



eSOL Co., Ltd.

# Reports 2021 Third Quarter Results

November 12, 2021

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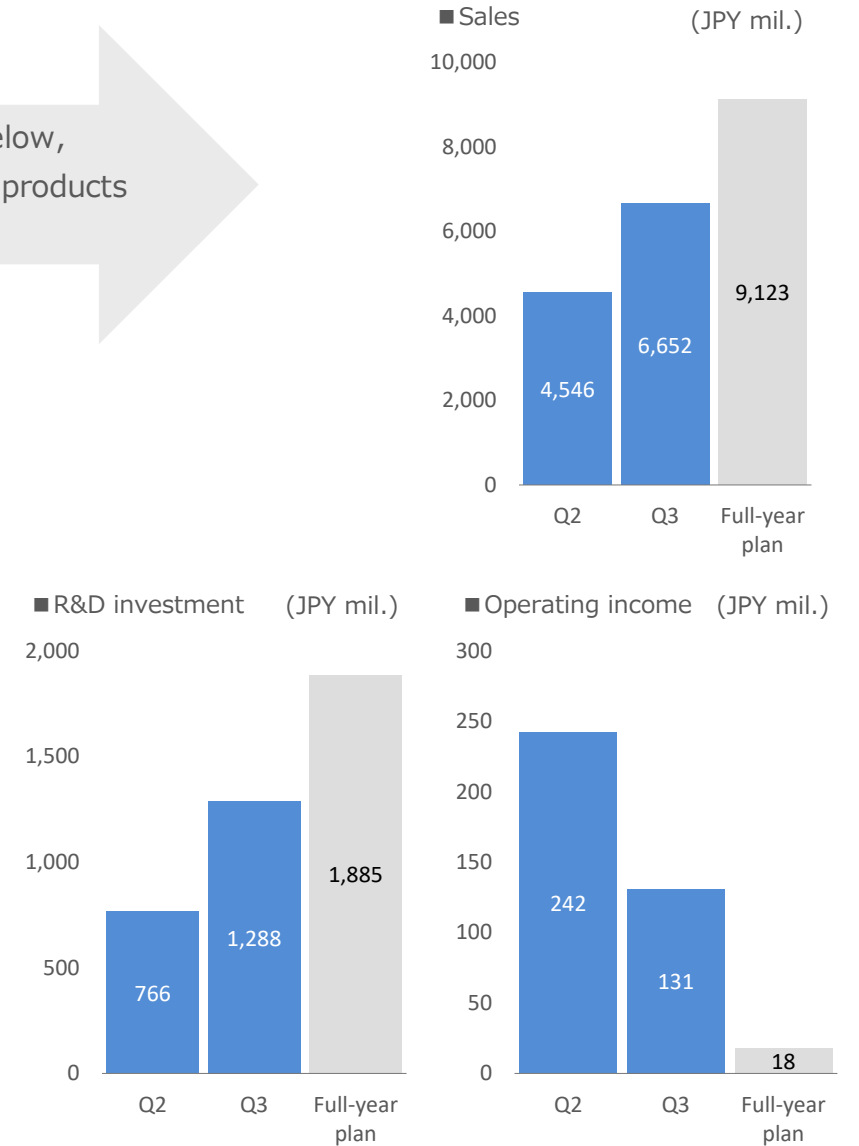
1 . Summary of FY2021 Third Quarter (Q3) Results

2. Topics

# Summary of Q3 results

Progress of the plan	Total	The progress of the plan as of September 13, 2021 is shown as below, which is primarily a result of an increased R&D investment for the products utilized in automotive software.
Year-over-year (YoY)	Sales	- Embedded Software Business made a slight loss because sales to consumers decreased. - Sensing Solution Business made a profit earned from the increased sales of printers.
	Operating income	Operating income decreased due to an increased R&D investment (Yen 431 million year-over-year), partially offset by reduced selling, general and administration expenses (SG&A) except R&D.
	Other	Revenue from NEDO* R&D project was allocated to other income

\*New Energy and Industrial Technology Development Organization



# Summary of Q3 results

1/ "Full-year plan FY2021" is the plan announced on September 13, 2021

① Results by segment : P5, Sales by segments of customers : P7

(JPY mil.)

