

# Materials for Financial Performance Reporting

First Quarter for FY Ending March 2022

Ubiquitous AI Corporation (UAC)

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- Summary of Financial Performance for Q1 FY2022
- Business Trend and Actions by Segment and Product Area
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# Summary of Financial Performance for FY 2022 Q1

# Summary of Financial Performance for Q1 of FY 2022 (accumulated)

## Financial Performance

- Both sales and operating profit in Q1 increased on a year-on-year basis but are still lower than the performance achieved for Q1 of FY ended March 2020 due to the COVID-19 pandemic.
  - Consolidated sales: 402 million yen (+27.9% Y/Y, -20.5% against FY 2020)
  - Consolidated operating loss: 75 million yen (-158 million yen for Q1 FY 2021, -31 million yen for Q1 FY 2020)

## Summary by Segment

(Million yen)

Software Product Business	Sales	141	In the fast device boot-up business, a royalty income from in-vehicle products recovered. In the Database business, sales increased on a year-on-year basis thanks to an increasing royalty income from customers in the industrial area.
	Operating Income	11	
Software Distribution Business	Sales	193	Sales increased on a year-on-year basis supported by an increasing royalty income from existing customers.
	Operating Loss	82	
Software Service Business	Sales	67	Sales from content licensing related to in-vehicle equipment increased.
	Operating Loss	4	Commissioned development also made steady progress, recording an increase of sales on a year-on-year basis.

# Changes in Method of Calculating Segment Profits

- Changes were made on a method of calculating the segment profits for two business segments of Ubiquitous AI Corporation
  - Background
    - Since the merger of former AI Corporation (in July 2018), we made efforts to unify common business areas in both companies.
  - Allocation of indirect departmental costs
    - Indirect departmental costs: personnel costs in sales, marketing & communication, and administration departments and departmental costs of these departments
    - Allocation ratio: Adjusted to 1:1 given sales and gross margin in the initial budget for the FY ending March 2022
- Affected amount due to the changes in method of calculating segment profits

(Unit: Million yen)

		FY2022 1Q			FY2021 1Q			Change		FY2020 1Q			Change	
		Before Adj.	Adj.	After Adj.	Before Adj.	Adj.	After Adj.	Before Adj.	After Adj.	Before Adj.	Adj.	After Adj.	Before Adj.	After Adj.
Software Product Business	Sales	141		141	95		95	46	46	150		150	-8	-8
	Segment Profit	-2	13	11	-42	15	-27	40	38	14	17	32	-17	-21
Software Distribution Business	Sales	193		193	164		164	28	28	270		270	-76	-76
	Segment Profit	-68	-13	-82	-59	-15	-74	-9	-7	-9	-17	-27	-59	-54
Software Service Business	Sales	67		67	54		54	13	13	86		86	-18	-18
	Segment Profit	-4		-4	-3		-3	-1	-1	15		15	-19	-19

(Note) The segment profits for the FY 2021 and FY 2020 are before the amortization of goodwill for easy comparison, and the allocation ratio is set as the same rate as that in FY 2022.

# Comparison to FY 2021 Q1

## Sales by Segment and by Product Area

(Unit: Million yen)

Segment	Product Area	FY2022 1Q (Conso- lidated)	FY2021 1Q (Conso- lidated)	Change	FY2020 1Q (Conso- lidated)	Change
Software Product Business	Connectivity & Security	12	11	5.9%	31	-61.7%
	Quick Boot	98	66	47.3%	95	3.0%
	Database	31	17	79.9%	23	34.4%
	Sub-Total	141	95	48.3%	150	-5.7%
Software Distribution Business		193	164	17.4%	270	-28.4%
Software Service Business		67	54	24.2%	86	-21.5%
Total		402	314	27.9%	506	-20.5%

# Comparison to FY 2021 Q1 Sales and Profit by Segment

(Unit: Million yen)

		FY2022 1Q (Consolidated)	FY2021 1Q (Consolidated)	Change	FY2020 1Q (Consolidated)	Change
Software Product Business	Sales	141	95	46	150	-8
	Segment Profit(Loss)	11	-27	38	32	-21
Software Distribution Business	Sales	193	164	28	270	-76
	Segment Profit(Loss)	-82	*1 -101	19	*1 -53	-28
Software Service Business	Sales	67	54	13	86	-18
	Segment Profit(Loss)	-4	*2 -29	24	*2 -11	-45
Total	Sales	402	314	87	506	-103
	Segment Profit(Loss)	-75	*3 -158	82	*3 -31	-43

\*1 Including amortization of goodwill of 26 million yen as a result of acquiring shares of former A.I. Corporation.

