



eSOL Co., Ltd.

Reports FY2022 Results

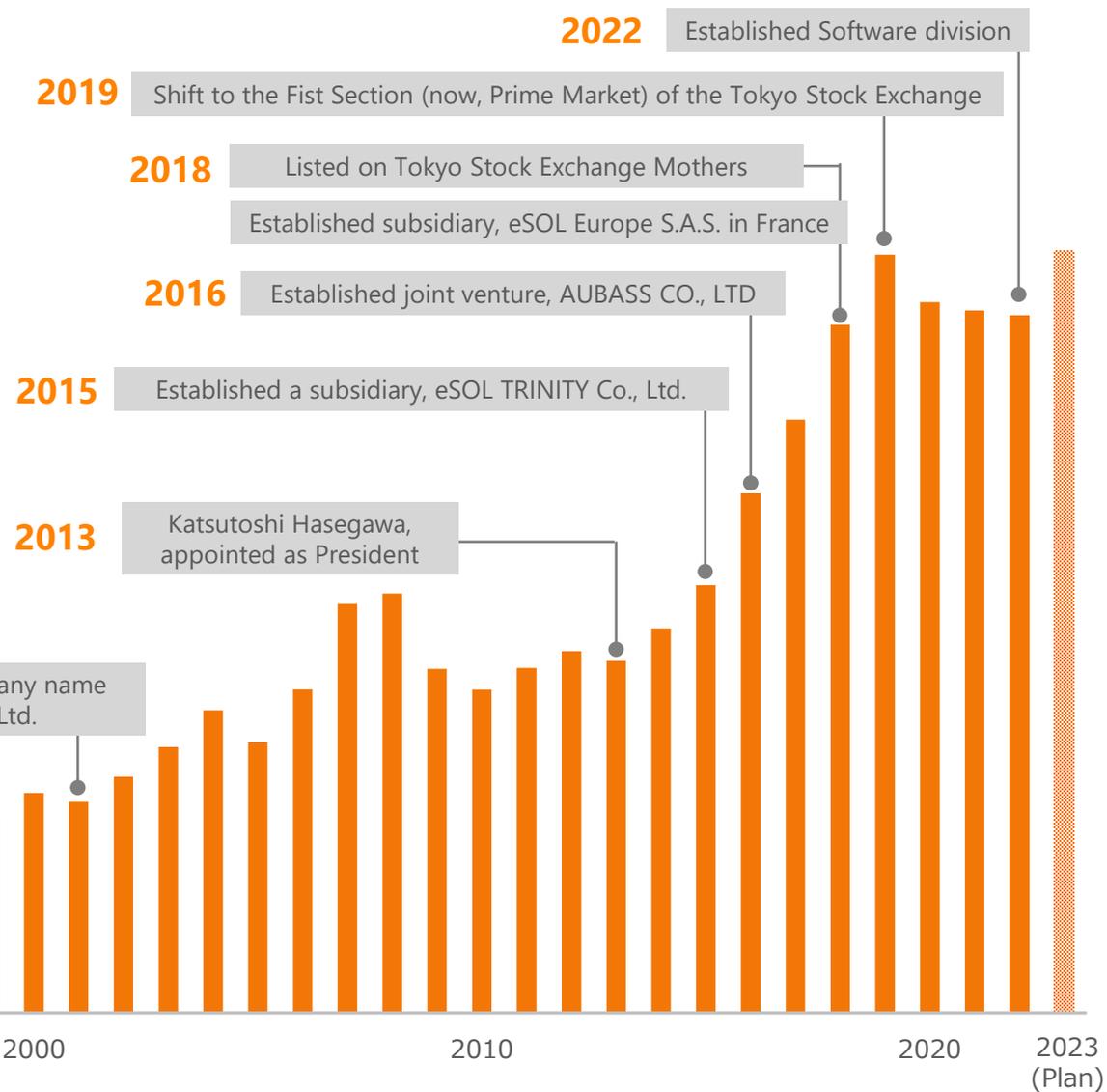
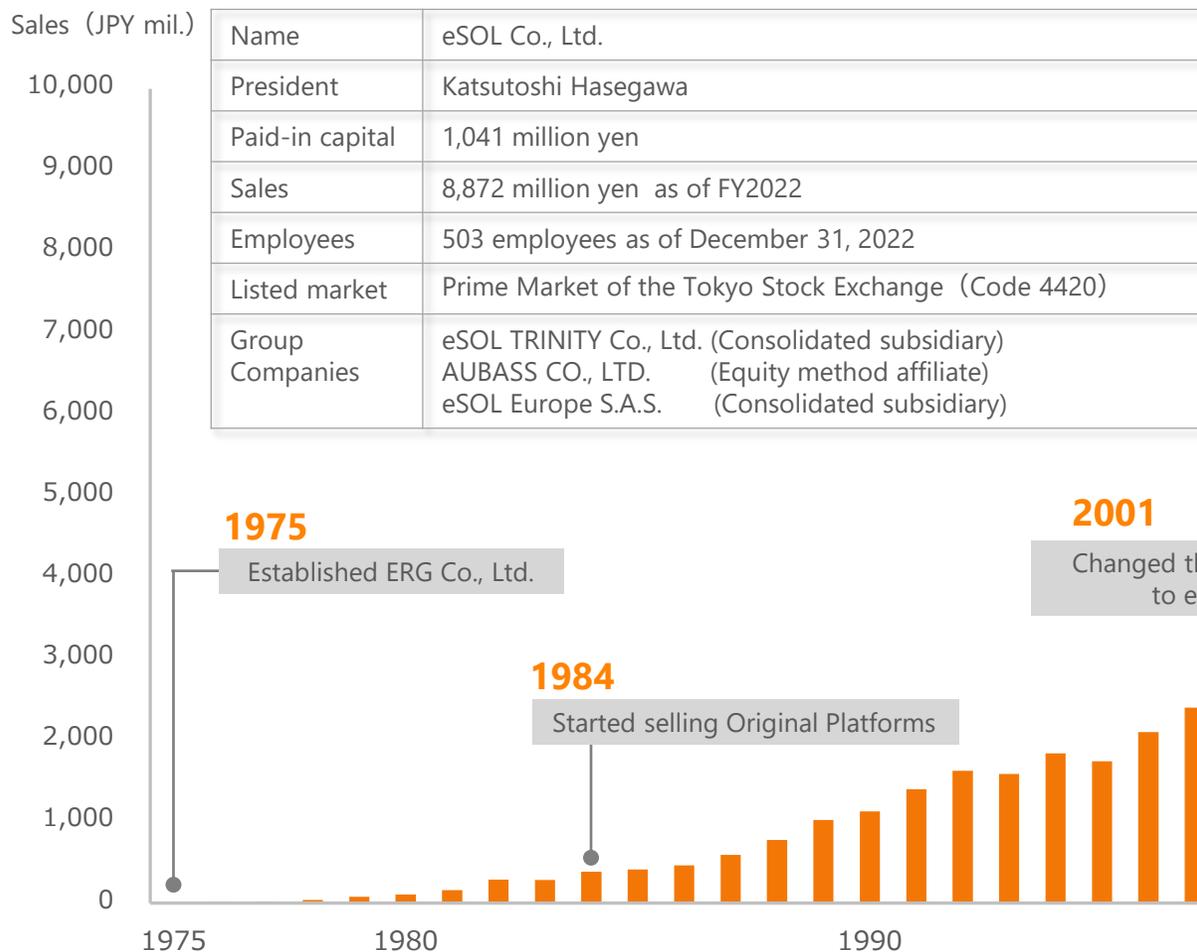
February 14, 2023

