



eSOL Co., Ltd.

Reports 2022 Third Quarter Results

November 14, 2022

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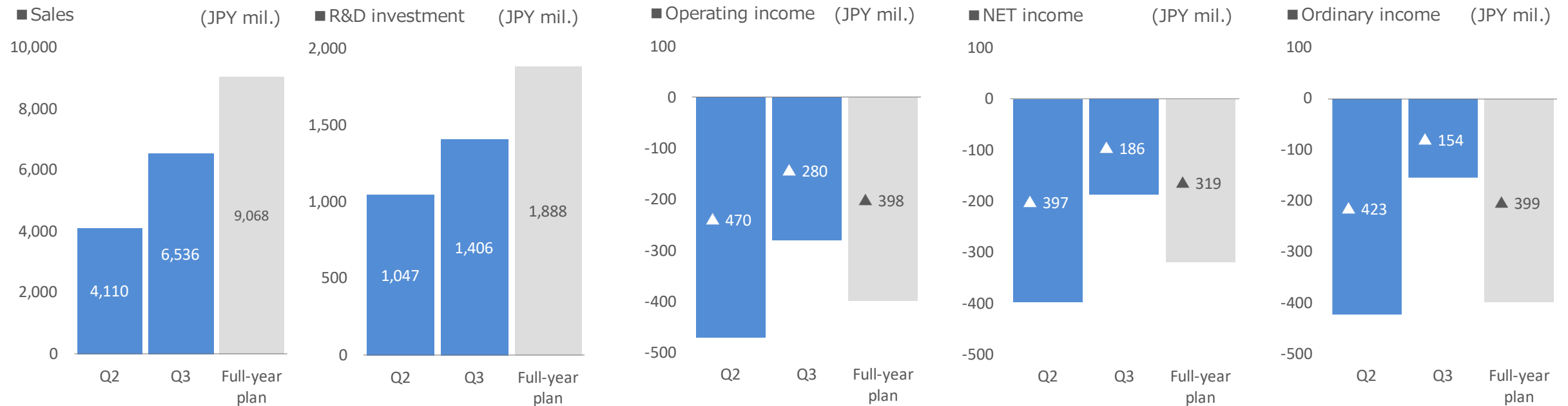
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1 . Summary of FY2022 Third Quarter (Q3) Results

Summary of Q3 Results (Progress of planned value)

The progress of the plan as of August 10, 2022 is shown as below.

In the current Q3(July-September), Sales of products in the highly profitable Embedded Software Business grew as planned.



Summary of Q3 Results (year-over-year)

- Sales : Sales in the Sensing Solutions Business decreased, resulting in a slight decrease in overall sales.
- Operating income : Operating income decreased due to an increase in R&D investment for the original OS to automotive software platform.
- others : Continuing from the previous term, income from NEDO* R&D projects was recorded as non-operating income.

Results by segment (YoY) : P6, Sales by segments of customers (YoY) : P9

*New Energy and Industrial Technology Development Organization

(JPY mil.)

| | Q3 FY 2021 | Q3 FY 2022 | YoY |
|--|---------------|---------------|---------|
| Sales | 6,652 | 6,536 | ▲1.7% |
| Cost of goods sold | 4,516 | 4,302 | ▲4.7% |
| Revision up | 502 | 414 | ▲17.5% |
| Gross profit | 2,136 | 2,233 | + 4.5% |
| SG&A | 2,004 | 2,514 | + 25.4% |
| R&D expenses | 786 | 992 | + 26.2% |
| Operating income | 131 | ▲280 | — |
| Income from continuing operations before tax | 379 | ▲186 | — |
| Net income | 271 | ▲154 | — |

R&D investment (R&D+Revision up) : P7

Walk of operating income (YoY): P8

Results by Segment (year-over-year)

