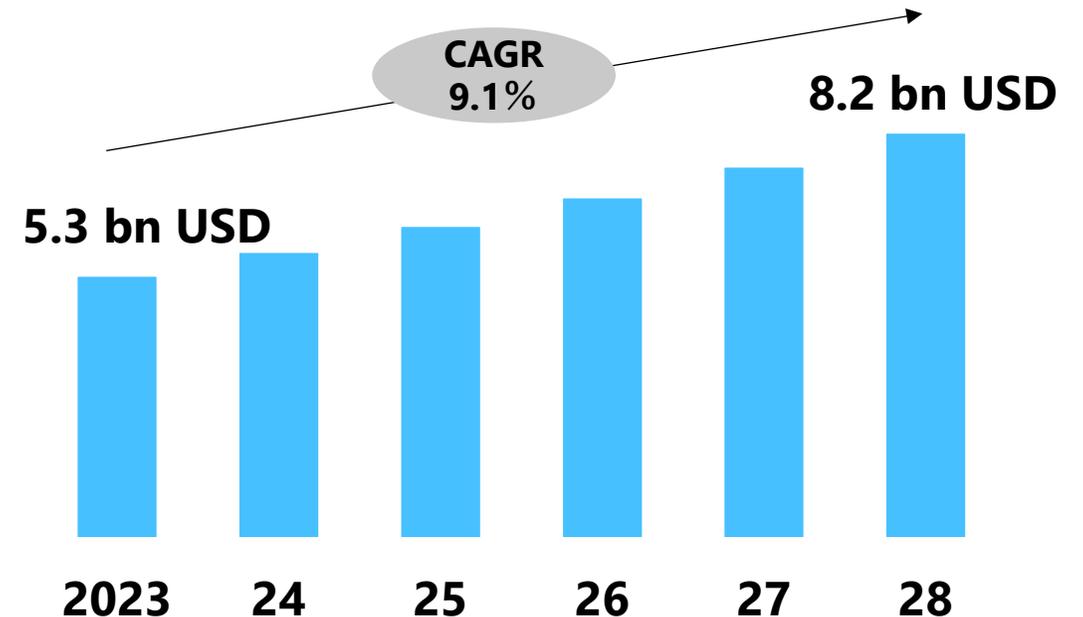
# Drone hardware market size

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 market<sup>1</sup>



## US drone hardware market<sup>2</sup>



1: Impress Research Institute "Drone Business Report 2024"  
2: Grand View Research 「U.S. Commercial Drone Market Size & Share Report, 2030」

# External Changes Surrounding the Drone Industry

Trends cited in the previous medium-term plan, including decarbonization and clean energy, digital rural cities and smart cities, and aviation law revisions such as Level 4 regulations, continue

## Advancement of Economic Security

Geopolitical risks are driving demand for domestically produced and highly reliable drones, particularly in defense applications

**Opportunity:** New and expanding markets for domestically produced, highly reliable drones, mainly in defense

**Risk :** Increased uncertainty in component procurement due to supply chain disruption and instability

## Rapid Advancement of Drone Technologies

- AI Autonomy and Distributed Drone Control
- 5G/6G, Satellite Connectivity, Next-Gen Power
- Counter-Drone Capabilities

**Opportunity:** Enhanced Customer Value and Expansion into New Use Cases

**Risk :** Rising Development Complexity and Limits of In-House Development



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# Core Policy and Six Strategic Initiatives

**As a trusted global manufacturer supporting safety and security, we unite internal and external strengths to develop, scale, and deliver technologies that exceed customer expectations and create value for all stakeholders.**

**1**

**Drone evolution with advanced technologies**  
Next-generation AI-based autonomous control

**2**

**Building a resilient supply chain**  
Procurement network with multiple sites and economic security

**3**

**Full-scale expansion of U.S. business**  
Stronger sales network and business base in the U.S.

**4**

**Contribution to defense and security**  
Establish a trusted position in defense sectors in Japan and overseas

**5**

**Domestic Infrastructure Maintenance**  
Replacement with Domestic Drones in Infrastructure Maintenance

**6**

**Strengthening a financial base**  
Financial structure for growth and sustainability

# 1. Drone evolution with advanced technologies

The evolution of drone through cutting-edge technology is the key to contributing to society and driving growth. For small aerial photography drone, we plan to develop and mass-produce two new models. For logistics drone, we aim to enhance the functionality and reduce the cost of the PF4

## ACSL Accelerate FY22

## ACSL Accelerate FY26

Small aerial photo

SOTEN (2022)



- Domestically developed small aerial photography drone
- Flight in non-GPS environments
- Security measures

Next-generation small drone (Mid-to-late 2026)



- Compact and lightweight aerial photography drone\*1
- Extended Flight Time
- High environmental resistance

Next-next-generation small drone (early 2028)



- AI-powered autonomous control
- Mesh network compatible
- Third-party aerial flight

PF4(2025)



- Superior aerodynamic performance and extended flight duration
- Environmental resistance (wind resistance and rainproofing)
- High-precision positioning via CLAS\*2

Based on market conditions and customer needs, functional enhancements, cost reductions, and new aircraft development will be considered

\* 1 : Compared to SOTEN

\* 2 : Centimeter-level positioning augmentation service provided by Michibiki (Quasi-Zenith Satellite System)

Delivery

# ACSL's Technologies and Applications (to FY30)



① **【Smart】**

Autonomous Flight Plan Re-routing



② **【Smart】**

Robust Indoor Flight Integrating Visual Odometry/SLAM/GPS/IMU



③ **【Smart】**

Super-large fleet operation (over 100 aircraft)



④ **【Secure/Safety】**

Anti-Drone Measures (Enhanced Information Security)



⑥ **【Secure/Safety】**

Third-party overflight



⑤ **【Secure/Safety】**

Manned aircraft, unmanned aircraft, autonomous obstacle avoidance



⑧ **【Simple】**

Flight plan formulation using natural language



⑦ **【Simple】**

Fully automatic charging and aircraft inspection



⑨ **【Simple】**

Unifying Usability Through Third-Party Deployment of ACSL FC/GCS



Implementing Safety and Security

**Secure/Safety**

“Liberate Humanity though Technology”

**Smart**

Advanced technology for enhanced mission execution

**Simple**

Technical user support

Basic Performance Improvements

			
Sensor Performance (Camera)	Transmission distance (Communication device)	Flight time (Battery)	Extensibility (SDK/API)

**FC Technology**

**Vision Technology**

+

**AI**

# 2. Building a resilient supply chain

Establish systems to ensure both production flexibility and procurement reliability in environments with heightened supply chain risks

## Macro environment and risks

### Geopolitical tensions

- Tightened export/import controls
- Changes in tariff policies

Supply chain depending on specific countries

Disruption in parts supply

Extended lead times and increased costs

Security concerns

## Future Direction



### ① Cooperation/Competition with Other Manufacturers

- Cooperation = Standardization and Commonization of Parts
- Competition = Differentiation in Parts



### ② Strengthening Relationships with Parts Manufacturers

- Reducing reliance on specific countries for certain parts
- Promoting domestic production



### ③ Establishment of a parallel production system

- Production System Capable of Addressing Diverse Customer Needs

# 3. Full-scale expansion of U.S. business

Establish a foundation for the next growth driver in the expanding U.S. market driven by economic security

FY25 Sales : Approx. 0.9 bn JPY (Forecast)

FY28 Sales target : 2.5 bn JPY (+1.6 bn JPY)

## U.S. market environment

### Market size

- A large and growing market with advancing drone adoption

### Structural changes

- Regulations on Chinese-made drones from December 2025
- Users urgently seeking alternatives to Chinese drones

### Competitive landscape

- Few compliant models available
- Adoption of U.S. and European products remains limited

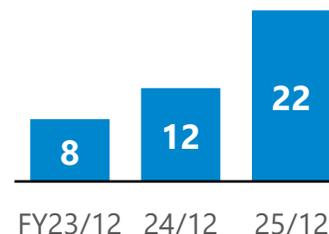
## ACSL in the U.S.

- Launched "SOTEN", developing features and cameras tailored to the U.S. market
- Strength in NDAA compliance and competitive pricing
- MOUs with key players, a nationwide dealer network, strong industry relationships

### MOU signing



### # of dealers



## Future Direction

- ① Focus on priority segments
  - Power infrastructure inspection
  - Public safety
- ② Strengthen local partnership
  - Collaboration with drone service providers and manufacturers
  - Deeper engagement with industry associations
- ③ Development for U.S. market
  - FY25: IR camera
  - Next: port integration

# 4. Contribution to defense and security

## Leveraging strengths as a Japan-origin drone manufacturer and proven track record in defense to drive growth

FY25 Sales : Approx. 0.9 bn JPY (Forecast) <sup>1</sup>

FY28 Sales target : 1.5 bn JPY (+0.6 bn JPY)

### Market opportunity

#### Increase in defense budgets

- Defense-related budget growth: JPY 4.7 tn (2014) to JPY 8.7 tn (2025)
- Acceleration of the 2% of GDP defense spending target (from FY2027 to FY2025)

#### Acceleration of dual-use adoption

- Expanded government support for domestic UAV production (U.S., Korea, Taiwan, India, etc.)

### ACSL at Defense sector

- Orders received for SOTEN : JPY 0.37 bn delivered in 2024, JPY 0.52 bn scheduled for 2025
- First drone manufacturer to join the Japan Defense Industry Association
- Selected by the Japan Air Self-Defense Force as an aerial photography drone
- Disaster Response Cooperation Agreement with the Japan Ground Self-Defense Force Eastern Army

### Future Direction

#### ① Expanded Use Cases Driven by Mass-Produced Platforms



Leverage model

#### ② Partner-Led Solution Development and Deployment

- Land, Sea, and Air Hardware Integration
- Application Software Integration

1: Excluding 0.37 bn JPY (already delivered in 2024)

# 5. Expansion of Social Infrastructure Maintenance and Management

Establish a position as a domestic drone manufacturer in the field of social infrastructure maintenance and management

FY25 Sales : approx. 0.4 bn JPY (Forecast)

FY28 Sales target : 1 bn JPY (+approx. 0.6 bn JPY)

## Market Opportunity

### Logistics and Inspection Common

- Accelerated Use of Drones in Disaster Situations following the Noto Peninsula Earthquake (Supply transport, aerial photography)

### Inspection

- Expanding the Use of Drones in infrastructure management
  - MLIT Water Management and Land Conservation Review Committee, etc.
  - Increased demand for inspections following the opening of drone flight paths over power transmission lines  
FY2024: 150 km  
FY2027: approx. 10,000 km  
FY2028: approx. 30,000 km

## ACSL in infrastructure maintenance and management

### Logistics

- Operational Performance in the Field during the Noto Peninsula Earthquake (medicine delivery to evacuation centers, damage assessment)
- Mass production of the PF4 multi-purpose aircraft, primarily for logistics, has commenced

### Inspection

- Commencement of SOTEN use for Drone Flight Routes Over Power Lines
- Started PF4 Validation for Erosion Control and River Infrastructure Inspection

## Future Direction

### Logistics

- ① Strong Partnerships with Drone Operators
- ② Multi-Use Demand Creation and Validation for Emergency and Peacetime Use

### Inspection

- ① Strengthening collaboration with related businesses, including organic system integration
  - ① Facility Owner/Operator
  - ② Facility inspection service providers (including infrastructure inspection service providers using drones)
  - ③ Facility Inspection App Provider

# 6. Strengthening a financial base

Secure sufficient cash to cover cash outflows until profitability

Generate cash inflows from operations and achieve sustainable growth investment

## Balance Sheet

Cash position sufficient to cover cash outflows until profitability

MM JPY  
(As of Sep. '25)

<b>Cash and cash equivalents</b> 1,690	<b>Current liabilities</b> 699
<b>Other current assets</b>  2,381	<b>Fixed liabilities</b>  2,863
	<b>Non-current liabilities 1,440</b>  <b>Convertible bonds 1,423</b>
<b>Fixed assets</b> 577	<b>Net assets</b> 1,086
<b>Assets</b>	<b>Debt/ Net assets</b>



## Financial Policy

Generate operating cash inflows and drive growth through ongoing investment

### Capital Allocation Policy

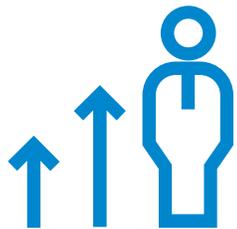
- Maintain a certain level of capital investment for growth
  - ① Next-generation drone development
  - ② Expansion of overseas business
  - ③ M&A and strategic alliances
- Efficient working capital management aligned with operations

### Financing policy

- Accelerate growth investment using grants and subsidies
- Use multiple financing options depending on funding needs

## We aim to maximize human capital, contribute to society, and strengthen governance to achieve sustainable growth

### Human Capital



#### A growth organization powered by diversity

- An environment where diverse talent, including 25% non-Japanese staff, can thrive
- Flexible work styles to attract talent and support long-term growth

### Society



#### Supporting safety and security through technology

- Supporting public safety through disaster response experience
- Promoting drones for infrastructure, logistics, and disaster response

### Governance



#### Enhancing transparency and independence

- Oversight by two internal and three independent directors (Audit and supervisory committee)
- Compensation and nomination committees ensure independence



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# FY25/12 Full Year Results Highlights



"▲" = minus (negative)

## Summary

**Revenue in Japan and the U.S.**, excluding the India project, **expanded to JPY 2.59** bn. Order backlog was JPY 1.11 bn as of FY2025 year end.

