



eSOL Co., Ltd.

# Reports 2021 Second Quarter Results

August 11, 2021

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# Summary of Q2 results

## Variance form the plan

- Sales : Sales exceeded the plan due to the followings: first, the sales to automotive industries increased in Embedded Software Business; second, Sensing Solution Business received advance order placements from customers; and last, adjustments were made on unrealized profit through intercompany transactions.
- Operating income : Operating income exceeded the plan due to increased value-added projects in engineering services of Embedded Software Business, and less-than-the plan spending of selling, general and administration expenses (SG&A).

## Year-over-year (YoY)

- Sales : Sales increased due to the growing sales of on-board printers of Sensing Solution Business, partially offset by the slight drop of the sales to consumers of Embedded Software Business.
- Operating income : Operating income increased due to the above sales growth, partially offset by increased SG&A owing to the rise of research and development (R&D) expenses.
- Other : Revenue from NEDO\* R&D project was allocated to other income as we did for Q2 results of FY2020.

\*New Energy and Industrial Technology Development Organization

# Summary of Q2 results

Results by segment : P5, Sales by segments of customers : P7

(JPY mil.)

	Q2 FY 2020	Q2 FY 2021	YoY	Q2 Plan	Achievement	Full-year plan FY 2021
Sales	4,522	<b>4,546</b>	+0.5%	4,387	103.6%	9,549
Cost of goods sold	3,050	3,007	▲1.4%	—	—	—
Revision up	151	300	+98.4%	—	—	—
Gross profit	1,471	1,539	+4.6%	—	—	—
SG&A	1,251	1,296	+3.6%	—	—	—
R&D expenses	402	465	+15.6%	—	—	—
Operating income	220	<b>242</b>	+10.3%	▲4	—	309
Income from continuing operations before tax	430	<b>478</b>	+11.0%	211	226.1%	536
Net income	316	<b>342</b>	+8.2%	150	228.3%	387