| (JPY mil.) | | | | |
|-------------------------------|---------------|---------------|---------|--|
| by segment | Q3 FY 2021 | Q3 FY 2022 | YoY | |
| Sales | 6,652 | 6,536 | ▲1.7% | ■ Embedded Software Business |
| Embedded Software Business | 6,070 | 6,279 | + 3.4% | Sales of Embedded Software Products for Automotive increased. |
| Embedded Software Products | 1,302 | 1,534 | + 17.8% | |
| Engineering Services | 4,768 | 4,744 | ▲0.5% | ■ Sensing Solution Business |
| Sensing Solution Business | 547 | 362 | ▲33.8% | Sales related to On-board printer decreased significantly. |
| Adjustments for consolidation | 34 | ▲105 | — | |
| Gross profit | 2,136 | 2,233 | + 4.5% | ■ Adjustments for consolidation |
| Embedded Software Business | 1,895 | 2,204 | + 16.3% | Mainly adjustments for unrealized profit on related companies. |
| Sensing Solution Business | 195 | 123 | ▲36.8% | |
| Adjustments for consolidation | 45 | ▲94 | — | |
| Operating income | 131 | ▲280 | — | |
| Embedded Software Business | 64 | ▲149 | — | |
| Sensing Solution Business | 22 | ▲36 | — | |
| Adjustments for consolidation | 45 | ▲94 | — | |

R&D investment (year-over-year)

■ 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.

