



eSOL Co.,Ltd.

Reports 2023 First Quarter Results

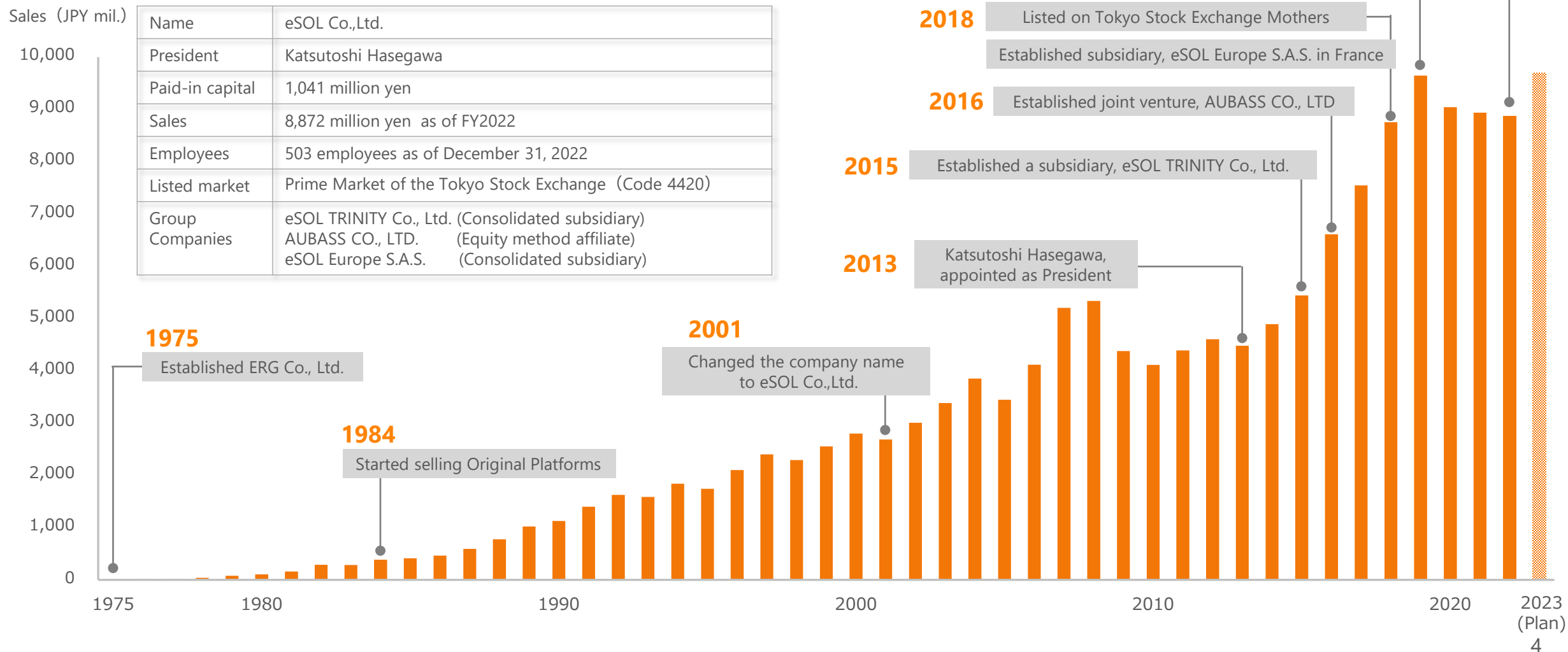
May 12, 2023

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1. Corporate profile

History



Business



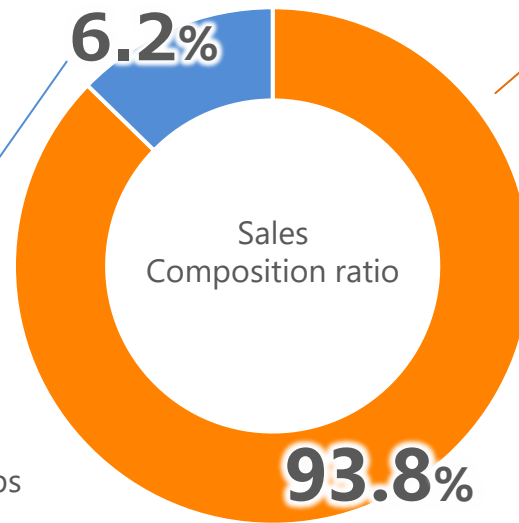
Sensing Solution Business

Logistics related business

- Automotive printer for issuing dedicated slips
- Ordinary temperature handy terminal
- Development and sale of environmental resistant handy terminal and sales-support software

