



eSOL Co., Ltd.

# Reports 2022 Second Quarter Results

August 10, 2022

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# 1 . Summary of FY2022 Second Quarter (Q2) Results

## Sammary of Q2 Results (Variance from the plan)

- Sales : In the embedded software business, sales of automotive industries were delayed to the second half of the year, engineering services fell short of plans, and in the sensing solutions business, sales related to On-board printer slid and did not progress as planned. Consequently, sales fell short of plan.
- Operating income : Operating income fell short of the plan that sales falling short of the plan, R&D investment exceeded the plan, and Adjustments for consolidation with related companies were influenced.

(JPY mil.)

	plan	results	△	YoY
Sales	4,693	<b>4,110</b>	▲582	▲12.4%
Embedded Software Business	4,418	<b>3,920</b>	▲498	▲11.3%
Sensing Solution Business	274	<b>228</b>	▲45	▲16.7%
Adjustments for consolidation	—	<b>▲37</b>	▲37	—
Operating income	▲188	<b>▲470</b>	▲282	—
Embedded Software Business	▲178	<b>▲407</b>	▲228	—
Sensing Solution Business	▲9	<b>▲33</b>	▲24	—
Adjustments for consolidation	—	<b>▲30</b>	▲30	—
Income from continuing operations before tax	▲88	<b>▲397</b>	▲308	—
Net income	▲94	<b>▲423</b>	▲328	—

\*Adjustments for consolidation cannot be estimated and are not included in the plan

# Summary of Q2 Results (year-over-year)

- Sales : Sales declined in both the embedded software business and the sensing solutions business, resulting in an overall decrease in sales.
- Operating income : In addition to the decrease in sales, due to increased 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  
(JPY mil.)

\*New Energy and Industrial Technology Development Organization

	Q2 FY 2021	Q2 FY 2022	YoY
Sales	4,546	<b>4,110</b>	▲9.6%
Cost of goods sold	3,007	<b>2,792</b>	▲7.2%
Revision up	300	<b>287</b>	▲4.2%
Gross profit	1,539	<b>1,318</b>	▲14.3%
SG&A	1,296	<b>1,789</b>	+ 38.1%
R&D expenses	465	<b>759</b>	+ 63.0%
Operating income	242	<b>▲470</b>	—
Income from continuing operations before tax	478	<b>▲397</b>	—
Net income	342	<b>▲423</b>	—

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

Walk of operating income (YoY): P8

# Results by Segment (year-over-year)

(JPY mil.)

by segment	Q2 FY 2021	Q2 FY 2022	YoY
Sales	4,546	<b>4,110</b>	▲9.6%
Embedded Software Business	4,108	<b>3,920</b>	▲4.6%
Embedded Software Products	895	<b>832</b>	▲7.0%
Engineering Services	3,212	<b>3,087</b>	▲3.9%
Sensing Solution Business	398	<b>228</b>	▲42.7%
Adjustments for consolidation	40	<b>▲37</b>	—
Gross profit	1,539	<b>1,318</b>	▲14.3%
Embedded Software Business	1,338	<b>1,269</b>	▲5.2%
Sensing Solution Business	153	<b>79</b>	▲48.5%
Adjustments for consolidation	46	<b>▲30</b>	—
Operating income	242	<b>▲470</b>	—
Embedded Software Business	158	<b>▲407</b>	—
Sensing Solution Business	37	<b>▲33</b>	—
Adjustments for consolidation	46	<b>▲30</b>	—

## ■ Embedded software business

Both embedded software products and engineering services decreased in automotive industries.

In engineering services, Medical/Welfare sales increased.

## ■ Sensing solution business

Sales related to On-board printer decreased significantly.