Walk of operating income (YoY): P6

Allocated NEDO revenue to other income

R&D investment: P8&9

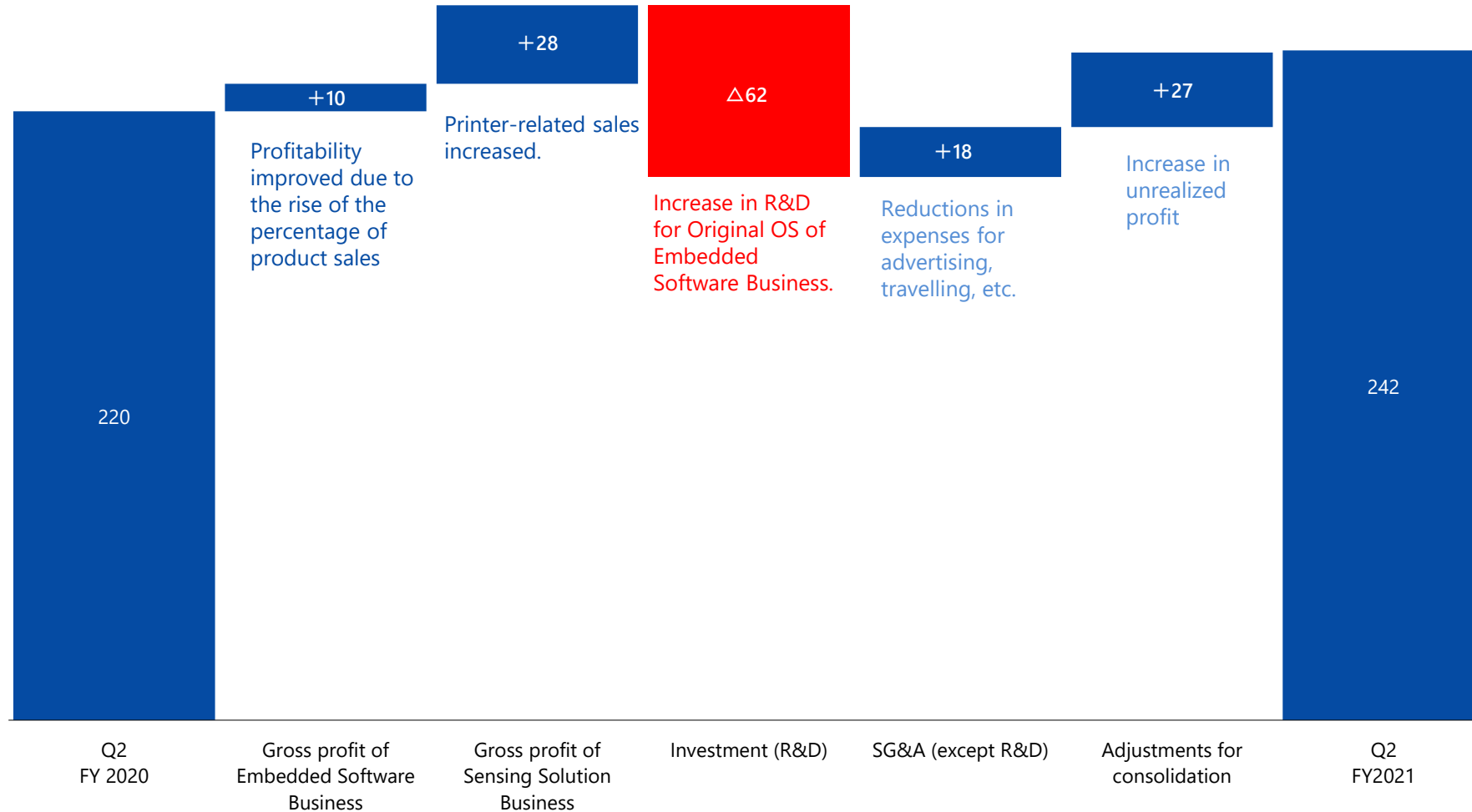
# Results by segment - summary

(JPY mil.)

	Q2 FY 2020	Q2 FY 2021	YoY
Sales	4,522	<b>4,546</b>	+0.5%
Embedded Software Business	4,174	<b>4,108</b>	▲1.6%
Embedded Software Products	864	<b>895</b>	+3.6%
Engineering Services	3,309	<b>3,212</b>	▲3.0%
Sensing Solution Business	336	<b>398</b>	+18.6%
Adjustments for consolidation	12	<b>40</b>	—
Gross profit	1,471	<b>1,539</b>	+4.6%
Embedded Software Business	1,327	<b>1,338</b>	+0.8%
Sensing Solution Business	125	<b>153</b>	+22.6%
Adjustments for consolidation	18	<b>46</b>	—
Operating income	220	<b>242</b>	+10.3%
Embedded Software Business	201	<b>158</b>	▲21.1%
Sensing Solution Business	0	<b>37</b>	—
Adjustments for consolidation	18	<b>46</b>	—

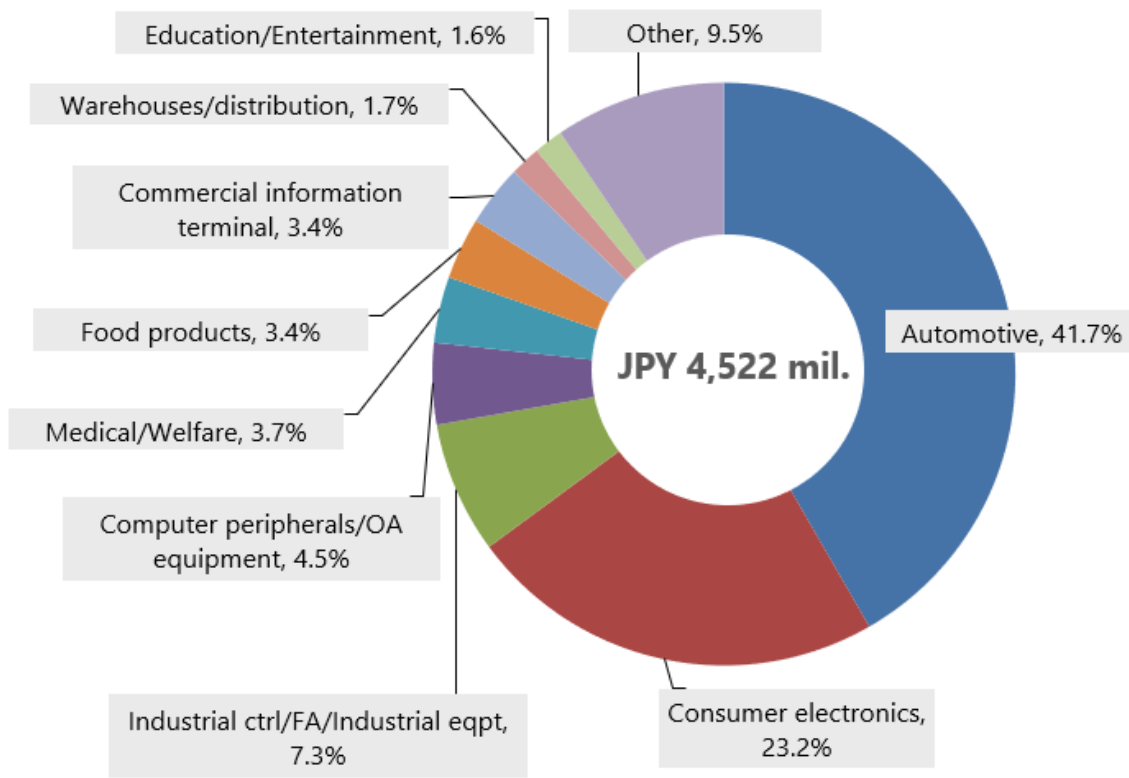
# Walk of operating income (year-over-year)