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1. Corporate profile

History



Business



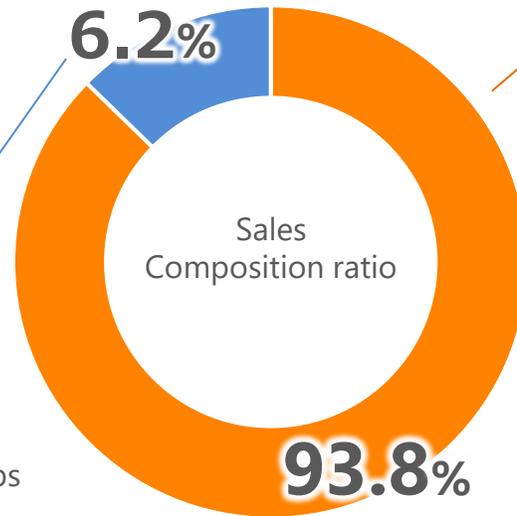
Sensing Solution Business

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

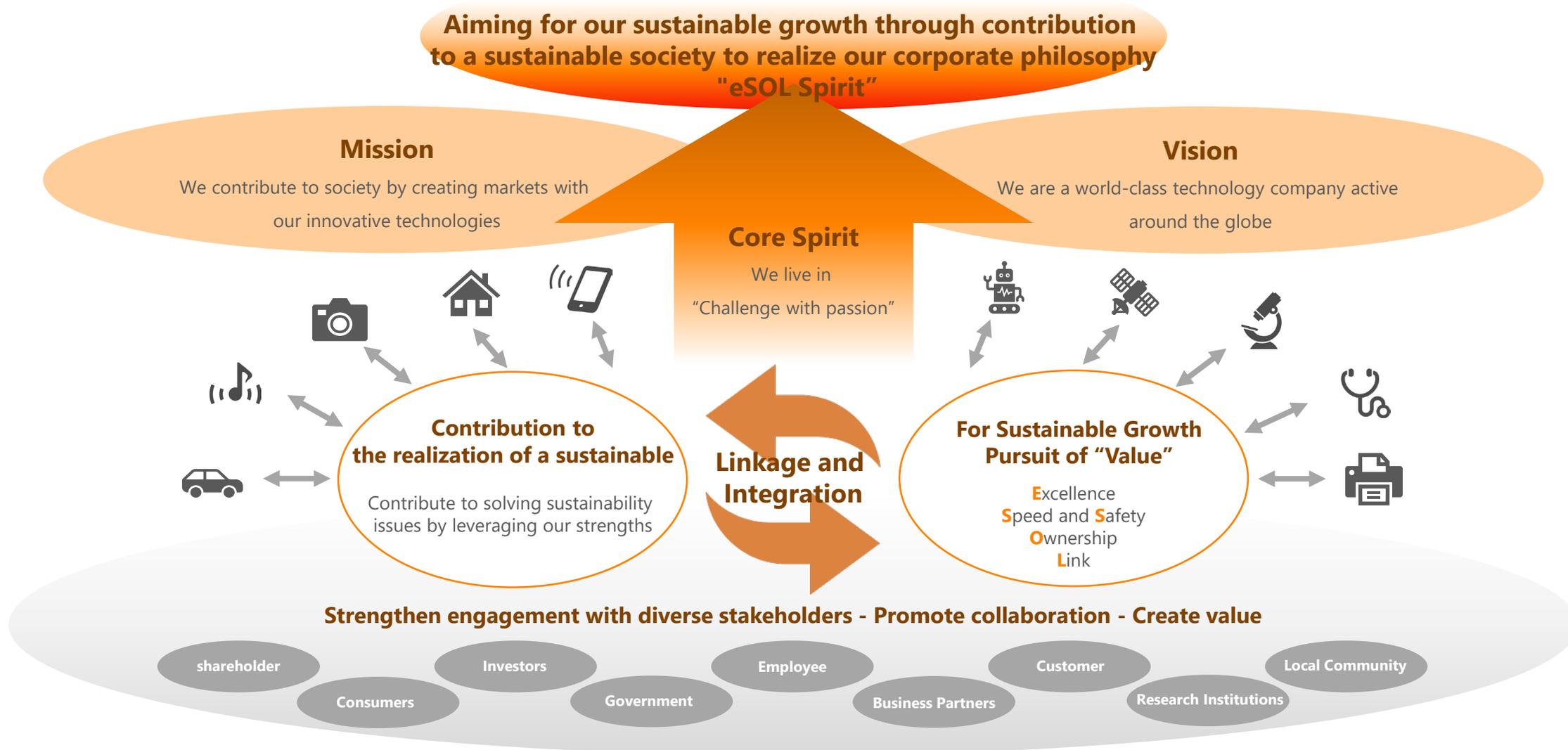
- Development and sale of RTOS (real-time operating system) RTOS
- Sale of tools for the development of embedded software