\*2 Including amortization of goodwill of 25 million yen as a result of acquiring shares of AIM Corporation.

\*3 Including the amortization of goodwill of 52 million yen/

# Comparison to FY 2021 Q1 : Sales and Profit before Amortization of Goodwill by Segment

(Unit: Million yen)

		FY2022 1Q (Consolidated)	FY2021 1Q (Consolidated)	Change	FY2020 1Q (Consolidated)	Change
Software Product Business	Sales	141	95	46	150	-8
	Segment Profit(Loss)	11	-27	38	32	-21
Software Distribution Business	Sales	193	164	28	270	-76
	Segment Profit(Loss)	-82	*1 -74	-7	*1 -27	-54
Software Service Business	Sales	67	54	13	86	-18
	Segment Profit(Loss)	-4	*2 -3	-1	*2 15	-19
Total	Sales	402	314	87	506	-103
	Segment Profit(Loss)	-75	*3 -105	29	*3 20	-96

Note: for easy comparison to the FY 2022, we do not include,

\*1 Including amortization of goodwill of 26 million yen as a result of acquiring shares of former A.I. Corporation.

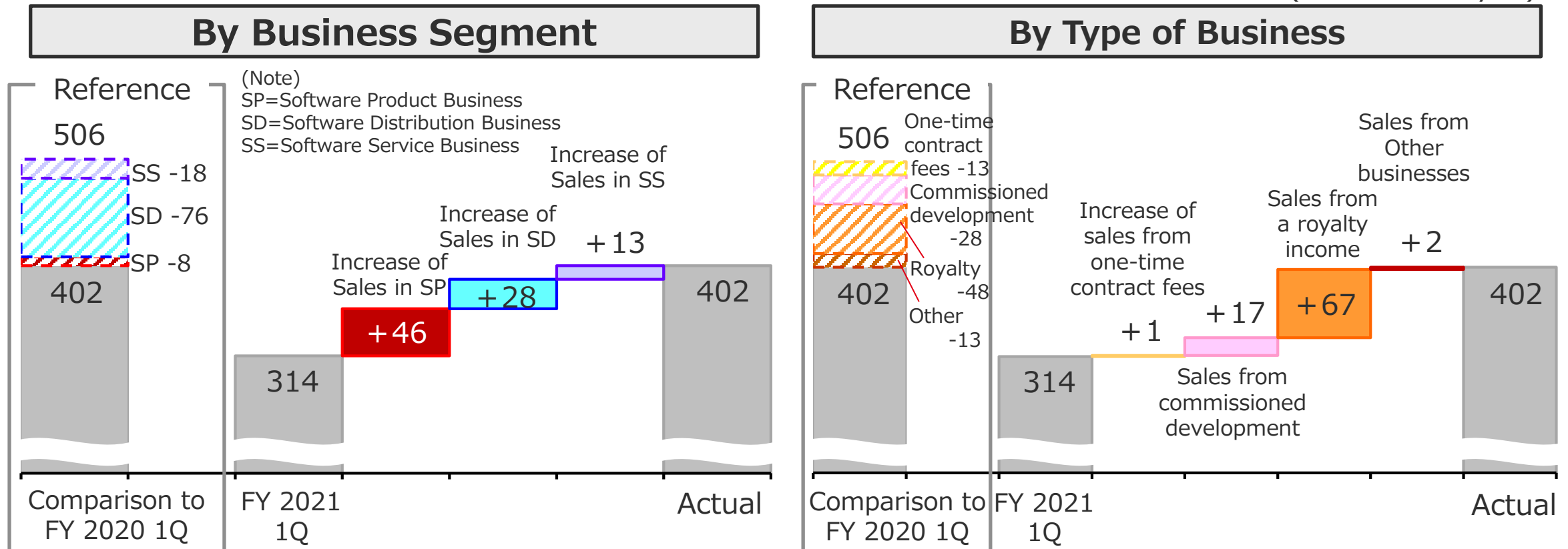
\*2 Including amortization of goodwill of 25 million yen as a result of acquiring shares of AIM Corporation.

