



October 20, 2023
ACSL Ltd.

Notice Regarding the Adoption of the Project "Performance Improvement and Social Implementation of Small Aerial Photography Drones to Meet Government Needs" under the "Small and Medium Enterprise Innovation Promotion Project"

ACSL Ltd. (ACSL) hereby announces that ACSL have been selected by the Ministry of Economy, Trade and Industry (METI) as a business operator for the "Small and Medium Enterprise Innovation Promotion Project" under the second supplementary budget for fiscal year 2022 and will proceed with the "Performance Improvement and Social Implementation of Small Aerial Photography Drones to Meet Government Needs" project (the Project) as described below, and ACSL was notified of adoption on October 6, 2023 and published on October 20 of the same month.

1. Outline of the Project

The purpose of the Small and Medium Enterprise Innovation Creation Promotion Project is to promote the social implementation of advanced technologies possessed by small and medium-sized enterprises (start-ups) in Japan by conducting a large-scale technology demonstration (Phase 3) for start-ups to lead to social implementation under the guidance of the government to promote research and development by start-ups that conduct innovative research and development, smoothly implement the results of such research and development in society, thereby promoting the creation of innovation in Japan. Through the Project, ACSL aims to improve the flight performance of Japan's small aerial photography drones to the top class in the market, and to develop drone airframes and peripheral systems that ensure safety and security, including economic security and cyber security. In addition, ACSL will work closely with end-users to meet the needs of government agencies, etc., while pursuing ease-of-use that can be introduced into actual operations such as infrastructure inspections and disaster response, aiming to accelerate the implementation of drones in society.

The Project is scheduled to run from November 2023 to December 2025, and the grant is expected to be received in the fiscal year ending December 2026. The maximum amount of subsidy to be received in the fiscal year ending December 31, 2026, is expected to be 2,599,888 thousand yen. The final subsidy amount and the timing of its appropriation will be determined by the final notification from METI and the Low Carbon Investment Promotion Organization, a general incorporated association with a fund establishment, which will be received after January 2026.

2. Background and Objectives of the Project

ACSL announced its medium-term management policy, "ACSL Accelerate 2022," on January 28, 2022 and is promoting its business with the aim of evolving into "a sustainable global manufacturer" with regulation of Level 4 flights (unsighted flights over manned zones) and the development of a drone licensing system in accordance with the revision of the Civil Aeronautics Law.

As the use of small aerial photography drones continued to advance in infrastructure inspections and disaster response, drones made in China and other countries account for a large share of the market. On the other hand, drone technology is increasingly recognized not only in Japan but also in countries around the world as an important technology from the perspective of economic security and cyber security, and there is a growing awareness that drone used in situations where confidentiality is required should be done with guaranteed economic security and cyber security.

ACSL has been developing application-specific drones that combine the hardware and software technologies of industrial drones with the keywords "enterprise-oriented" and "application-specific," and that meet the needs of specific applications and for small-scale aerial photography. ACSL are developing the SOTEN, a domestically produced small aerial photography drones with guaranteed security. In the Project, ACSL aim to develop a new high-performance, safe and secure small aerial photography drone that takes into account economic security and cyber security, by leveraging our expertise in the development of small aerial photography drones and the feedback ACSL have received from the market. The newly deployed small aerial photography drone will meet the needs of the domestic market, including the government, and will be a drone that can meet the demand for secure small aerial photography drones in Japan and overseas, and will be deployed in the global market, where demand for economic security and cyber security assurance is increasing.

3. Outlook

ACSL has decided to postpone the disclosure of earnings forecasts for the fiscal year ending December 31, 2023 although net sales in Japan are expected to be at least at the same level as the previous fiscal year, the company has determined that it is difficult at this point in time to appropriately and reasonably calculate figures for net sales overseas.

As for the impact of the Project on our business performance is currently under scrutiny, including other factors, and will be promptly disclosed as soon as it becomes possible to disclose the business forecast.

The impact on business performance for the fiscal year ending December 31, 2024 and beyond is currently being closely examined and will be incorporated into the business forecast to be announced in the future. In addition, as mentioned above, ACSL plan to receive the



subsidy for the Project in the fiscal year ending December 31, 2026.

Attention

This document is an unofficial translation of the timely disclosure on October 20, 2023 by ACSL and this is for reference purpose only. In case of a discrepancy between the English and Japanese versions, the Japanese original shall prevail.