



eSOL Co.,Ltd.

Reports 2023 Second Quarter Results

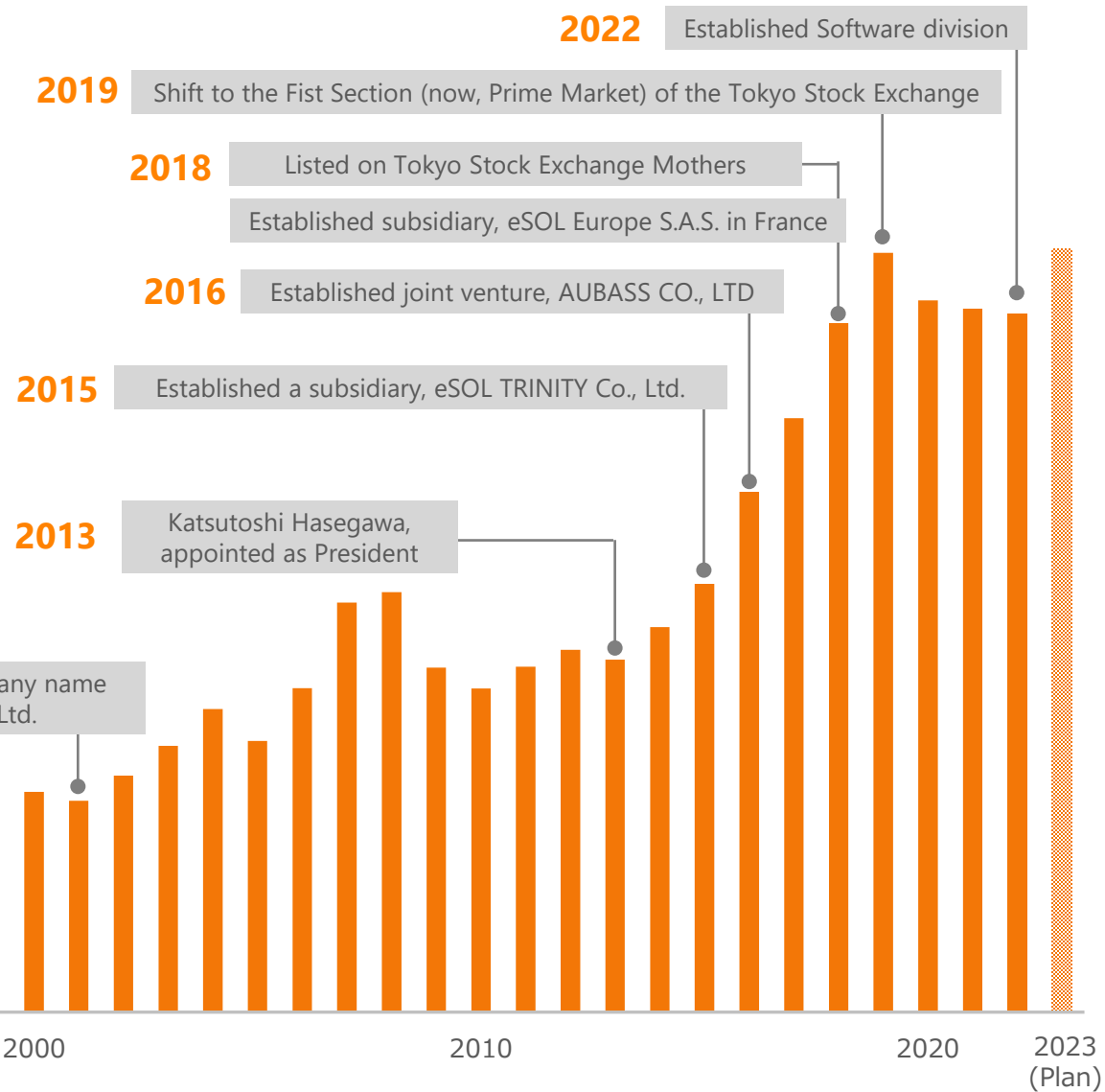
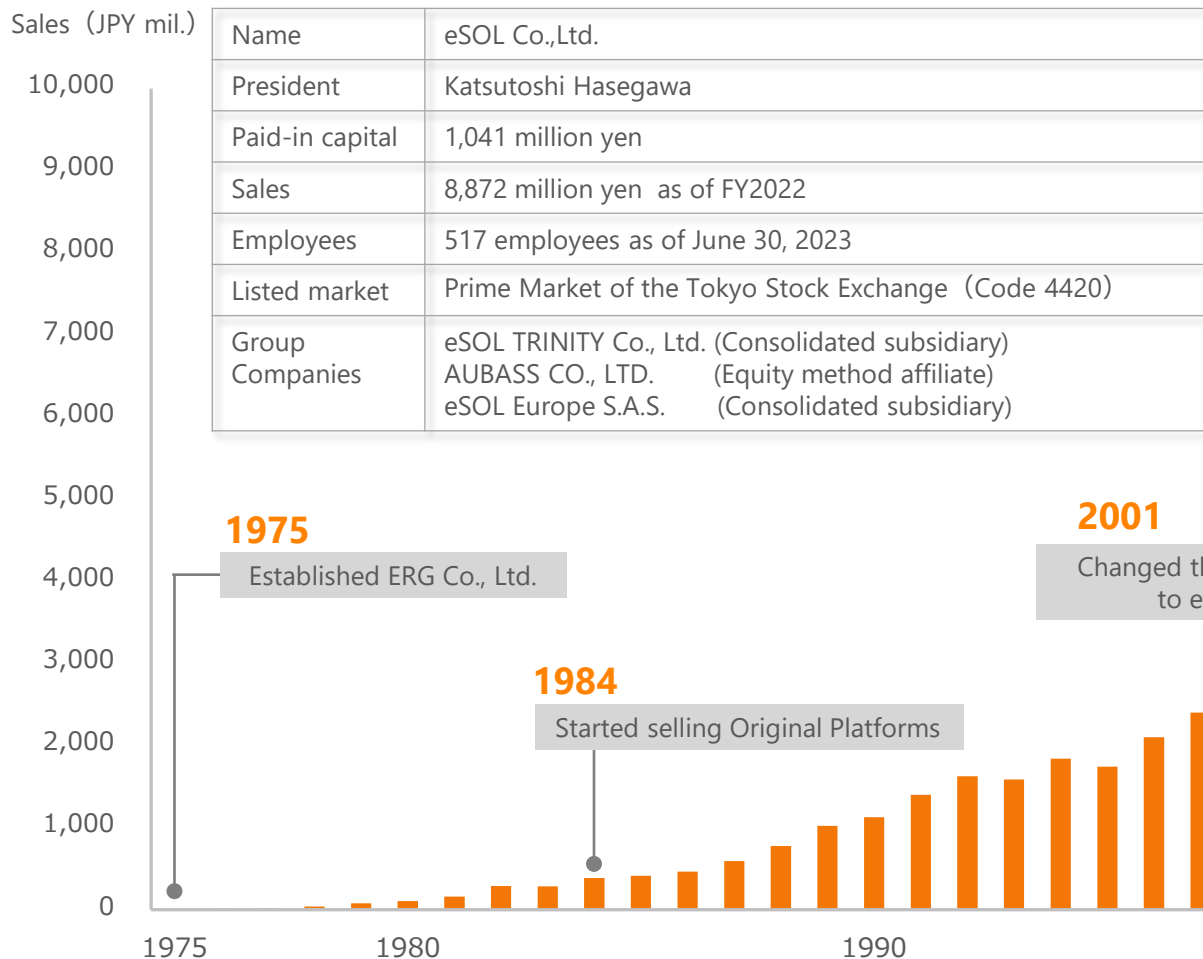
August 10, 2023