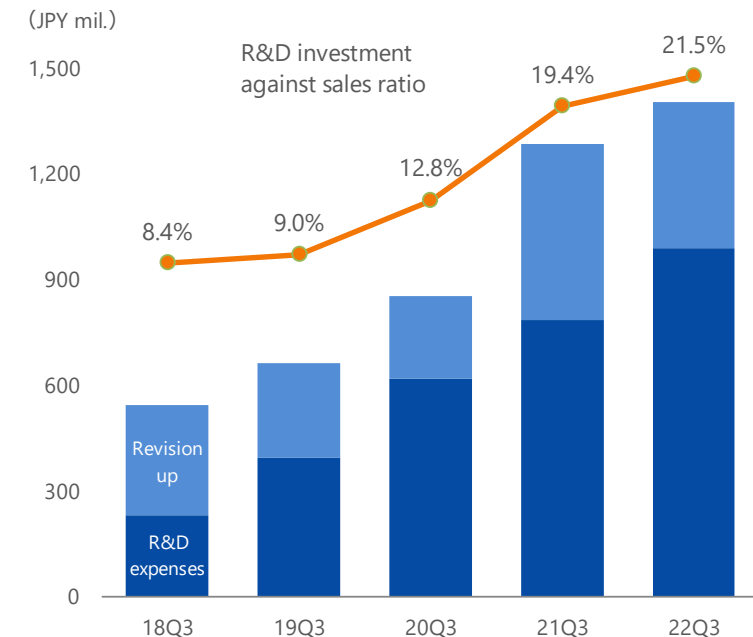
■ Policy of this FY

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

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

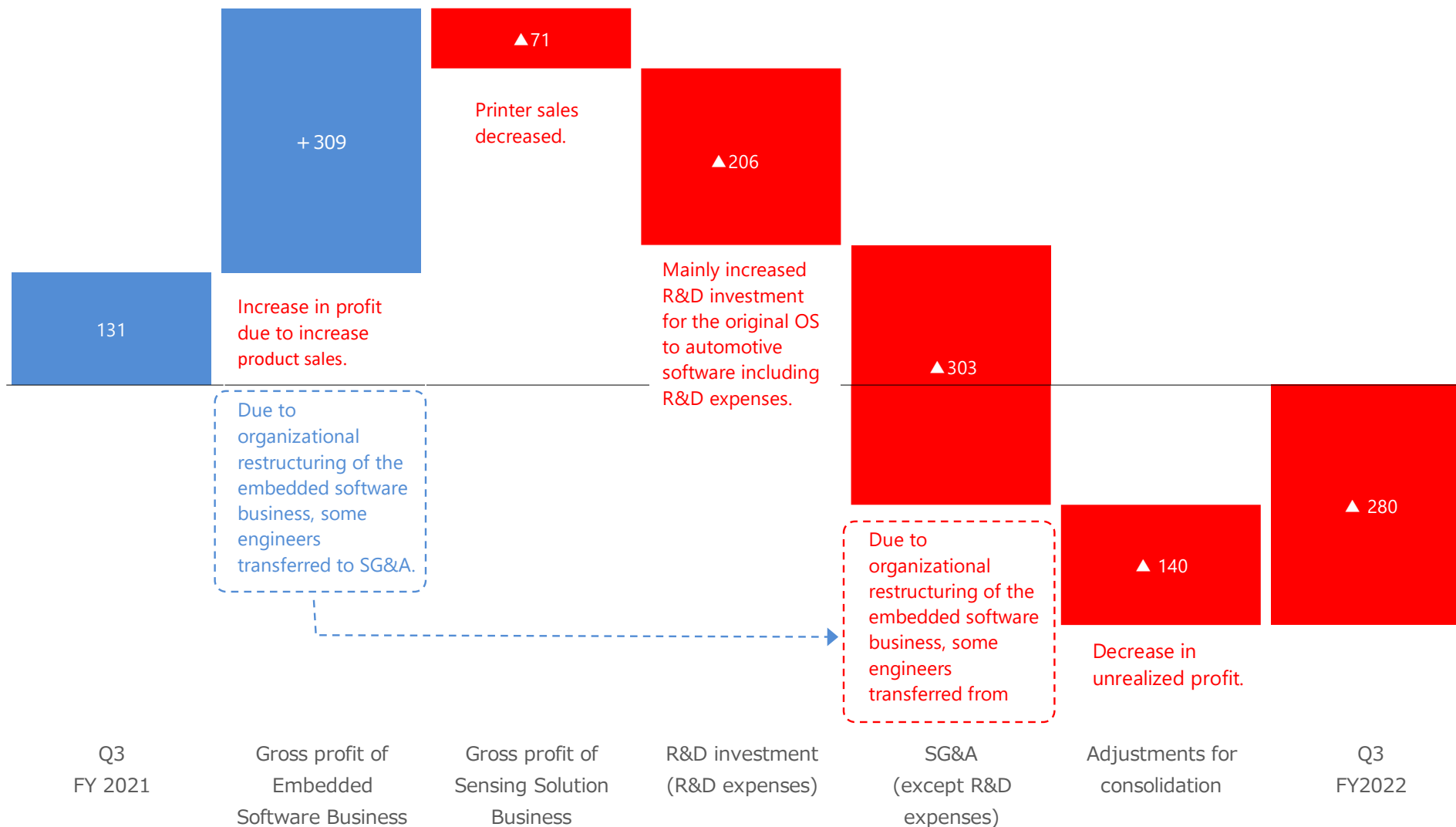
| | (JPY mil.) | | |
|--------------------------------|---------------|---------------|---------|
| | Q3 FY 2021 | Q3 FY 2022 | YoY |