**Gross profit and gross margin increased significantly YoY. SG&A decreased from the prior year, narrowing operating loss.** Ordinary results improved materially, **supported by subsidy.**

## Revenue

Revenue

Backlog as of Dec. 2025

**25.9** bn JPY    **11.1** bn JPY

YoY ▲2.1% (Excl. India project)

Full year revenue increased significantly versus prior year revenue of JPY 0.95 bn excluding the India project. On an including India basis, revenue was broadly flat.

## Gross Margin

Gross Margin

**19%**

YoY +14pt

Gross margin improved significantly year on year. Contribution margin improved YoY despite the impact from large scale projects.

Contribution margin

**29%**

YoY +5pt

**Operating Profit**  
(excl. SBIR<sup>1</sup> costs)

**▲0.96** bn JPY    **▲1.07** bn JPY

YoY +0.45 bn JPY

**Ordinary Profit**

YoY +1.11 bn JPY

Operating loss (excluding SBIR) narrowed significantly to below JPY 1.0 bn. Ordinary results also improved substantially supported by subsidy income.

1: SBIR costs are recorded in SG&A in advance; the corresponding subsidy is recorded as non operating income.

# Trend of Key Financial Metrics

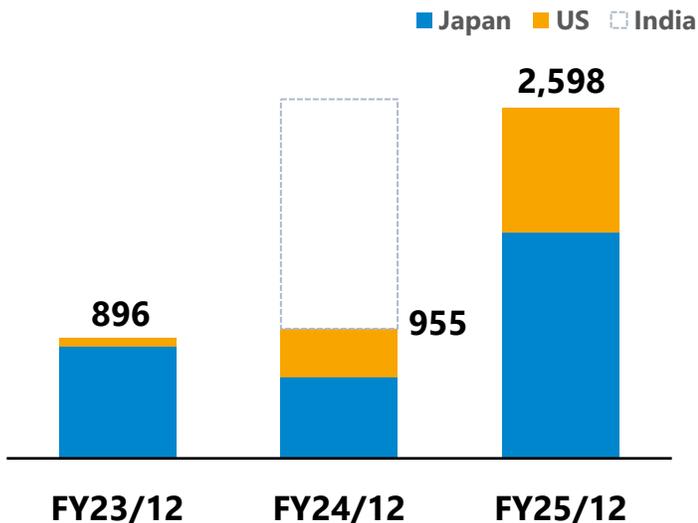
Revenue expanded in Japan and the U.S., driving significant growth. Profitability also improved as structural reforms progressed.

"▲" = minus (negative)

## Revenue

mn JPY

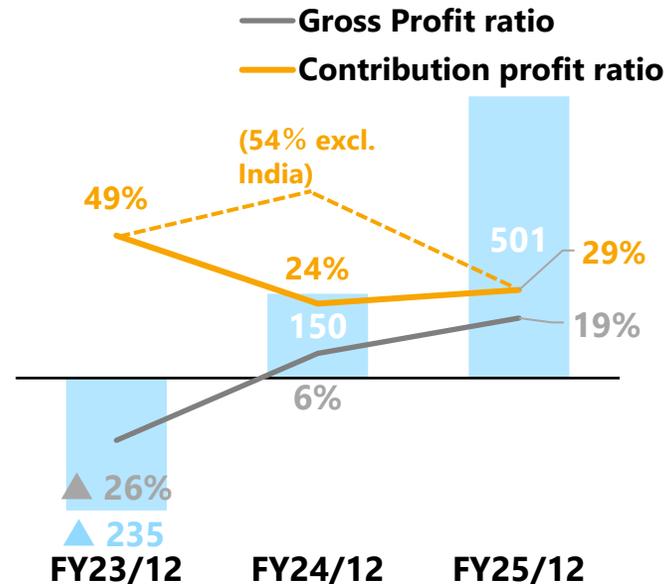
Revenue increased significantly in both Japan and the U.S., rising from JPY 0.95 bn to approximately JPY 2.6 bn.



## Gross profit

mn JPY

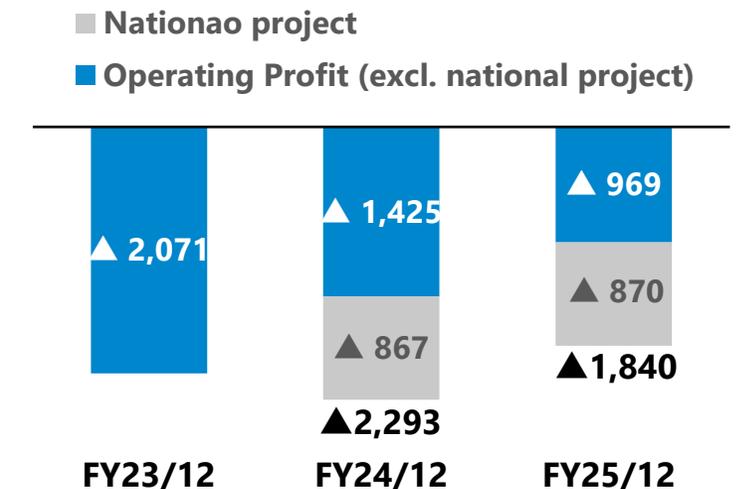
Gross profit increased materially and gross margin improved. While contribution margin was affected by certain low margin large projects, it improved overall versus last year.



## Operating Profit

mn JPY

Structural reforms improved the cost structure, significantly narrowing operating loss excluding national projects.



# FY25/12 Full Year Consolidated Results and YoY Comparison



## Revenue exceeded the prior year excluding the India project, and losses narrowed as the cost structure improved

"▲" = minus (negative)

[mn JPY]	FY25/12 Actual	FY24/12 Actual	YoY Change	(Reference) FY25/12 Forecast	vs Forecast	Summary
Revenue	2,598	2,655	▲56	2,700	▲101	Revenue was JPY 2.59 bn vs JPY 2.65 bn in FY24. Excluding the India project, revenue came in materially above FY24
excl. India project	2,598	955	+1,643	2,700	▲101	
Gross profit	501	150	+350	500	+1	Gross profit was JPY 0.50 bn and gross margin was 19%, improving materially from JPY 0.15 bn and 6% in FY2024
Gross margin	19%	6%	+14%	19%	+0%	
SG&A (excluding national projects)	1,470	1,576	▲105	1,470	+0	Gross profit was JPY 0.50 bn and gross margin was 19%, improving materially from JPY 0.15 bn and 6% in FY2024
Operating income (excluding national projects)	▲969	▲1,425	+456	▲970	+0	Operating loss excluding national projects was JPY 0.96 bn vs JPY 1.42 bn in FY24, improving materially driven by higher gross profit and lower SG&A
National project costs	870	867	+3	1,400	▲529	SBIR R&D costs were JPY 0.87 bn, below the expected JPY 1.4 bn due to delays in budget execution
Operating profit	▲1,840	▲2,293	+452	▲2,370	+529	Operating loss was JPY 1.84 bn, improving materially supported by higher gross profit and lower SG&A
Ordinary profit	▲1,075	▲2,188	+1,113	▲1,400	+324	Ordinary loss was JPY 1.07 bn vs JPY 2.18 bn in FY24. Improved due to recognition of national project subsidy
Net profit	▲1,363	▲2,371	+1,007	▲1,800	+436	Net loss was JPY 1.36 bn, improving significantly from JPY 2.37 bn in FY2024

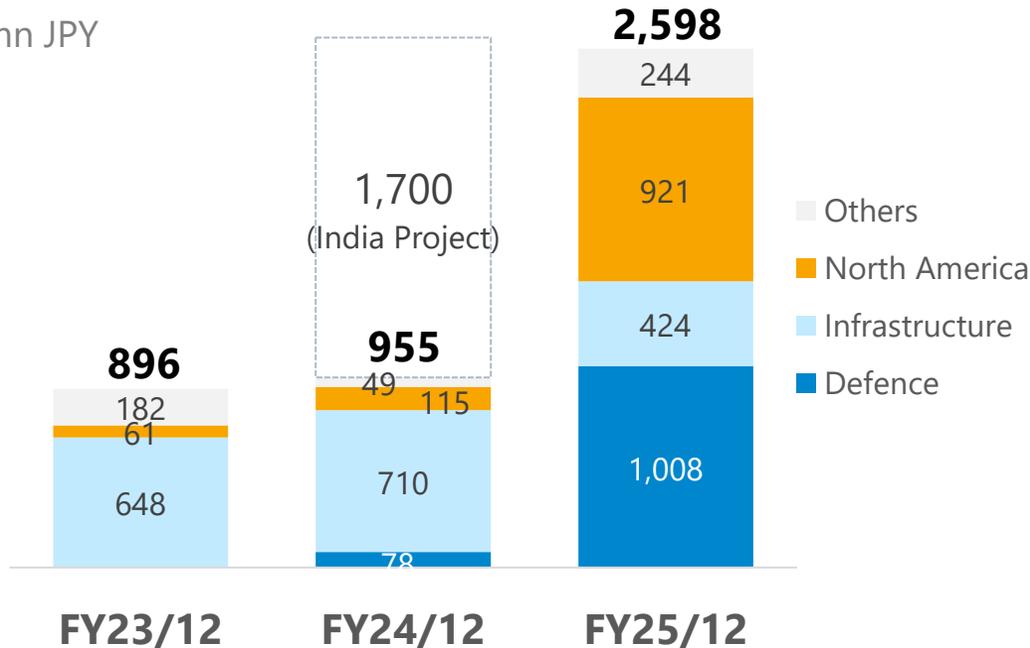
# Revenue Trend and Variance vs Forecast

**Revenue increased in both Japan and the U.S., although it came in below the forecast due to delivery timing slippage for certain projects**

## Revenue Trend

In Japan, demand in the defense sector drove growth. In the U.S., progress in SOTEN sales also contributed, resulting in higher revenue