Table of Contents

1. Corporate profile
2. Summary of FY2023 Second Quarter (Q2) Results
3. Topics

1. Corporate profile

History



Business



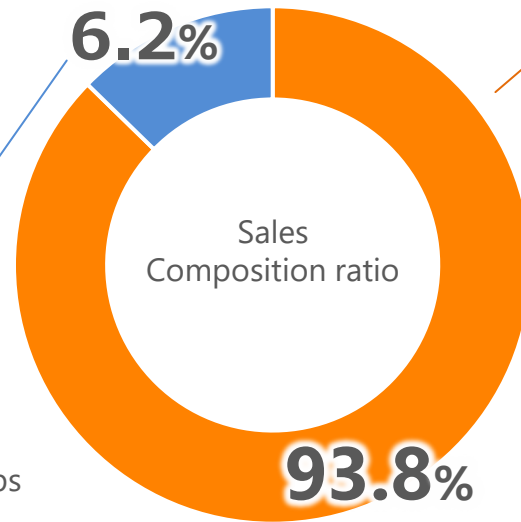
Sensing Solution Business

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

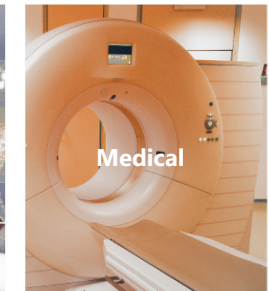
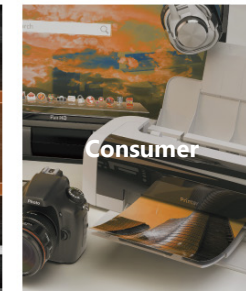
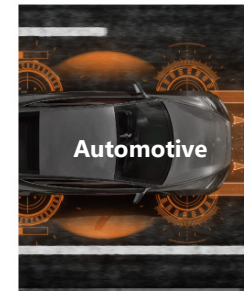
Embedded Software Business