	Q3 FY 2020	Q3 FY 2021	YoY	Progress	Full-year plan FY 2021 /1
Sales	6,670	<b>6,652</b>	▲0.3%	72.9%	9,123
Cost of goods sold	4,423	4,516	+ 2.1%	—	—
Revision up	235	502	+ 113.2%	—	—
Gross profit	2,247	2,136	▲4.9%	—	—
SG&A	1,848	2,004	+ 8.5%	—	—
R&D expenses	621	786	+ 26.5%	—	—
Operating income	398	<b>131</b>	▲67.0%	710.6%	18
Income from continuing operations before tax	613	<b>379</b>	▲38.1%	141.0%	269
Net income	459	<b>271</b>	▲40.8%	154.4%	176

② Walk of operating income (YoY): P6

Allocated NEDO revenue to other income

③ R&D investment: P8&9



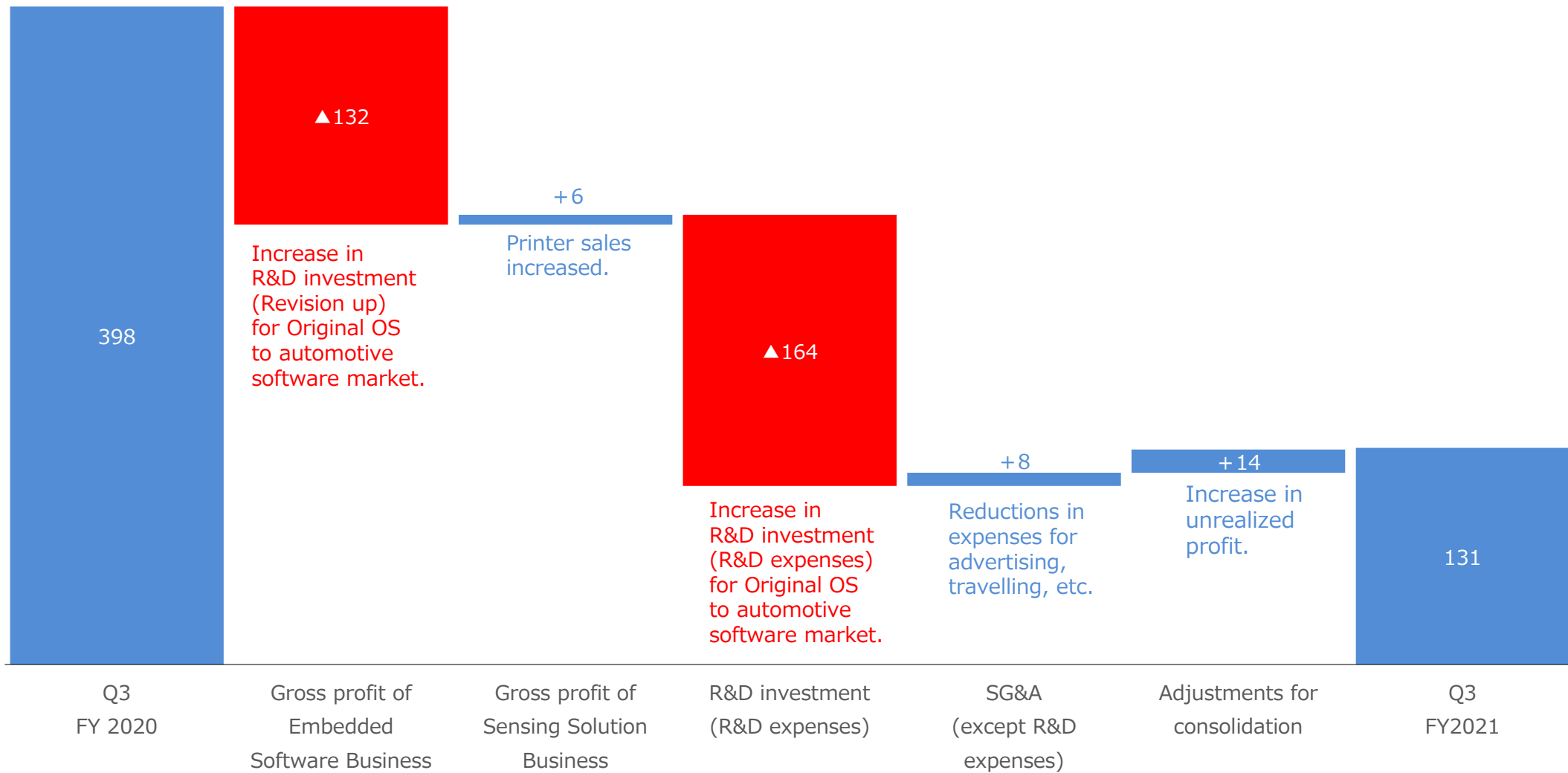
Results by segment – summary 1

(JPY mil.)