(JPY mil.)

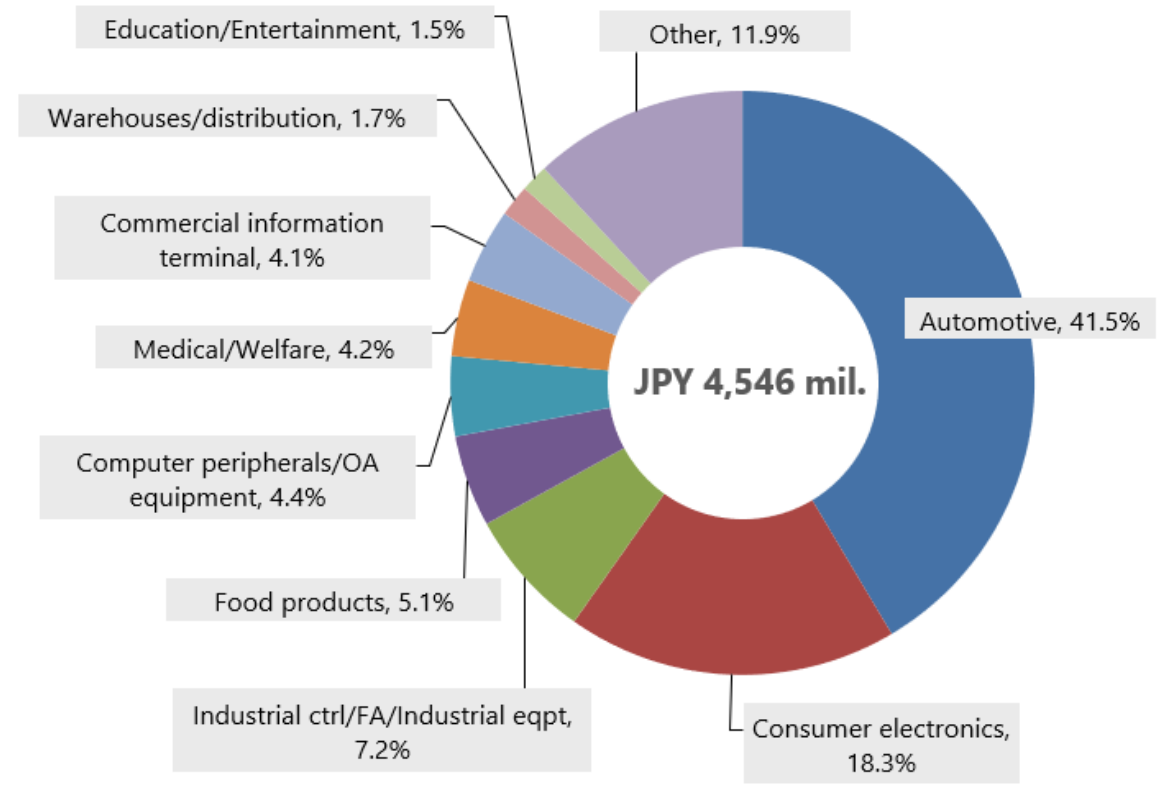


# Sales by segments of customers

Sales to automotive remained same  
Decrease in sales to consumer electronics



Q2 FY2020



Q2 FY2021

# R&D investment

R&D investment — as the company holding Original OS, we have set our target to go into a global market.

## ■ Concept of R&D investment

Investment shall continue each period in R&D and revision up, aiming to further improve functionalities of the products.