Embedded Software Products

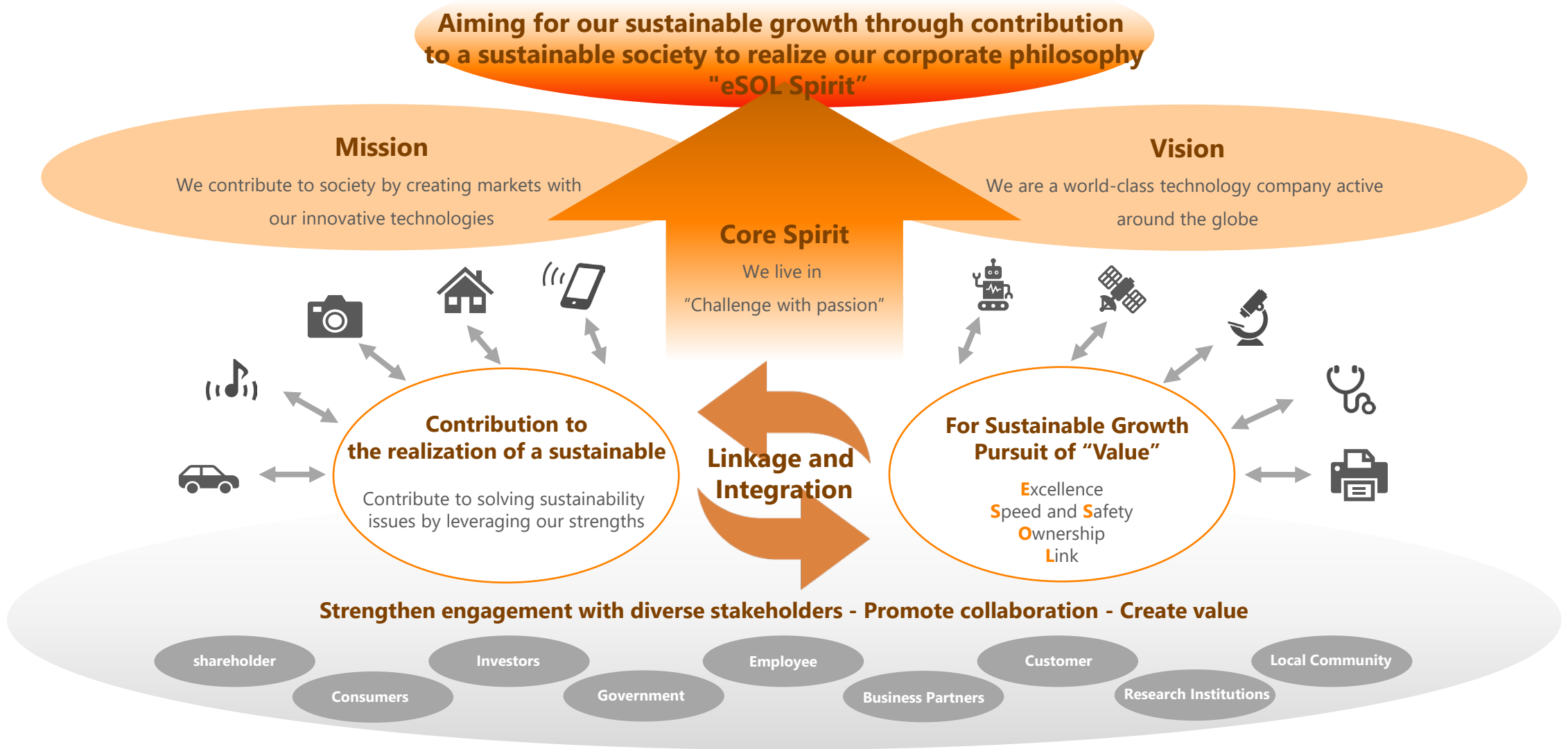
- Development and sale of RTOS (real-time operating system) RTOS
- Sale of tools for the development of embedded software

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 Second Quarter (Q2) Results

Summary of Q2 Results (Progress of planned value)

Both sales and incomes achieved the plan.