Sensor network business

- Proposal of sensor network system



FY2022

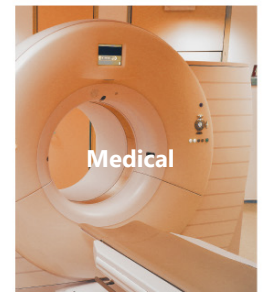
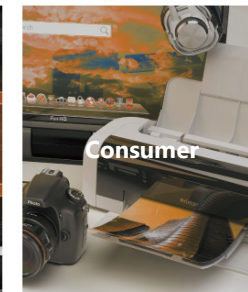
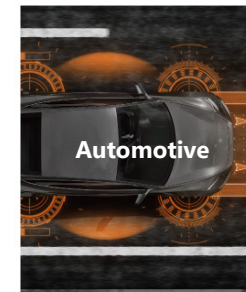
Embedded Software Business

Embedded Software Products

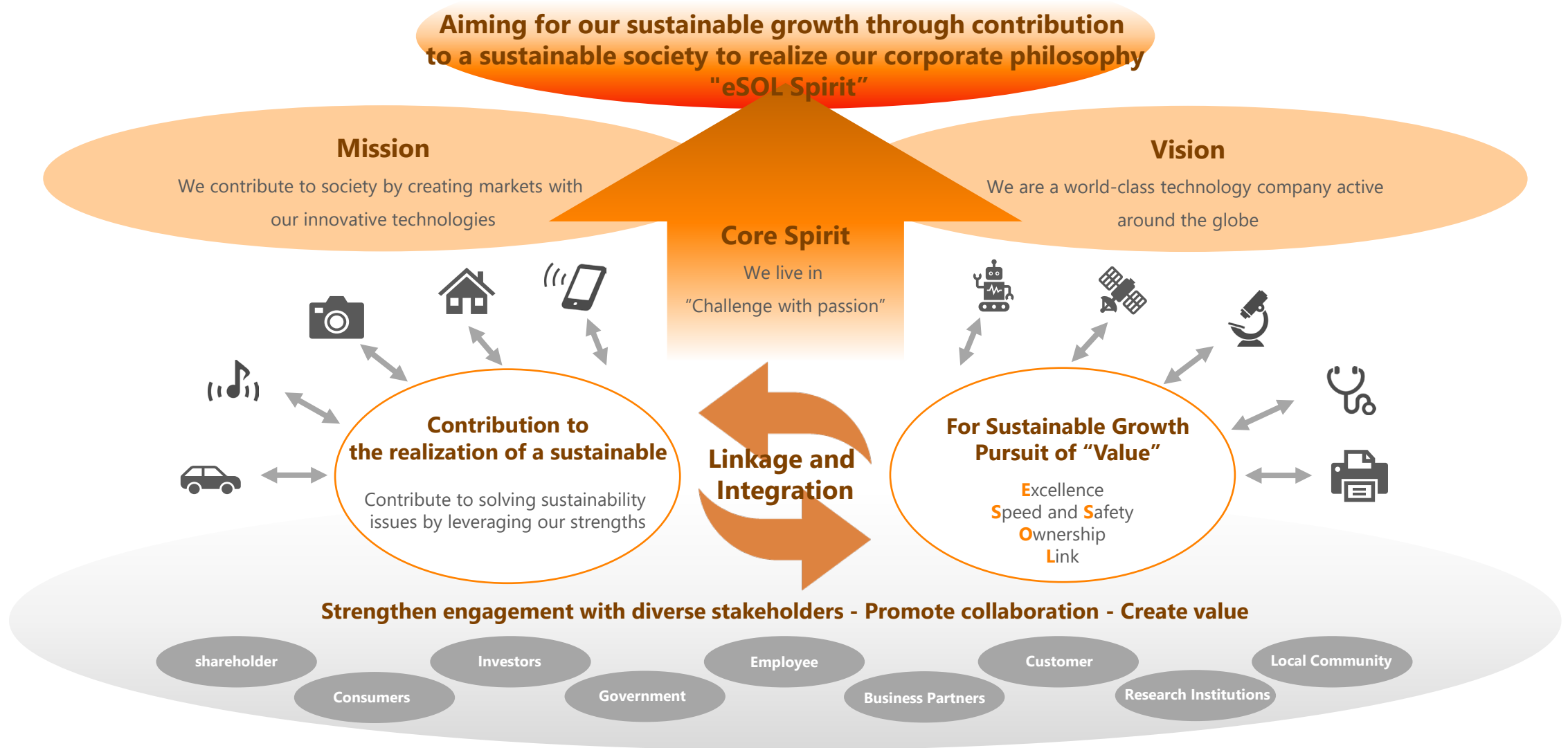
- Development and sale of RTOS (real-time operating system) RTOS
- Sale of tools for the development of embedded software