# 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.

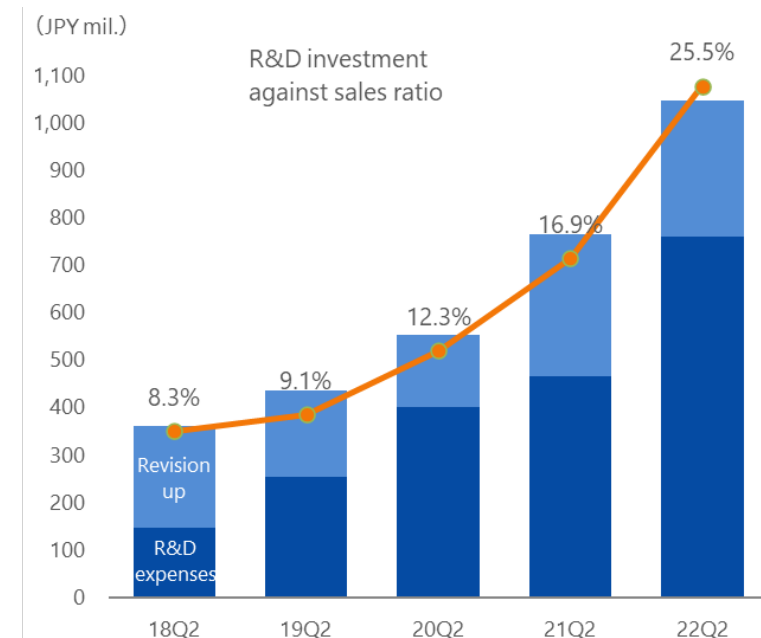
## ■ Policy of this FY

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

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

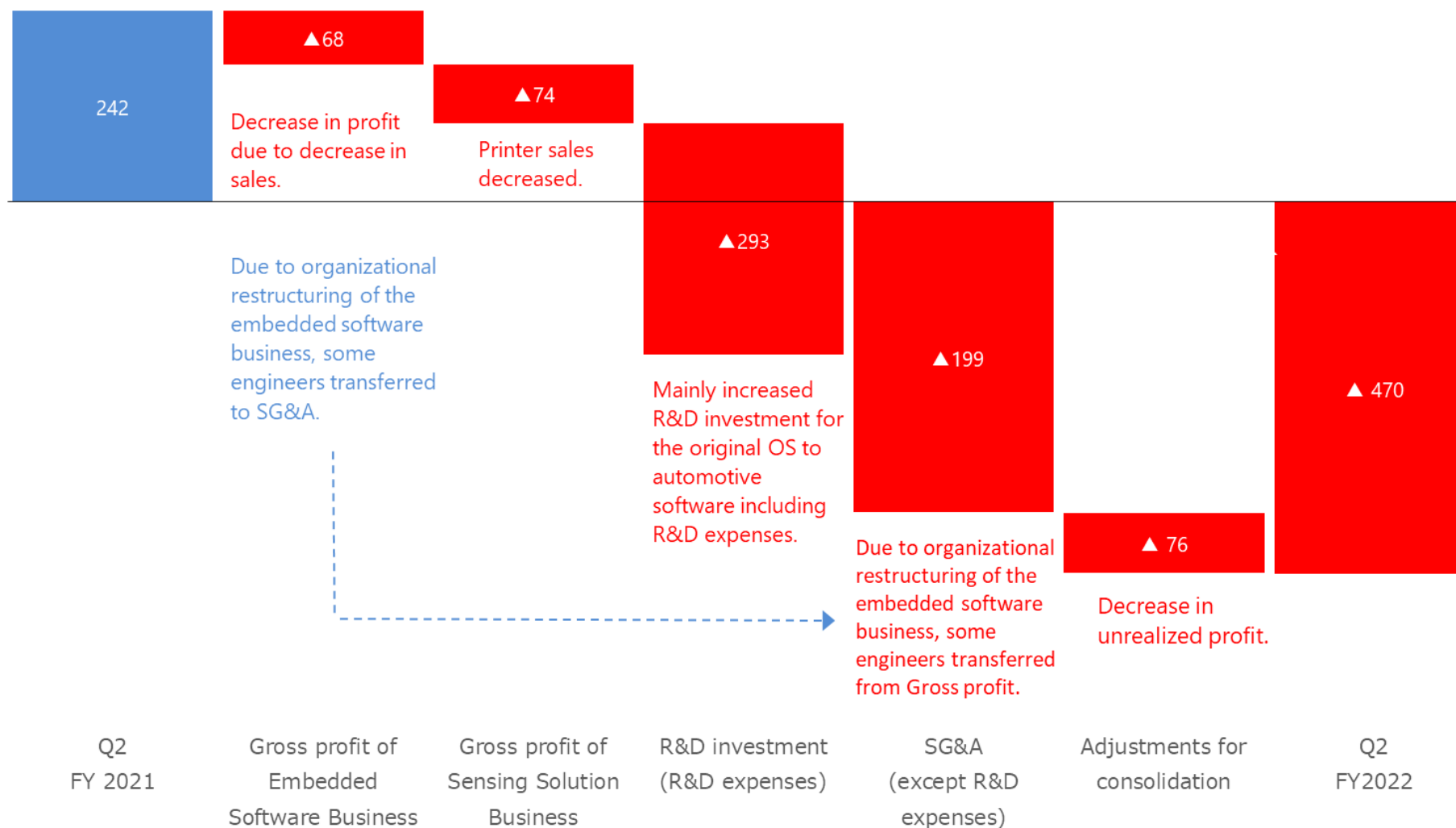
(JPY mil.)				
	Q2 FY 2021	Q2 FY 2022	△	YoY
Sales	4,546	4,110	▲436	▲9.6%
R&D investment	766	1,047	+280	+ 36.6%
R&D expenses	465	759	+293	+ 63.0%
Revision up	300	287	▲12	▲4.2%
Investment against sales ratio	16.9%	25.5%	—	—