- Sales exceeded the plan due to growth in engineering services in the embedded software business and adjustments for unrealized profits from transactions with affiliates.

- Profits were higher than planned for operating profit and all other levels of profit. This was due to the addition of profit from increased sales and adjustments to unrealised profits, as well as lower-than-planned research and development costs in the embedded software business due to a partial change in the development schedule, and a partial change or reduction in planned selling, general and administrative expenses to the second half of the year. This is due to the following reasons.

(JPY mil.)

	Q2 FY2023		△	YoY
	PLAN	RESULT		
Sales	4,565	4,667	+102	+2.3%
Operating income	▲201	▲24	+176	-
Income from continuing operations before tax	▲89	104	+194	-
Net income	▲100	72	+173	-

Announced on February 14, 2023

(JPY mil.)

	FY2022	FY2023 (PLAN)	△	YoY	FY2023	
					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 Q2 Results (year-over-year)

- Sales increased in both the embedded software business and the sensing solutions business.
- In addition to the increase in sales, R&D investment (R&D expenses) for the original OS decreased as planned for this fiscal year, resulting in an increase in profit.

(JPY mil.)

	Q2 FY 2022	Q2 FY 2023	△	YoY
Sales	4,110	4,667	+557	+13.6%
Cost of goods sold	2,792	2,989	+197	+7.1%
Revision up	287	120	▲167	▲58.2%
Gross profit	1,318	1,678	+359	+27.3%
SG&A	1,789	1,702	▲86	▲4.8%
R&D expenses	759	605	▲153	▲20.3%
Operating income	▲470	▲24	+445	-
Income from continuing operations before tax	▲397	104	+502	-
Net income	▲423	72	+495	-

Sales by segment

(JPY mil.)

by segment	Q2 FY 2022	Q2 FY 2023	△	YoY
Embedded Software Business	3,920	4,383	+463	+11.8%
Embedded Software Products	832	782	▲50	▲6.1%
Engineering Services	3,087	3,601	+514	+16.7%
Sensing Solution Business	228	233	+5	+2.3%
Adjustments for consolidation	▲37	50	+88	-

Operating income by segment

(JPY mil.)

by segment	Q2 FY 2022	Q2 FY 2023	△	YoY
Embedded Software Business	▲407	▲66	+340	-
Sensing Solution Business	▲33	▲15	+17	-
Adjustments for consolidation	▲30	57	+87	-

R&D investment (year-over-year)

Basic policy of R&D investment

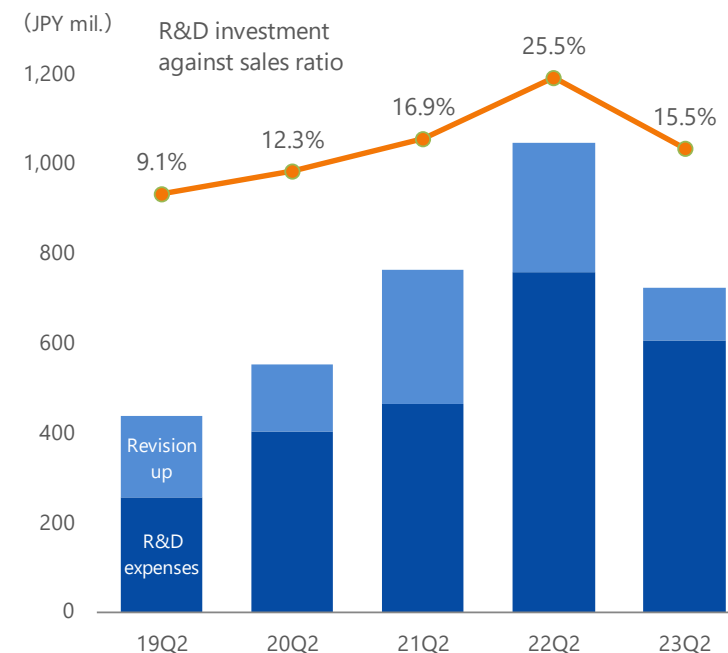
We continue to invest approximately 10% of sales in R&D every fiscal year, aiming to further enhance the functionality of our products.

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.