Engineering Services

- Undertaking engineering service for embedded software
- Consultancy related to the development of embedded software
- Education to engineers developing embedded software



Sustainability Policy

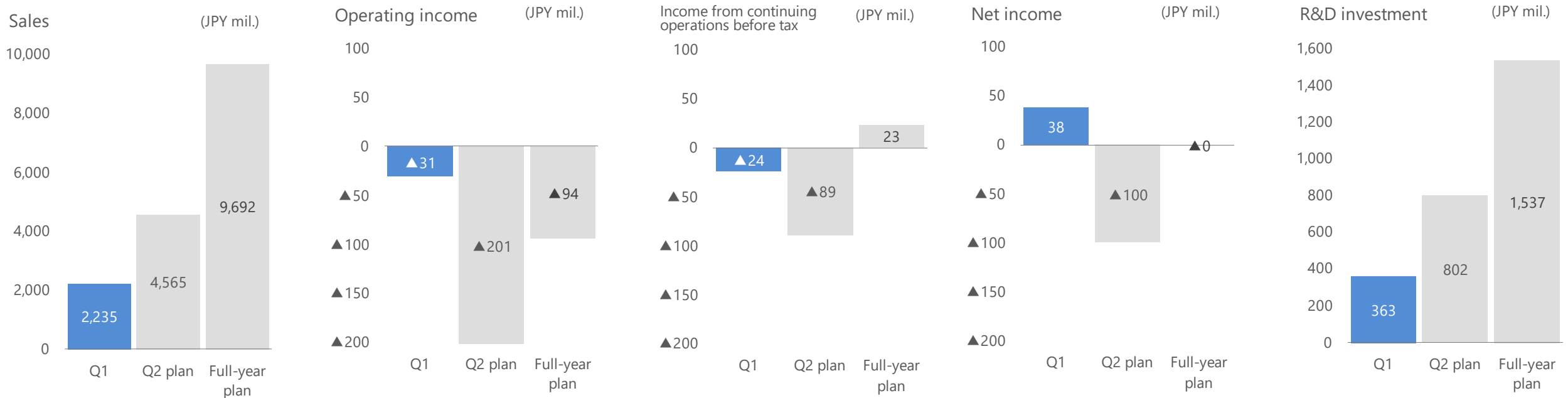


2 . Summary of FY2023 First Quarter (Q1) Results

Summary of Q1 Results (Progress of planned value)

The progress of the plan as of February 14, 2023 is shown as below.

Both sales and profit achieved the plan.



Summary of Q1 Results (year-over-year)

- Although sales in the sensing solutions business declined, sales in the embedded software business increased, Overall sales increased due to higher sales in the embedded software business.
- In addition to the increase in overall sales, R&D investment (R&D expenses) for the original OS decreased as planned for this fiscal year, resulting in an increase in profit.

Results by segment (YoY) : P10, Sales by segments of customers (YoY) : P13

(JPY mil.)

	Q1 FY 2022	Q1 FY 2023	△	YoY
Sales	2,177	2,235	+57	+2.7%
Cost of goods sold	1,407	1,434	+27	+2.0%
Revision up	132	58	▲73	▲55.8%
Gross profit	770	800	+30	+3.9%
SG&A	912	831	▲81	▲8.9%
R&D expenses	420	305	▲114	▲27.4%
Operating income	▲142	▲31	+111	-
Income from continuing operations before tax	▲152	▲24	+128	-
Net income	▲106	38	+145	-

Walk of operating income (YoY): P12

Results by Segment (year-over-year)

(JPY mil.)

by segment	Q1 FY 2022	Q1 FY 2023	△	YoY
Sales	2,177	2,235	+57	+2.7%
Embedded Software Business	2,066	2,103	+37	+1.8%
Embedded Software Products	489	319	▲170	▲34.8%
Engineering Services	1,576	1,784	+207	+13.2%
Sensing Solution Business	132	115	▲17	▲13.1%
Adjustments for consolidation	▲21	16	+38	-
Gross profit	770	800	+30	+3.9%
Embedded Software Business	741	736	▲5	▲0.7%
Sensing Solution Business	46	44	▲2	▲5.0%
Adjustments for consolidation	▲17	19	+37	-
Operating income	▲142	▲31	+111	-
Embedded Software Business	▲116	▲49	+67	-
Sensing Solution Business	▲8	▲1	+6	-
Adjustments for consolidation	▲17	19	+37	-

Embedded software business

- Sales of embedded software products declined in Automotive , while sales of engineering services increased in Consumer electronics.