R&D expenses	<ul style="list-style-type: none"> <li>- Investment in new products</li> <li>- Allocated to Cost of Selling</li> </ul>
Revision up	<ul style="list-style-type: none"> <li>- Investment to update existing products</li> <li>- Allocated to Cost of goods sold</li> </ul>



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

(JPY mil.)

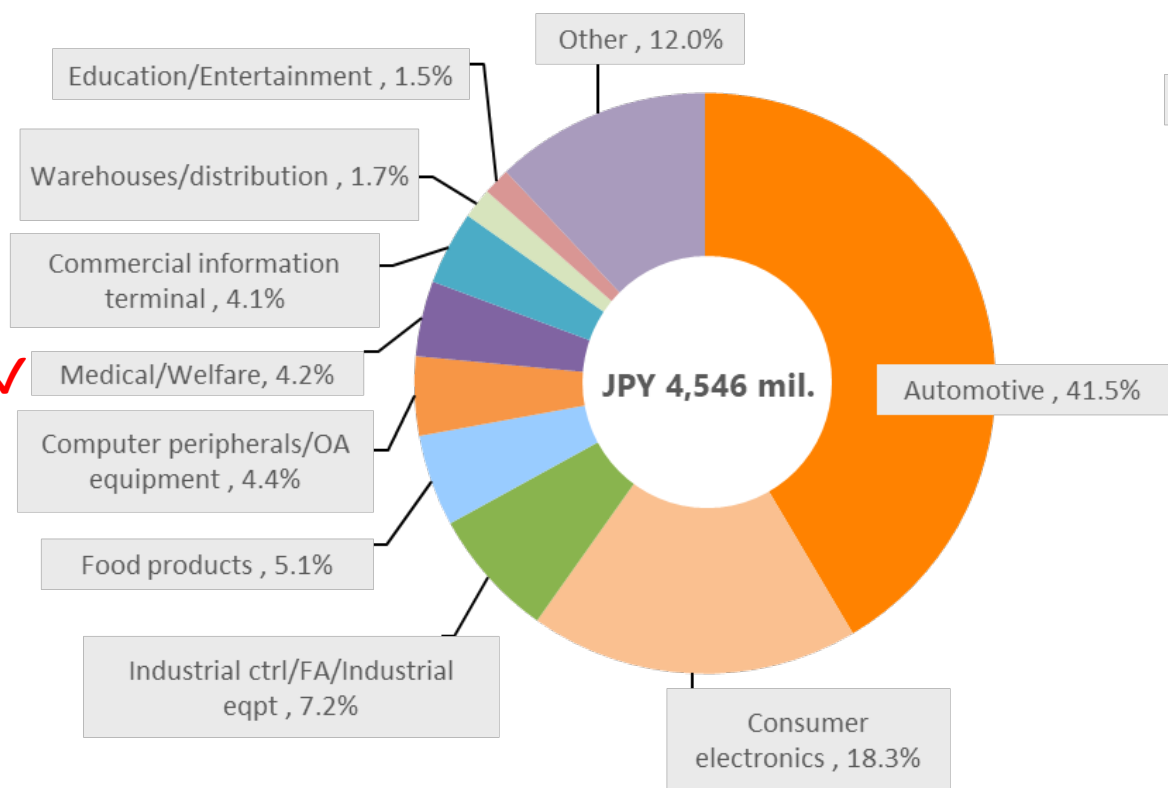




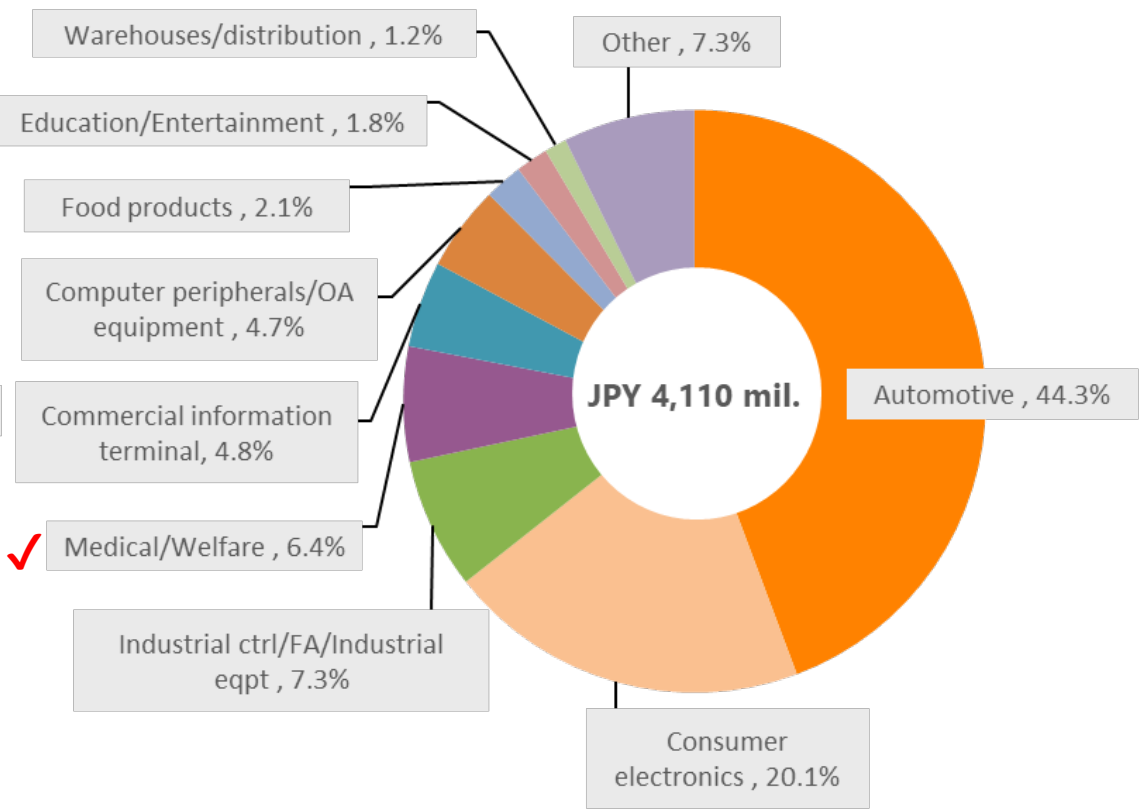
# Sales by segments of customers (year-over-year)

✓ Medical/Welfare grew.

\*"Other" includes adjustments for consolidation



Q2 FY2021



Q2 FY2022

## 2. Revised full-year Plan for the FY2022

## Reason for Revised Plan

- Partial decrease of engineering services to automotive industries in embedded software business
- Slide On-board Printer sales to the next fiscal year in sensing solution business.
- For R&D investment, while improving efficiency promote the development of the original OS for automotive software platform

(JPY mil.)

by segment	Plan (2022/2/14)	Revised Plan (2022/8/10)	△	YoY
Sales	10,022	9,068	▲954	▲9.5%
Embedded Software Business	9,341	8,532	▲809	▲8.7%
Sensing Solution Business	680	573	▲106	▲15.7%
Adjustments for consolidation	—	▲37	▲37	—
Operating income	▲264	▲398	▲133	—
Embedded Software Business	▲275	▲333	▲57	—
Sensing Solution Business	10	▲34	▲45	—
Adjustments for consolidation	—	▲30	▲30	—
Income from continuing operations before tax	▲160	▲319	▲158	—
Net income	▲180	▲399	▲219	—

\*Adjustments for consolidation cannot be estimated ,Revised Plan number are Q2 results.