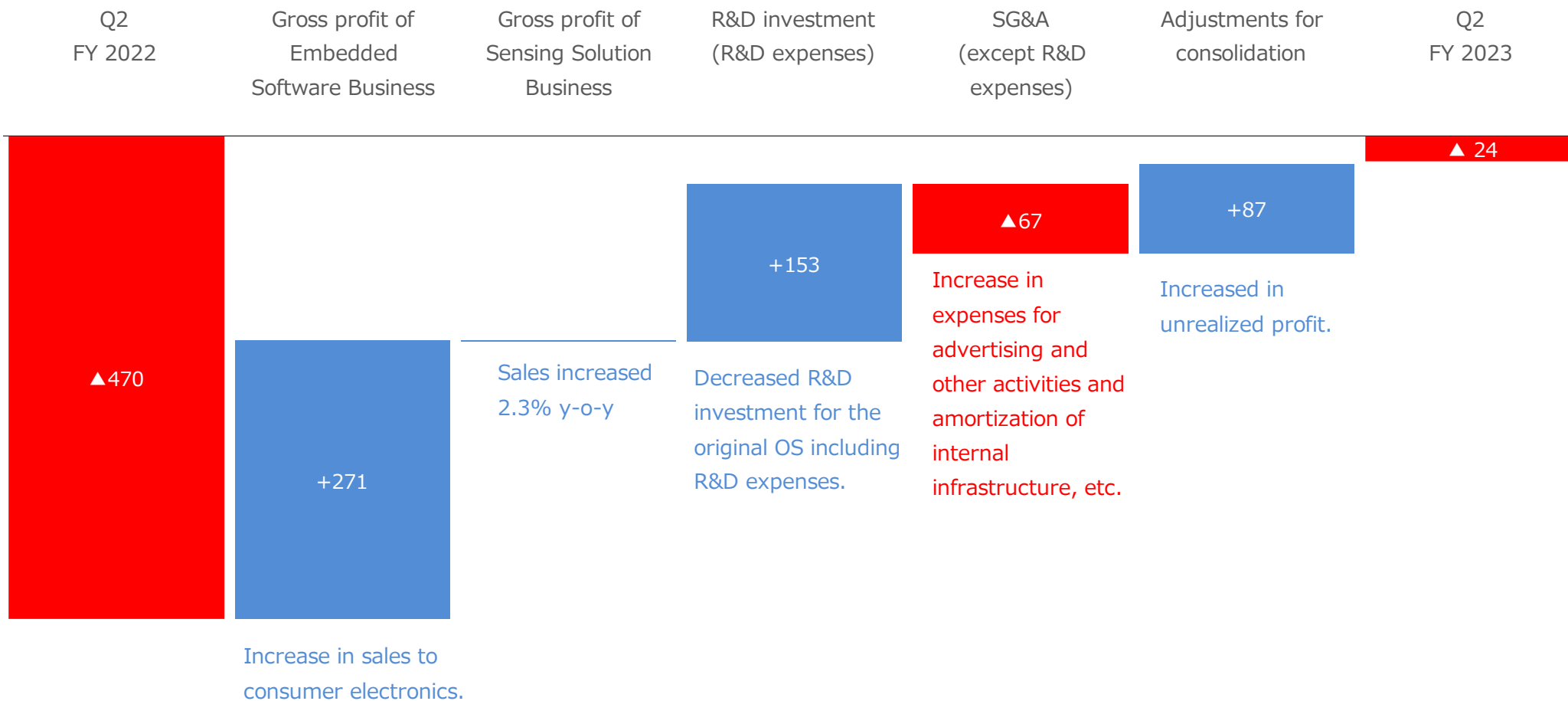
	(JPY mil.)			
	Q2 FY 2022	Q2 FY 2023	△	YoY
Sales	4,110	4,667	+557	+13.6%
R&D investment	1,047	725	▲321	▲30.7%
R&D expenses	759	605	▲153	▲20.3%
Revision up	287	120	▲167	▲58.2%
Investment against sales ratio	25.5%	15.5%	-	-

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)