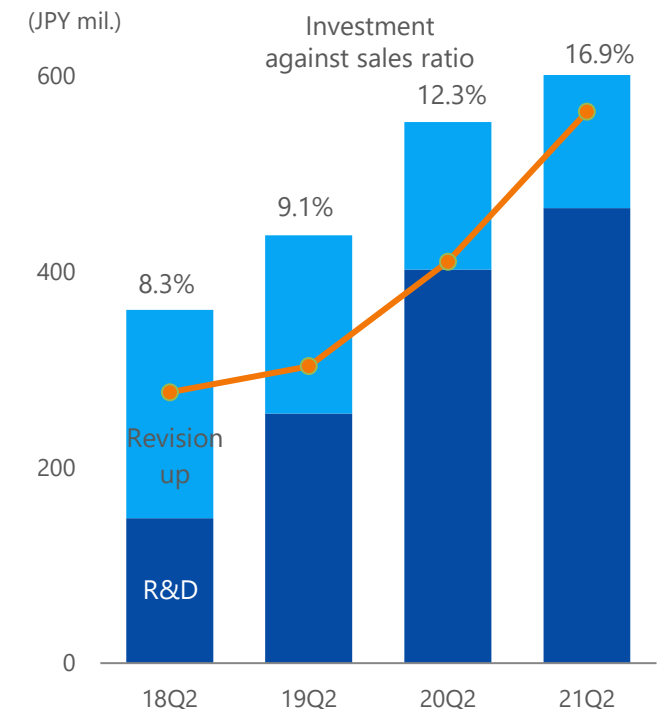
## ■ Policy for this FY

The whole group, including overseas affiliates, accelerates R&D investment in Original OS, aiming to go into the automotive market where computerization has been advancing.

## ■ Progress

	(JPY mil.)		
	Q2 FY 2020	Q2 FY 2021	YoY
Sales	4,522	<b>4,546</b>	+ 0.5%
Investment	554	<b>766</b>	+ 38.3%
R&D	402	<b>465</b>	+ 15.6%
Revision up	151	<b>300</b>	+ 98.4%
Investment against sales ratio	12.3%	<b>16.9%</b>	—

Revision up: investment to maintain the function of product





# R&D investment — Plan (Driving force coming from automotive market)

## ■ Market status

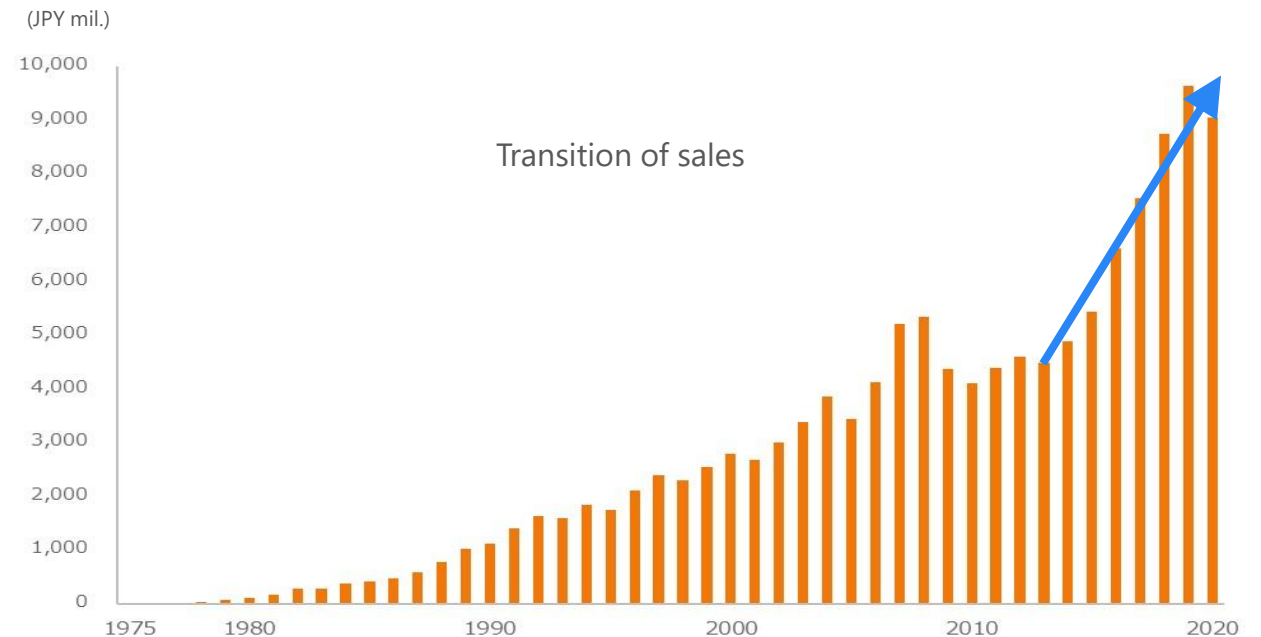
The global market for automotive software continues to expand.