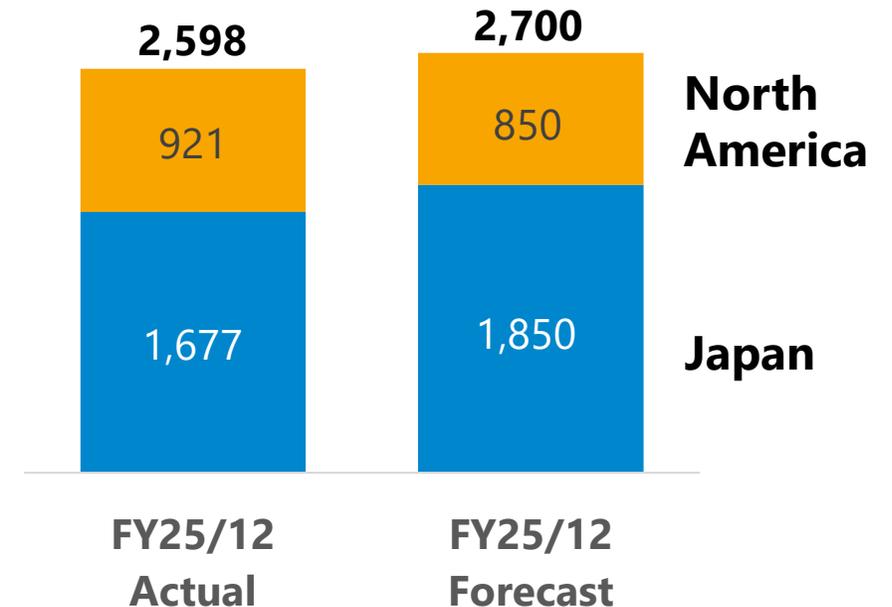
mn JPY



## Variance vs FY2025 Forecast

The U.S. exceeded the forecast, while overall results fell short due to delayed deliveries of certain domestic projects

mn JPY



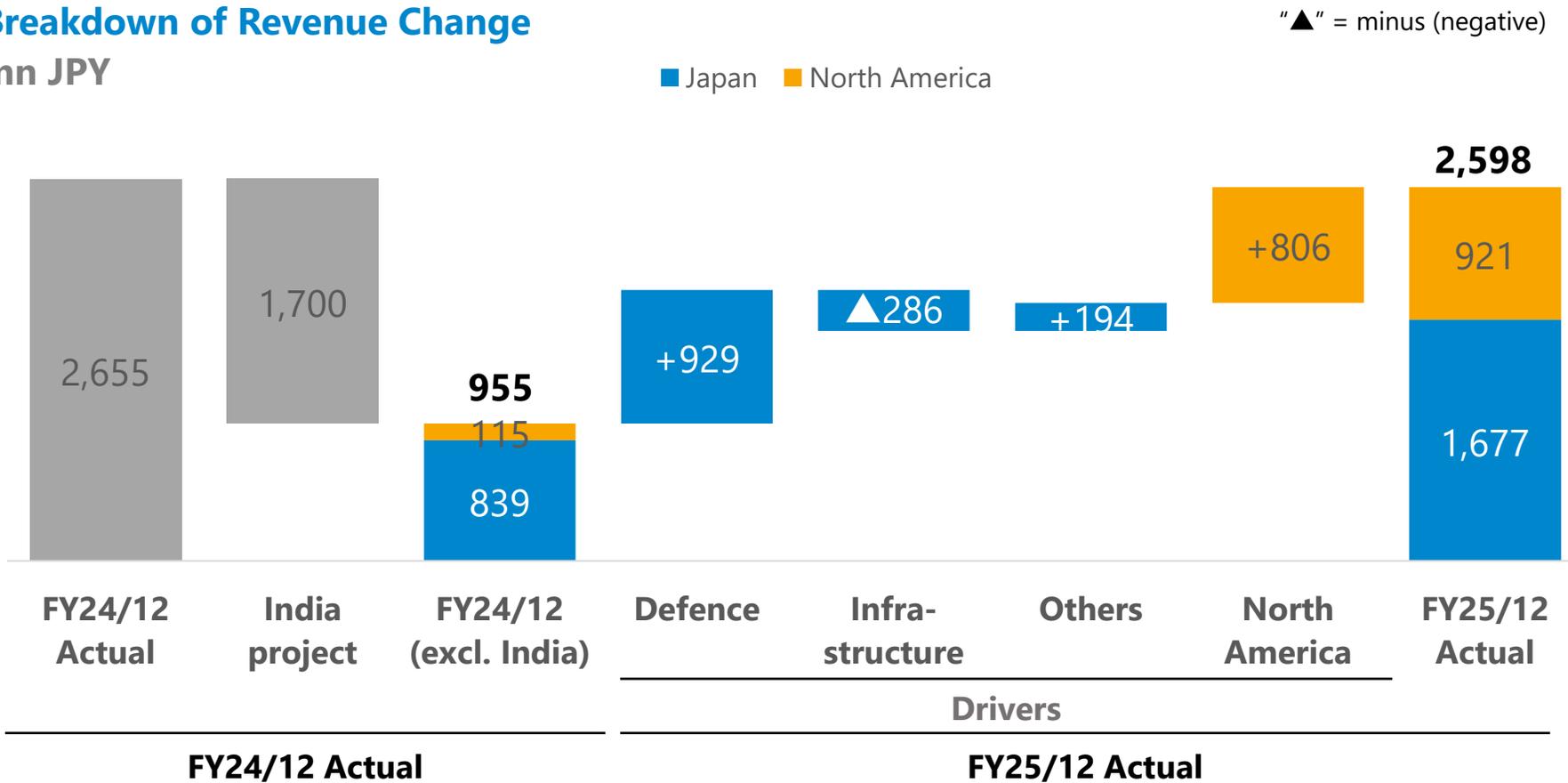
# Revenue Trend



**Excluding the India project, revenue increased materially year on year, driven by domestic defense and U.S. demand**

## Breakdown of Revenue Change

mn JPY



### Defense:

- Recognized JPY 558 mn from FY2025 SOTEN orders, and JPY 370 mn from FY2024 orders

### Infrastructure:

- Decreased due to customer capex plans, while continuing to win projects from key customers

### Others:

- Recognized revenue from certain national projects

### North America:

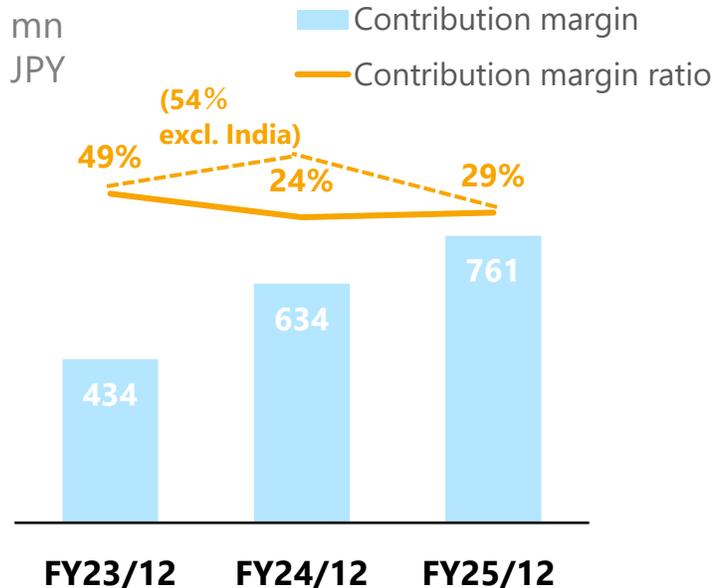
- Delivered 400 SOTEN units from the beginning of year order, plus an additional 100 units within the year
- Started sales of infrared cameras and smart controllers for the U.S., in addition to SOTEN

# Gross Profit Trend

## Gross profit improved driven by higher contribution profit and lower indirect costs from structural reforms

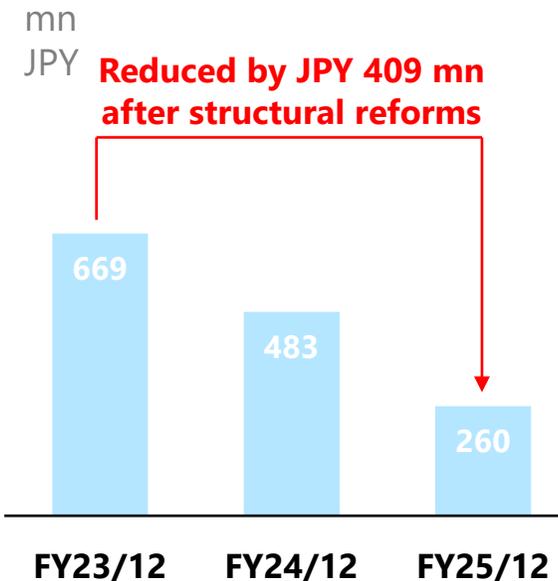
### Contribution profit (Revenue less direct costs)

Contribution profit increased materially. Contribution margin improved overall versus last year despite the impact of certain low margin large projects delivered in FY24



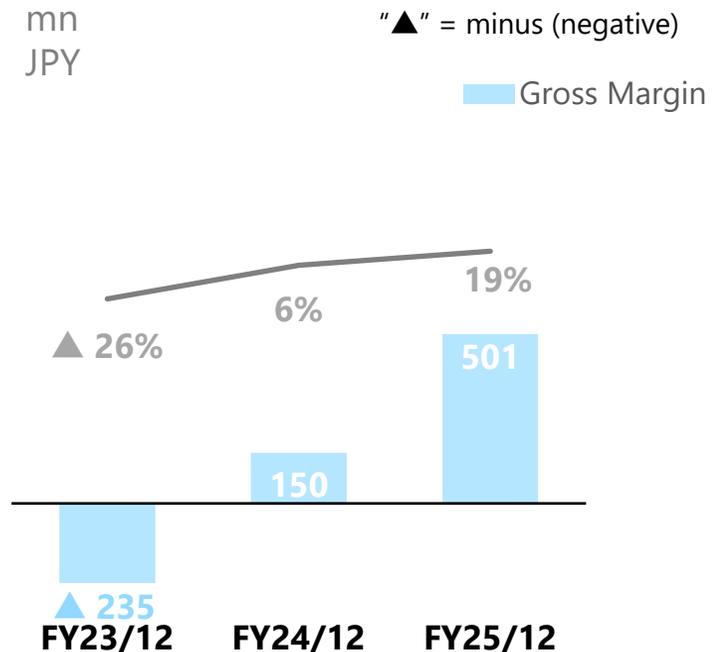
### Indirect costs

Indirect costs decreased significantly even as revenue expanded, reflecting structural reforms



### Gross profit

Gross profit expanded significantly, and gross margin increased to 19%



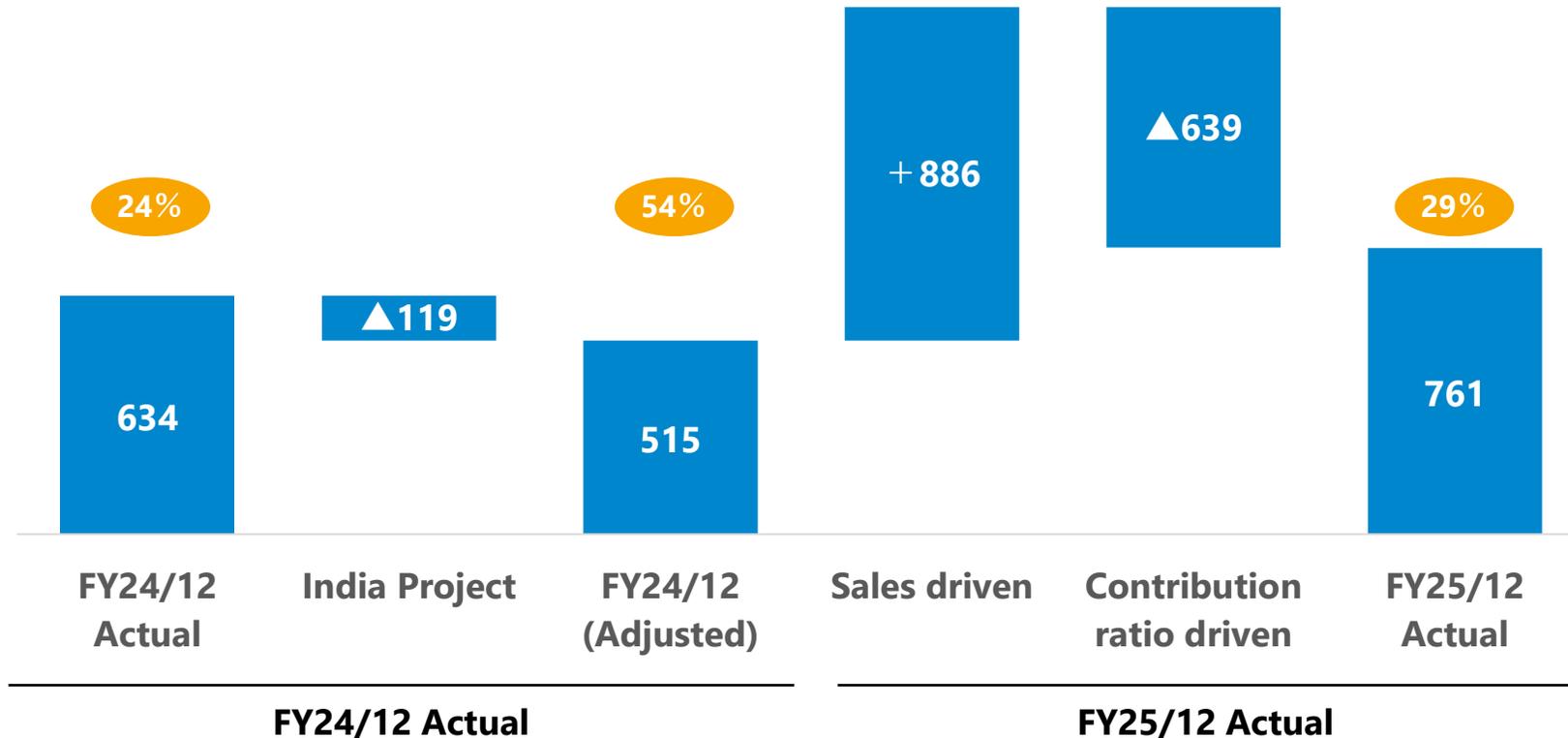
# Contribution Profit Trend

**Contribution profit rose excluding the India project. Margin dipped on a low margin FY2024 delivery, but improved from FY2025 deliveries**