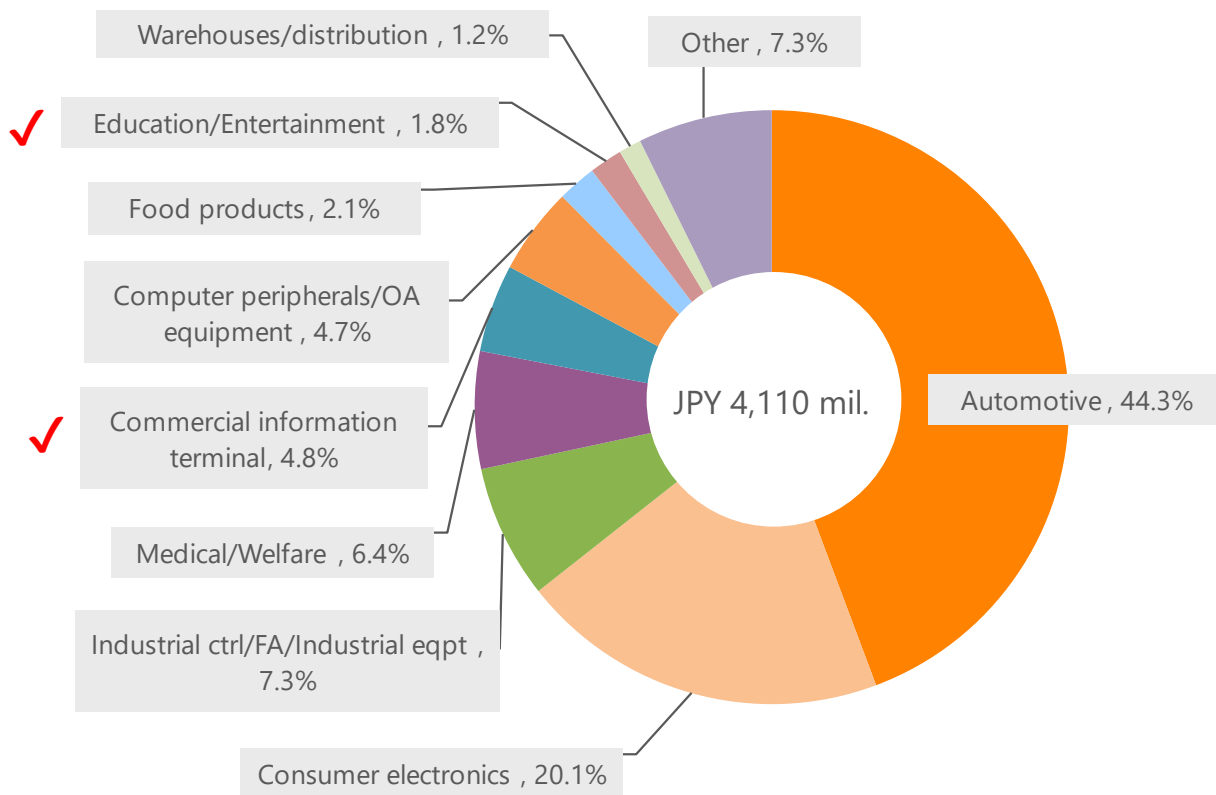
(JPY mil.)



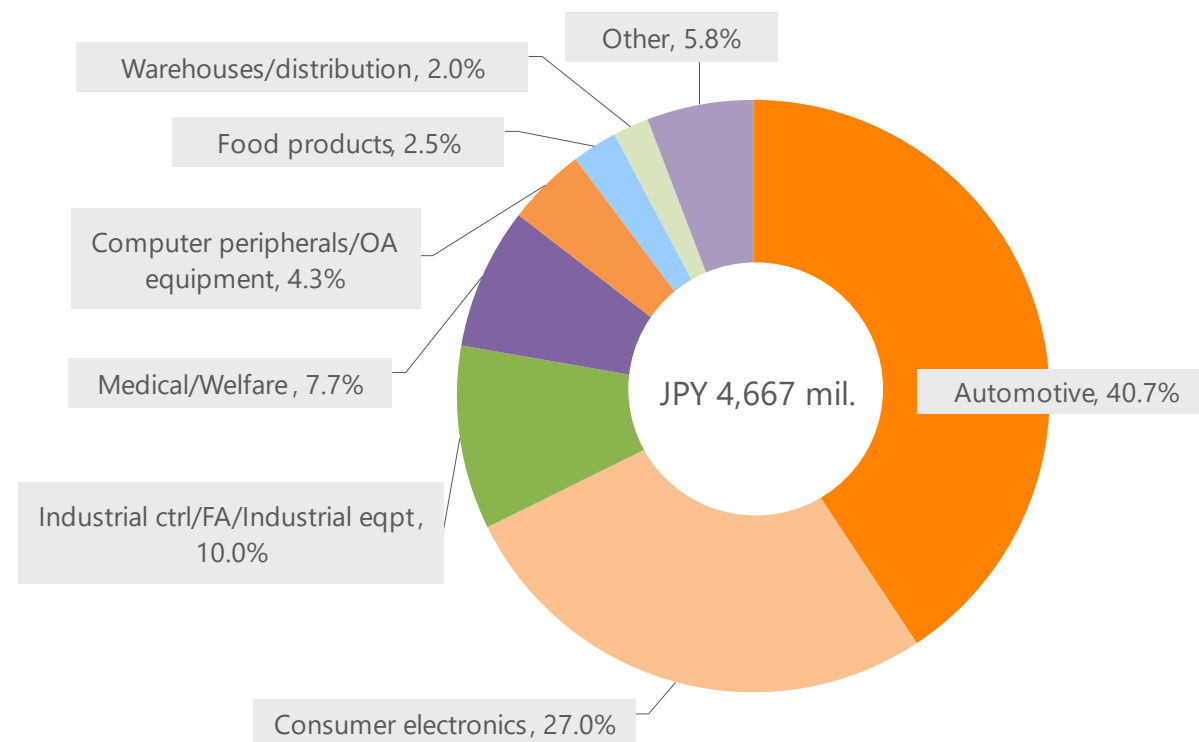
Sales by segments of customers (year-over-year)

