



eSOL Co., Ltd.

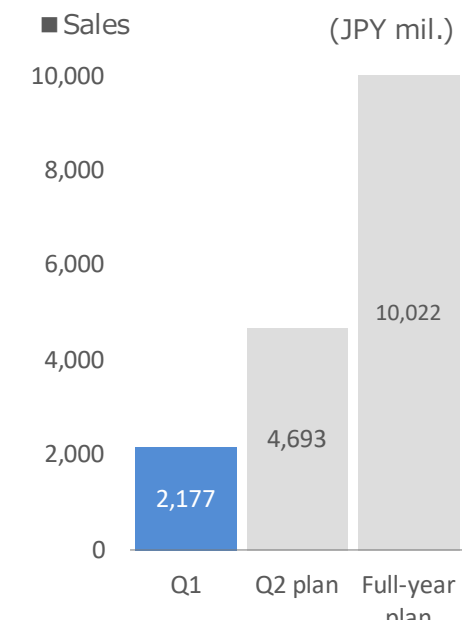
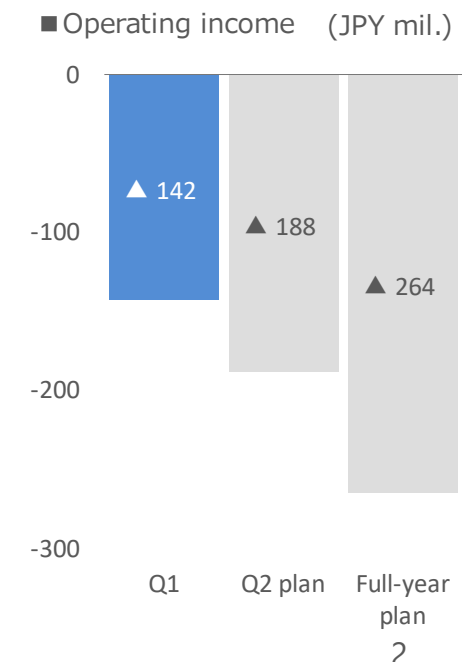
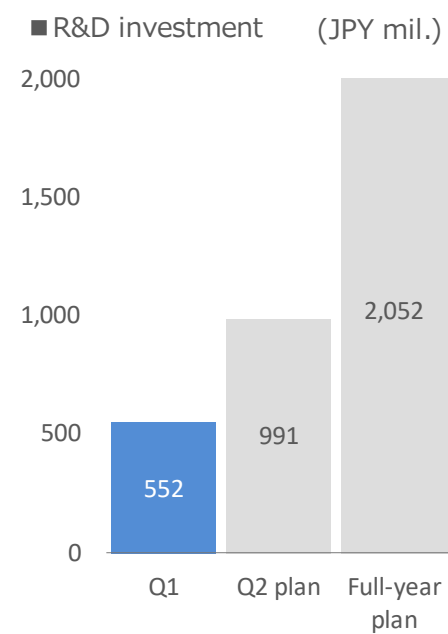
Reports 2022 First Quarter Results

May 13, 2022

Summary of Q1 results

Total	-The progress of the plan as of February 14, 2022 is shown as below, Almost as planned for the first quarter plan
Sales	<ul style="list-style-type: none"> - Embedded Software Business made a loss because sales to consumers decreased. - Sensing Solution Business made a loss from the decreased sales of printers. - Sales reduced due to a combination of the above two.
Operating income	<ul style="list-style-type: none"> - Increase in development investment (JPY 196 million year-over-year) - Consolidated adjustment (unrealized profit) decreased by JPY 67 million year-over-year - Overall profit decreased due to the above
Other	<ul style="list-style-type: none"> - Due to the organizational restructuring of the submitting company eSOL Co.,Ltd., some embedded software engineer costs in the embedded software business will shift from selling expenses in accordance with accounting rules. - NEDO *'s R & D project revenue recorded in the first quarter of the previous fiscal year is planned to be recorded in the second quarter of the current fiscal year.

