

August 6, 2025
ACSL Ltd.

Notice of Extraordinary Loss and Amendment to Consolidated Earnings Forecast of Financial Results for Fiscal Year Ending December 31, 2025

ACSL Ltd. (ACSL) announces that it will record the following extraordinary loss (fraud-related loss) for the second quarter (April 1, 2025 to June 30, 2025) and the third quarter (July 1, 2025 to September 30, 2025) of the fiscal year ending December 31, 2025. In addition, ACSL has revised consolidated earnings forecast of financial results for the fiscal year ending December 31, 2025 (January 1, 2025 to December 31, 2025), which was announced on March 19, 2025 based on the recording of the extraordinary loss and recent trends in its business performance as follows.

1. Extraordinary loss (fraud-related loss)

(1) Investigation-related expenses by the Special Investigation Committee

As disclosed in our announcement dated July 1, 2025, titled “Notice Regarding Establishment of a Special Investigation Committee” and July 14, 2025, titled “Notification Regarding Receipt of Investigation Report from the Special Investigation Committee,” ACSL had established a Special Investigation Committee to conduct an objective and independent investigation into the misconduct by our former Representative Director. The misconduct involved fictitious and inappropriate transactions with certain business partners (the “Incident” or the “Incident by former Representative Director”).

As a result, we will record investigation-related expenses and associated costs totaling 106,688 thousand yen as an extraordinary loss.

(2) Provision for allowance for doubtful accounts

As disclosed in our announcement dated July 14, 2025, titled “Notification Regarding Receipt of Investigation Report from the Special Investigation Committee,” the direct financial impact on our company from the Incident identified through the Special Investigation Committee’s investigation amounts to 151.8 million yen. After carefully assessing the recoverability of this amount, we have decided to record an extraordinary loss of 141,800 thousand yen as a part of the amount is considered unlikely to be recovered.

2. Amendment to Consolidated Earnings Forecast

(1) Amendment to Consolidated Earnings Forecast of Financial Results for the Fiscal Year Ending December 31, 2025 (January 1, 2025 to December 31, 2025)

	Sales	Operating Profit	Ordinary Profit	Profit Attribute to Owners of Parent	Profit per Share
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Yen
Previously Announced Forecast (A)	5,110	△1,390	180	30	2.01
Amended Forecast (B)	3,150	△2,370	△1,400	△1,800	△115.42
Amount of Change (B - A)	△1,960	△980	△1,580	△1,830	—
Rate of Change (%)	△38.4	—	—	—	—
(Reference) Results for Year Ending December 31, 2024	2,655	△2,293	△2,188	△2,371	△159.94

(2) Reasons for Amendment to Consolidated Earnings Forecast

In the drone market, trends in economic security are creating new market opportunities in Japan and overseas. In the U.S. in particular, sales are expected to expand in response to the trend toward Non-Chinese products. On the other hand, although we expect demand for our newly launched business targeting local governments this fiscal year, the progress of individual projects is taking longer than initially anticipated. Additionally, we have recorded an extraordinary loss related to the Incident by former Representative Director. Considering the recent business environment and the progress in each area, we have decided to revise our earnings forecast.

Our domestic business (excluding local government business) and U.S. operations are expected to achieve sales and profits as planned. In Japan, as announced on March 17, 2025, in the “Notice Concerning Large Project Orders,” we have been making steady progress, including receiving a bid from the Defense Equipment Agency. In the U.S., we continue to perform well, including securing a large-scale order from Almo Corporation, as announced on October 30, 2024, in the “Notice Concerning Distribution Agreement with Almo Corporation in the U.S. market and Large Project Orders.”

As for the local government business, this is a new area of focus that we began working

on in earnest this fiscal year. Due to the nature of these projects, coordination and administrative procedures tend to require a certain amount of time. Furthermore, following the Incident by former Representative Director, we are implementing governance enhancement measures as announced on July 22, 2025, in the “Notice Regarding Formulation of Recurrence Prevention Measures,” but the local governments, as the ordering parties, are also making cautious decisions based on the contents of the investigation report. Given these circumstances, while we continue discussions with relevant local government officials, the outlook for project progress and revenue recognition within the current fiscal year remains uncertain. Therefore, excluding projects that have already been ordered and are expected to be executed within the fiscal year, we have decided to defer revenue recognition for the remainder. As demand is expected to continue, we will remain proactive in pursuing this business area.

As for operating profit, we expect an operating loss of 2,370 million yen, primarily due to the deferral of revenue recognition from the local government business. Excluding 1,400 million yen in R&D expenses for the "Small Business Innovation Research program" (SBIR project) under the second supplementary budget of the Ministry of Economy, Trade and Industry (METI) for fiscal year 2022, the projected operating loss amounts to 970 million yen. To improve overall business efficiency, we are promoting “select and focus” and “optimize resource.” As a result of efforts to control cost increases associated with revenue growth, selling, general and administrative expenses—excluding those related to the SBIR project—are expected to remain at the same level as the previous fiscal year.

As for ordinary profit, we plan to record 1,200 million yen in grant income related to the SBIR project. However, as a portion of the subsidy income originally scheduled for receipt this fiscal year is now expected to be deferred to the next fiscal year, non-operating income is projected to fall below initial expectations. Taking these factors into account, we expect an ordinary loss of 1,400 million yen. It should be noted that we still expect to receive the full amount of grant income from the SBIR project as originally planned.

As for profit attributable to owners of parent, we expect a net loss of 1,800 million yen due to the recording of expenses related to the Special Investigation Committee and the provision for allowance for doubtful accounts, both associated with the Incident by former Representative Director.

(Attention) The amendment to consolidated earnings forecasts is based on information available as of the date of publication of this document and is not intended as a promise by ACSL to achieve them. Actual results may differ materially due to a variety of factors in the future.



Attention

This document is an unofficial translation of the timely disclosure on August 6, 2025 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.