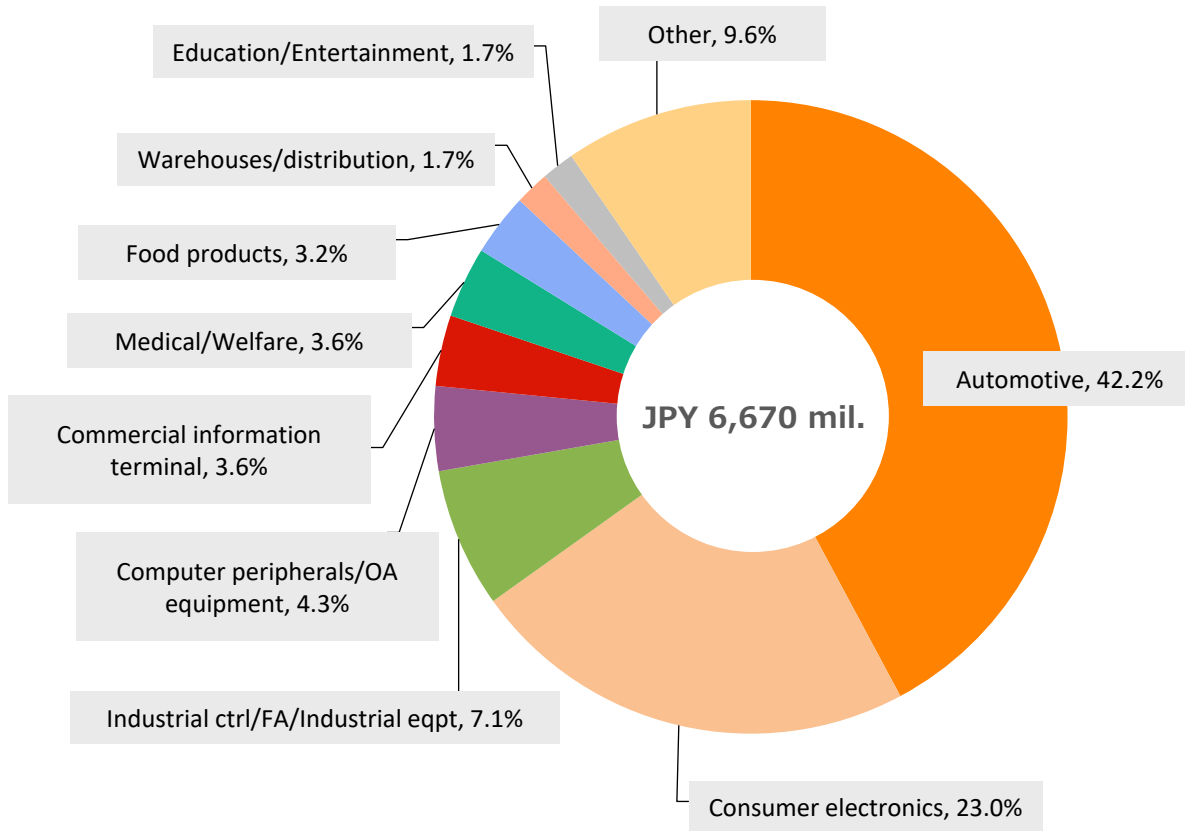
	Q3 FY 2020	Q3 FY 2021	YoY	
Sales	6,670	<b>6,652</b>	▲0.3%	
Embedded Software Business	6,172	<b>6,070</b>	▲1.7%	Decrease of the sales to consumers.
Embedded Software Products	1,369	<b>1,302</b>	▲4.9%	
Engineering Services	4,803	<b>4,768</b>	▲0.7%	
Sensing Solution Business	479	<b>547</b>	+ 14.2%	Printer sales increased.
Adjustments for consolidation	18	<b>34</b>	—	Adjustments in business transactions with AUBASS, an affiliate.
Gross profit	2,247	<b>2,136</b>	▲4.9%	
Embedded Software Business	2,027	<b>1,895</b>	▲6.5%	Increase of R&D investment (Revision up)
Sensing Solution Business	189	<b>195</b>	+ 3.3%	
Adjustments for consolidation	30	<b>45</b>	—	
Operating income	398	<b>131</b>	▲67.0%	
Embedded Software Business	363	<b>64</b>	▲82.4%	Increase of R&D investment (R&D expenses)
Sensing Solution Business	4	<b>22</b>	+ 391.2%	
Adjustments for consolidation	30	<b>45</b>	—	