*New Energy and Industrial Technology Development Organization



Summary of Q1 results

Results by segment : P4, Sales by segments of customers : P6

(JPY mil.)

	Q1 FY 2021	Q1 FY 2022	YoY	Progress	Full-year plan FY 2022
Sales	2,363	2,177	▲7.9%	21.7%	10,022
Cost of goods sold	1,517	1,407	▲7.3%	—	—
Revision up	124	132	+6.2%	—	—
Gross profit	846	770	▲9.0%	—	—
SG&A	643	912	+41.8%	—	—
R&D expenses	231	420	+81.3%	—	—
Operating income	202	▲142	—	—	▲264
Income from continuing operations before tax	413	▲152	—	—	▲160
Net income	281	▲106	—	—	▲180

Walk of operating income (YoY): P5

Allocated NEDO* revenue to other income (plan to record in the second quarter of the current fiscal year)

R&D investment: P7

*New Energy and Industrial Technology Development Organization

Results by segment – summary

(JPY mil.)

	Q1 FY 2021	Q1 FY 2022	YoY	Progress	Full-year plan FY 2022
Sales	2,363	2,177	▲7.9%	21.7%	10,022
Embedded Software Business	2,090	2,066	▲1.2%	22.1%	9,341
Embedded Software Products	414	489	+18.0%	—	—
Engineering Services	1,675	1,576	▲5.9%	—	—
Sensing Solution Business	227	132	▲41.7%	19.5%	680
Adjustments for consolidation	45	▲21	—	—	—
Gross profit	846	770	▲9.0%	—	—
Embedded Software Business	697	741	+6.4%	—	—
Sensing Solution Business	99	46	▲53.3%	—	—
Adjustments for consolidation	49	▲17	—	—	—
Operating income	202	▲142	—	—	▲264
Embedded Software Business	110	▲116	—	—	▲275
Sensing Solution Business	42	▲8	—	—	10
Adjustments for consolidation	49	▲17	—	—	—

■ Embedded Software Business

Engineering Services made a loss because sales to consumers decreased.

Gross profit increased due to the shift of some engineers from the cost of goods sold division to the selling expenses division.