| Sales | 6,652 | 6,536 | ▲1.7% |
| R&D investment | 1,288 | 1,406 | + 9.2% |
| R&D expenses | 786 | 992 | + 26.2% |
| Revision up | 502 | 414 | ▲17.5% |
| Investment against sales ratio | 19.4% | 21.5% | — |

| | |
|--------------|---|
| 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)

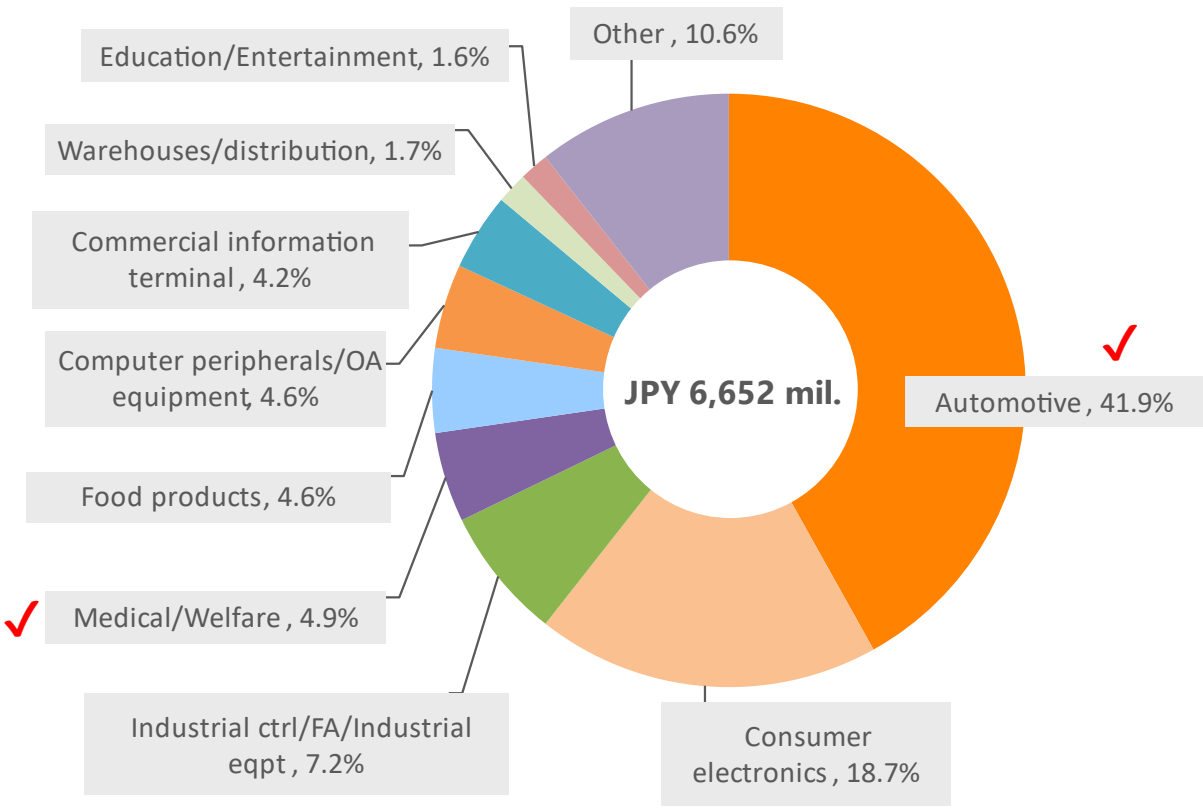
(JPY mil.)