\*3 Including the amortization of goodwill of 52 million yen.



# Comparison to FY 2021 Q1: Sales

(Unit: Million yen)

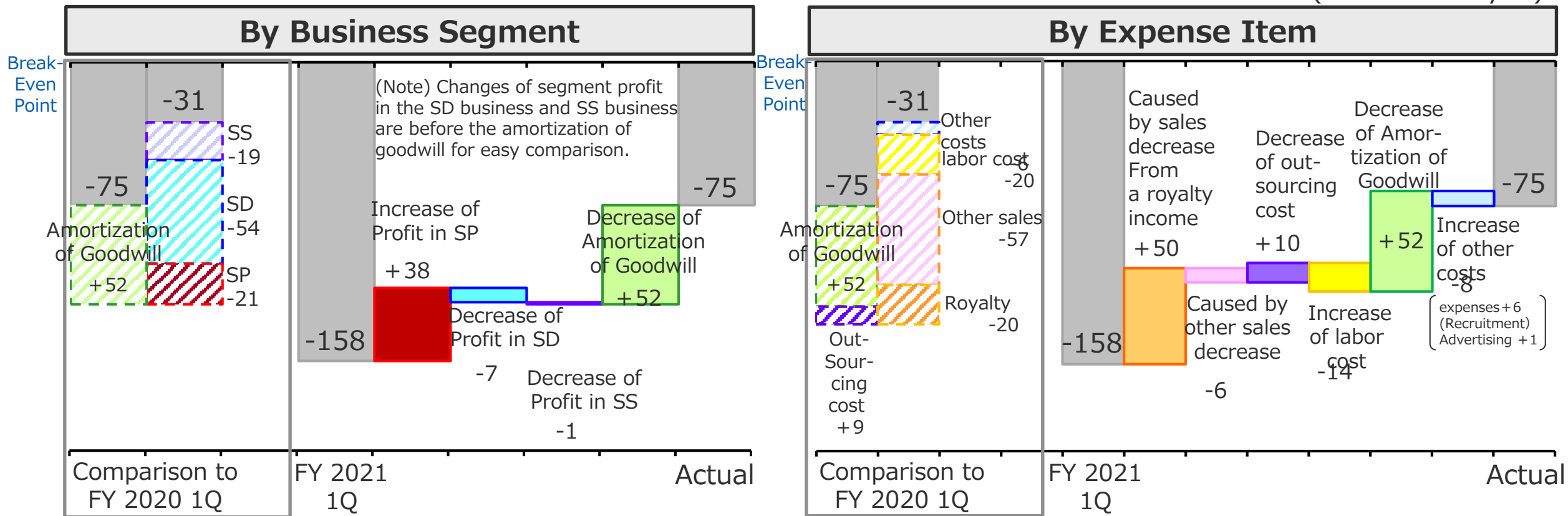


■ Sales: Increased on a Y/Y basis against FY 2021, but still lower than the pre-COVID FY 2020 level

- SP Business: Recorded a YoY increase of royalty income from fast boot-up products mainly for in-vehicle customers and database products for industrial customers, although we failed to completely absorb the decrease caused by the transition of commissioned development projects in the Connectivity & Security business to the SS business.
- SD Business: While a royalty income increased on a YoY basis mainly in wireless products and notebook PC-relate products, it has not reached the level recorded for the FY ended March 2020.
- SS Business: While sales from contents licensing for in-vehicle customers and commissioned development increased on a YoY basis, it has not reached the level recorded for the FY ended March 2020.