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

*"Other" includes adjustments for consolidation



Q2 FY2022



Q2 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 Press Release & eSOL Blog

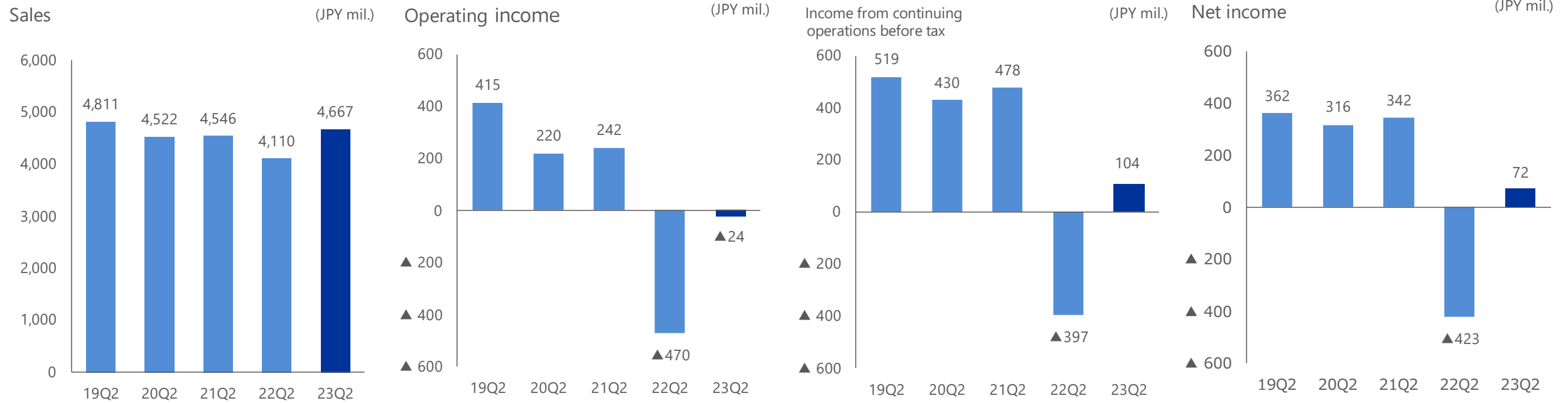
Title	Date	URL
Brake-by-Wire Not by-Linux	Aug 10, 2023	https://blog.esol.com/embedded/brake-by-wire-not-by-linux_20230810
The Story of Two Companies That Want to Finally Make Autonomous Driving a Reality	Jun 15, 2023	https://blog.esol.com/embedded/autoware_conversation_20230615
New NXP S32G support from eSOL enhances eMCOS® SDK	May 23, 2023	https://www.esol.com/press/press_142.html