**Breakdown of Contribution Profit Change**  
mn JPY

XX Contribution profit ratio

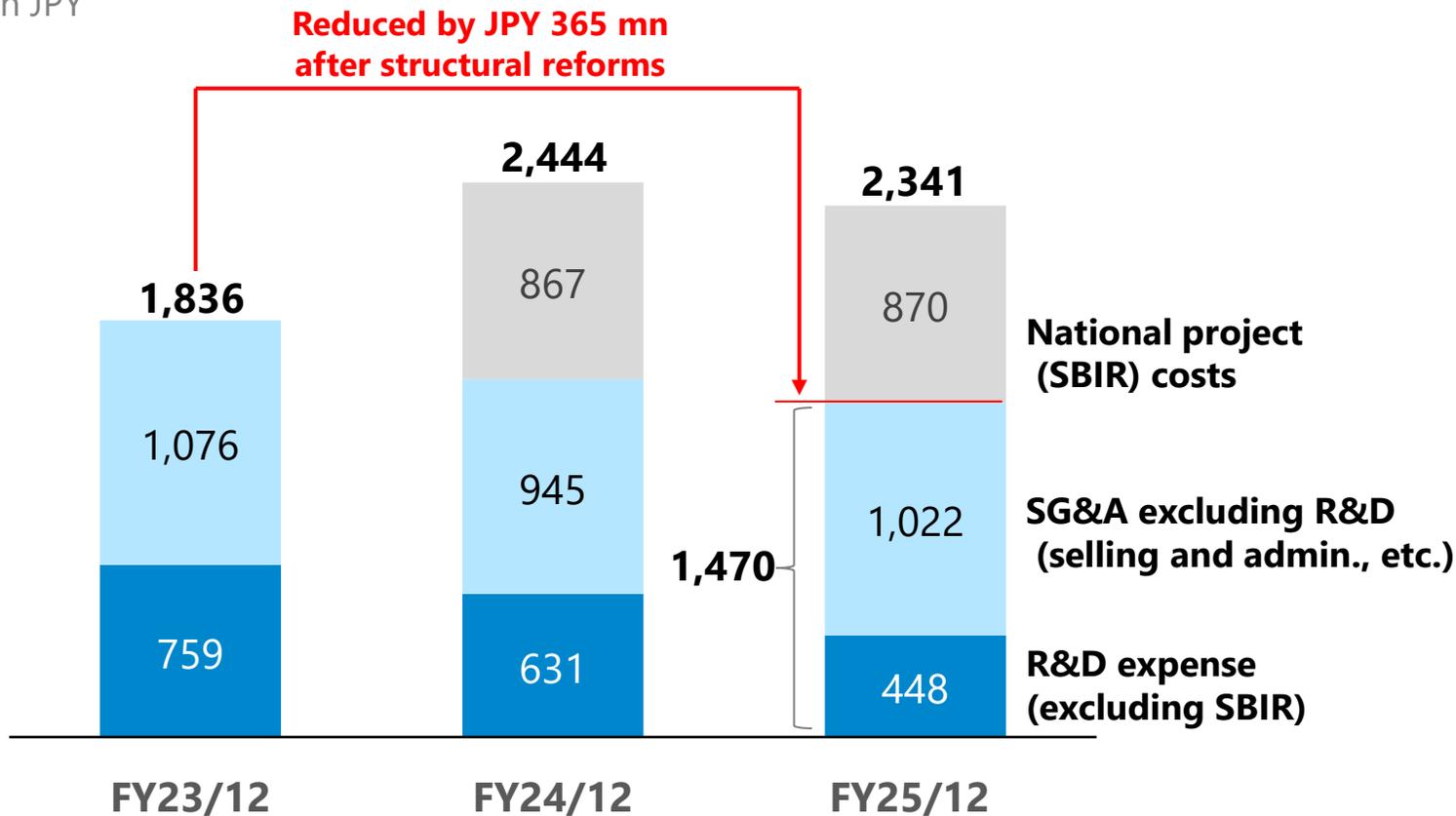
"▲" = minus (negative)



- Contribution profit improved from JPY 515 mn (excluding the FY2024 India project) to JPY 761 mn
- Contribution profit increased materially driven by revenue growth
- Contribution margin decreased due to a low-margin large project delivered in FY2024 (for the Ministry of Defense); margins improved for FY2025 deliveries

## SG&A decreased as structural reforms progressed. R&D was focused on prioritized development themes

mn JPY



### R&D expense (excluding SBIR)

- Resources reallocated to priority areas following structural reforms
- Spending disciplined while improving ROI

### SG&A excluding R&D (selling and admin., etc.)

- Expense reduction progressed through structural reforms and ongoing cost optimization
- Cost base right-sized by reviewing outsourcing and indirect costs

### National project (SBIR) costs

- JPY 870 mn recognized as expense in FY2025
- Some spend shifted into FY2026

# 貸借対照表

mn JPY	FY25/12		FY24/12	FY23/12
	Actual	YoY Change	Actual	Actual
Current assets	5,346	+ 38%	3,877	4,203
Cash	2,018	+ 62%	1,243	1,499
Fixed assets	318	▲54%	685	891
Current liabilities	1,045	▲51%	2,129	1,603
Fixed liabilities	2,863	+ 28%	2,238	1,227
Total liabilities	3,909	▲11%	4,368	2,830
Net assets	1,755	+ 802%	194	2,264
Total assets	5,665	+ 24%	4,563	5,094

# KPI and key financial items by fiscal year



mn JPY		Fiscal Year <sup>1</sup>	FY19/03	FY20/03	FY21/03	FY21/12	FY22/12	FY23/12	FY24/12	FY25/12
<b>Revenue</b>			807	1,278	620	501	1,635	896	2,655	2,598
<b>Small aerial photography drone (SOTEN)</b>	<b>mn JPY</b>						939	206	402	2,007
	<b>Unit</b>						645	101	240	1,276
<b>Japan</b>	<b>mn JPY</b>		-	-	-	-	939	144	276	1,086
	<b>Unit</b>						645	51	128	776
<b>Overseas</b>	<b>mn JPY</b>						-	61	125	921
	<b>Unit</b>							50	112	500
<b>Other airframes</b>	<b>mn JPY</b>		384	304	145	67	177	199	229	113
	<b>Unit</b>		106	101	46	18	45	41	49	21
<b>Others</b>	<b>Mn JPY</b>		423	973	475	433	518	489	2,024 (India 1,700)	477
<b>Gross Profit</b>			403	808	68	0	▲124	▲235	150	501
<b>Gross Margin</b>			50%	63%	11%	0%	▲8%	▲26%	6%	19%
<b>SG&amp;A (excl. SBIR)</b>			733	792	1,207	1,189	2,079	1,836	1,576	1,470
<b>R&amp;D expense</b>			366	275	583	604	1,168	759	631	448
<b>Operating Profit(excl. SBIR)</b>			▲330	15	▲1,139	▲1,188	▲2,203	▲2,071	▲1,425	▲969
<b>SBIR costs</b>			-	-	-	-	-	-	867	870
<b>Operating Profit</b>			▲330	15	▲1,139	▲1,188	▲2,203	▲2,071	▲2,293	▲1,840

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



百万円		Fiscal Year <sup>1</sup>		FY21/03				FY21/12			FY22/12				FY23/12				FY24/12				FY25/12			
Quarterly actual		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4		
<b>Revenue</b>		36	42	46	495	267	133	100	952	78	130	473	429	95	132	239	288	1,761	78	527	700	275	270	1,351		
<b>Small aerial photography drone (SOTEN)</b>	<b>mn JPY</b>								590	21	25	301	33	49	37	86	46	19	30	304	504	28	200	1,274		
	<b>Unit</b>								475	6	7	157	13	17	12	59	31	15	12	182	416	-	101	759		
<b>Japan</b>	<b>mn JPY</b>								590	21	25	301	33	49	37	24	46	14	20	194	479	10	17	578		
	<b>Unit</b>								475	6	7	157	13	17	12	9	31	8	7	82	416	-	1	359		
<b>Overseas</b>	<b>mn JPY</b>																61	-	5	9	110	24	17	182	696	
	<b>Unit</b>																50	-	7	5	100	-	-	100	400	
<b>Other airframes</b>	<b>mn JPY</b>	4	10	13	116	15	34	17	45	19	67	44	74	9	49	66	35	0	36	156	36	28	44	5		
	<b>Unit</b>	1	3	5	37	6	6	6	9	6	17	13	13	3	11	14	5	-	11	33	4	2	12	3		
<b>Others</b>	<b>Mn JPY</b>	32	31	33	378	251	98	82	316	37	37	127	322	35	45	86	206	1,740	11	65	158	219	26	72		
<b>Gross Profit</b>		▲6	▲6	▲13	94	17	5	▲22	133	▲30	▲23	▲204	62	▲71	▲48	▲177	36	64	▲8	58	75	8	26	390		
<b>Gross Margin</b>		▲19%	▲16%	▲28%	19%	7%	4%	▲23%	14%	▲39%	▲18%	▲43%	15%	▲76%	▲37%	▲74%	13%	4%	▲11%	11%	11%	3%	10%	29%		
<b>SG&amp;A (excl. SBIR)</b>		230	173	314	488	325	348	515	535	442	431	670	419	451	469	495	472	390	351	361	279	320	311	560		
<b>R&amp;D expense</b>		60	77	129	315	153	165	285	292	228	224	424	197	182	176	203	212	156	123	138	69	78	73	226		
<b>Operating Profit(excl. SBIR)</b>		▲237	▲180	▲328	▲393	▲308	▲342	▲538	▲401	▲473	▲454	▲874	▲356	▲523	▲517	▲672	▲435	▲326	▲360	▲302	▲203	▲312	▲284	▲169		
<b>SBIR costs</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	158	104	136	467	36	202	311	320		
<b>Operating Profit</b>		▲237	▲180	▲328	▲393	▲308	▲342	▲538	▲401	▲473	▲454	▲874	▲356	▲523	▲517	▲672	▲594	▲431	▲496	▲770	▲239	▲514	▲596	▲490		

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

# Progress of Six Strategic Initiatives in mid term plan



## Strategic Initiatives

- 1 Drone evolution with advanced technologies**  
Next-generation AI-based autonomous control
- 2 Building a resilient supply chain**  
Procurement network with multiple sites and economic security
- 3 Full-scale expansion of North America business**  
Stronger sales network and business base in the U.S.
- 4 Contribution to defense and security**  
Establish a trusted position in defense sectors in Japan and overseas
- 5 Domestic Infrastructure Maintenance**  
Replacement with Domestic Drones in Infrastructure Maintenance
- 6 Strengthening a financial base**  
Financial structure for growth and sustainability

## Progress and Highlight

- **Selected for NEDO K Program for next generation platform development (up to JPY 2.9 bn)**
- SBIR: Development spend expected to be completed by FY2026, although budget execution has been delayed
- Target: JPY 4.0 bn in FY2028, FY2025 revenue JPY 0.92 bn
- **Regulations on foreign made drones to be clarified in Dec 2025; entry into the Canadian market**
- Target: JPY 1.5 bn in FY2028, FY2025 revenue JPY 1.0 bn
- **Delivered a large SOTEN order (JPY 0.45 bn), following last year**
- **Strengthened presence in the defense sector**
- Target: JPY 1.5 bn in FY2028, FY2025 revenue JPY 0.42 bn
- **Provided aircraft for area based Level 4 delivery operations rollout**
- **Completed financing in 2025 and raised over JPY 3.5 bn**
- **Cash balance increased and net assets recovered**

