

A close-up, low-angle photograph of a microscope's objective lenses and eyepiece, rendered in a dark, moody blue color. The image is partially obscured by a white diagonal shape that serves as a background for the text.

# **Supplementary Material for the Issuance of New Shares through an International Offering**

**ACSL Ltd (TYO: 6232)  
Nov 13, 2023**

# Overview of the international offering



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**Class and Number of Shares to be Offered**

**3,000,000 shares of common stock of ACSL Ltd**

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**Markets**

**Overseas markets, mainly in Europe and Asia (excluding the United States and Canada)**

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**Issuance Resolution Date**

**November 13, 2023**

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**Pricing Date**

**November 27~28, 2023**

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**Payment Date**

**November 29, 2023**

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**Delivery Date**

**November 30, 2023**

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## 1 Business investments for R&D expenses and mass production of application-specific drones and platform drones

### • R&D expenses

- **Application-specific drones**
  - ✓ Mass production and social implementation of four application-specific drones: Aerial photography (SOTEN), Pipe inspections, Smokestack inspections and Delivery
  - ✓ As for Aerial photography, developing new high-performance, safe and reliable drones taking into consideration economic security and data security
- **Platform drones**
  - ✓ Development and evaluation of platform drones for the secure support, Level 4 compliance and search for new applications

### • Business investments for mass production

In the event of decision to mass-produce the application-specific drones or a new application-specific drone,

- **Securing of human resources and mass-production design for establishment of a mass production system**
- **Manufacturing process design**
- **Establishment of procurement system for mass production**
- **Procurement of parts and materials**

## 2 Working capital including R&D expenses for overseas business expansion

### • Expansion to the U.S. market

Currently applying to the Ministry of Economy, Trade and Industry for permission to sell and export SOTEN to the U.S. market

- **Customization of drones to sell locally**
  - ✓ Dealing with requests for functions from local potential customers
  - ✓ Dealing with local radio wave systems
  - ✓ Connecting to local management systems
  - ✓ Developing functions necessary from an export control standpoint
- **Establishment of local sales structure**
  - ✓ Selection of local partners
  - ✓ Establishment of sales structure including inventory management
  - ✓ Development of customer support system

### • Expansion to India market

In addition to the 2 points above

- **Working capital**, including R&D expenses and procurement of parts and materials for implementation of projects related to drones and robotics with local partner companies

# CBs and Stock Acquisition Rights Issued in February 2023

## Overview of the issuance

- On February 6, 2023, the following was allotted to CVI Investments, Inc. (“CVI”) to raise JPY1.63 billion
  - JPY0.34 billion worth of shares of common stock of ACSL Ltd (220,500 shares)
  - JPY1.39 billion of the Series 1 Unsecured Convertible Bonds (the “CBs”) (700,000~1,680,169 shares underlying)
  - The Series 1 Stock Acquisition Rights (the “Stock Acquisition Rights”), 920,500 shares underlying

## Main provisions in the purchase agreement with CVI

- With respect to the CBs, (i) a conversion clause by CVI if certain conditions are met, (ii) a compulsory redemption clause if certain conditions arise, and (iii) a cash settlement clause
- Prohibition of dividends in certain cases while the CBs remain outstanding (i.e., (1) prohibition of share repurchases other than market purchases, etc. as defined in Article 165 of the Companies Act, (2) prohibition of participation in share repurchases by officers, and (3) prohibition of such cash dividends that would result in the adjusted conversion price calculated in accordance with the calculation formula set forth in the Terms and Conditions of the CBs being equal to or less than the floor conversion price

## Current status of the CBs and the Stock Acquisition Rights

- CBs: **unconverted**, Stock Acquisition Rights: **unexercised**
- CBs and Stock Acquisition Rights may be converted and exercised during the period up to, and including, February 8, 2027
- The timing and quantity of conversion / exercise is subject to the discretion of CVI Investments, Inc.

## Effect of the issuance of new shares through the international offering on the CBs and the Stock Acquisition Rights

- **The conversion price of the CBs and the exercise price of the Stock Acquisition Rights may be adjusted as a result of the issuance of new shares through the international offering** (Condition 12 (4) (2) (1) of the Terms and Conditions of the CBs and Condition 11 (1) of the Terms and Conditions of the Stock Acquisition Rights)
  - **Currently, the conversion price of the CBs and the exercise price of the Stock Acquisition Rights is JPY1,148 and JPY1,985, respectively**
  - **In the event of such adjustment, the conversion price and the exercise price will be adjusted to the amount to be paid in per share for the international offering, respectively, from November 29, 2023, the payment date for the international offering, in accordance with the respective Terms and Conditions**
  - **For the CBs, if the conversion price after adjustment is less than JPY827, the conversion price after adjustment will be JPY827**

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