

August 14, 2020

Autonomous Control Systems Laboratory Ltd.

Notice of Reversal of Deferred Tax Assets and Financial Forecast Revision

Autonomous Control Systems Laboratory Ltd. (ACSL) has decided to reverse its deferred tax assets in the first quarter of the fiscal year ending March 31, 2021, as detailed below. Furthermore, while ACSL has not disclosed a specific forecast for the fiscal year ending March 31, 2021 (April 1, 2020 to March 31, 2021) in its Financial Results for the Year Ended March 31, 2020, released on May 12, 2020, ACSL revised its forecast as follows.

I. Reversal of deferred tax assets

There are concerns that the spread of COVID-19 infection may affect ACSL's future business activities. Given the high degree of uncertainty in this situation and the difficulty in predicting when the situation will be resolved, ACSL has assumed that the impact will continue for a certain period of time during the current fiscal year. There has been no material change in this assumption from the previous fiscal year.

ACSL has made what it believes to be reasonable estimates and judgments using current conditions and available information, and in assessing the recoverability of its deferred tax assets, it has used the above assumptions and the estimated future taxable income calculated in accordance with its medium-term management direction "ACSL Accelerate 2020" announced today to determine the recoverability of its deferred tax assets. As a result, although there is a high degree of uncertainty in the earnings forecast for the current fiscal year, if the earnings forecast is based on the lower limit of earnings, no taxable income will be generated in the fiscal year ending March 31, 2021, and as a result, a deferred tax asset of 36,921 thousand yen was reversed in the current first quarter.

Results based on actual values in the future may differ from these estimates and assumptions.

II. Forecast for the year ending March 31, 2021 (April 1, 2020 to March 31, 2021)

	Sales	Operating profit	Ordinal profit	Net profit	Net profit per share
Previous forecast(A)	Million Yen Undecided	Million Yen Undecided	Million Yen Undecided	Million Yen Undecided	Yen Undecided
Revised forecast (B)	1,400 ~1,700	△250 ~0	△200 ~50	△230 ~50	△21.41 ~4.65
Difference (B - A)	-	-	-	-	-
Difference (%)	-	-	-	-	-
(Reference) Previous year results (Fiscal year ended March 2020)	1,278	15	231	239	23.00

III. Reasons for the revision

With respect to the earnings forecast for the fiscal year ending March 31, 2021 (April 1, 2020 to March 31, 2021), ACSL has not disclosed specific forecasts, but rather assumed that sales would be higher than the previous year and that operating profit, ordinary profit and net profit would keep profitable, as announced on May 14, 2020. Due to the nature of drone business, which is very new compared to existing businesses, and the expansion of COVID-19, it is difficult to make a reasonable forecast of customer demand trends.

The upper range is based on the assumption that the spread of COVID-19 infection in Japan is contained in around September 2020 and corporate activities begin to recover immediately. The lower end of the range is based on the assumption that corporate activities such new investment by customers will remain stagnant until December 2020 as a result of the spread of COVID-19.

The forecasts in this document are based on the information available at the time of publication and actual results may differ from these forecasts due to various factors in the future. In the event that revisions are required, they will be announced immediately.

Attention

This document is an unofficial translation of the timely disclosure on August 14, 2020 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