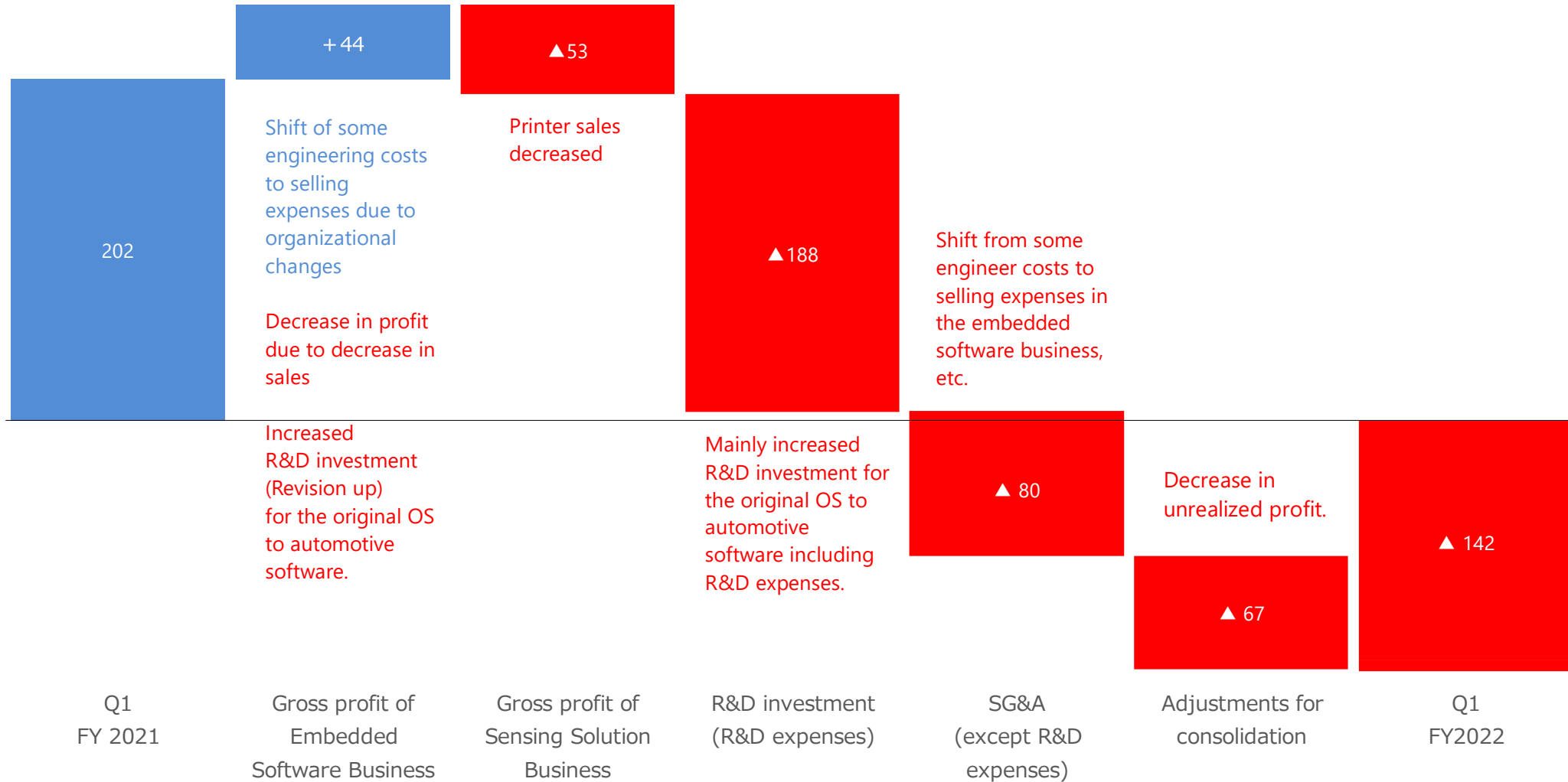
Operating income decreased due to an increased R&D expenses.