# Comparison to FY 2021 Q1: Operating Profit

(Unit: Million yen)



- Although operating profit increased on YoY basis, it has not reached the level recorded for the FY ended March 2020.
  - Although the operating profit increased on a YoY basis supported by the increase of royalty income in the SP business and the completion of amortization of goodwill, it has not recovered to the FY 2020 level due to the decrease of sales of other products.

# Consolidated Profit and Loss Statement

(Unit: Million yen)

	FY2022 Q1	FY2021 Q1	Change	FY2020 Q1	Change
Sales	402	314	87	506	-103
Cost of Sales	247	209	38	281	-33
Gross Margin	155	105	49	225	-70
SG&A	230	263	-32	257	-26
Operating Income(Loss)	-75	-158	82	-31	-43
Non-Operating Profit	6	2	3	1	4
Ordinary Income(Loss)	-69	-155	86	-30	-38
Extraordinary Income(Loss)	-	-	-	-	-
Income Taxes	11	23	-12	5	6
Net Income(Loss)*	-80	-179	98	-35	-45

\*Profit(Loss) attributable to owners of the parent

# Consolidated Balance Sheet (Asset Section)

(Unit: Million yen)

	End of June 2021	End of March 2021	Change
Cash and deposits	877	828	48
Notes and accounts receivable- trade	-	676	-676
Notes and accounts receivable- trade & Contract assets	402	-	402
Securities	900	800	100
Inventories	7	5	1
Prepaid expenses	49	46	2
Other	32	56	-24
Current assets	2,269	2,414	-145
Noncurrent assets	385	393	-7
Assets	2,654	2,807	-153

# Consolidated Balance Sheet (Liabilities and Net Assets Section)

(Unit: Million yen)

	End of June 2021	End of March 2020	Change
Accounts payable-trade	76	131	-55
Accounts payable-other	16	47	-30
Advances received	-	73	-73
Contract liabilities	74	-	74
Other	63	46	17
Current liabilities	231	298	-67
Noncurrent liabilities	80	80	-
Capital stock	1,483	1,483	-
Capital surplus	1,453	1,453	-
Retained earnings	-667	-586	-80
Other	73	78	-4
Net assets	2,343	2,429	-85
Liabilities and net assets	2,654	2,807	-153

# Achievement to Full FY Forecast (Consolidated)

(Unit: Million yen)

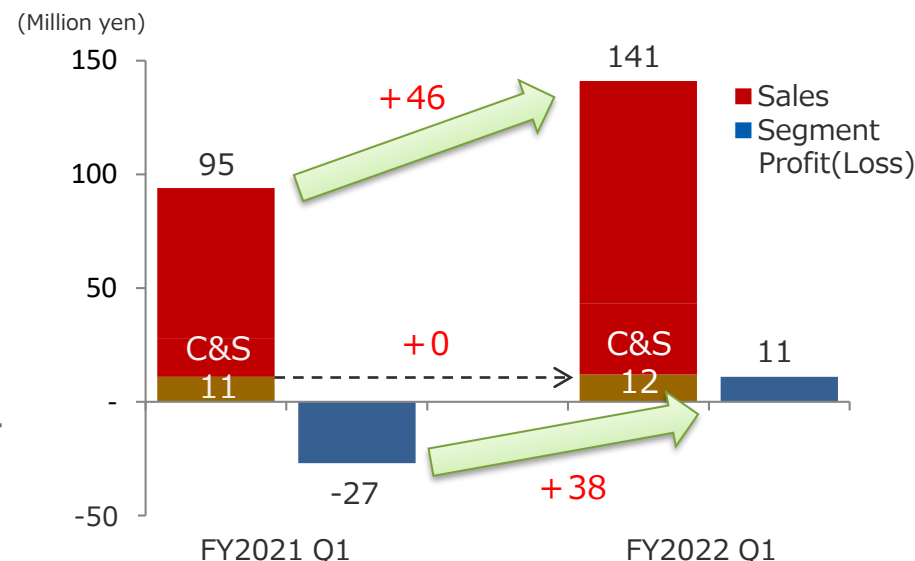
	Full FY Forecast	Q1 Actual	Achievement Ratio (%)
Sales	2,196	402	18.3
Operating Income(Loss)	80	-75	—
Ordinary Income(Loss)	80	-69	—
Net Income(Loss)	57	-68	—