# Selected for a large-scale national project related to technology development

## Selected for K-Program (Phase 2). In addition to up to 2.6 bn JPY from SBIR, expected to receive 2.9 bn JPY in subsidies under K-Program

Selected in FY25

### Overview of ACSL Practices

- Study for hardware development of small drones with autonomous and decentralized control functions
- Surveys of advanced technologies in Japan and abroad; determine the direction of competitive drone development
- Development of an initial drone model designed for missions during normal times and emergencies (such as large-scale disasters)
- The results are not limited to public use but also extend to civilian applications
- Development of a new high-performance compact aerial photography drone that takes economic security and security into consideration
- Respond to the demand for small aerial photography drones in Japan and overseas
- Research and development of control technology and system construction that can realize autonomous group flight<sup>1</sup> in harsh environments
- Development of technology for multiple drones to estimate and understand their own spatial position and share

### Implementation Period and Amount

#### Phase 1

- May 2024 - Mar. 2025
- Project scale: Within 100 mn JPY

#### Phase 2

- FY2025 – FY2027
- Project scale: Up to 2.9 bn JPY

- Dec. 2023 - Dec. 2025 (planned)
- Project scale: Up to 2.6 bn JPY

- Apr. 2024 – Mar. 2028
- Project scale: Up to 1 bn JPY in total<sup>2</sup>



### K Program

(Economic security important technology development program)



(Small Business Innovation Research program)



### K Program

(Economic security important technology development program)

1: Multiple drones flying simultaneously and in collaboration

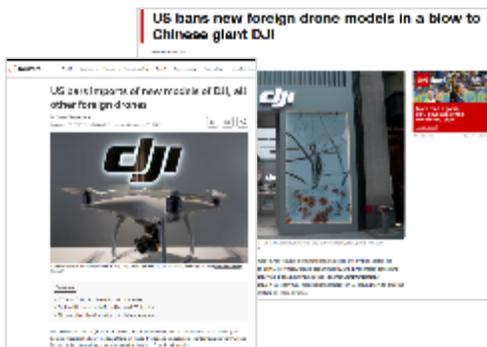
2: The actual amount will be determined following discussions with the Japan Science and Technology Agency (JST) and program officers scheduled for the future

# Regulations are taking shape. Entry into Canada decided

## Capture regulatory tailwinds in US and scale into the Canadian market

### U.S. Regulatory framework becoming clearer

- In Dec 2025, the U.S. is expected to put in place a regulatory framework for drones, **effectively restricting sales of China made drones as new product**
- Going forward, **foreign made drones will be subject to authorization and compliance requirements**; sales may be restricted unless such requirements are not met
- ACSL SOTEN has **obtained the required approvals and can continue to be sold**



News on new regulations

### Entry into the Canadian market

- With similar regulations expected in Canada, we **decided to enter the Canadian market** with a view to expanding use cases including public safety
- **Appointed Jam Industries Ltd.<sup>1</sup> as distributor in Canada** and signed a distribution agreement dated Dec 4, 2025
- Secured an **order for 200 units of SOTEN (approx. JPY 0.2 bn)**



1: Jam is wholly owned by a Canadian company under DCC plc (a constituent of the FTSE 100 Index), which is also the parent of Exertis Almo, ACSL's U.S. distributor

## Strengthening presence in the defense sector

### Enhance ACSL's presence through exhibits and speaking engagements at defense related events

#### Landpower Forum in Japan

- Landpower Forum in Japan is **hosted by the Japan Ground Self Defense Force** as a forum for initiatives such as strengthening ground defense capabilities; held in Dec 2025
- Strengthen collaboration among **industry, academia, government, and allied and like minded countries**
- Showcased Japan made compact aerial imaging drone **SOTEN as equipment for the JGSDF** to domestic and overseas defense stakeholders



SOTEN showcased as equipment

#### Defense Industry Entry Promotion Expo

- **The Acquisition, Technology and Logistics Agency (ATLA)** hosted the Defense Industry Entry Promotion Expo (Startup Promotion Expo) in Nov 2025
- Exhibition aimed at **strengthening supply chains, incorporating advanced commercial technologies**, and reinforcing the defense production and technology base
- ACSL delivered a presentation as **a startup entering the defense industry with advanced technologies**



Defense Industry Entry Promotion Expo

# Demonstration of area based Level 4 operations

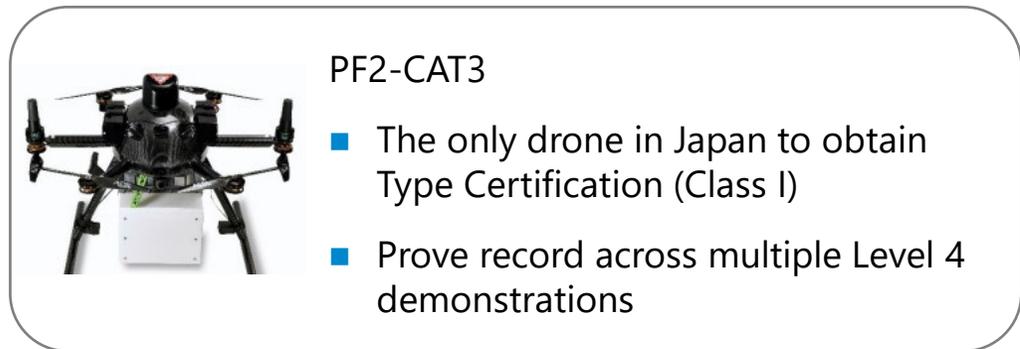
## Supported multiple area based Level 4 (BVLOS flight over populated area) delivery demonstrations by providing PF2-CAT3

### Demonstration of deliveries for medical supplies as well as daily goods and food

- Provided PF2-CAT3 for **Japan's first area based Level 4 delivery** demonstration conducted under these trials
- **Coordinated with Level 3 operations** using fixed wing drones
- **Enabled more flexible expansion of delivery** destinations, improving service convenience

### Demonstration of parcel delivery and pick up in Fukushima

- Provided PF2-CAT3 for Eams Robotics' area based **Level 4 drone delivery demonstration** in Minamisoma City, Fukushima
- Lower density of logistics and commercial services versus Ehime, creating major challenges for daily needs and depopulation
- Aiming to **build a low cost, sustainable logistics network to meet dispersed local demand**



# Fundraising and Financial Position

## Secured growth capital through third party allotments while stabilizing the financial base

### Securing growth funding

Completed fundraising in FY2025 totaling over **JPY 3.5 bn**  
(up to approx. JPY 4.6 bn)<sup>1</sup>

**Approx. 1.5 bn JPY**

Received in Jan. '25

Convertible bond

Allottee :

- Murata Manufact.
- CVI Investments

**Approx. 1.5 bn JPY**

Received in Oct. '25

Common Stock

Allottee :

Athos Capital

**Approx. ~1.6 bn JPY**

partly received in '25

Stock acquisition rights  
(warrants)

Allottee:

Cantor Fitzgerald Europe

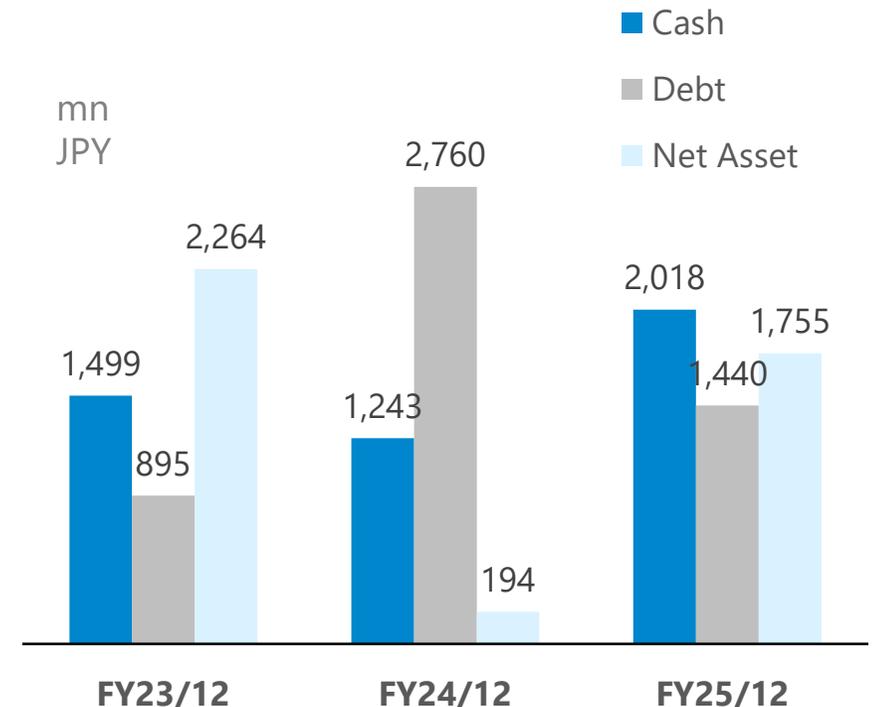
### Use of proceeds

- R&D for platform development and evaluation, and investments for mass production
- Working capital for overseas expansion

1 : Total of short-term debt and long-term debt

### Improvement of Balance sheet

Reduced interest bearing debt<sup>1</sup>;  
fundraising increased cash and cash equivalents and restored net assets



# Medium Term Capital Allocation Policy

## Specify growth investments while maintaining financial discipline and improving working capital efficiency

### Financial Strategy in the Mid Term Plan

#### Capital Allocation Policy

- **Maintain a certain level of capital investment for growth**
  - ① **Next-generation drone development**
  - ② **Expansion of overseas business**
  - ③ **M&A and strategic alliances**
- **Efficient working capital management aligned with operations**

#### Financing policy

- **Accelerate growth investment using grants and subsidies**
- **Use multiple financing options depending on funding needs**

### Specific Growth Investment Priorities

#### Next-generation drone development (FY2026 investment level: JPY 2.7 bn)<sup>1</sup>

- New platform development and feature development based on customer requirements
- Investment in advanced technologies such as AI
- Strengthen marketing to accelerate adoption of new platforms

#### Overseas expansion (FY2026 investment level: JPY 0.3 bn)

- Strengthen sales and support through investment in overseas subsidiaries
- Product adaptation to local customer requirements and compliance with local regulations

#### M&A and Alliance (to be evaluated case by case, including financing)

- Expand customer value through collaboration and integration with third party products and services
- Expand into adjacent technologies (e.g., drone ports)

#### Strengthening internal foundation (FY2026 investment level: JPY 0.2 bn)

- Hiring and developing talent to enhance execution capability for growth investments

1: The total amount of FY26 development expenses to be incurred under the SBIR program and the NEDO K Program. The accounting treatment for the NEDO K Program will be discussed with our audit firm.