■ Sensing Solution Business

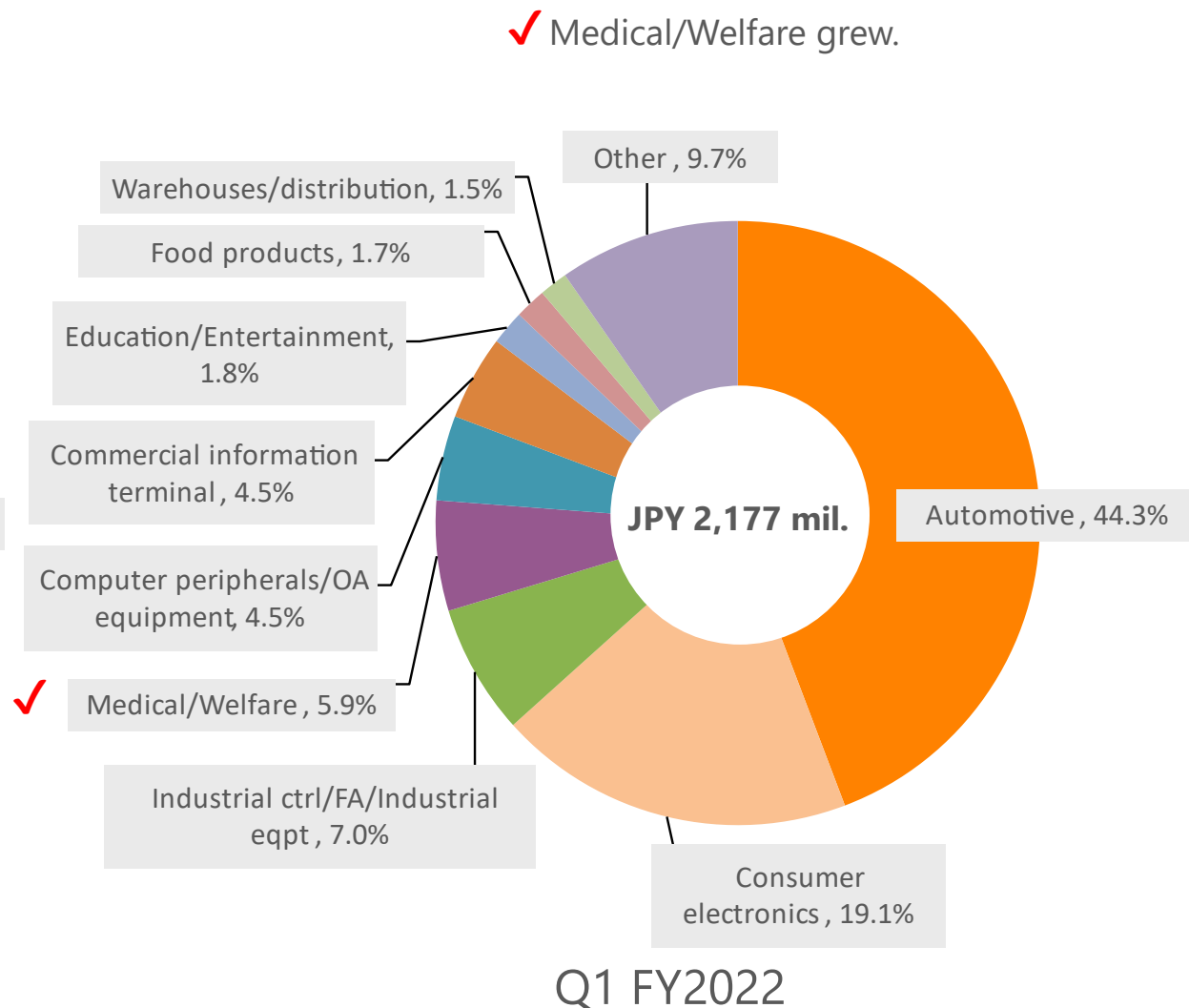
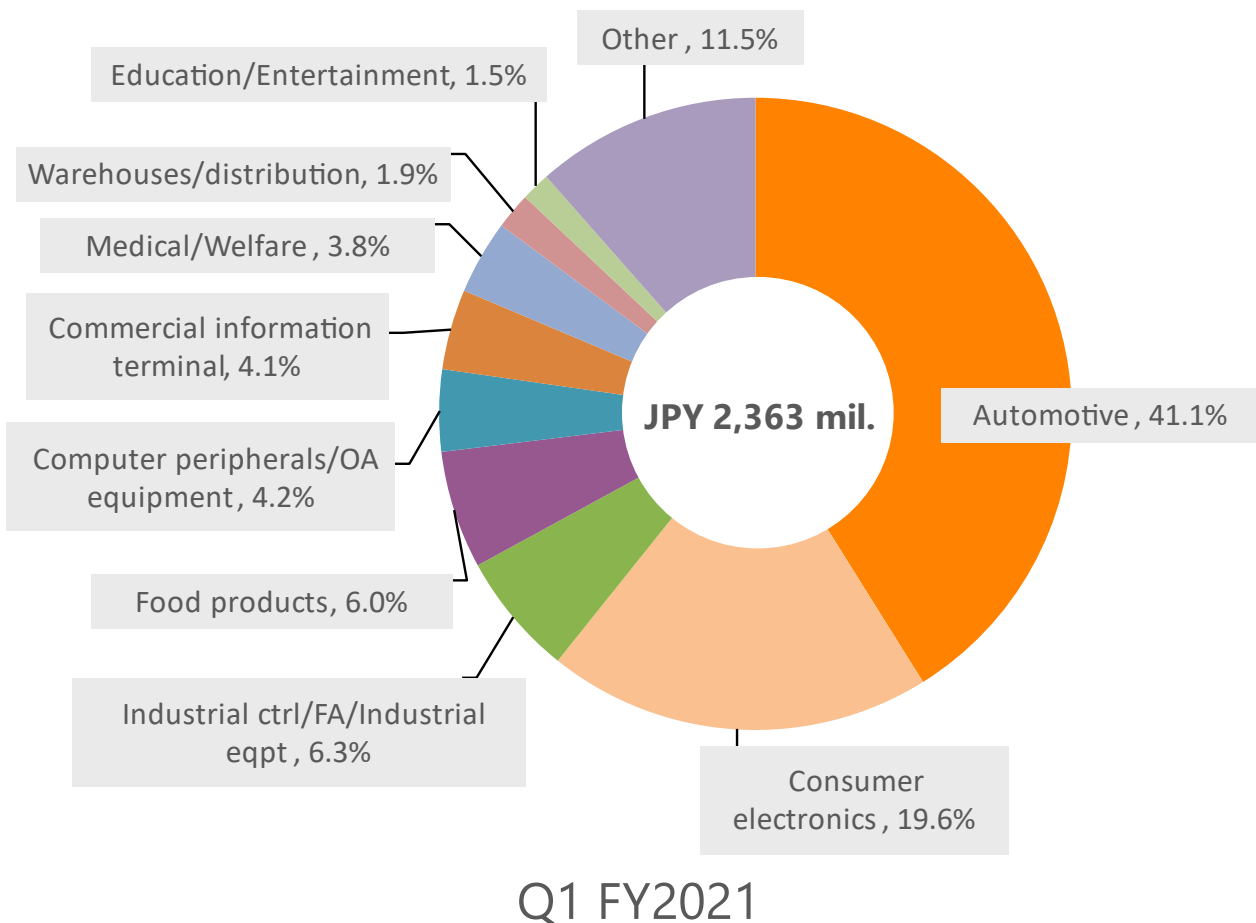
Gross profit and Operating income decreased due to decreased sales of printer.