Sensing solutions business

- Sales of handy terminals decreased

Adjustments for consolidation

- Increased in unrealized profit

R&D investment (year-over-year)

Basic policy of R&D investment

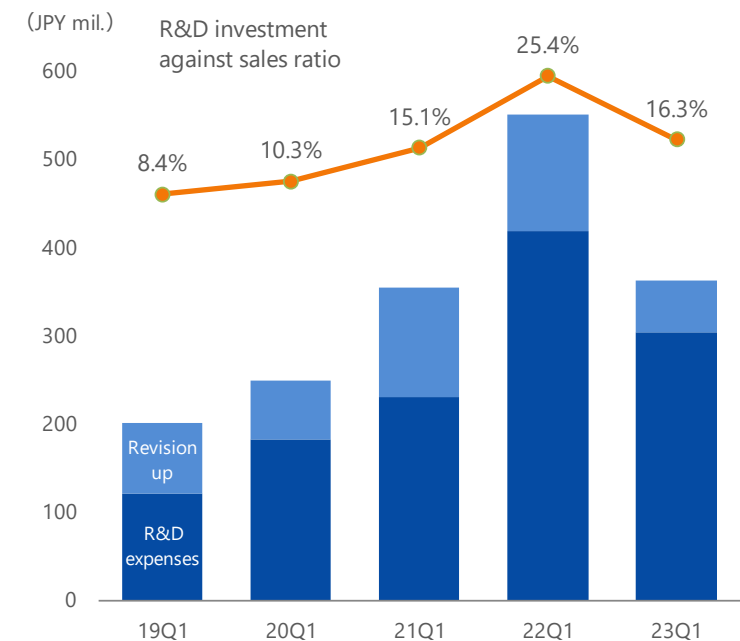
We continue to invest approximately 10% of sales in R&D every fiscal year, aiming to further enhance the functionality of our products.

Policy of this FY

We continue to invest more than 10% sales in order to participate in the market, "CASE", being a mainstream of the automotive market that we is our target.

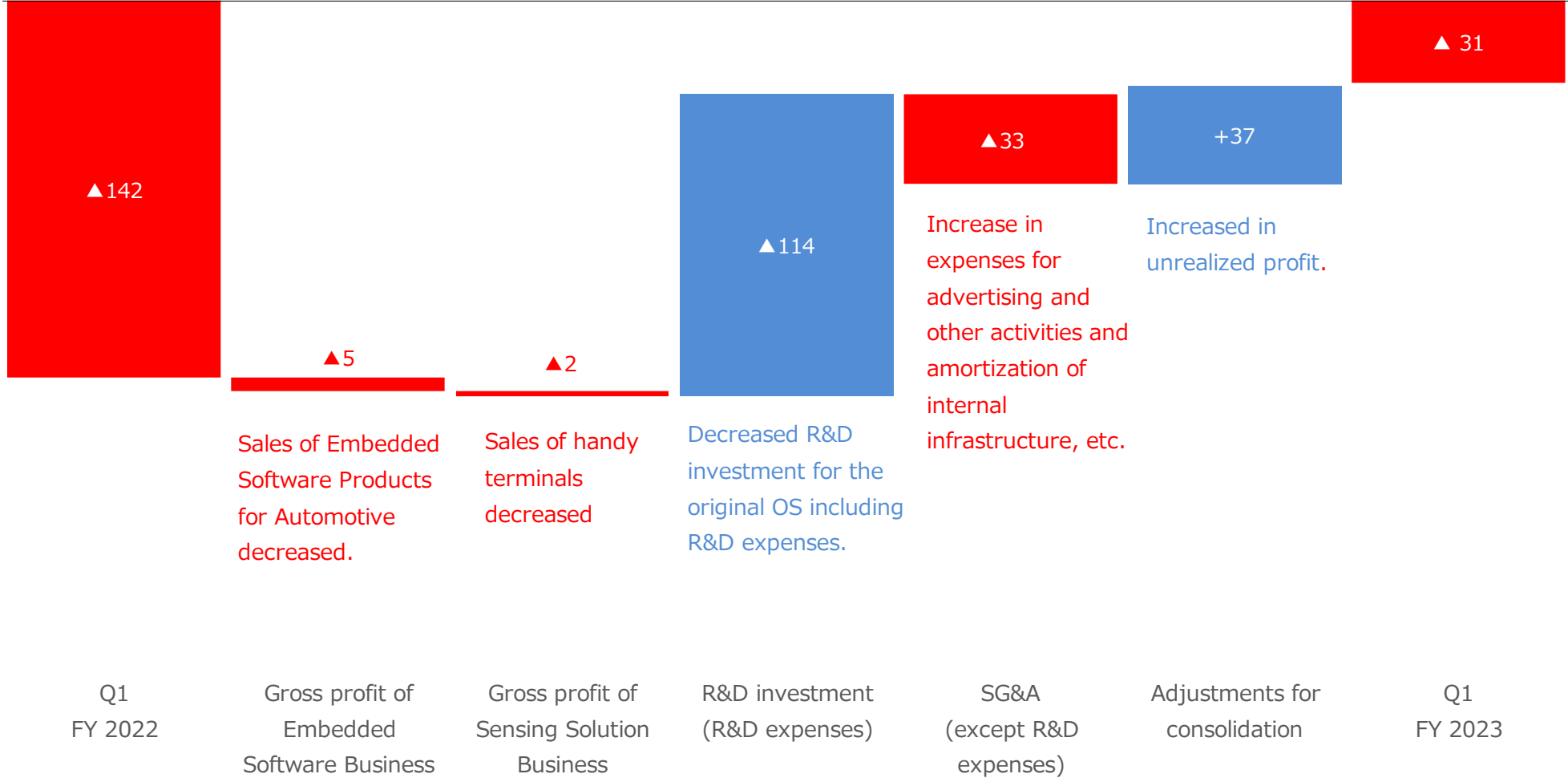
(JPY mil.)				
	Q1 FY 2022	Q1 FY 2023	△	YoY
Sales	2,177	2,235	+57	+2.7%
R&D investment	552	363	▲188	▲34.2%
R&D expenses	420	305	▲114	▲27.4%
Revision up	132	58	▲73	▲55.8%
Investment against sales ratio	25.4%	16.3%	-	-