The size of Japanese market for automotive software is expected to grow by 50% from 2020 to 2030.

 Our business opportunity is promising.

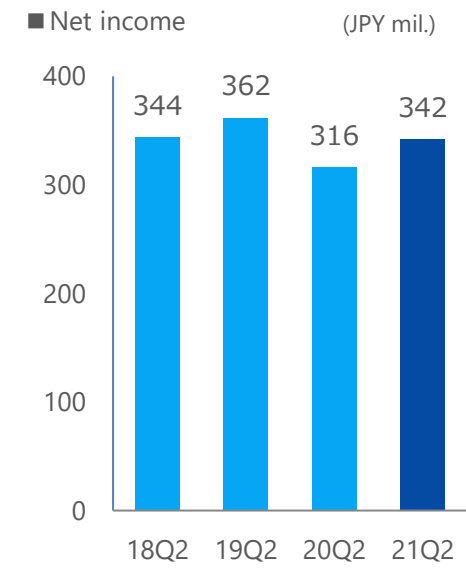
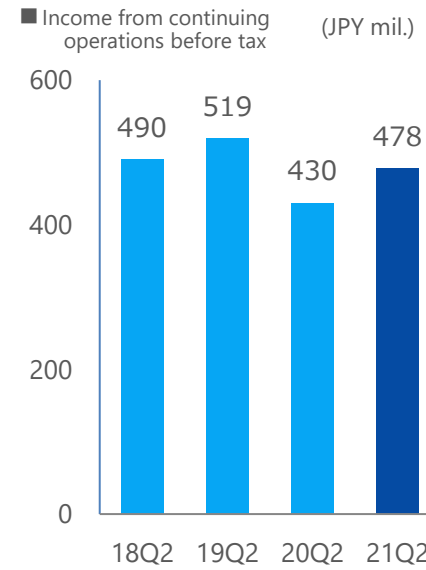
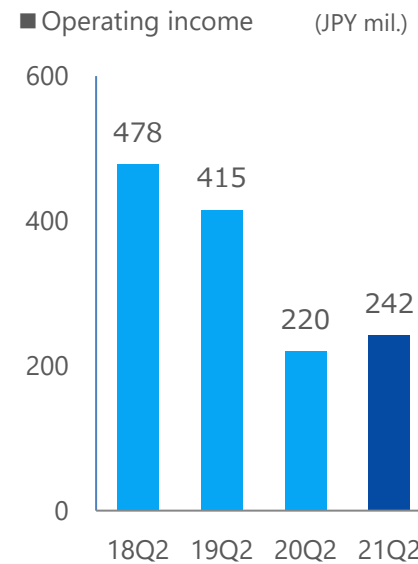
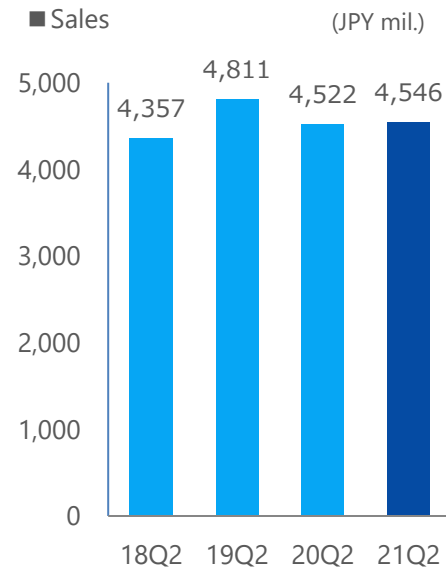
## ■ Transition of sales: Sales have been jumping since we accelerated investments.

Sales doubled during 2013 and 2020, including the sales to automotive which grew by 130%.