Walk of operating income (year-over-year)

(JPY mil.)



Sales by segments of customers



R&D investment

■ Basic policy of R&D investment

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

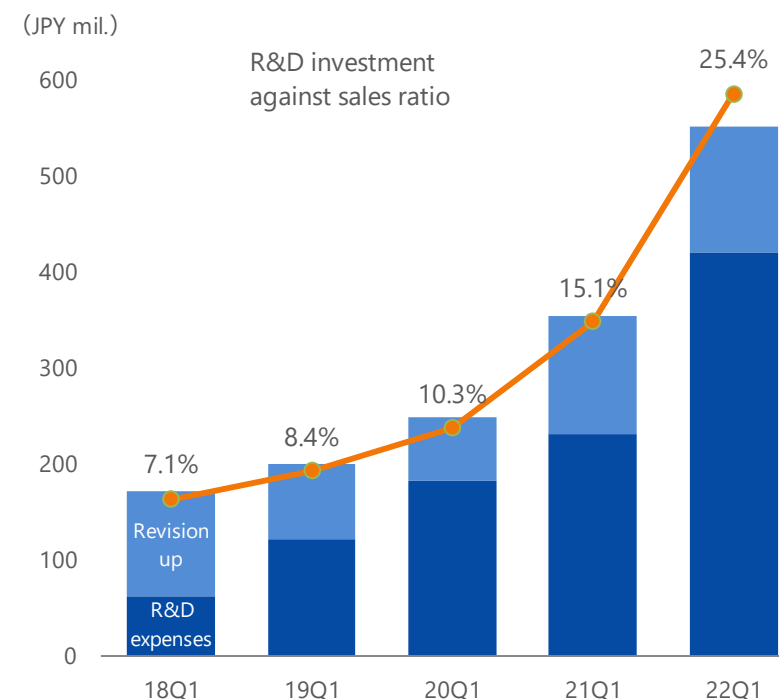
■ Policy of this FY

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.

In 2035, sales of "CASE" is forecasted to grow 2.9 times as much as that of 2020. (Fuji Keizai Group)

	(JPY mil.)		
	Q1 FY 2021	Q1 FY 2022	YoY
Sales	2,363	2,177	▲7.9%
R&D investment	356	552	+55.0%
R&D expenses	231	420	+81.3%
Revision up	124	132	+6.2%
Investment against sales ratio	15.1%	25.4%	—

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



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

The projection of profit for this FY is lower than the prior, reflecting the growing R&D investment for future profits; therefore, we have decided to maintain the same dividend as the prior.