R&D expenses	- Investment in new products - Allocated to Cost of Selling
Revision up	- Investment to update existing products - Allocated to Cost of goods sold



Walk of operating income (year-over-year)

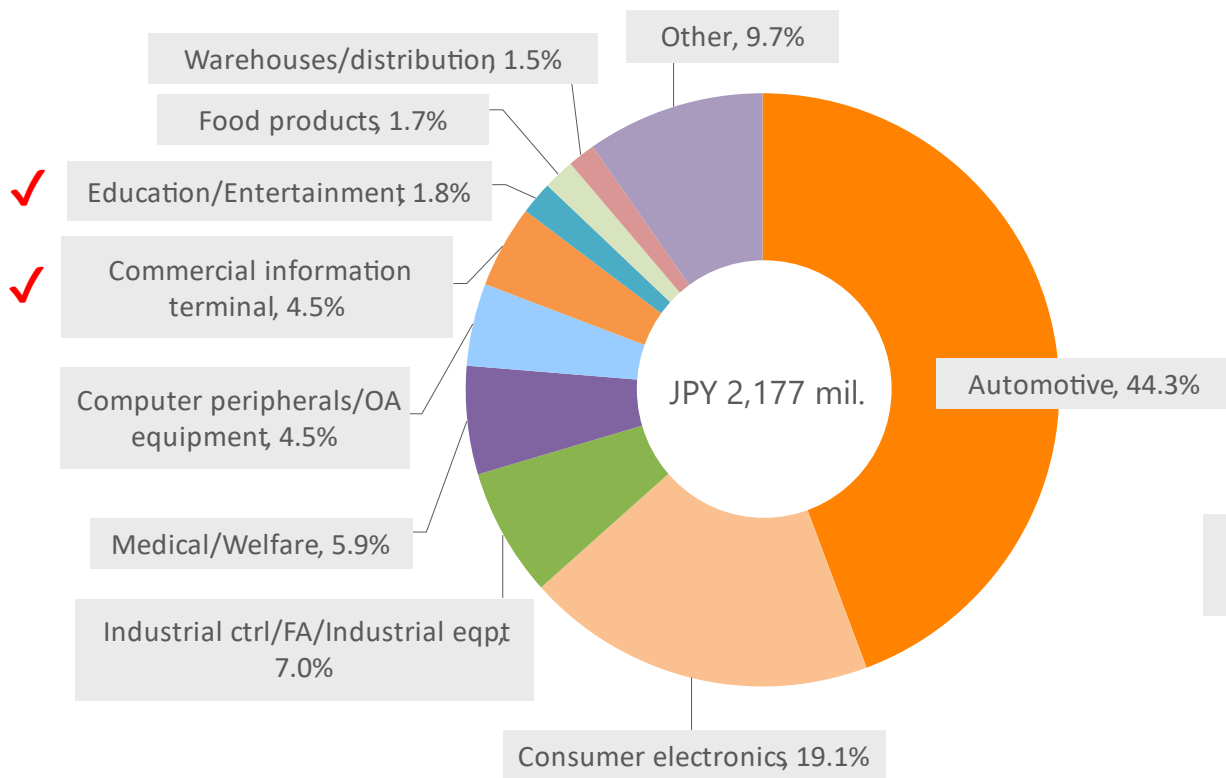
(JPY mil.)