eSOL's vision

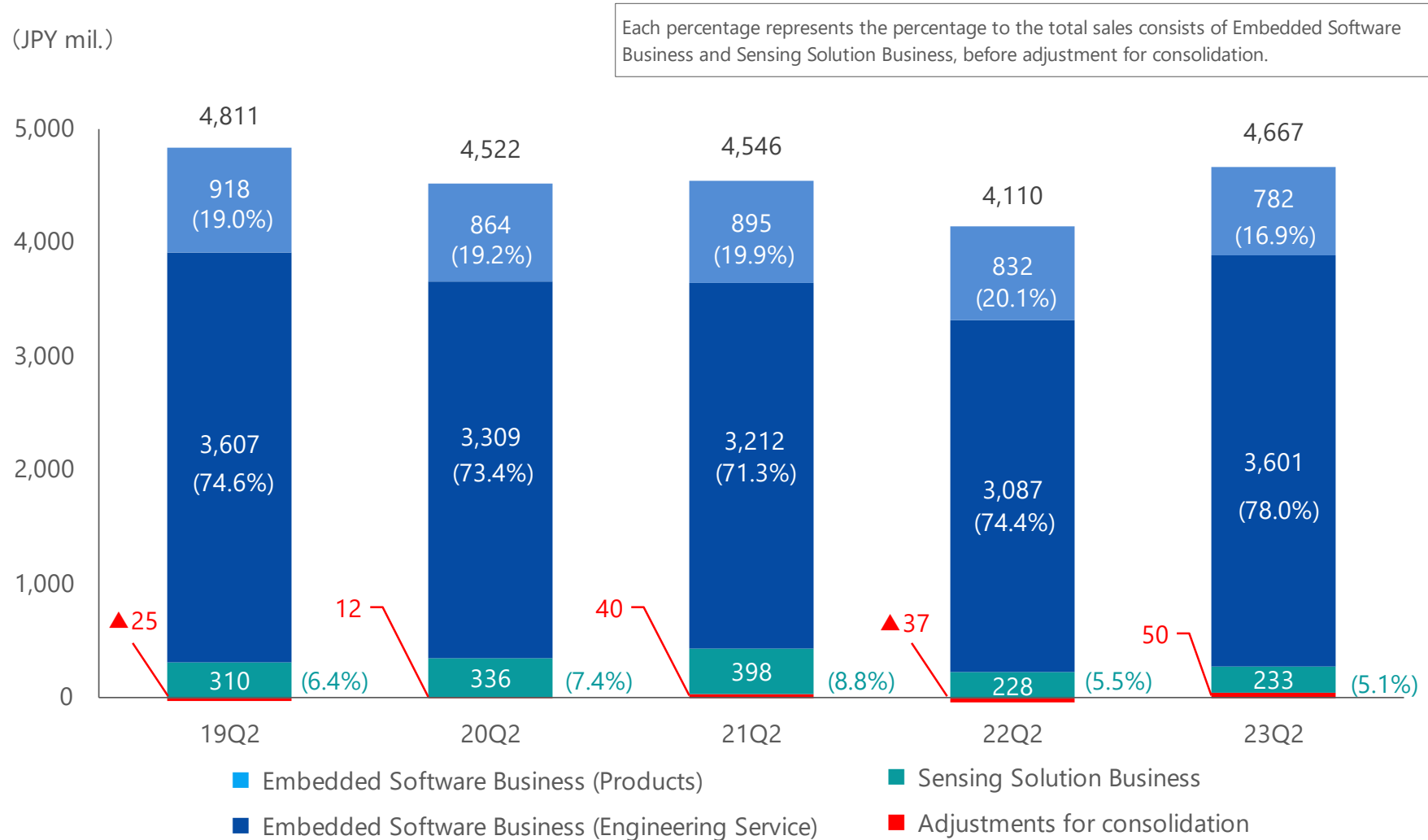
- eSOL aims to be a company that will move forward with and be supported by customers, business partners and shareholders.
- eSOL continues to expand the business as a rare and valuable company in the world that can provide a one-stop solution covering from an original embedded software development to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

	Q2 FY2019	Q2 FY2020	Q2 FY2021	Q2 FY2022	Q2 FY2023
R&D expenses	255	402	465	759	605
Revision up	182	151	300	287	120
R&D investment	438	554	766	1,047	725
Sales	4,811	4,522	4,546	4,110	4,667
Cost of goods sold	3,313	3,050	3,007	2,792	2,989
Revision up	182	151	300	287	120
Cost of goods sold (excluding Revision up)	3,131	2,899	2,707	2,504	2,869
Gross profit	1,497	1,471	1,539	1,318	1,678
Gross profit margin ratio	31.1%	32.5%	33.8%	32.1%	36.0%
Gross profit (excluding Revision up)	1,680	1,623	1,839	1,606	1,798
Gross profit margin ratio (excluding Revision up)	34.9%	35.9%	40.5%	39.1%	38.5%
SG&A	1,082	1,251	1,296	1,789	1,702
R&D expenses	255	402	465	759	605
SG&A (excluding R&D expenses)	827	848	830	1,029	1,097
Operating income	415	220	242	▲ 470	▲ 24
Operating income margin ratio	8.6%	4.9%	5.3%	-	-
Operating income (excluding R&D expenses)	853	774	1,009	576	701
Operating income margin ratio (excluding R&D expenses)	17.7%	17.1%	22.2%	14.0%	15.0%
Operating income (excluding R&D exenpses, including Revision up)	670	623	708	288	580
Operating income margin ratio (excluding R&D exenpses, including Revision up)	13.9%	13.8%	15.6%	7.0%	12.4%

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.

Contact

IR, President's Office,
eSOL Co., Ltd.

e-mail : esol-ir@esol.co.jp

WEB : <https://www.esol.com/>