# Walk of operating income (year-over-year) 2

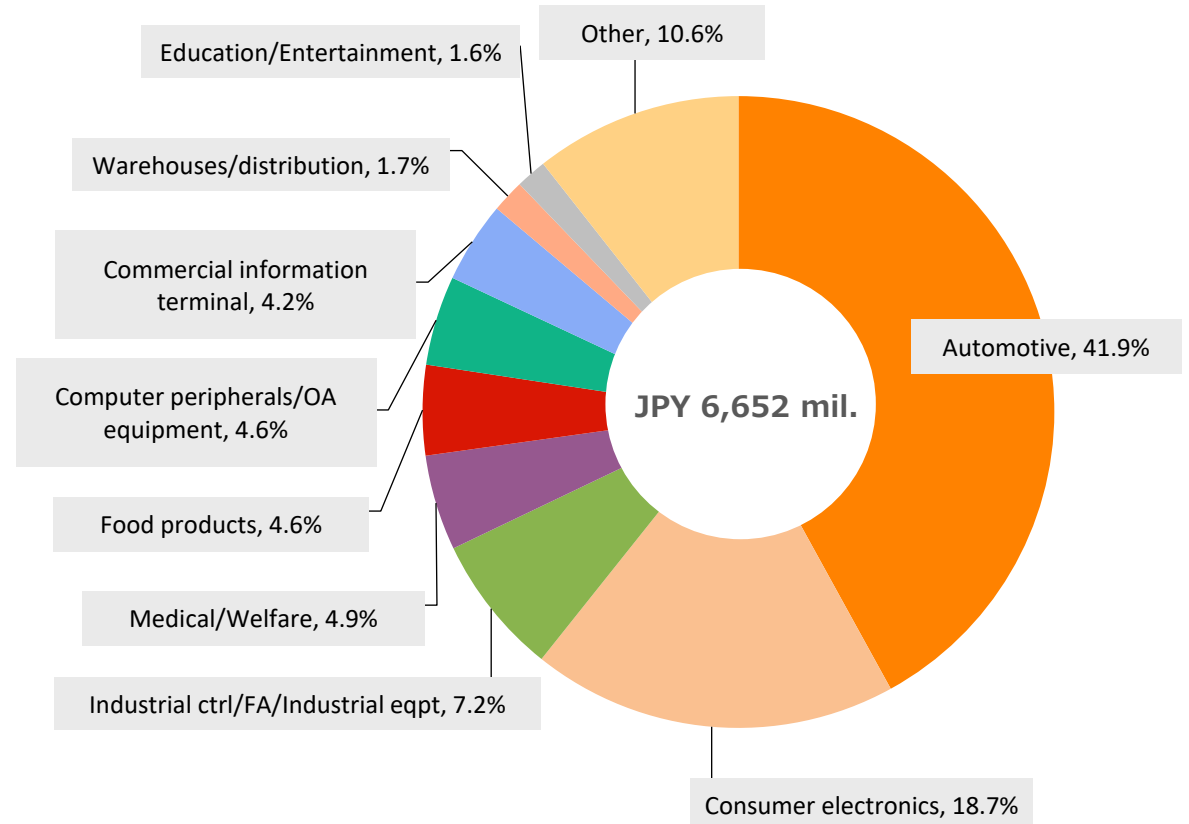
(JPY mil.)



# Sales by segments of customers 1



Q3 FY2020



Q3 FY2021

## R&D investment 3

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.