R&D investment	2,052	1,888	▲163	▲8.0%
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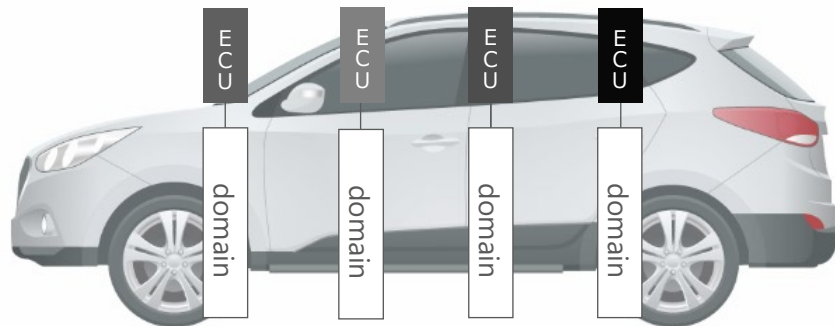
# Summary of Plan (R&D investment for “CASE”)

## ■ Trend of automotive industries – movement of “CASE”

**C**onnected  
**A**utonomous  
**S**hared & Service  
**E**lectric

## ■ Details of R&D investment

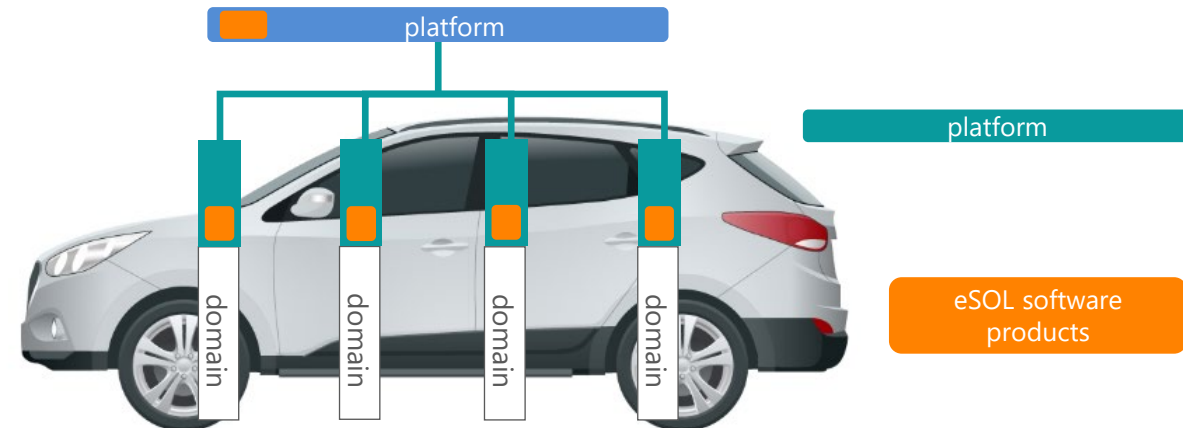
-Develop the original OS for the “CASE” platform



<On-board software evolved by domains>

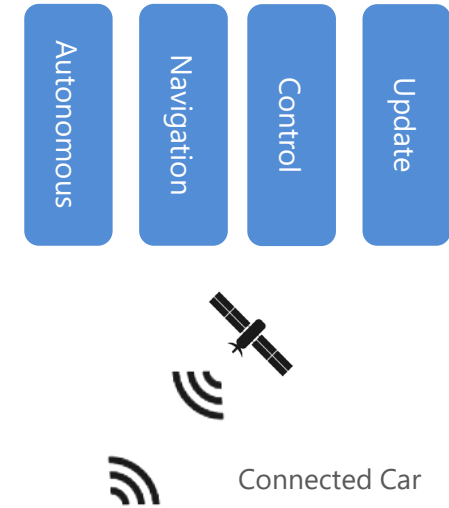


Power train : engine 、  
EV、 PHV、 FCV...