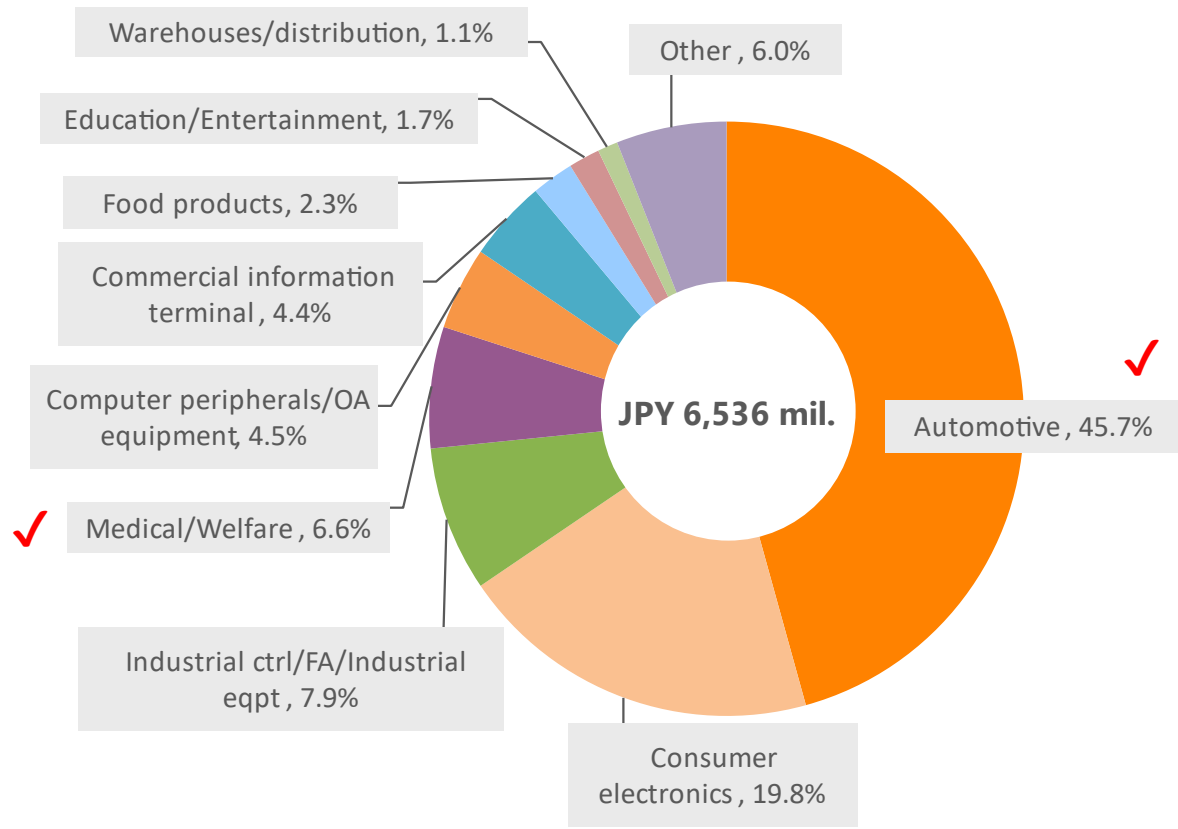
Sales by segments of customers (year-over-year)

✓ Automotive and Medical/Welfare grew.