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

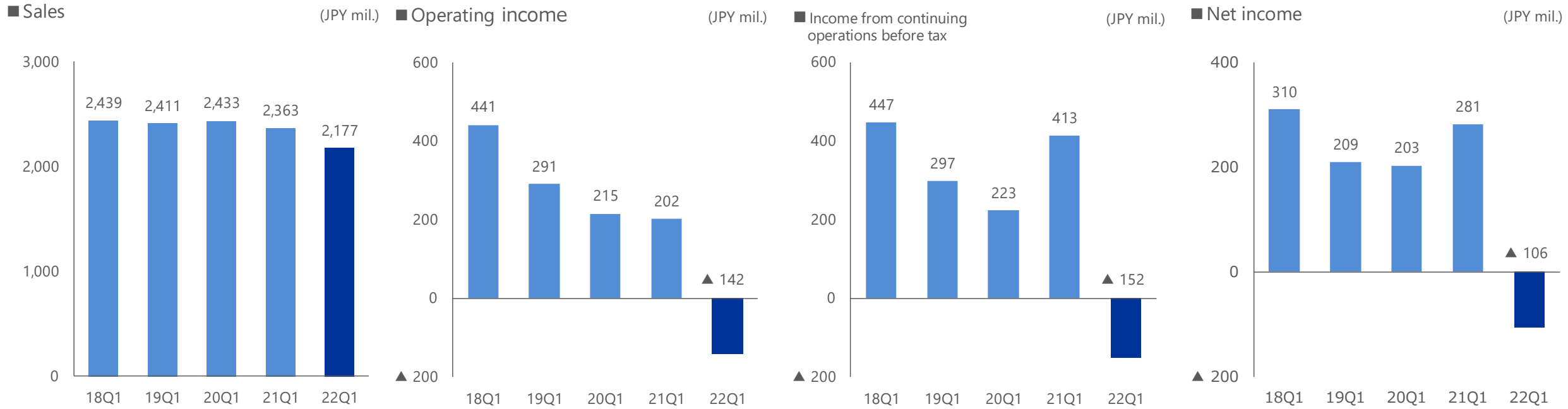
*memorial dividend of 1.50yen/shares is included