# FY2026 Full Year Consolidated Forecast and YoY Comparison



## Expand mainly in defense and North America; revenue expected to increase and profit expected to improve

“▲” = minus (negative)

[mn JPY]	FY26/12 Forecast	FY25/12 Actual	YoY Change	(Reference) FY26/12 1H Forecast <sup>1</sup>	Summary
Revenue	4,000	2,598	+ 1,401	1,600	Expand mainly in defense and North America; revenue expected to increase materially from JPY 2.59 bn to JPY 4.0 bn
Gross Profit	850	501	+ 348	420	In addition to revenue growth, contribution margin improvement is expected to drive JPY 0.34 bn increase in gross profit. Gross margin expected to improve from 19% to 21%
Gross Profit Ratio	21%	19%	+ 2%	26%	
SG&A (excl. national projects)	1,610	1,470	+ 139	820	Maintain operations at a level broadly in line with FY2025 while incorporating investments for future growth
Operating Profit (excl. national projects)	▲760	▲969	+ 209	▲400	Loss expected to narrow from JPY ▲0.96 bn to JPY ▲0.76 bn, mainly driven by higher gross profit
National project costs	600	870	▲270	600	Execute in line with the development plan; expected to decrease from JPY 0.87 bn
Operating Profit	▲1,360	▲1,840	+ 480	▲1,000	Improvement expected from FY2025 level of JPY ▲1.84 bn
Ordinary Profit	▲650	▲1,075	+ 425	-	Improvement expected from FY2025 level of JPY ▲1.07 bn due to narrower operating loss and expected subsidy income
Net Profit	▲700	▲1,363	+ 663	-	Net loss expected to improve by JPY 0.66 bn from the prior year

1: As the timing of subsidy income to be recorded as non operating income is uncertain, ordinary income and below are not disclosed for the first half forecast

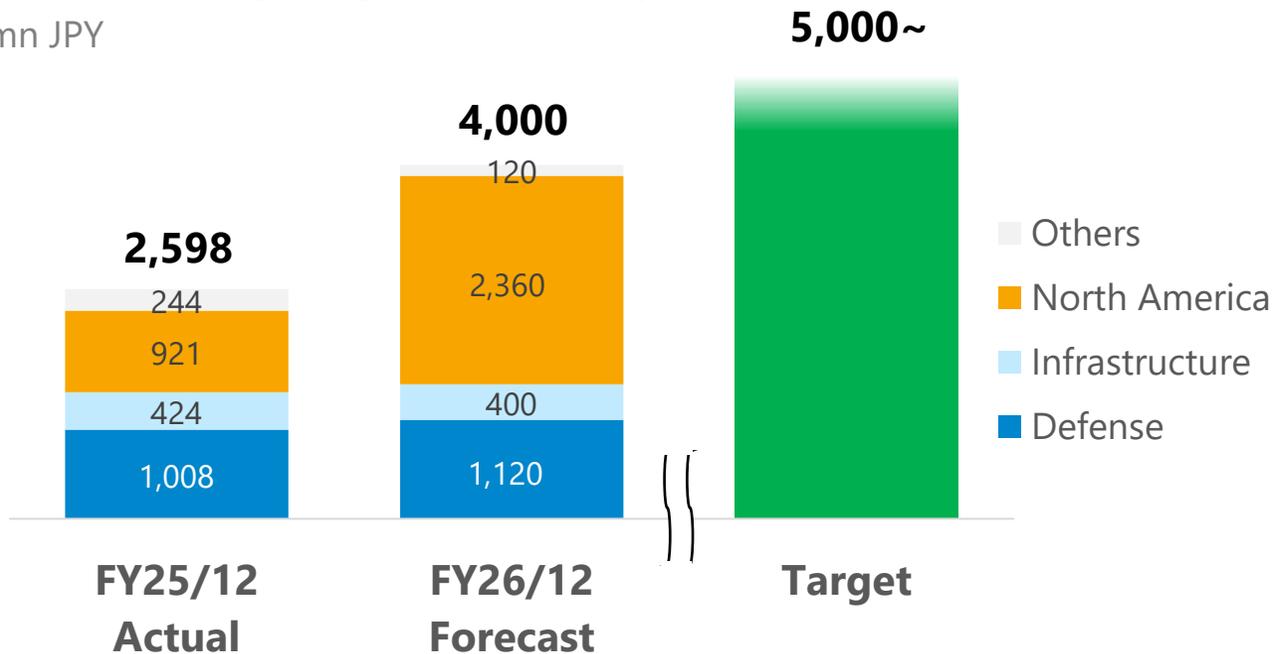
# Revenue Forecast and Order Backlog

**FY2026 revenue forecast: JPY 4.0 bn; order backlog at year end: JPY 1.11 bn**

## Revenue Forecast

**FY2026 to grow further, driven mainly by defense and North America. Targeting JPY 5.0 bn by FY2028**

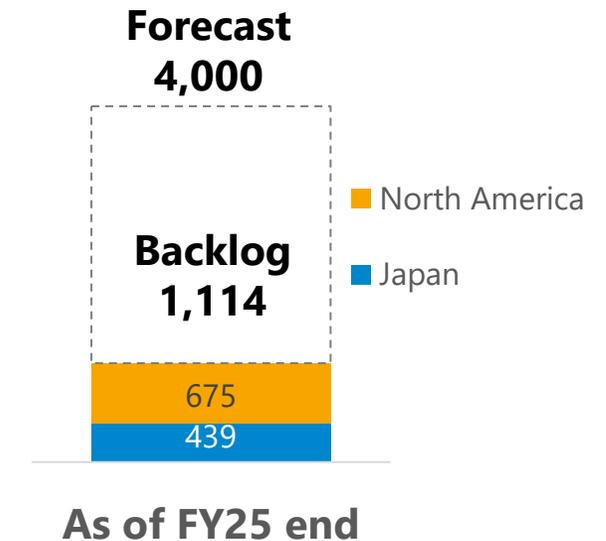
mn JPY



## FY2026 Order Backlog<sup>1</sup>

**JPY 1.1 bn is already in backlog**

mn JPY



1: The backlog includes orders received as of the end of FY25

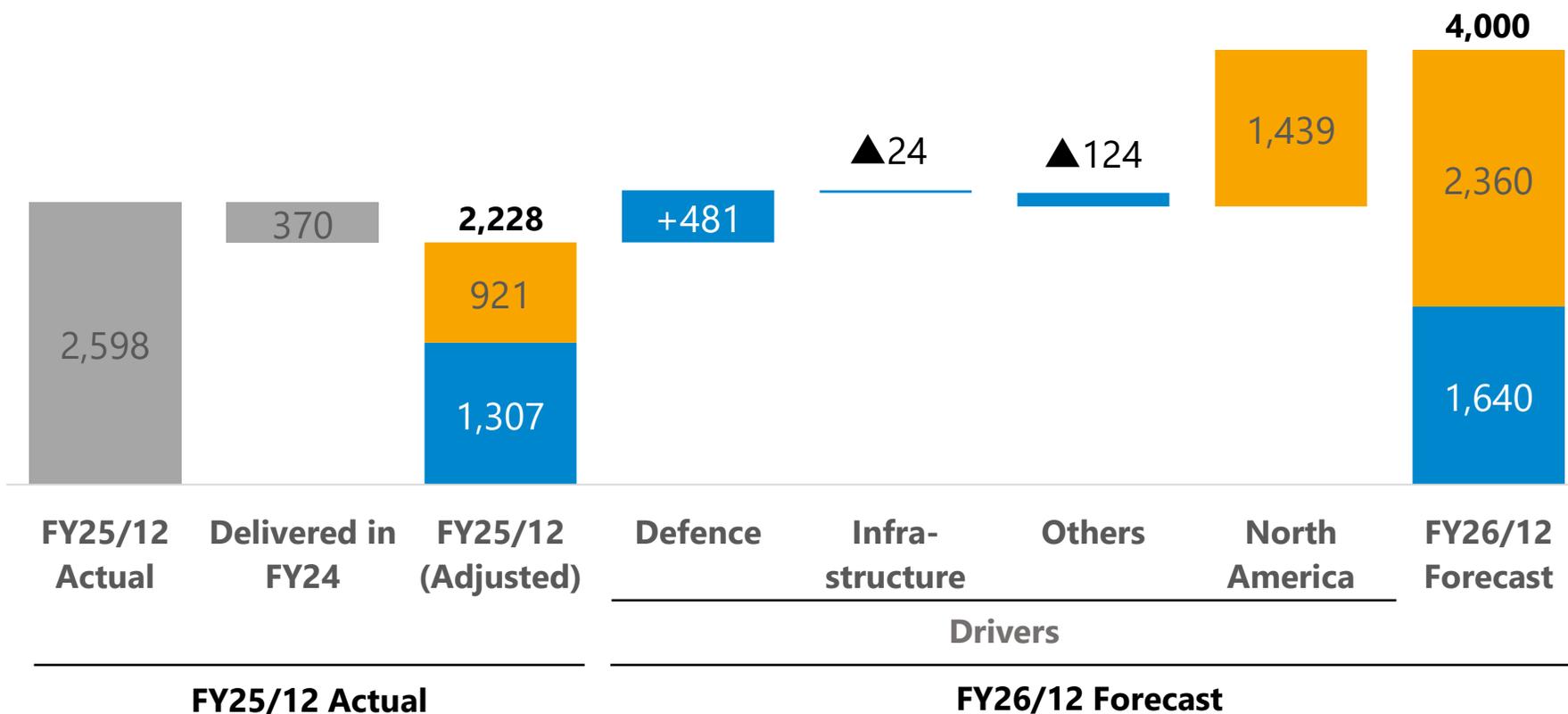
# Revenue Bridge: FY2025 to FY2026



## FY2026 revenue is expected to increase driven by delivery progress on backlog, expansion in key domestic segments, and growth in North America sales

### Breakdown of revenue change

mn JPY



#### Defence

- Excluding FY2024 deliveries, revenue is expected to increase by JPY 481 mn, with continued deliveries of compact aerial imaging drones

#### Infrastructure

- Incorporated ongoing projects with existing customers; expected to be broadly flat

#### Others

- Reaction to FY2025 revenue recognition and national project related items

#### North America

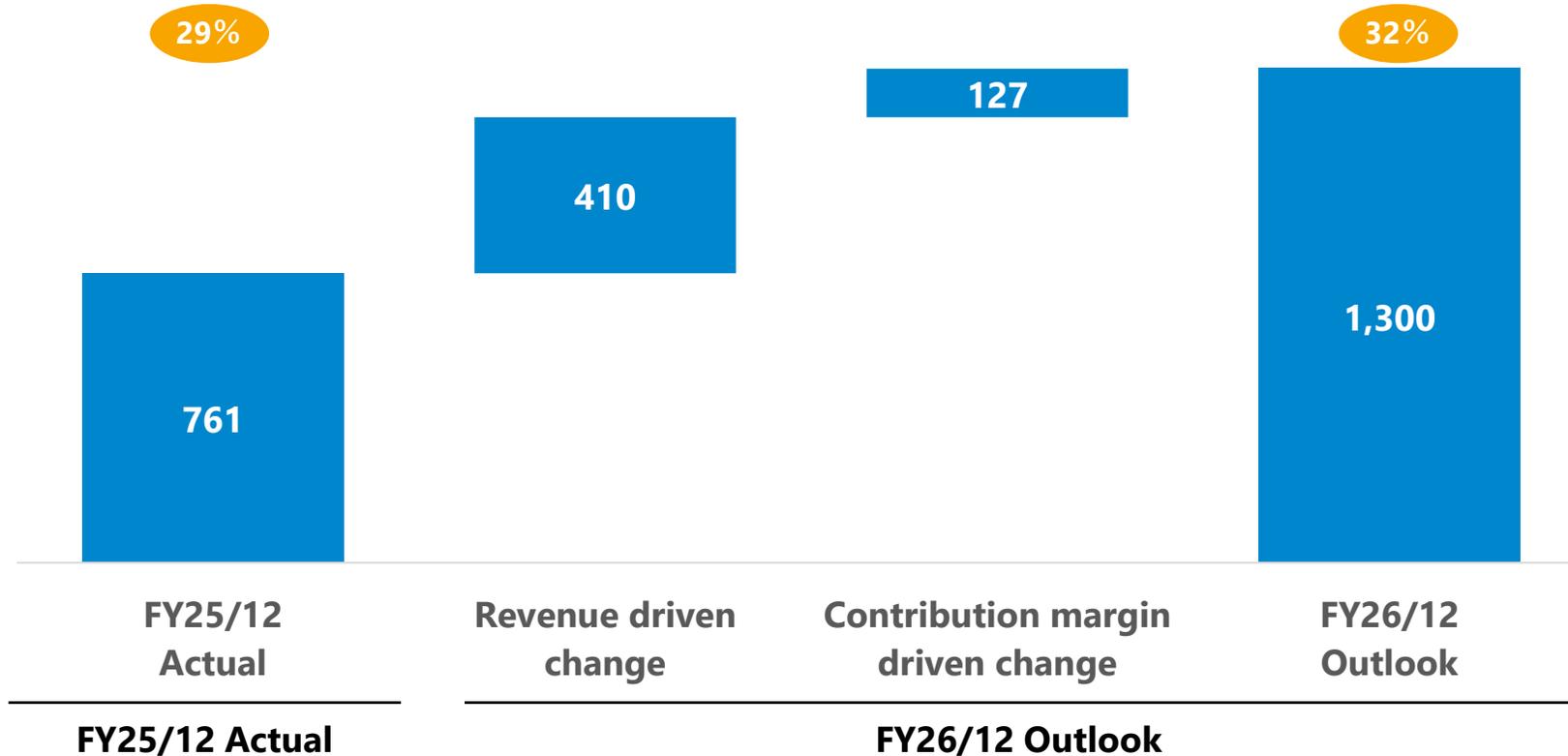
- Expect sales of over 1,000 SOTEN units (including 600 units already in backlog, including Canada)
- Continue expanding sales of accessories such as smart controllers and cameras, in addition to the SOTEN airframe