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 FY 2022

Summary of Results (Variance from the plan)

- On August 10, 2022, the company announced a revision of its plan for the embedded software business due to the postponement of sales in the automotive-related industry to the second half of the year, the lack of growth in engineering services sales, and the postponement of on-board printer-related sales in the sensing solutions business.
- For the full-year results, a portion of sales in both the Embedded Software business and Sensing Solutions businesses will be deferred to FY2023. The amount of loss in profit decreased from the revised plan due to further rationalization of our development investment plan and deferral of a portion of it to FY2023, as well as lower-than-planned selling, general and administrative expenses.

*Announced on August 10, 2022 (JPY mil.)

	PLAN*	RESULT		
			△	YoY
Sales	9,068	8,872	▲195	▲2.2%
Operating income	▲398	▲353	+44	—
Income from continuing operations before tax	▲319	▲250	+68	—
Net income	▲399	▲357	+41	—

Summary of Results (Variance from the plan by segment)

*Announced on August 10, 2022

(JPY mil.)

	PLAN*	RESULT	△	YoY
Sales	9,068	8,872	▲195	▲2.2%
Embedded Software Business	8,532	8,442	▲89	▲1.1%
Sensing Solution Business	573	556	▲16	▲2.9%
Adjustments for consolidation	▲37	▲127	▲89	—
Operating income	▲398	▲353	+44	—
Embedded Software Business	▲333	▲220	+112	—
Sensing Solution Business	▲34	▲19	+15	—
Adjustments for consolidation	▲30	▲113	▲83	—
Income from continuing operations before tax	▲319	▲250	+68	—
Net income	▲399	▲357	+41	—

- A portion of sales will be deferred to FY2023.

- Further rationalization of development investment plans and partial deferral to FY2023.

- Selling, general and administrative expenses were lower than planned.

Summary of Results (year-over-year)

- Although sales in the embedded software business increased, sales in the sensing solutions business declined, resulting in a slight decrease in overall sales.
- Operating income decreased due to an increase in selling, general and administrative expenses, including investment in the development of an in-house OS for on board-software (R&D expenses), and the elimination of unrealized income in consolidation adjustments.
- Continuing from the previous year, income from NEDO* R&D projects was recorded as non-operating income.

Results by segment (YoY) : P11, Sales by segments of customers (YoY) : P13

(JPY mil.)

*New Energy and Industrial Technology Development Organization

	FY 2021	FY 2022	△	YoY
Sales	8,937	8,872	▲65	▲0.7%
Cost of goods sold	6,142	5,939	▲203	▲3.3%
Revision up	704	555	▲148	▲21.1%
Gross profit	2,795	2,933	+137	+4.9%
SG&A	2,722	3,286	+564	+20.7%
R&D expenses	1,125	1,255	+129	+11.5%
Operating income	72	▲353	▲426	—
Income from continuing operations before tax	330	▲250	▲580	—
Net income	200	▲357	▲558	—

Walk of operating income (YoY): P12

Results by Segment (year-over-year)

(JPY mil.)

by segment	FY 2021	FY 2022	△	YoY
Sales	8,937	8,872	▲65	▲0.7%
Embedded Software Business	8,255	8,442	+187	+2.3%
Embedded Software Products	1,823	1,906	+83	+4.6%
Engineering Services	6,432	6,536	+104	+1.6%
Sensing Solution Business	692	556	▲135	▲19.6%
Adjustments for consolidation	▲9	▲127	▲117	—
Gross profit	2,795	2,933	+137	+4.9%
Embedded Software Business	2,538	2,858	+320	+12.6%
Sensing Solution Business	252	188	▲64	▲25.5%
Adjustments for consolidation	4	▲113	▲118	—
Operating income	72	▲353	▲426	—
Embedded Software Business	40	▲220	▲261	—
Sensing Solution Business	27	▲19	▲46	—
Adjustments for consolidation	4	▲113	▲118	—

Embedded software business

- Sales of embedded software products and engineering services both increased
- Consumer electronics and Medical/Welfare increased