<Platform with AUTOSAR\* specification>

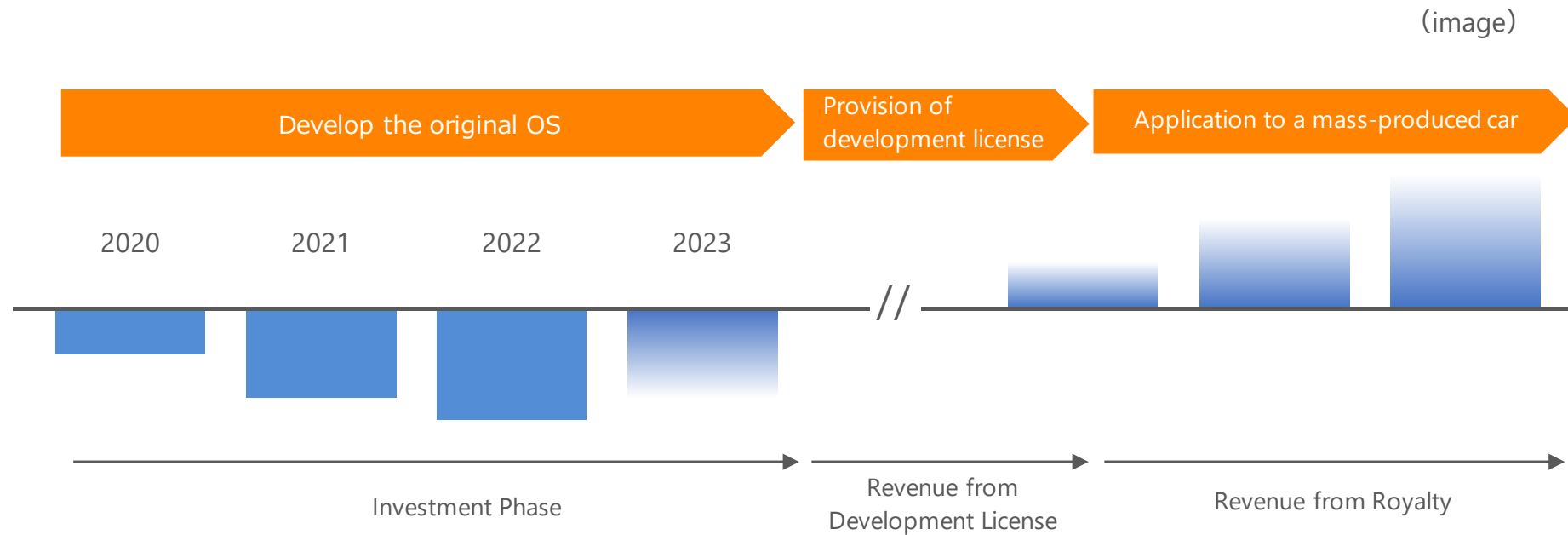
\*AUTOSAR is a worldwide development partnership in which the Company participates. 12



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

## ■ Contribution to the business by investing “CASE”

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



# 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

# 3. Topics



## From a recent press release

Released June 2, 2022

The four companies will jointly strengthen the business development as an OS and development tool solution for RISC-V based on the results of the NEDO commissioned project.

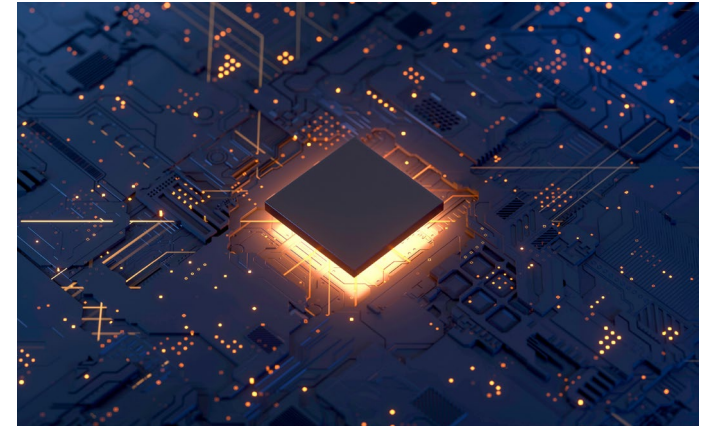
The development phase of OS and development tools for RISC-V\*, which has been jointly promoted by four companies including our company since July 2020, will advance from the research and development stage to the stage in anticipation of market introduction.

[https://www.esol.co.jp/press/press\\_570.html](https://www.esol.co.jp/press/press_570.html) (Released June 2, 2022)

[https://www.esol.co.jp/press/press\\_464.html](https://www.esol.co.jp/press/press_464.html) ( Released on August 12, 2020 )

[https://www.nedo.go.jp/koubo/IT3\\_100124.html](https://www.nedo.go.jp/koubo/IT3_100124.html) ( NEDO website )

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



# Latest overseas marcom activities

Embedded World is an exhibition where the world's leading embedded and IT-related companies exhibit their cutting-edge technologies related to embedded systems.