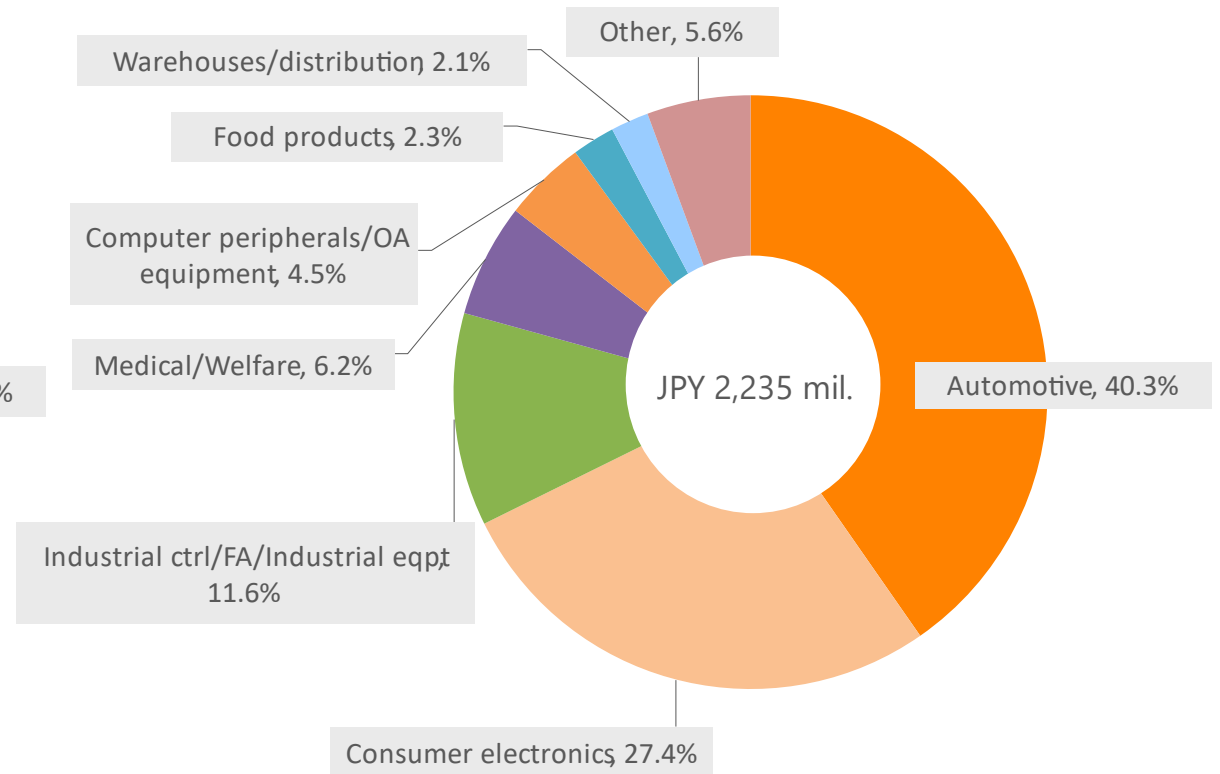
Sales by segments of customers (year-over-year)

✓ From this fiscal year, many of them will be integrated into "Consumer electronics."

*"Other" includes adjustments for consolidation



Q1 FY2022



Q1 FY2023

Summary of Plan (Shareholder Return)

eSOL will remunerate shareholders in accordance with the following policies:

Dividend policy

Stable financial position

Stable dividend payout ratio in accordance with performance

Investing internal reserve in enhancing corporate value (R&D, human development, etc.)

Dividend amount

Since we will continue its investment phase in the current fiscal year, and this is for the purpose of acquiring future earnings, we have decided to maintain the same dividend as the prior.