eSOL's vision

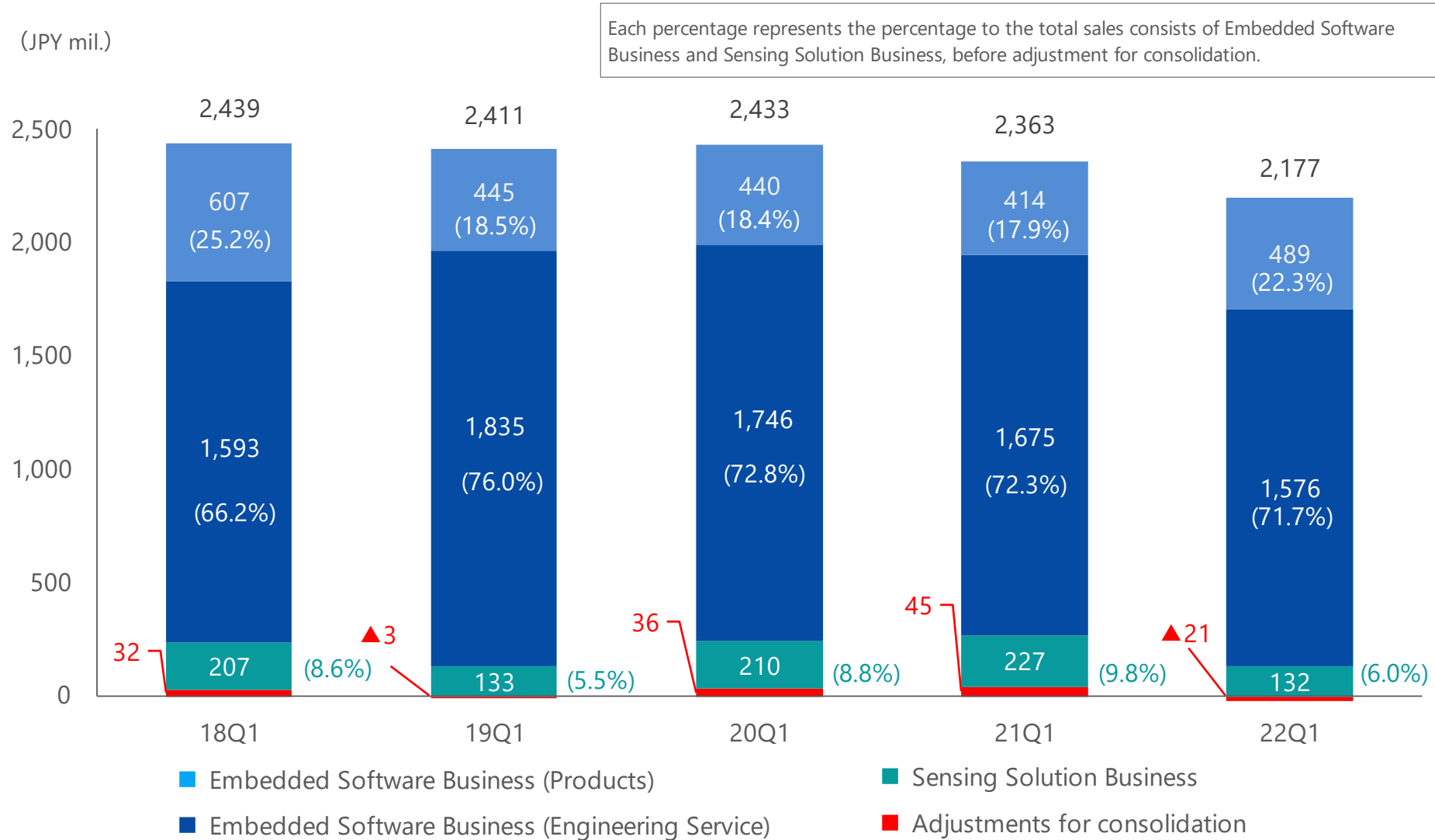
- eSOL aims to be a company that will move forward with and be supported by customers, business partners and shareholders.
- eSOL continues to expand the business as a rare and valuable company in the world that can provide a one-stop solution covering from an original embedded software development to 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 FY2018	Q1 FY2019	Q1 FY2020	Q1 FY2021	Q1 FY2022
R&D expenses	63	122	183	231	420
Revision up	109	79	66	124	132
R&D investment	173	202	250	356	552

	Q1 FY2018	Q1 FY2019	Q1 FY2020	Q1 FY2021	Q1 FY2022
Sales	2,439	2,411	2,433	2,363	2,177
Cost of goods sold	1,609	1,627	1,620	1,517	1,407
Revision up	109	79	66	124	132
Cost of goods sold (excluding Revision up)	1,499	1,548	1,553	1,392	1,274
Gross profit	830	783	813	846	770
Gross profit margin ratio	34.0%	32.5%	33.4%	35.8%	35.4%
Gross profit (excluding Revision up)	940	863	879	970	902
Gross profit margin ratio (excluding Revision up)	38.5%	35.8%	36.2%	41.1%	41.5%
SG&A	389	492	597	643	912
R&D expenses	63	122	183	231	420
SG&A (excluding R&D expenses)	325	369	413	411	492
Operating income	441	291	215	202	-142
Operating income margin ratio	18.1%	12.1%	8.9%	8.6%	-
Operating income (excluding R&D expenses)	614	493	466	558	410
Operating income margin ratio (excluding R&D expenses)	25.2%	20.5%	19.2%	23.7%	18.8%
Operating income (excluding R&D expenses, including Revision up)	504	414	399	434	277
Operating income margin ratio (excluding R&D expenses, including Revision up)	20.7%	17.2%	16.4%	18.4%	12.8%

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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