*"Other" includes adjustments for consolidation



Q3 FY2021



Q3 FY2022

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

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

2. Topics

From a recent press release

Released Nov 8, 2022

eSOL RTOS Adopted by Janome Corporation for Its Top-of-the-Line Computerized Sewing Machine With HD Embroidery

eSOL's software platform centered on its real-time operating system (RTOS) eT-Kernel™ (hereinafter "eT-Kernel ") has been adopted by Janome Corporation (hereinafter "Janome") for its top-of-the-line Continental M17 computerized sewing machine with HD Embroidery.

It is expected eSOL's RTOS will be used in other Janome products in the future.

https://www.esol.com/press/press_132.html



From a recent press release

An article introducing our efforts on RISC-V* was published in the public relations magazine "Focus NEDO" No. 86 of the New Energy and Industrial Technology Development Organization (NEDO).

An article introducing the initiative "Strengthening Business Development of the Results of NEDO Commissioned Projects as OS and Development Tool Solutions for RISC-V," which was press-released on June 2, 2022, was published in NEDO's public relations magazine "Focus NEDO" No. 86. (The corresponding article is on page 13.)

https://www.esol.com/press/press_132.html

(June 2, 2022 press release)

https://www.nedo.go.jp/library/ZZ_focus_86_index.html

(NEDO Public Relations Magazine No.86)

<https://www.nedo.go.jp/content/100952634.pdf>

(13 pages of the same magazine)

*RISC-V (Risc Five) is expected to be adopted by many companies as an open source CPU architecture.

革新的AIは「現場」に動く AIエッジコンピューティング

4/4

セキュアオープンアーキテクチャ向けコンパイラバックエンドおよび対応ランタイム環境の設計・開発

「RISC-V」の利活用を促進し 組み込みシステムの競争力向上を目指す

RISC-Vコア向けのOSや開発支援ツールを共同開発し、
市場で競争力を発揮する処理効率とリアルタイム性を実現しました。

共同研究で強化した技術連携を生かして
事業化と国内のRISC-V活用を推進

これまで組み込み向けCPUの命令セット・アーキテクチャ (ISA: Instruction Set Architecture) で高いシェアを占めてきたライセンス仕様の「ARM」等に代わり、近年、オープンソースの「RISC-V」が急成長を見せています。しかし、RISC-V開発環境において、処理効率やリアルタイム性、安全性、電力コスト等、課題も多いのが現状です。

こうした背景を受け、NEDOは、イーソル株式会社、京都マイクロコンピュータ株式会社、株式会社エヌエスアイテクス、株式会社OTSLと共同で、RISC-VコアをベースとしたOSやアプリケーションの開発環境の整備・基盤と実用化を目的に、誰もが使いやすい組み込みシステム向けソフトウェア

スタックを含むツールチェーンの研究開発に取り組みました。プロジェクトでは、RISC-Vに最適化されたマルチコア対応の高性能ランタイム環境 (RTE/OS)、C言語コンパイラ、RISC-Vに対応する並列化支援ツール等を開発。RTEプロトタイプ版とLinuxの比較評価を行い、同等の性能であることを確認しました。京都マイクロコンピュータの辻 邦彦氏は「実際の開発環境に近い環境だったので、ユーザーにとって適合性が高く、事業化しやすいことがメリット」と話し、エヌエスアイテクスの西村 成司氏は「数選していた可変長ベクトル命令の技術の再構築に挑戦できたことは大きなやりがいとなりました」と振り返ります。イーソルの権藤 正樹氏は「世界と戦うためには、日本のツールベンダーが手を組んでRISC-Vのソフトウェアツールチェーン・エコシステムを構築していくことが不可欠。車やデジタルメーキングなど、日本が得意な高信頼性が求められ、コスト効率のいい分野において、日本のメーカーがシェアを獲得していく一助になれば」と期待を込めました。

産業界・開発者コミュニティ

4社がRISC-V向け開発環境を
共同で整備・提供

権藤 正樹 氏
イーソル株式会社
開発部長・CTO
ソフトウェア事業部長
(写真左)

西村 成司 氏
株式会社エヌエスアイテクス
開発部長・CTO
担当部長
(写真中央)