	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Dividend per share	*5.50yen	5.50yen	5.50yen	5.50yen	5.50yen
(interim dividend included)	(0.00yen)	(1.50yen)	(1.50yen)	(1.50yen)	(1.50yen)
Dividend payout ratio	17.0%	16.6%	55.8%	—	—

*memorial dividend of 1.50yen/shares is included

3. Topics

From a recent eSOL Blog

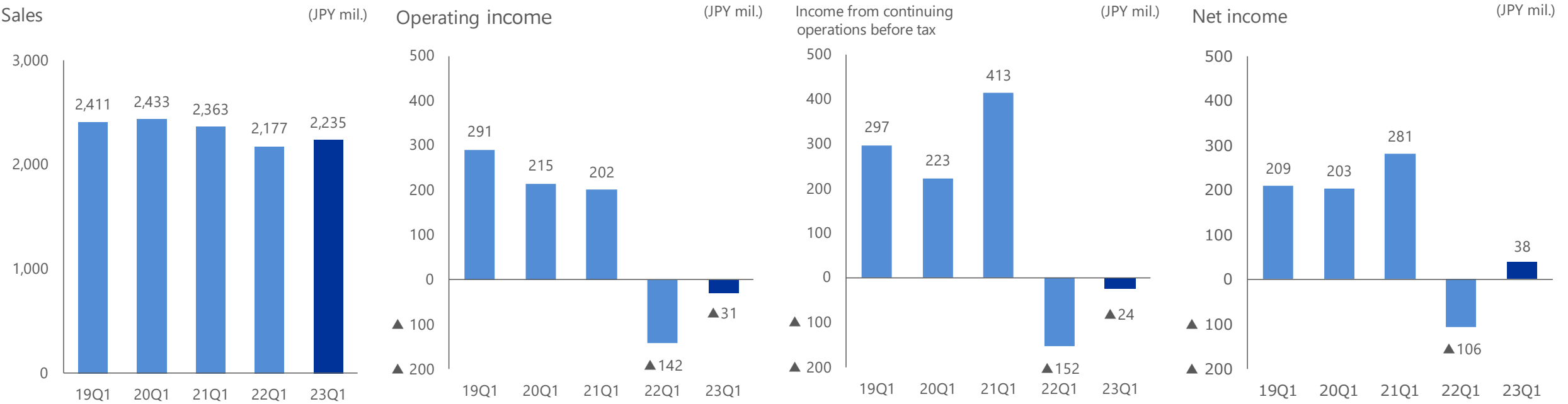
Title	Date	URL
Overcoming Major Challenges of Continuous Integration (CI) in Embedded Software Development	May 12, 2023	https://blog.esol.com/embedded/continuous-integration_20230512
The New Automotive Edge and Its Friends: SOAFEE	Apr 24, 2023	https://blog.esol.com/embedded/soafee_20230424
eMCOS Platform Solutions From eSOL Shown Successfully at Embedded World 2023	Mar 29, 2023	https://blog.esol.com/embedded/ew2023_20230329
eSOL to Exhibit at Embedded World 2023 in Nuremberg	Feb 14, 2023	https://blog.esol.com/embedded/ew2023_20230214