We exhibited at Embedded World 2022 (June 21-23, 2022 @Germany), which was revived for the first time in two years, and was featured in news articles in EU countries.



Holding format: Hybrid (real & online) Exhibitors: 720 companies Visitors: 18,000 + 3,900 online

## ◆ Press Briefing: Briefing to Journalists

[L'Embarqué](#), France; [Endeavor Business Media](#), US; [All-Electronics](#), Germany; [Elektor](#), Netherlands; [Selezione di Elettronica](#), Italy; [Aspencore](#), Global; [Revista Española de Electrónica](#), Spain; [Open Systems Media](#), UK; [Elektroniknet.de](#), Germany; [Euro Standard Press 2000](#), Romania

## ◆ Media coverage: article publication (example)



20+ Webs get news articles

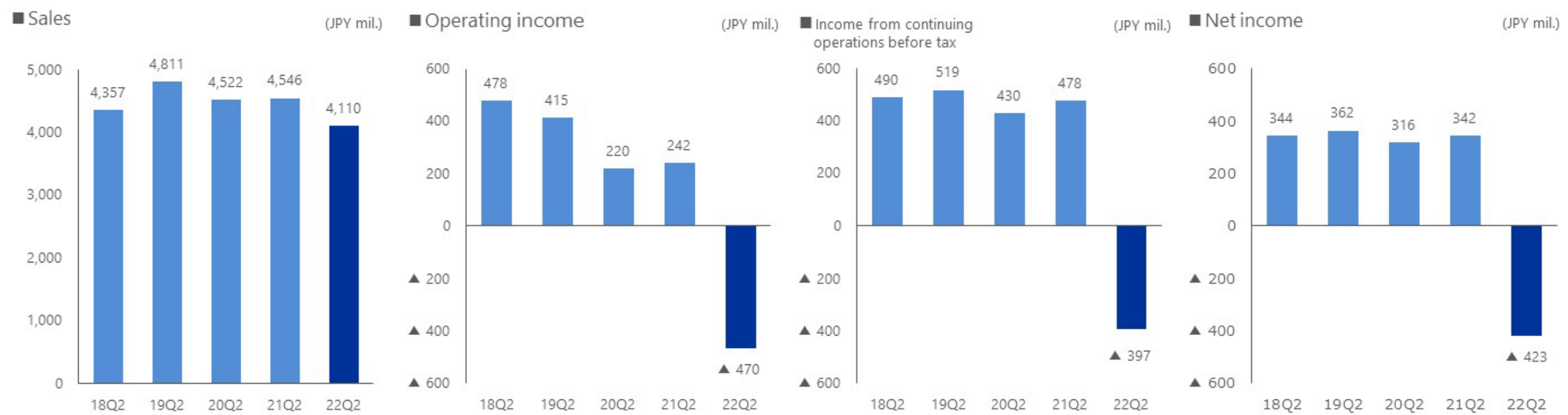


## eSOL's vision

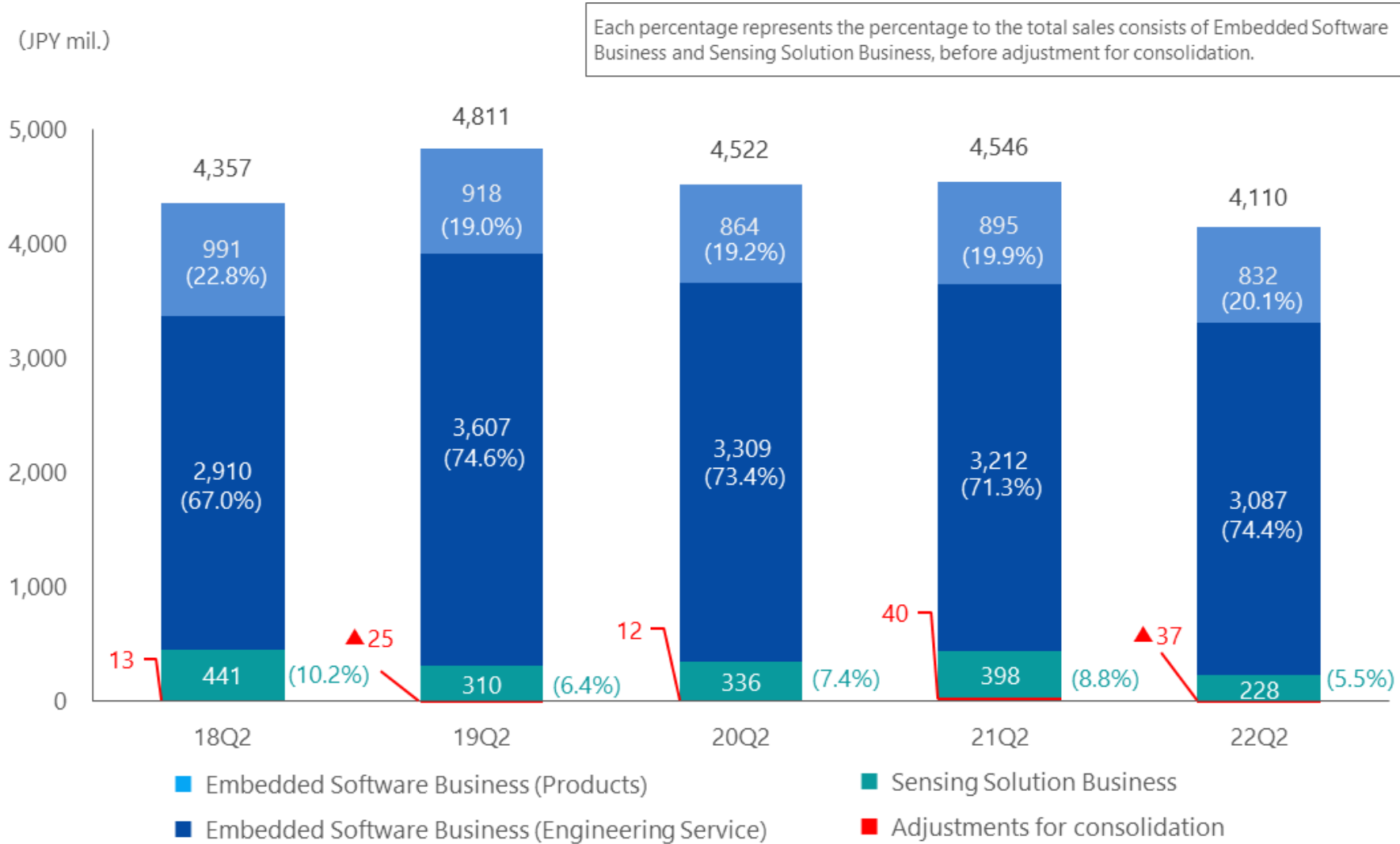
- eSOL aims to be a company that will move forward with and be supported by customers, business partners and shareholders.
- eSOL continues to expand the business as a rare and valuable company in the world that can provide a one-stop solution covering from an original embedded software development to 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 FY2018	Q2 FY2019	Q2 FY2020	Q2 FY2021	Q2 FY2022