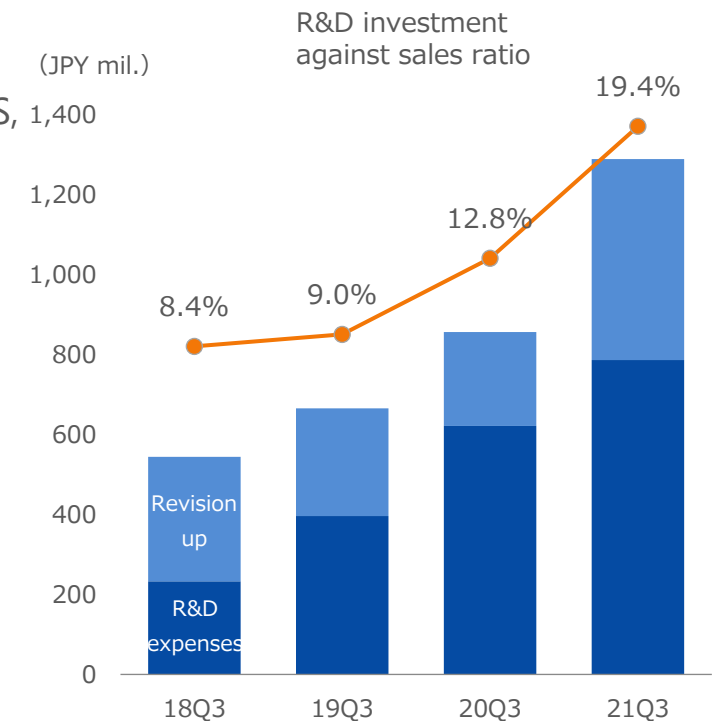
### ■ Policy for this FY

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

	Q3 FY 2020	Q3 FY 2021	(JPY mil.)
			YoY
Sales	6,670	<b>6,652</b>	▲0.3%
R&D investment	856	<b>1,288</b>	+ 50.4%
R&D expenses	621	<b>786</b>	+ 26.5%
Revision up	235	<b>502</b>	+ 113.2%
Investment against sales ratio	12.8%	<b>19.4%</b>	—

Revision up: investment to maintain the function of product





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

3

### ■ Market status

The global market for automotive software continues to expand.

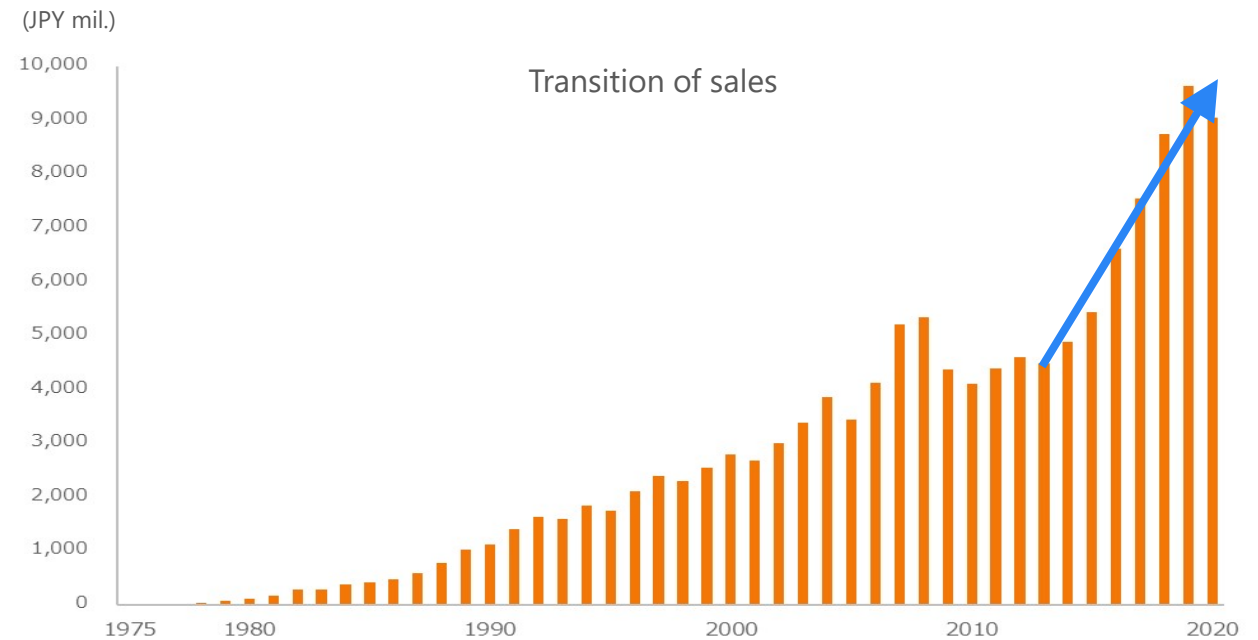
The size of Japanese market for automotive software is expected to grow by 50% from 2020 to 2030.