# Contribution Profit Trend

## Contribution profit is expected to increase driven by revenue growth and improved contribution margin

Breakdown of contribution profit change  
mn JPY

XX Contribution margin



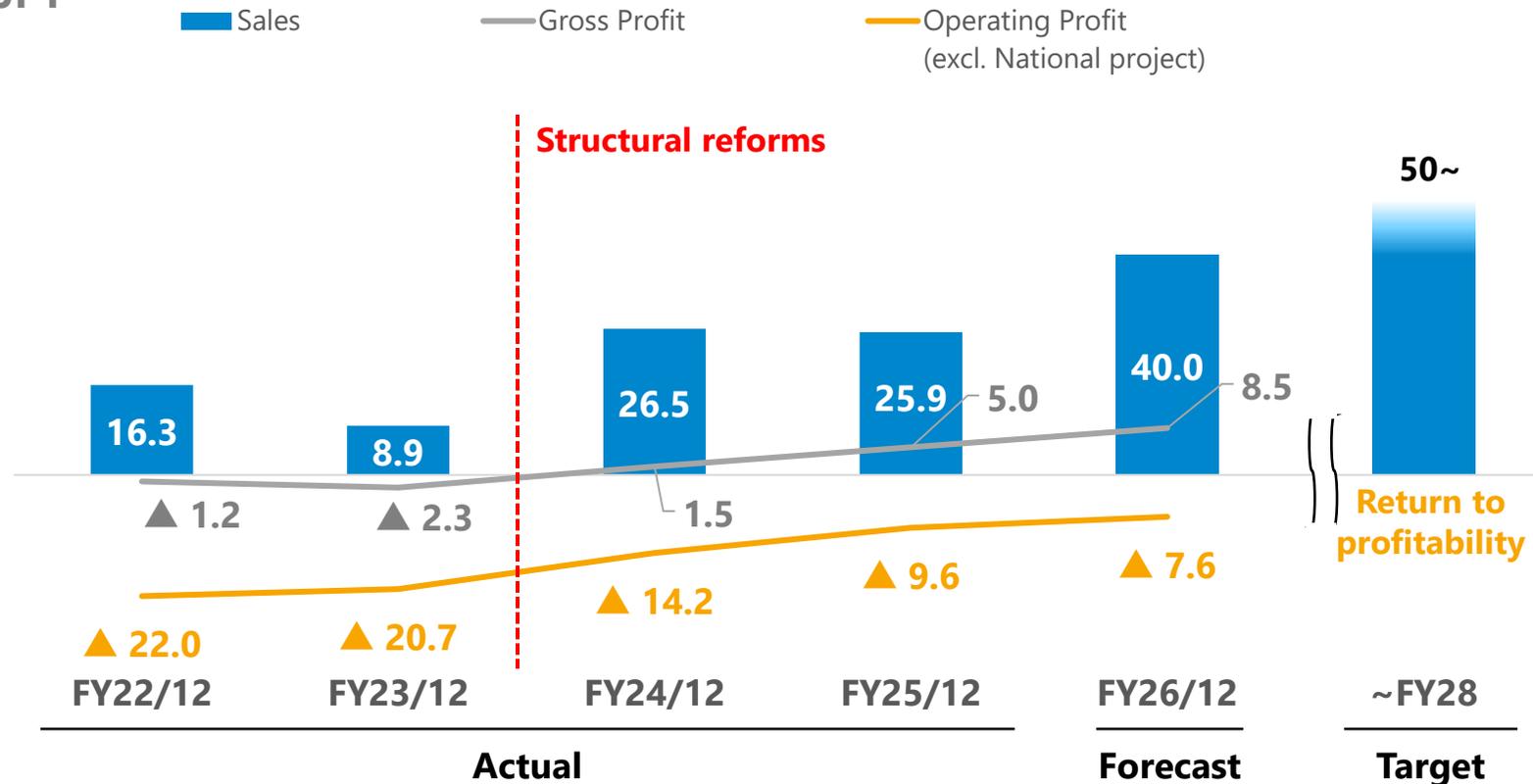
- Contribution profit expected to increase by JPY 0.53 bn versus FY2025
- JPY 410 mn increase driven by higher revenue
- Expect company wide contribution margin improvement (JPY 127 mn impact) driven by higher profitability on recurring Ministry of Defense projects

# Mid to long term growth outlook

## Achieve profitability within the next three years through both revenue growth and margin improvement

### Revenue and Profit Trend<sup>1</sup>

100 MM JPY



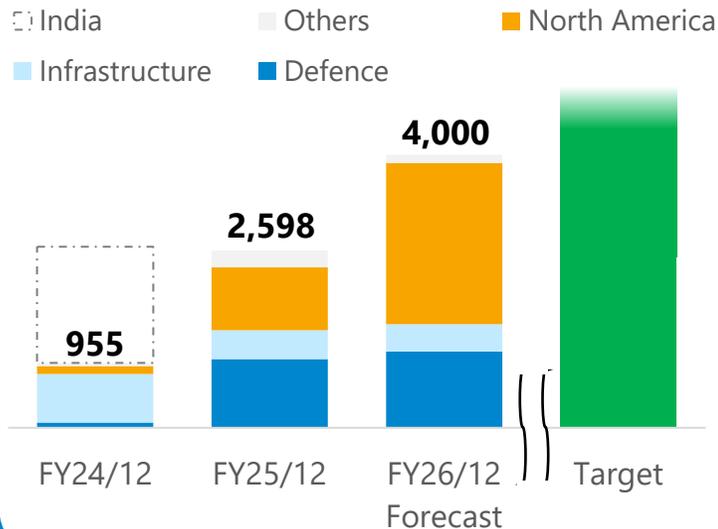
1: Operating profit for FY24/12 and FY25/12 exclude national project expenses of 860 mn JPY and 1.4 bn JPY, respectively. Including national project expenses, FY24/12 and FY25/12 are 2.29 bn JPY loss and 2.37 bn JPY loss, respectively

# Key Metrics Toward Profitability

**Aim to achieve operating profitability by growing revenue, improving gross profit, and maintaining a disciplined cost structure**

## Revenue

mn JPY % CAGR on a company wide basis. Japan to grow steadily mainly in defense; North America assumed to grow at a higher rate

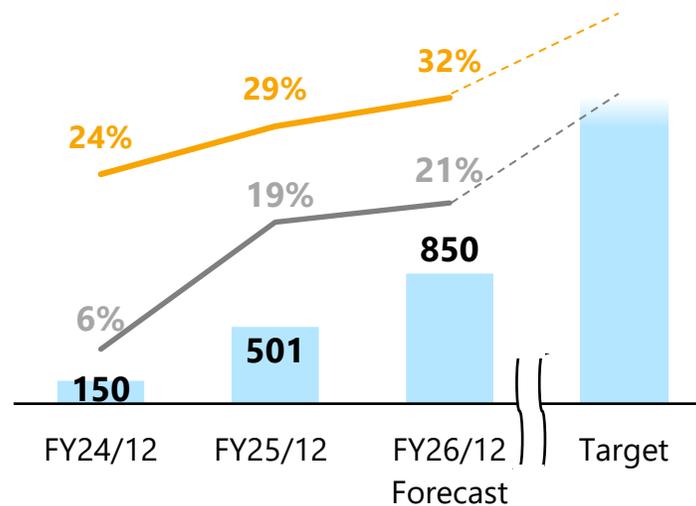


## Gross Profit

mn JPY

Target gross margin of 40%+ in the mid to long term through contribution margin improvement

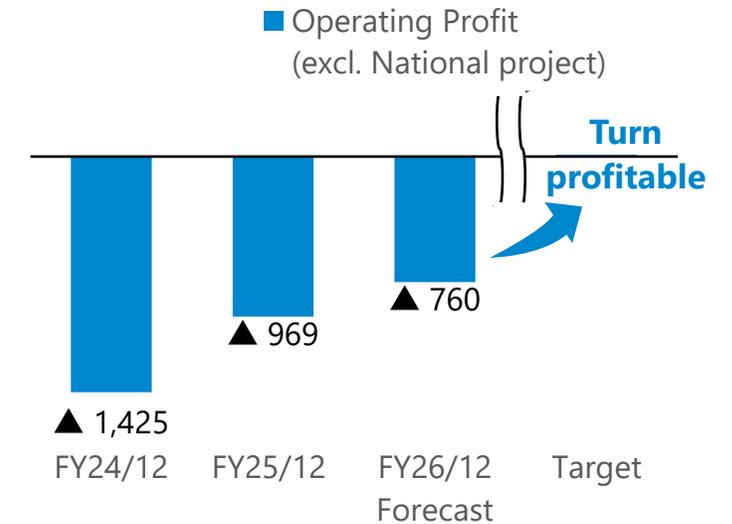
— Gross Margin — Contribution Margin



## Operating Profit

mn JPY

Grow operating income excluding national projects; expect operating profitability at revenue of JPY 5.0 bn+





- 1. Business model and core competency**
- 2. Market overview**
- 3. Business plan**
- 4. Business highlights and current progress**
- 5. Risk information**

# Key risks and management for them



Item	Key Risks	Risk Management	Possibility	Impact
Drone Safety	<ul style="list-style-type: none"> <li>In the event of a serious drone crash, not only at ACSL(the Company) but also at other companies, public trust in the safety of drones may be eroded, leading to a decline in demand from customers and a slowdown in market growth due to stricter regulations, which may affect the Company's business and earnings. In this case, our business and business performance may be affected.</li> <li>In the unlikely event that a drone manufactured by our company crashes and causes damage to people, property, etc., there is a possibility that our business and business performance will be affected due to significant product liability compensation, large payments and expenses due to a recall, and loss of public trust.</li> </ul>	<ul style="list-style-type: none"> <li>We are striving to realize drones that can coexist safely with people without causing accidents. ACSL became the first company in Japan to obtain a Type 1 Certificate for Unmanned Aerial Vehicles, which was initiated in December 2023. The Type Certification System is a system that inspects the strength, structure, and performance of unmanned aircraft to ensure that the design, manufacturing process, and status of the aircraft conform to safety standards..</li> <li>In preparation for any eventuality, we are working with insurance companies to develop dedicated insurance for drone and operations to cover liability and expenses incurred in the event of a serious accident.</li> </ul>	Middle	High
Drone Safety	<ul style="list-style-type: none"> <li>In the event that security is compromised by malicious hackers, etc., the drone may become uncontrollable, causing damage to people and property, or data leaks may cause damage to users, etc., which may have an impact on our business and business performance due to large payments and expenses for serious product liability compensation and recalls, and loss of public trust.</li> </ul>	<ul style="list-style-type: none"> <li>Our company places a high priority on safety in the selection of components related to data security, and we are working on the advancement of security technology on the drone side, such as communication encryption to prevent hijacking. In addition, we have selected solution partners and clients and are able to identify all of our direct transactions with our customers.</li> </ul>	Low	High
Laws and regulations surrounding the drone business	<ul style="list-style-type: none"> <li>Under the Civil Aeronautics Act, the regulatory framework for unmanned aircraft is subject to continuous review from the perspective of ensuring safety. As a result, changes to flight rules, operational requirements, and other related provisions may constrain customers' operations and the business activities of our group.</li> <li>Under the Radio Act, if additional measures become necessary in the future due to changes in the radio spectrum usage environment, regulatory revisions, or other factors, development and operational costs may increase and the timing of product/service offerings may be delayed.</li> <li>Under the Product Liability Act, as our group manufactures products such as drones, if defects in our products cause injury, bodily harm, or property damage, there is a possibility that claims for damages may be recognized.</li> </ul>	<ul style="list-style-type: none"> <li>With respect to the Civil Aeronautics Act and the Radio Act, various permits, approvals, and other authorizations may be required pursuant to these laws and other relevant regulations, and we undertake appropriate procedures as necessary.</li> <li>To mitigate risks, we have engaged external technical writers to review our instruction manuals and have worked with insurance companies to develop dedicated insurance coverage. In addition to the above-mentioned Type Certification (Category I), we have obtained ISO 9001 certification for our quality management system and airframe certification by the Japan Unmanned Aircraft Industry Association (JUAV).</li> </ul>	Low	High
Laws and regulations surrounding the drone business	<ul style="list-style-type: none"> <li>With respect to the Foreign Exchange and Foreign Trade Law, some of the products and parts sold by the Company may be subject to regulations. In the future, it is assumed that unexpected regulations may be enacted, revised or abolished, or that planned deregulation may not proceed as planned. In such cases, if the Company is unable to flexibly respond to the relevant laws and regulations, the Company's activities may be restricted due to the revocation of permits and licenses, which may affect the Company's business and earnings.</li> </ul>	<ul style="list-style-type: none"> <li>When we export drones or provide related technologies to overseas markets, we comply with the Law and strive for appropriate export control.</li> <li>We have established a system to check compliance with laws and regulations not only internally, but also with outside experts such as legal counsel.</li> </ul>	Mid	High

※ Among the contents of "Business and Other Risks" in the Annual Securities Report, major risks that may affect the execution of the business plan and the realization of growth are extracted and described. For other risks, please refer to "Business and Other Risks" in the Annual Securities Report.