eSOL's vision

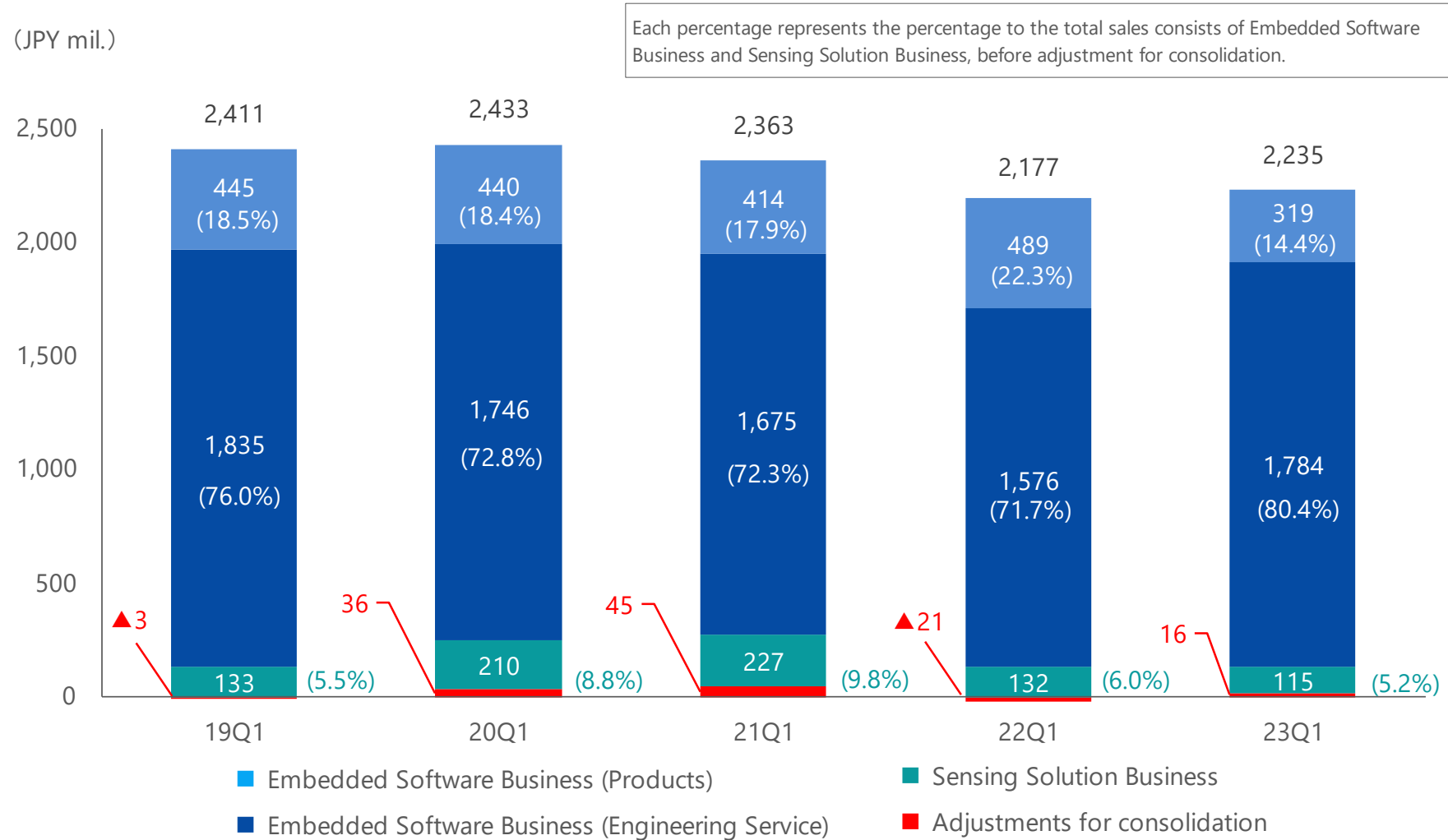
- eSOL aims to be a company that will move forward with and be supported by customers, business partners and shareholders.
- eSOL continues to expand the business as a rare and valuable company in the world that can provide a one-stop solution covering from an original embedded software development to engineering services responding to various needs in the field of embedded software.
- As a listed company, we aim to increase the value of our business partners, employees and shareholders — all stakeholders — through the business.
- For our shareholders, we aim to maximize earnings per share and increase corporate value.

Appendix

Comparison over the last five years



Comparison over the last five years (Sales by segment)



Comparison over the last five years (R&D investment)

(JPY mil.)

	Q1 FY2019	Q1 FY2020	Q1 FY2021	Q1 FY2022	Q1 FY2023
R&D expenses	122	183	231	420	305
Revision up	79	66	124	132	58
R&D investment	202	250	356	552	363

	Q1 FY2019	Q1 FY2020	Q1 FY2021	Q1 FY2022	Q1 FY2023
Sales	2,411	2,433	2,363	2,177	2,235
Cost of goods sold	1,627	1,620	1,517	1,407	1,434
Revision up	79	66	124	132	58
Cost of goods sold (excluding Revision up)	1,548	1,553	1,392	1,274	1,376
Gross profit	783	813	846	770	800
Gross profit margin ratio	32.5%	33.4%	35.8%	35.4%	35.8%
Gross profit (excluding Revision up)	863	879	970	902	859
Gross profit margin ratio (excluding Revision up)	35.8%	36.2%	41.1%	41.5%	38.4%
SG&A	492	597	643	912	831
R&D expenses	122	183	231	420	305
SG&A (excluding R&D expenses)	369	413	411	492	526
Operating income	291	215	202	▲142	▲31
Operating income margin ratio	12.1%	8.9%	8.6%	-	-
Operating income (excluding R&D expenses)	493	466	558	410	332
Operating income margin ratio (excluding R&D expenses)	20.5%	19.2%	23.7%	18.8%	14.9%
Operating income (excluding R&D exenpses, including Revision up)	414	399	434	277	273
Operating income margin ratio (excluding R&D exenpses, including Revision up)	17.2%	16.4%	18.4%	12.8%	12.3%

Notes on this document

Any statements contained in this document that are not historical facts are forward-looking statements based on publicly available information at the time of issuing this document, and therefore, will not guarantee such as the result of operation in the future.

All forward-looking statements are subject to various risks and uncertainties that could cause actual results to differ materially from expectations.

Risks and uncertainties above include but not limited to factors for economical condition in Japan or overseas and trend in the related industries.

eSOL undertakes no obligation to publicly update or revise any forward-looking statements notwithstanding new information or events.

Information other than eSOL group contained in this documents is publicly known, and also, eSOL undertakes no obligation to guarantee its accuracy or adequacy.

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