R&D expenses	148	255	402	465	759
Revision up	213	182	151	300	287
R&D investment	362	438	554	766	1,047
Sales	4,357	4,811	4,522	4,546	4,110
Cost of goods sold	3,024	3,313	3,050	3,007	2,792
Revision up	213	182	151	300	287
Cost of goods sold (excluding Revision up)	2,810	3,131	2,899	2,707	2,504
Gross profit	1,332	1,497	1,471	1,539	1,318
Gross profit margin ratio	30.6%	31.1%	32.5%	33.8%	32.1%
Gross profit (excluding Revision up)	1,546	1,680	1,623	1,839	1,606
Gross profit margin ratio (excluding Revision up)	35.5%	34.9%	35.9%	40.5%	39.1%
SG&A	853	1,082	1,251	1,296	1,789
R&D expenses	148	255	402	465	759
SG&A (excluding R&D expenses)	705	827	848	830	1,029
Operating income	478	415	220	242	▲ 470
Operating income margin ratio	11.0%	8.6%	4.9%	5.3%	-
Operating income (excluding R&D expenses)	840	853	774	1,009	576
Operating income margin ratio (excluding R&D expenses)	19.3%	17.7%	17.1%	22.2%	14.0%
Operating income (excluding R&D exenpses, including Revision up)	626	670	623	708	288
Operating income margin ratio (excluding R&D exenpses, including Revision up)	14.4%	13.9%	13.8%	15.6%	7.0%



# 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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