➔ Our business opportunity is promising.

### ■ Transition of sales

Business has been expanding with active R&D investments since 2013.

Sales	Sales (for automotive industry)
<b>doubled</b>	<b>2.3times</b>
(2020 vs.2013)	



➔ We continue to invest in R&D, seeking the future profit from an expanding automotive software market.

## 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%	**63.6%

\*memorial dividend of 1.50yen/shares is included

\*\*based on the plan announced on September 13, 2021

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## Recent press releases

- eSOL TRINITY, a subsidiary of eSOL, has launched the sale and support services of “Next Design”, a next-generation system and software design tool developed by DENSO CREATE INC.

Released on October 5 , 2021

[https://www.esol.co.jp/press/press\\_529.html](https://www.esol.co.jp/press/press_529.html)

- ➔ In addition to the development alliance with DENSO, eSOL will also enhance the sales alliance with DENSO Group in order to earn profits.

- eSOL continues to enhance the collaboration with DENSO in the development of an automotive software platform while boosting a capital alliance with DENSO.

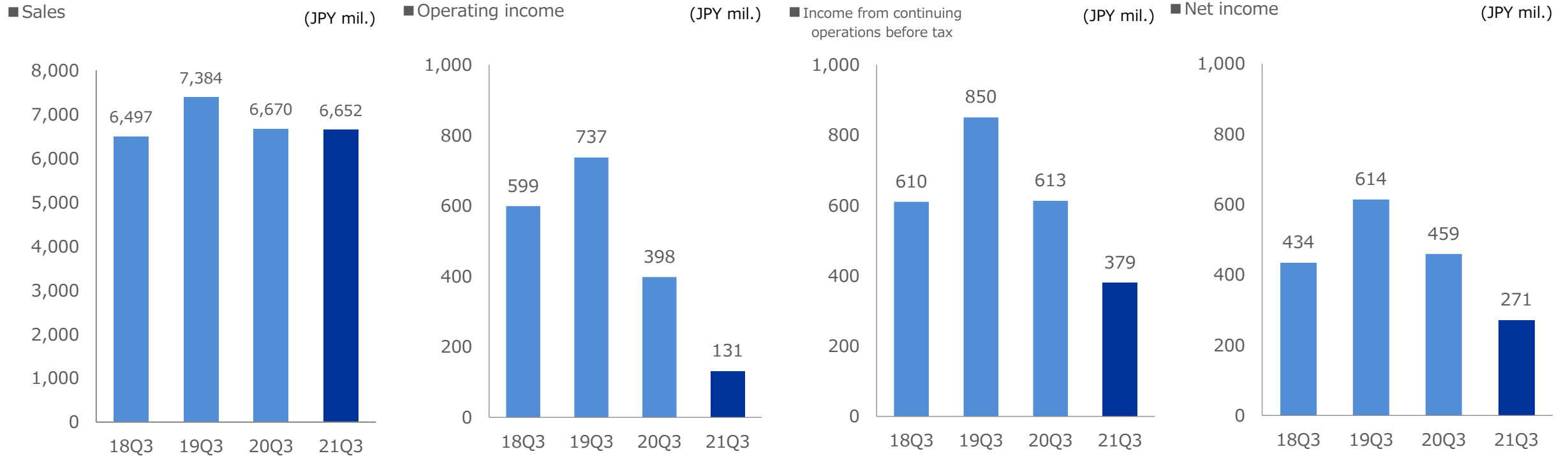
Released on September 13 , 2021

[https://www.esol.co.jp/irnews/irnews\\_526.html](https://www.esol.co.jp/irnews/irnews_526.html)