# Key risks and management for them



Item	Key Risks	Risk Management	Possibility	Impact
Intellectual Property Rights	<ul style="list-style-type: none"> <li>There is a possibility that intellectual property rights of which we are not aware have already been established, or that new intellectual property rights of third parties may be established, and it is extremely difficult to completely eliminate the risk of such infringement.</li> <li>In the event that the Company is involved in a legal dispute with a third party in the future, the Company will consult with lawyers and patent attorneys and consider specific measures to be taken depending on the details of the dispute. However, the Company may incur a large human or financial burden to deal with the dispute, and in some cases may be subject to claims for payment of damages, etc. or injunctions against the manufacture and sale of products, etc., which may affect the Company's business and business performance.</li> </ul>	<ul style="list-style-type: none"> <li>With regard to intellectual property rights such as patent rights related to our business, we have not received any indication of infringement of intellectual property rights from a third party, and we will continue to manage our intellectual property rights appropriately in order to prevent any infringement.</li> <li>We will continue to invest in patent development as we expand our business.</li> </ul>	Low	Middle
Procurement, pricing, and inventory of parts and materials	<ul style="list-style-type: none"> <li>If supply from suppliers is disrupted, or shortages arise due to a sudden increase in demand, our operations may be constrained, which could adversely affect our group's business and operating results. In addition, higher material and logistics costs driven by global inflation, foreign exchange fluctuations, or other factors may cause component supply delays or price increases, which could negatively impact our net sales and profitability.</li> <li>Changes in the international environment and heightened economic security requirements may result in tariffs, sanctions, tighter export and import controls, or stricter or delayed customs procedures. These developments could constrain procurement, delay delivery schedules, and increase costs for alternative sourcing, affecting our group's production, development, and supply. If our company or suppliers are subject to, or deemed to be subject to, such measures, transactions may be suspended or terms may be modified.</li> <li>Quality issues at suppliers, or tighter requirements for traceability, information management, and cybersecurity, including for defense-related applications, may limit eligible suppliers or lead to supply restrictions, which could affect production, delivery, and operating results.</li> <li>If demand deviates from initial assumptions, we may incur opportunity losses from insufficient inventory or additional costs such as inventory management expenses and impairment losses from excess inventory.</li> </ul>	<ul style="list-style-type: none"> <li>In the procurement process, we carefully conduct quality checks and other incoming inspections.</li> <li>Inventory will be maintained at an optimal level in line with product plans and sales scale with regular revision according to the demand forecast.</li> <li>We conduct regular audits of our major business partners to confirm the status of their production, development and other activities.</li> </ul>	Middle	Middle

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# Key risks and management for them



Item	Key Risks	Risk Management	Possibility	Impact
Product Quality	<ul style="list-style-type: none"> <li>If unforeseen malfunctions occur, quality issues become apparent, or quality improvements are delayed, additional costs may be incurred, including after-sales service expenses, warranty repair costs, and recall-related expenses, and our social credibility may be harmed. In such cases, our group's financial condition and operating results may be affected.</li> </ul>	<ul style="list-style-type: none"> <li>We have established quality assurance and production management rules and maintain product quality through manufacturing and quality control in accordance with these rules.</li> <li>We will further enhance quality by strengthening defect prevention and continuous improvement, improving design robustness, reinforcing development and pre shipment testing (including reliability testing), expanding emergency response functions, establishing operational rules for flight and drone management, and improving processes for handling customer complaints, malfunctions, and crashes.</li> </ul>	Low	High
Uncertainty about business performance	<ul style="list-style-type: none"> <li>Sales volume may fall short of expectations due to a mismatch with customer needs, changes in epidemics, the emergence of competitors, economic fluctuations, restrictions on economic activities due to the spread of new coronavirus infections, etc. In addition, budget approval and execution timing on the part of customer companies may also affect our performance trends.</li> <li>The Company was established in November 2013 and has been in business for only about eight years. Therefore, the operating results of the Company for the past fiscal years are not sufficient to make comparisons between periods, and the operating results for the past fiscal years alone may not be sufficient information to judge the future performance of the Company.</li> <li>In December 2025, our group announced its Medium-Term Management Policy, which is based on certain assumptions regarding the business environment, regulatory trends, customer demand, competitive landscape, procurement environment, development progress, and the feasibility of cost improvement initiatives. If these assumptions change or the implementation of initiatives is delayed and we are unable to achieve the targets set forth in the Medium-Term Management Policy, it may take longer to return to profitability, which could affect our group's business, financial condition and operating results, as well as corporate value.</li> <li>If we are unable to keep up with the rapid evolution of technology, or if we are unable to introduce new products or technologies that will win the support of our customers and the market, and if our R&amp;D activities are not fully effective, we may incur expenses related to investments that exceed our expectations. In such cases, the Company may not be able to achieve the plan it is aiming for, or it may take time to return to profitability in operating income, etc., which may affect the Company's financial position and operating results.</li> </ul>	<ul style="list-style-type: none"> <li>For continuous growth, we are engaged in research and development of hardware and software for drones as autonomous control robot systems. Based on the idea that it is necessary to continue research and development activities that are essential for the development of new products or technologies, we have been actively investing costs related to research and development expenses, and will continue to promote research and development activities in the future.</li> <li>Our policy is to build a system that can generate sustainable profits and cash flow through sales growth.</li> <li>Together with internal and external stakeholders, all parties involved will work as one to create customer value and enhance corporate value.</li> </ul>	Middle	Middle

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# Key risks and management for them



Item	Key Risks	Risk Management	Possibility	Impact
Risks related to fluctuations in business performance	<ul style="list-style-type: none"> <li>The Company uses the acceptance inspection standard for both demonstration experiments, platform aircraft sales, and application-specific aircraft sales. With regard to demonstration experiments, deliverables related mainly to large-scale projects tend to be highly individualized. As a general rule, sales are recorded when the customer accepts that the specifications required by the customer have been met. However, if the acceptance inspection is delayed beyond the original schedule due to the individual nature of the project, the recording of sales will be delayed, which may affect our group's business performance. In addition, revenues from national projects in which our group participates are recorded as sales or non-operating income based on the nature of the project, but if the individual nature of the project prevents our group from recording the revenues in the categories we expect, our group's business performance may be affected. However, the Group's business results may be affected in cases where the individual nature of a project prevents the Group from recording sales in the expected categories. In addition, if the acceptance inspection of a project scheduled near the end of the fiscal year is postponed to the next fiscal year due to unfavorable weather or other reasons on the part of the client, the Group's business results may be affected.</li> </ul>	<ul style="list-style-type: none"> <li>We are working to improve the transparency of our business performance by disclosing the order backlog as supplemental information for each quarter with respect to sales estimates.</li> <li>In order to improve the transparency of our full-year business results, we have changed our fiscal year end (the last day of the fiscal year) to December 31, starting from the 10th fiscal year, so our accounting period is from January 1 to December 31.</li> </ul>	High	Low
Securing working capital	<ul style="list-style-type: none"> <li>Since our main business flow involves the purchase of parts, development, manufacturing, sales, acceptance inspection, and collection of funds, working capital tends to increase in conjunction with business expansion, and cash flow from operating activities may be negative. In addition, the Company participates in various projects through industry-academia-government collaboration to develop cutting-edge technologies, and receives subsidies and grants from the government. Receipt of such subsidies, etc., will be credited after the amount is fixed after the audit by the competent authorities is completed, but funds for conducting R&amp;D activities will be required during the implementation period, and R&amp;D expenses will be incurred upfront.</li> </ul>	<ul style="list-style-type: none"> <li>We will strive to secure working capital by securing profits through improvement of our profit structure and efficiency of working capital, as well as borrowing from financial institutions when it becomes necessary to raise funds.</li> </ul>	Middle	Low

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# Key risks and management for them



Item	Key Risks	Risk Management	Possibility	Impact
Overseas Expansion	<ul style="list-style-type: none"> <li>Our group is expanding overseas, primarily in North America, through local subsidiaries and strategic partnerships. However, unexpected changes in the local social or political environment, laws and regulations, tax systems or rates, labor-related risks, and foreign exchange fluctuations may adversely affect our overseas operations.</li> <li>In addition, changes in the international environment and heightened economic security requirements may lead to the imposition of tariffs, sanctions, strengthened or revised import and export controls (including export administration), and stricter or delayed customs procedures. Such developments could restrict transactions, increase compliance and related costs, and delay deliveries, thereby affecting our group's business, financial condition, and operating results.</li> <li>Furthermore, if a joint venture partner materially changes its management policies from the original plan, or if there are changes in governance or operating structures, the joint venture's operations may be disrupted.</li> </ul>	<ul style="list-style-type: none"> <li>We intend to work closely with local partners so that we can respond promptly to changes in policies and regulations in each country or economic region.</li> <li>In promoting our business in each market, we coordinate with local legal counsel to establish an expert review and compliance framework.</li> </ul>	Middle	Middle
Investment Activities	<ul style="list-style-type: none"> <li>As part of our growth strategy, our group considers M&amp;A, business alliances, and strategic investments. If, due to changes in the business environment or underlying assumptions, the financial condition or operating performance of an investee deteriorates, our group's financial condition and operating results may be adversely affected.</li> <li>In addition, if assets recognized in connection with such investments fail to generate the expected cash flows, we may be required to record impairment losses, which could impact our operating results.</li> </ul>	<ul style="list-style-type: none"> <li>With respect to investments by our company, we make decisions after fully considering investment risks and will regularly monitor recoverability and the collectability of investment value.</li> </ul>	High	Low
Management system in a small-scale organization	<ul style="list-style-type: none"> <li>As of December 31, 2025, our company is operated with 61 employees on a consolidated basis. If we are unable to strengthen our workforce as planned, or if unforeseen circumstances arise involving key personnel who form the core of our business and this hinders the execution of operations, our group's business activities may be disrupted, which could affect our group's business and operating results.</li> <li>In light of past inappropriate incidents, we have formulated and implemented measures to prevent recurrence. However, if these measures are not sufficiently embedded in operations or similar incidents recur, our group's business, financial condition, and operating results may be adversely affected due to responses to investigations, additional costs, and loss of social credibility.</li> </ul>	<ul style="list-style-type: none"> <li>To support future business expansion and diversification, we intend to increase headcount and further enhance our internal management framework.</li> <li>In particular, for R&amp;D-related personnel who form the core of our workforce, we conduct proactive recruitment by targeting a broad talent pool both in Japan and overseas to secure individuals with leading-edge global expertise.</li> <li>Our group also positions the development and operation of governance and internal controls as a key priority and is working to strengthen them on an ongoing basis.</li> </ul>	Low	High

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# Key risks and management for them

Item	Key Risks	Risk Management	Possibility	Impact
Risks Related to Business Interruption	<ul style="list-style-type: none"> <li>The Group has formulated a business continuity plan (BCP) to prepare for the suspension of business activities due to unpredictable earthquakes, tsunamis, storms, and other natural disasters; accidents such as fires and power outages; epidemics; information system outages caused by computer viruses; and terrorist acts and other illegal activities. However, if business activities are suspended for an extended period of time or significant costs are incurred to repair facilities, there may be an adverse impact on business, business performance, and financial conditions.</li> </ul>	<ul style="list-style-type: none"> <li>In addition to formulating a BCP, the Company is preparing for the suspension of business activities by utilizing remote work and cloud services.</li> </ul>	Middle	Low

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The next disclosure of this document will be made around the time of the announcement of 2026 full year financial results

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