Sensing solutions business

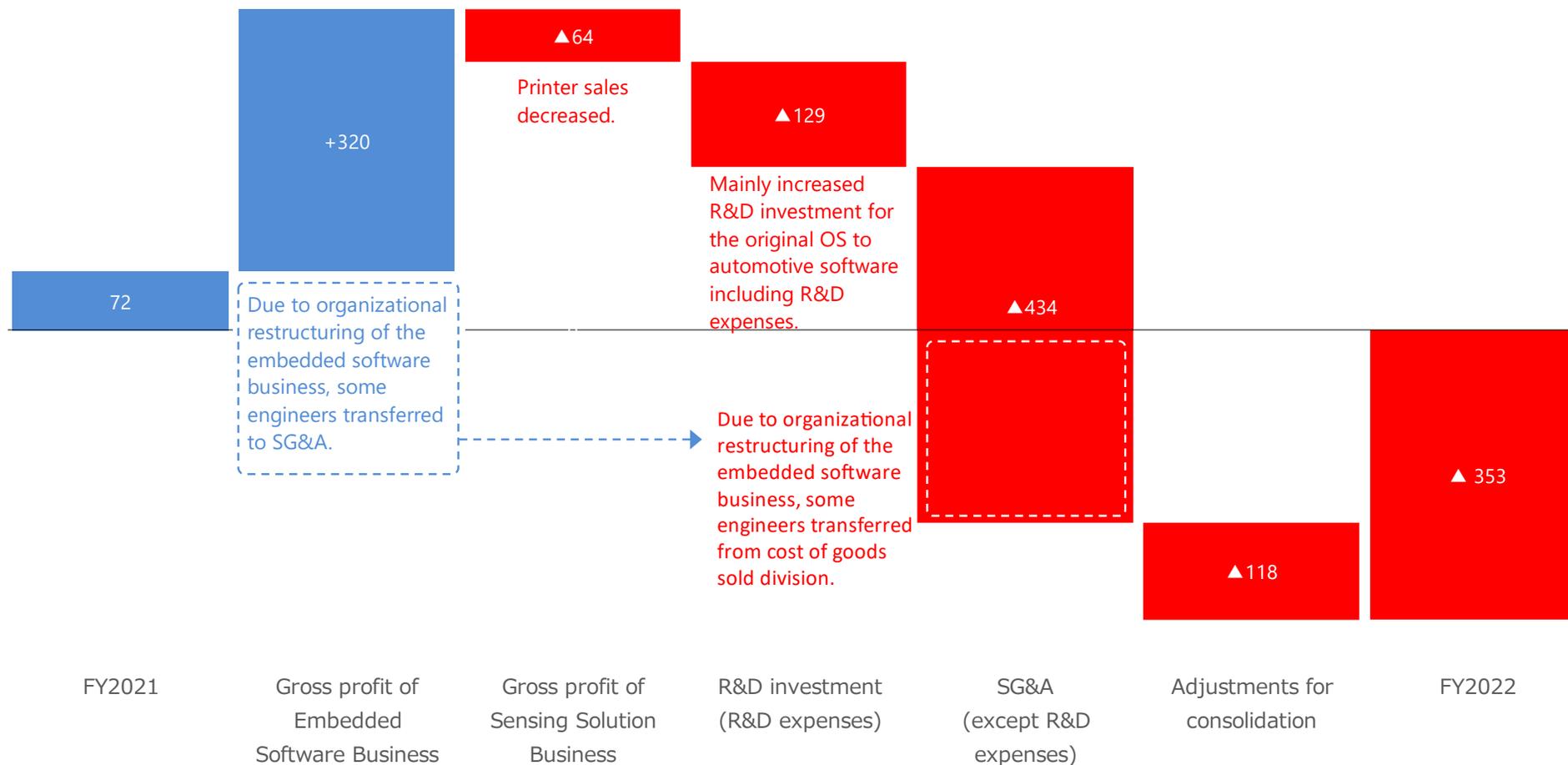
- Sales related to on-board printer decreased significantly.