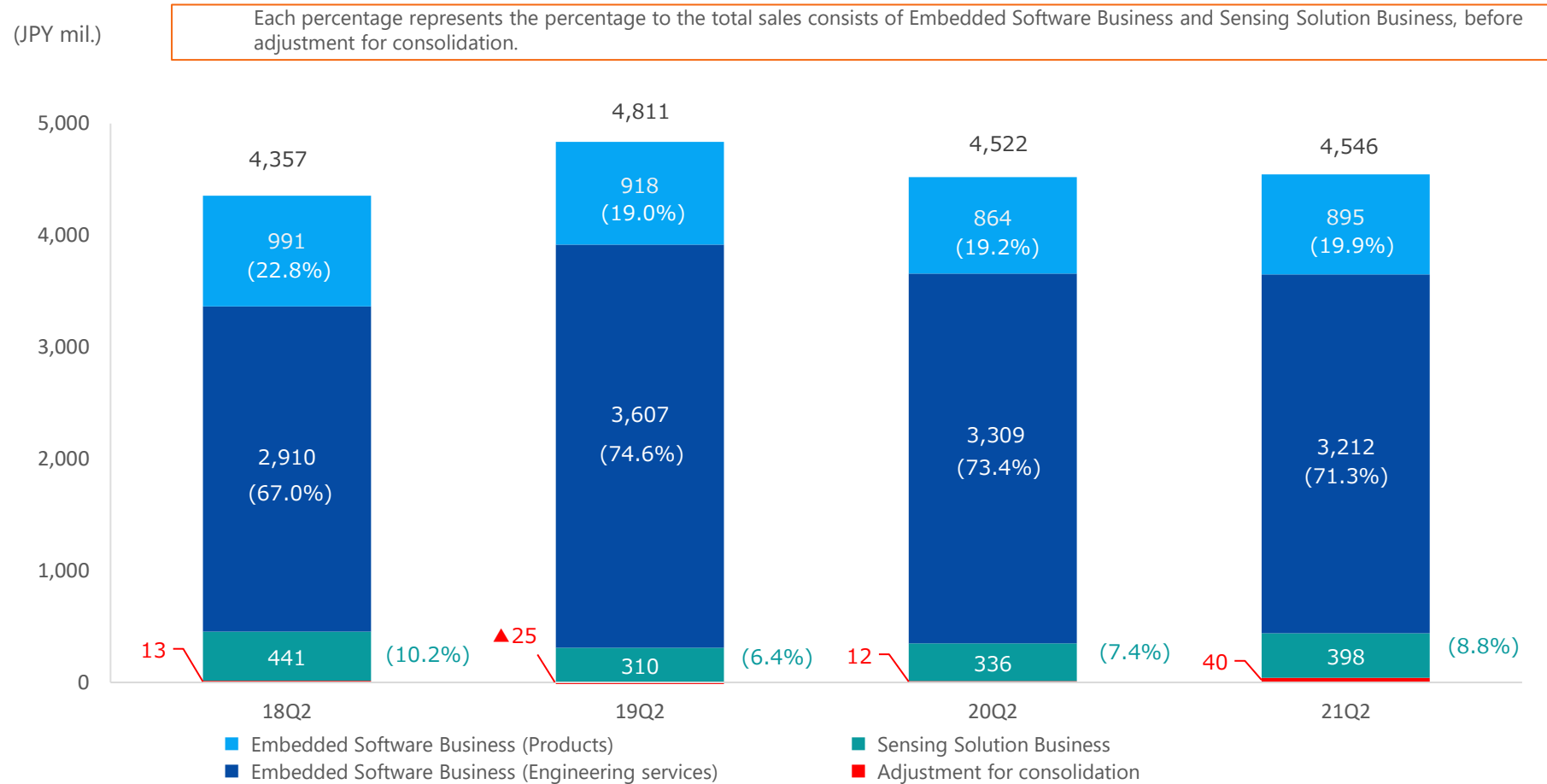


We continue R&D invest, making a profit from expanding automotive software market.

# Transitions of Q2 results



# Transitions of Q2 results (Sales by segment)



# 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
Dividend per share	*5.50yen	5.50yen	5.50yen
(interim dividend included)	(0.00yen)	(1.50yen)	(1.50yen)
Dividend payout ratio	17.0%	16.6%	28.9%

\*memorial dividend of 1.50yen/share is included

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## Recent press releases

Tuxera and eSOL forge partnership to bring highly reliable data management to safety-critical

Released on July 27, 2021

[https://www.esol.com/press/press\\_114.html](https://www.esol.com/press/press_114.html)

eSOL and Tier IV have entered into a strategic partnership to accelerate the commercialization of automated driving technology

Released on July 14, 2021

[https://www.esol.co.jp/press/press\\_513.html](https://www.esol.co.jp/press/press_513.html)

# Notes on this document

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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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