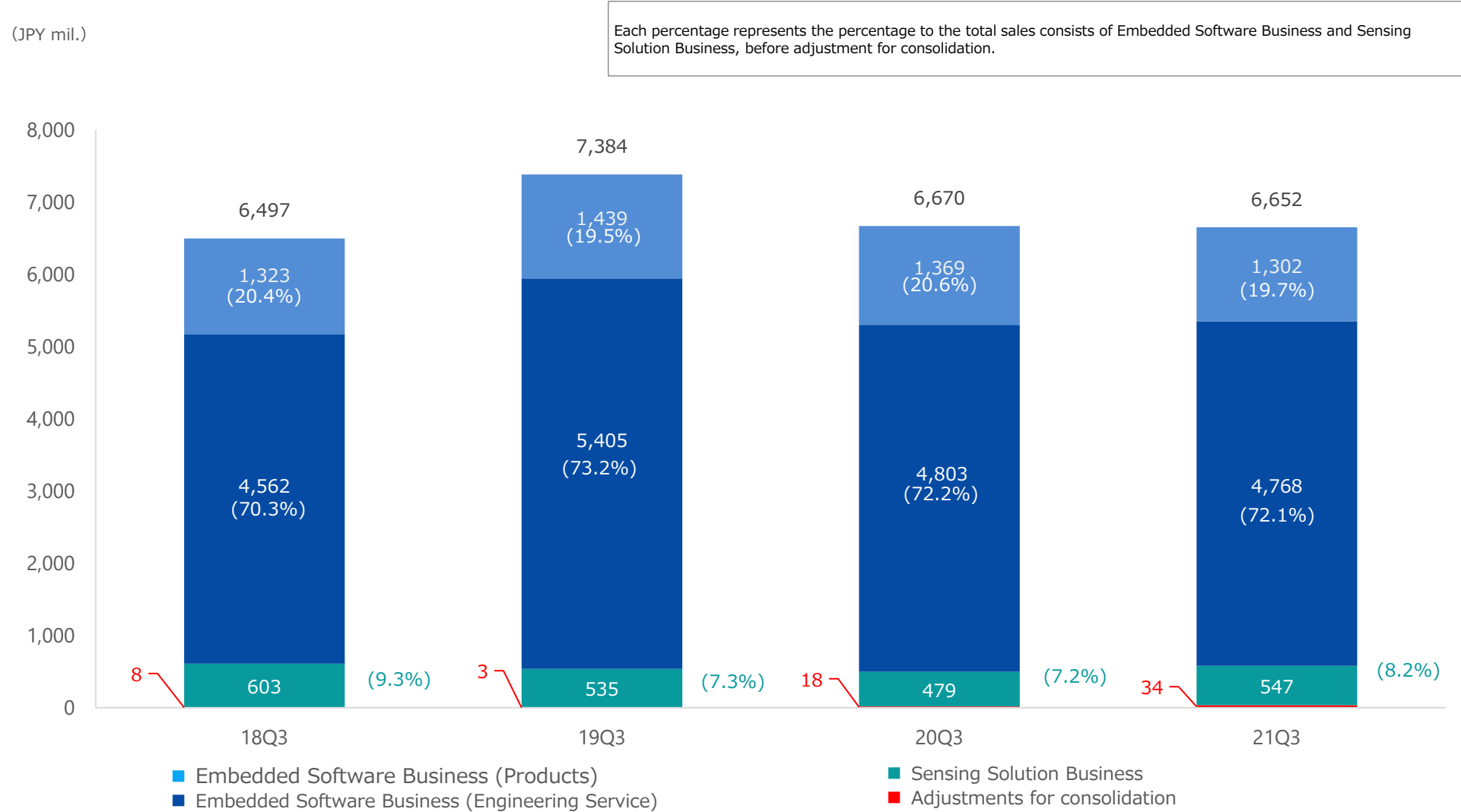
- ➔ eSOL aims to earn profits while efficiently promoting the development alliance with DENSO, which includes AUBASS.

# Appendix

# Comparison over the last four years in Q3



# Comparison over the last four years in Q3 (Sales by segment)



# 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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