Adjustments for consolidation

- Decreased in unrealized profit

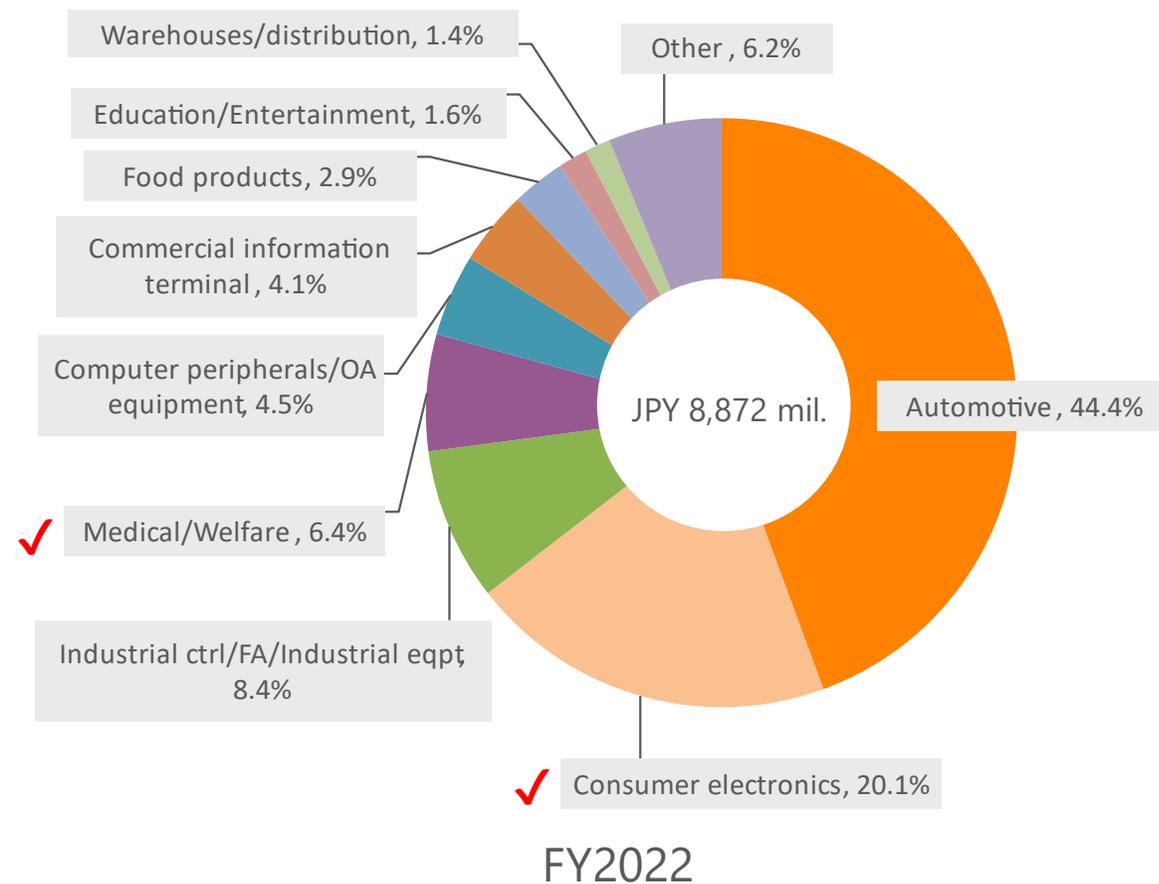
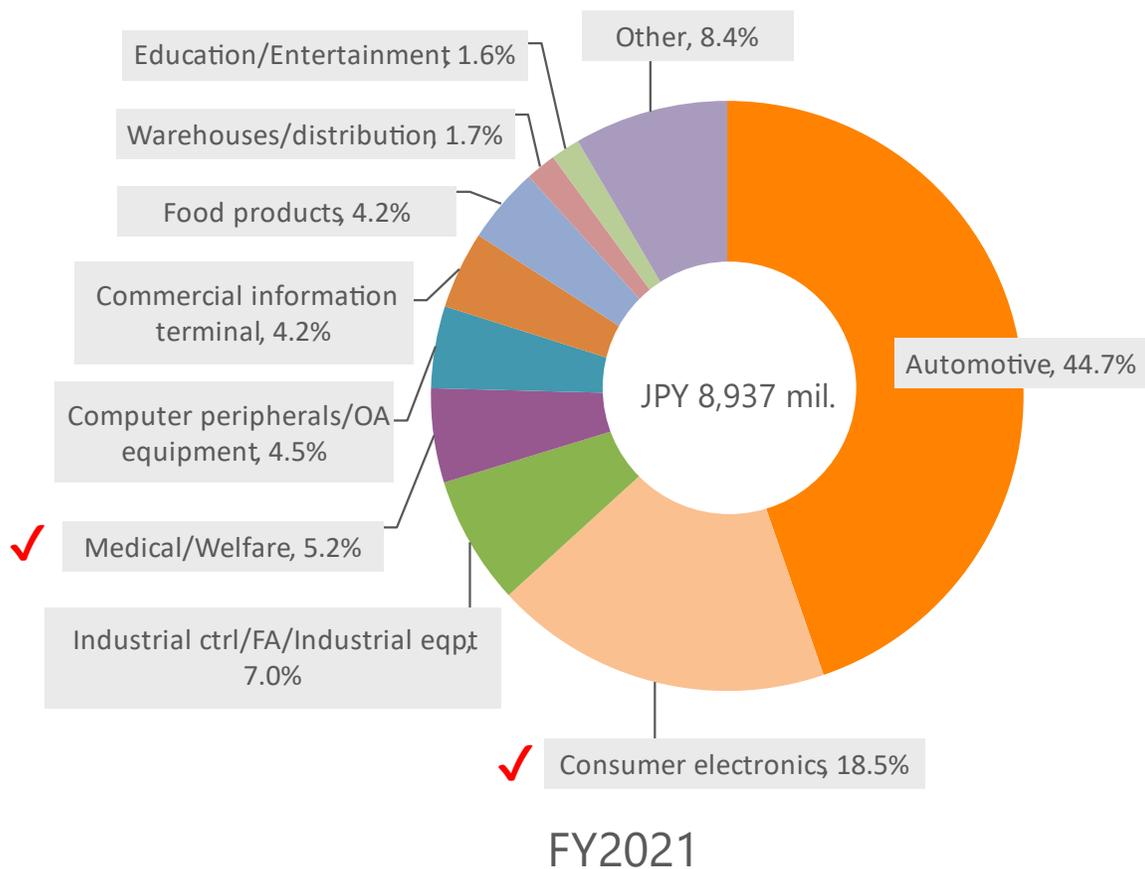
Walk of operating income (year-over-year)

(JPY mil.)



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

✓ Consumer electronics and Medical/Welfare grew.



3. FY 2023 Plan

Summary of Plan

Plan to increase revenues and profits

- Plan for increased sales in both the embedded software and sensing solutions businesses.
- Development investment will continue in 2022, mainly for the automotive market.
- Non-operating income is expected to include subsidy income from NEDO, as in 2022.

(JPY mil.)

	FY2022	FY2023 (PLAN)	△	YoY	Fist half	Second half
Sales	8,872	9,692	+820	+9.2%	4,565	5,127
Operating income	▲353	▲94	+258	—	▲201	106
Income from continuing operations before tax	▲250	23	+274	—	▲89	113
Net income	▲357	0	+357	—	▲100	99

Summary of Plan by segment

Embedded software businesses

- In engineering services, we plan to increase revenues in a wide range of sectors.



Sensing solutions businesses

- Plans to increase sales of on-board printers.
- Provided a mobile POS system developed with our development support tool "Emusen easy". Secure stable revenue through subscriptions.



On-board printer



Mobile POS payment terminal

	FY2022	FY2023 (PLAN)	△	YoY
Sales	8,872	9,692	+820	+9.2%
Embedded Software Business	8,442	8,884	+442	+5.2%
Sensing Solution Business	556	807	+250	+45.1%
Adjustments for consolidation	▲127	—	—	—

(JPY mil.)

Summary of Plan (R&D investment)

Basic policy of R&D investment

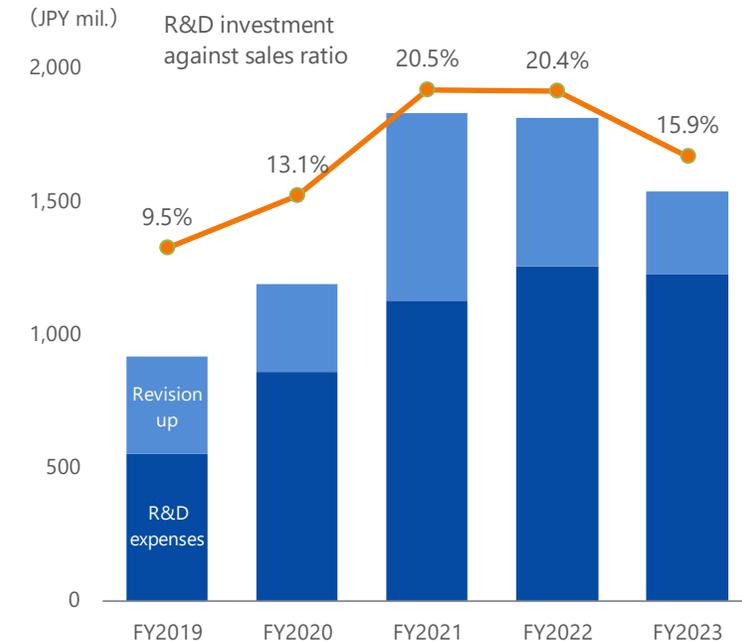
We continue to invest approximately 10% of sales in R&D every fiscal year, aiming to further enhance the functionality of our products.