辻 邦彦 氏
京都マイクロコンピュータ
株式会社
ゼネラルマネージャー
(写真右)

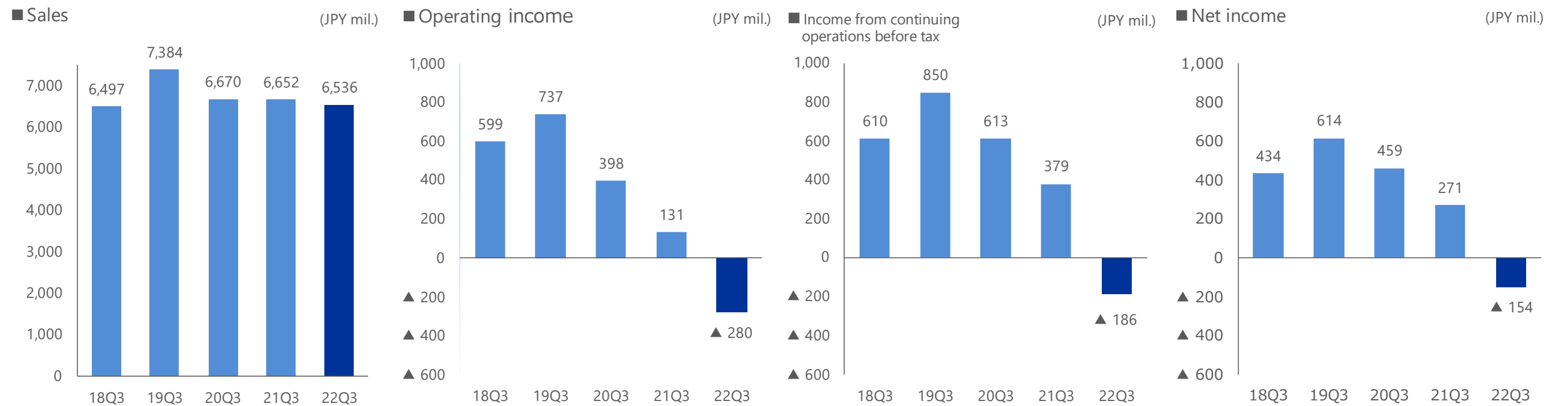
Focus NEDO | 2022 No.86 | 13

eSOL's vision

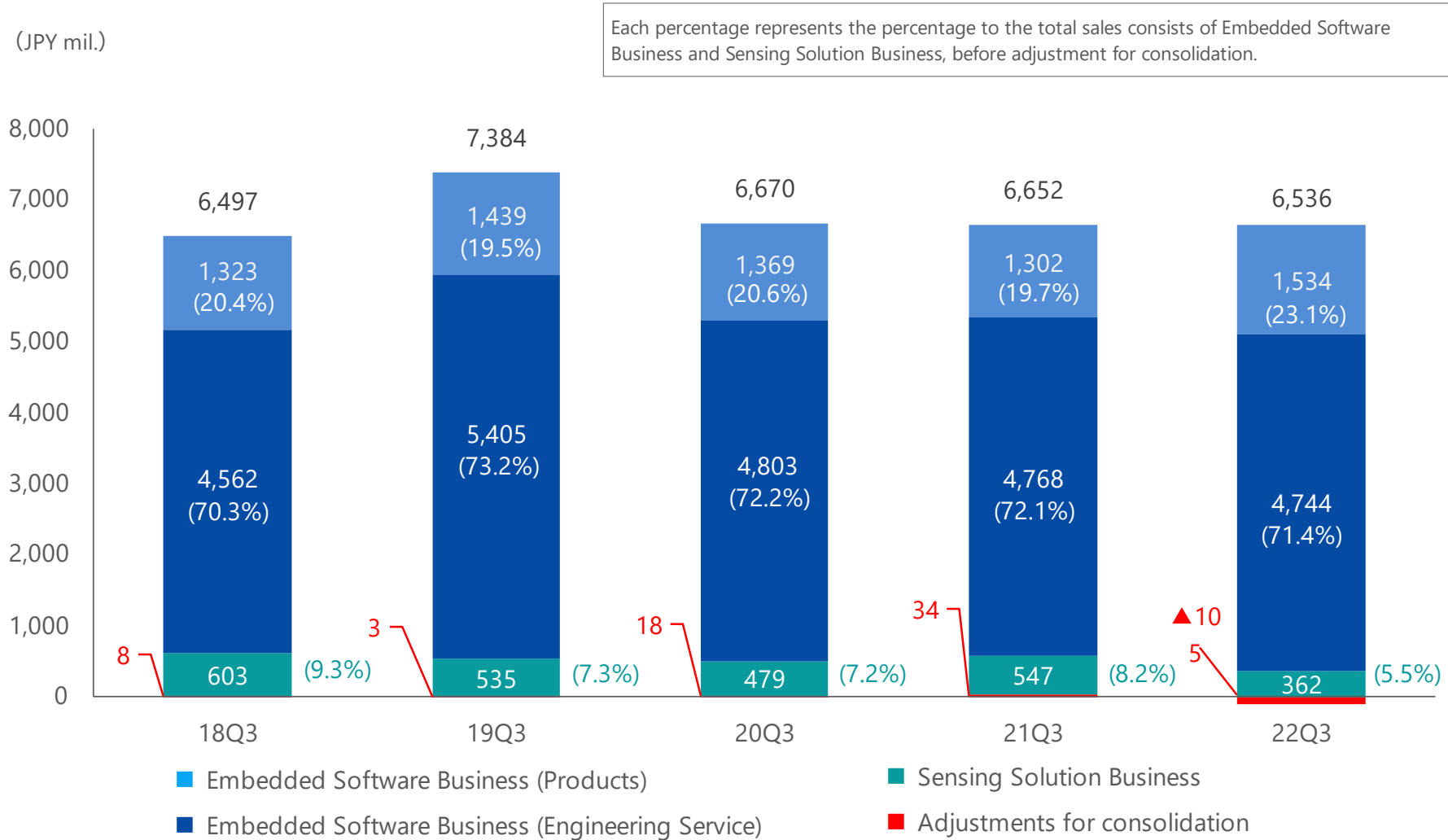
- eSOL aims to be a company that will move forward with and be supported by customers, business partners and shareholders.
- eSOL continues to expand the business as a rare and valuable company in the world that can provide a one-stop solution covering from an original embedded software development to 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.) | | | | |
|--|------------|-----------|-----------|-----------|-----------|
| | Q3 FY2018 | Q3 FY2019 | Q3 FY2020 | Q3 FY2021 | Q3 FY2022 |
| R&D expenses | 233 | 396 | 621 | 786 | 992 |
| Revision up | 311 | 269 | 235 | 502 | 414 |
| R&D investment | 544 | 665 | 856 | 1,288 | 1,406 |
| Sales | 6,497 | 7,384 | 6,670 | 6,652 | 6,536 |
| Cost of goods sold | 4,575 | 5,007 | 4,423 | 4,516 | 4,302 |
| Revision up | 311 | 269 | 235 | 502 | 414 |
| Cost of goods sold (excluding Revision up) | 4,264 | 4,738 | 4,187 | 4,013 | 3,888 |
| Gross profit | 1,922 | 2,376 | 2,247 | 2,136 | 2,233 |
| Gross profit margin ratio | 29.6% | 32.2% | 33.7% | 32.1% | 34.2% |
| Gross profit (excluding Revision up) | 2,233 | 2,645 | 2,482 | 2,638 | 2,647 |
| Gross profit margin ratio (excluding Revision up) | 34.4% | 35.8% | 37.2% | 39.7% | 40.5% |
| SG&A | 1,322 | 1,639 | 1,848 | 2,004 | 2,514 |
| R&D expenses | 233 | 396 | 621 | 786 | 992 |
| SG&A (excluding R&D expenses) | 1,088 | 1,243 | 1,227 | 1,218 | 1,522 |
| Operating income | 599 | 737 | 398 | 131 | ▲ 280 |
| Operating income margin ratio | 9.2% | 10.0% | 6.0% | 2.0% | - |
| Operating income (excluding R&D expenses) | 1,144 | 1,402 | 1,255 | 1,420 | 1,125 |
| Operating income margin ratio (excluding R&D expenses) | 17.6% | 19.0% | 18.8% | 21.3% | 17.2% |
| Operating income (excluding R&D exenpses, including Revision up) | 833 | 1,133 | 1,020 | 917 | 711 |
| Operating income margin ratio (excluding R&D exenpses, including Revision up) | 12.8% | 15.3% | 15.3% | 13.8% | 10.9% |

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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