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.

	FY 2022	FY 2023 (PLAN)	(JPY mil.)	
			△	YoY
Sales	8,872	9,692	+820	+9.2%
R&D investment	1,810	1,537	▲273	▲15.1%
R&D expenses	1,255	1,222	▲32	▲2.6%
Revision up	555	315	▲240	▲43.2%
Investment against sales ratio	20.4%	15.9%	—	—

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



Summary of Plan (R&D investment for on-board software)

Trend of automotive industries – SDV

In the automotive industry, it is necessary to improve the efficiency of increasing on-board software development in preparation for CASE*, and the development of SDV (Software Defined Vehicle)**, the so-called "Vehicle OS," is urgently needed as a way to achieve this.

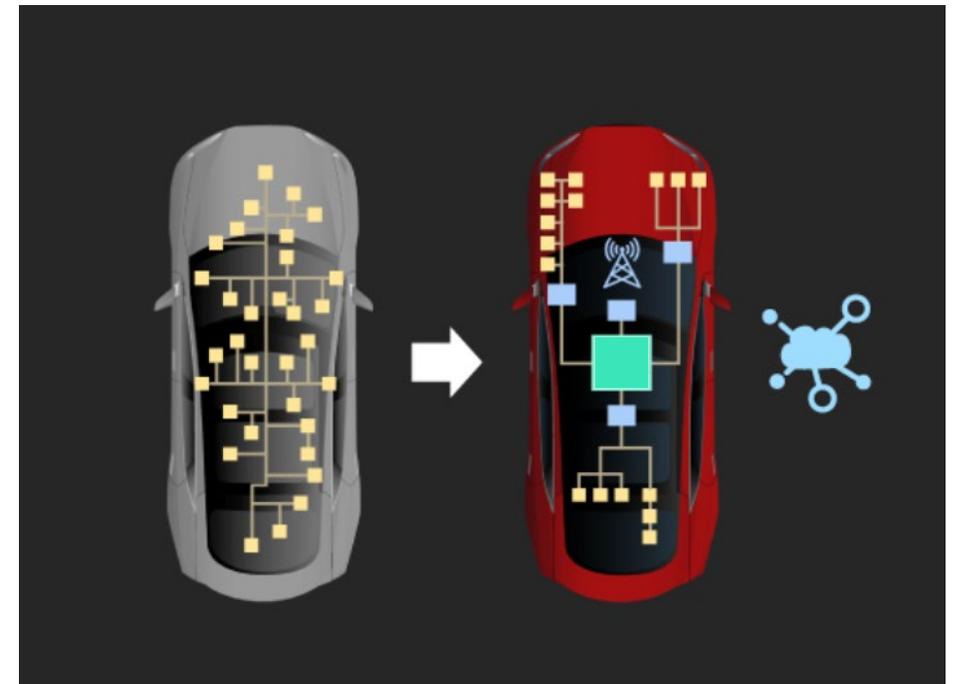
** SDV is an automobile whose functions and features are determined by software. Unlike existing automobiles, where software has been developed separately, hardware and software are separated, and the developed software is executed on various types of hardware.

Details of R&D investment

We have been providing various software technologies for automobiles, and we are focusing on the development of our next generation OS, eMCOS, to provide further technology for the Vehicles OS that will become popular in the future.



***C**onected
Autonomous
Shared & Service
Electric

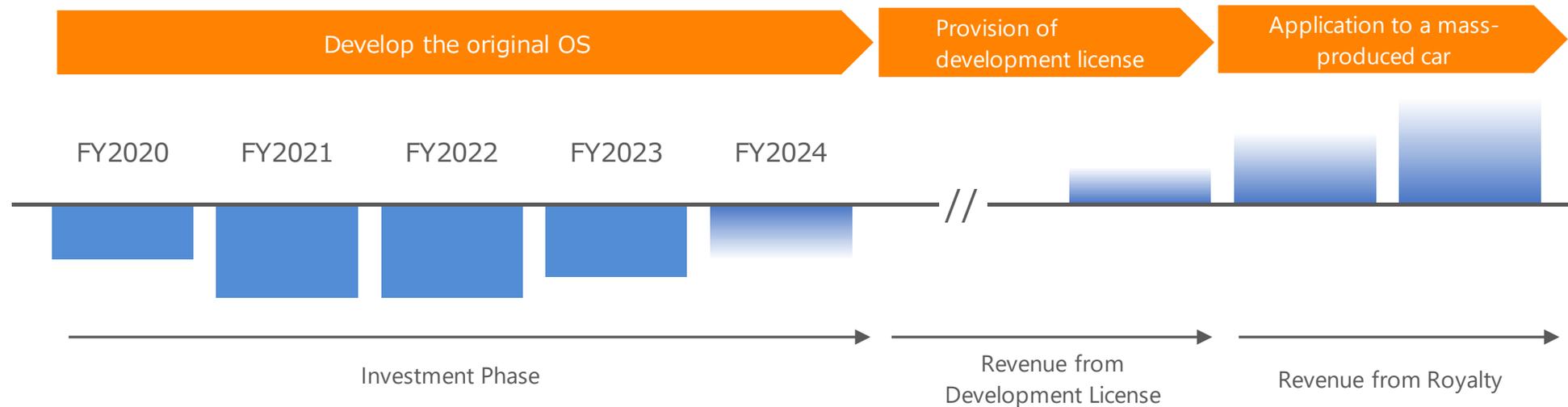


Summary of Plan (Forecast of profit from R&D investment)

Contribution to the business by investing for "Vehicle OS"

Enhance investment starting from "Investment Phase" and "Revenue from Development License" to "Revenue from Royalty"

(image)



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

4. Management Policies

Our Vision for Society

The past

Information Society

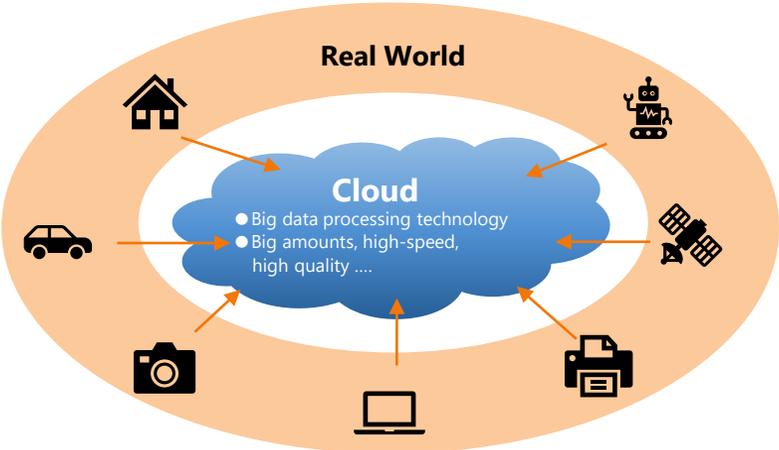
A society where an information network was built **alone** by machine, equipment or a tool.



The present

IoT Society

A society where data from each category evolves out of collection, accumulation, analysis, and integration in cloud.

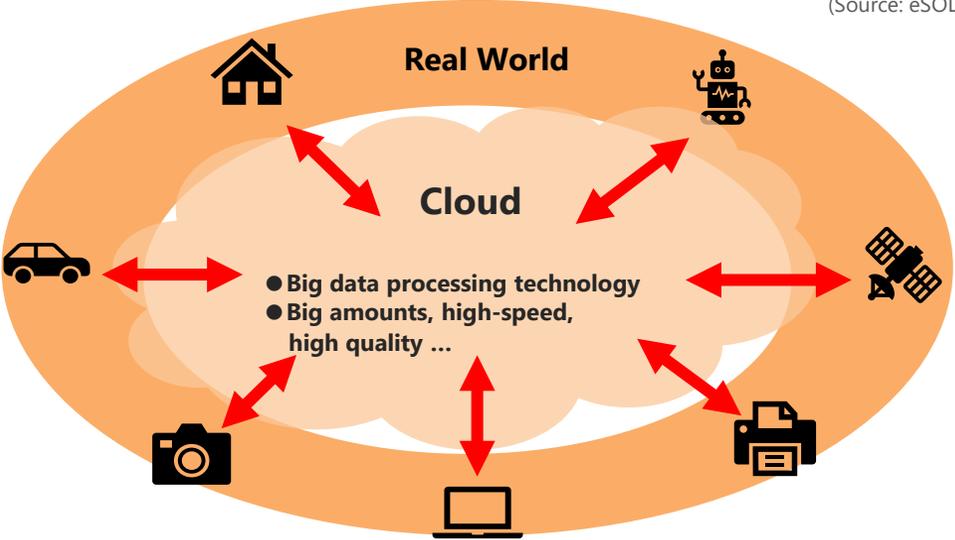


The future

Goal

(Create new values)

(Source: eSOL edited based on JEITA)



Make it a cloud-interactive world. Make the world where feedback is applied to the real society after the cloud processes information.

Starting from times where the cloud is used solely for storage and data processing, we reach the world where the cloud plays a role of providing feedback to machine control in real society and the world becomes more sound and safer.

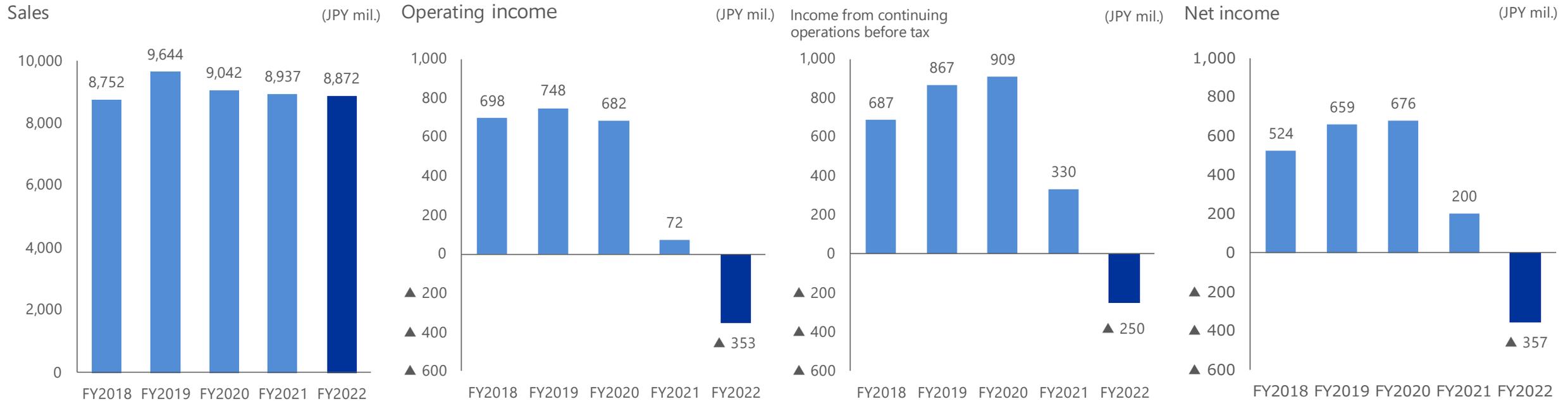
- Establish platform in which the cloud is also applicable.
- eSOL establishes OS that revitalizes industry and solves social problems based on the technology cultivated through embedded software.

eSOL's vision

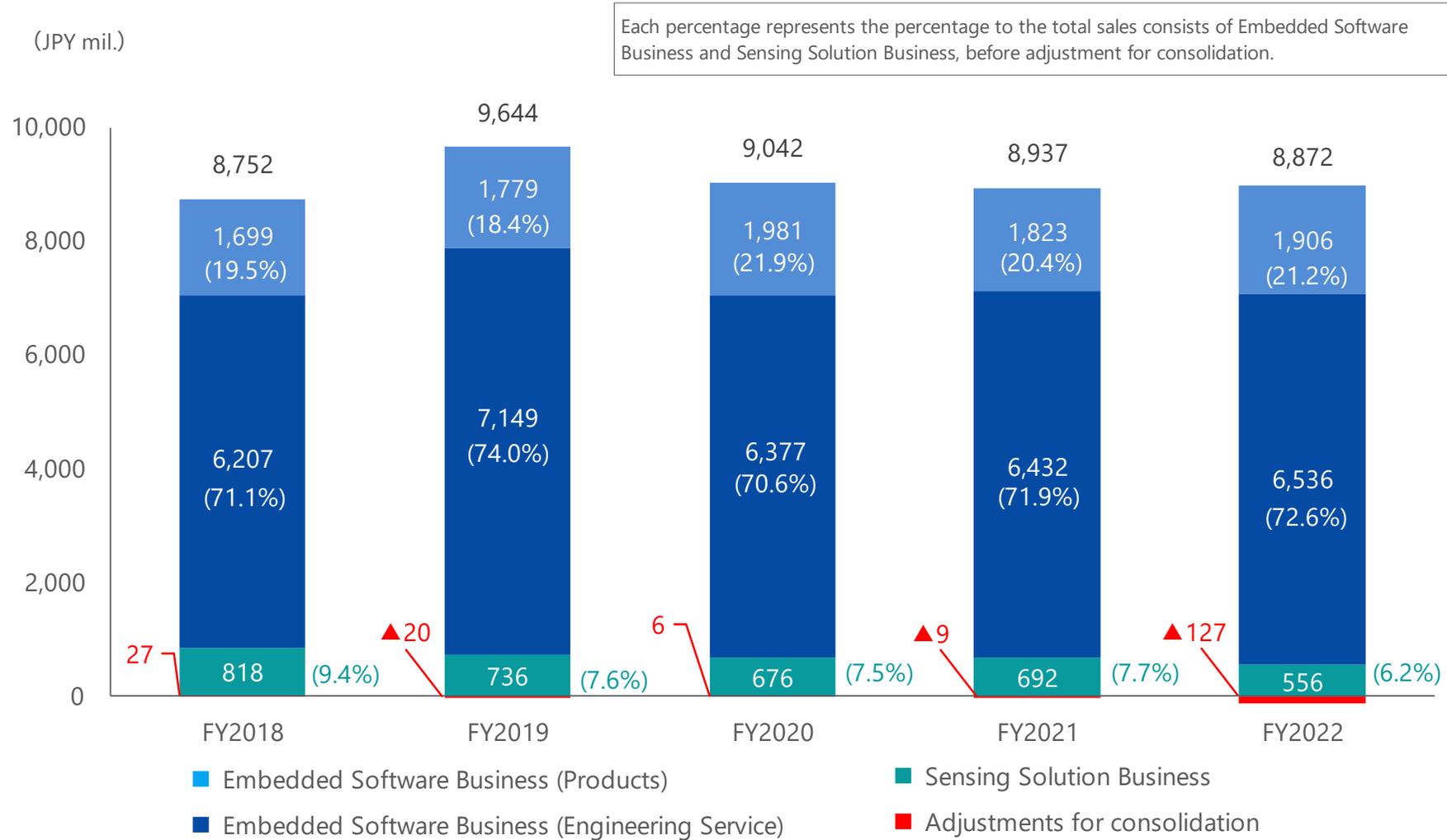
- eSOL aims to be a company that will move forward with and be supported by customers, business partners and shareholders.
- eSOL continues to expand the business as a rare and valuable company in the world that can provide a one-stop solution covering from an original embedded software development to 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.)

	FY2018	FY2019	FY2020	FY2021	FY2022
R&D expenses	383	551	860	1,125	1,255
Revision up	398	364	328	704	555
R&D investment	781	916	1,188	1,829	1,810

	FY2018	FY2019	FY2020	FY2021	FY2022
Sales	8,752	9,644	9,042	8,937	8,872
Cost of goods sold	6,148	6,649	5,845	6,142	5,939
Revision up	398	364	328	704	555
Cost of goods sold (excluding Revision up)	5,749	6,284	5,517	5,438	5,383
Gross profit	2,604	2,995	3,197	2,795	2,933
Gross profit margin ratio	29.8%	31.1%	35.4%	31.3%	33.1%
Gross profit (excluding Revision up)	3,002	3,360	3,525	3,499	3,488
Gross profit margin ratio (excluding Revision up)	34.3%	34.8%	39.0%	39.2%	39.3%
SG&A	1,905	2,246	2,514	2,722	3,286
R&D expenses	383	551	860	1,125	1,255
SG&A (excluding R&D expenses)	1,522	1,694	1,654	1,597	2,031
Operating income	698	748	682	72	▲353
Operating income margin ratio	8.0%	7.8%	7.5%	0.8%	-
Operating income (excluding R&D expenses)	1,480	1,665	1,871	1,902	1,456
Operating income margin ratio (excluding R&D expenses)	16.9%	17.3%	20.7%	21.3%	16.4%
Operating income (excluding R&D exenpses, including Revision up)	1,081	1,300	1,543	1,198	901
Operating income margin ratio (excluding R&D exenpses, including Revision up)	12.4%	13.5%	17.1%	13.4%	10.2%

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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