# Business Trend and Actions by Segment and Product Area

# Software Product Business Connectivity & Security

## ■ Summary of FY 2022 Q1

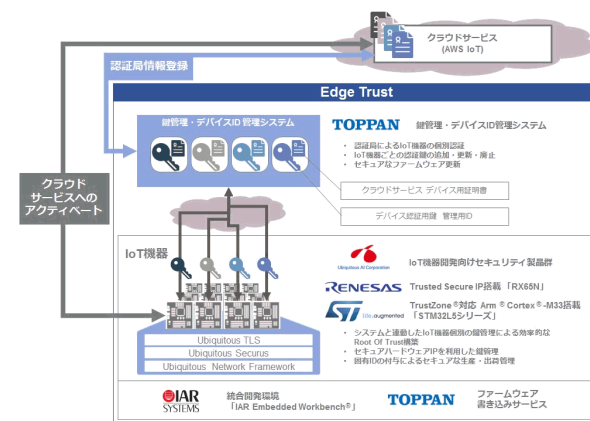
- Recorded sales from an R&D project related to security implementation for IoT device.
- Recorded a royalty income from an existing customer in the digital imaging area.
- Recorded sales of a new product development project from an existing customer related to HEMS.
- Acquired a patent for our security technology related to the life cycle management of IoT devices that is used for "Edge Trust."



(Note) The graph shows sales and profit in the entire Software Product Business and sales only related to the Connectivity and Security area.

## ■ Business Direction

- Enhancing collaboration with partners in the various fields from semiconductor devices to cloud services, with focusing on "Edge Trust" for accelerating the business development in the IoT security area.
- Expanding the business for digital contents transmission using "HDPC/DTCP" and "Securus" as well as the protection technology for in-vehicle IVI.





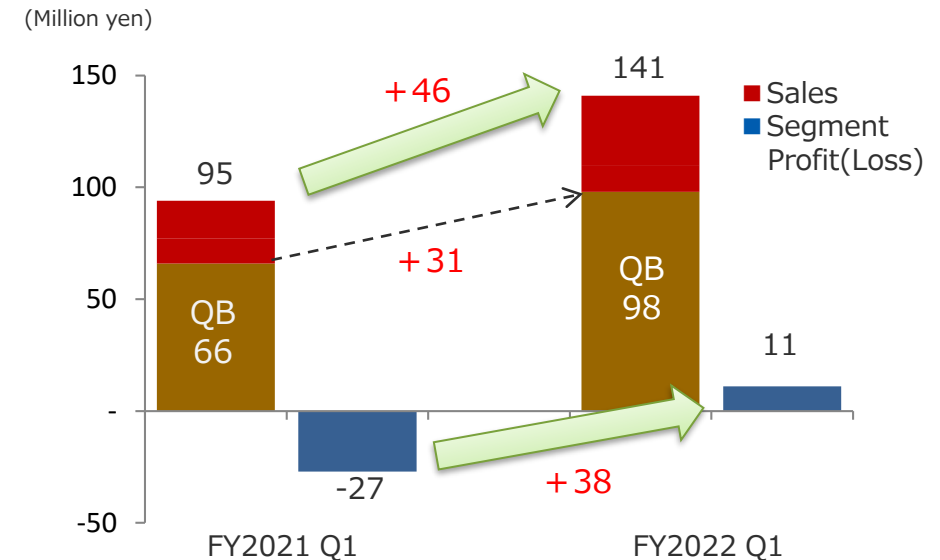
# Fast Device Boot-up

## ■ Summary of FY 2022 Q1

- Recorded a steady royalty income from existing domestic and overseas customers in the in-vehicle equipment area, and overseas customers in the consumer products area
- Continue large and middle-sized development projects with several customers in the in-vehicle terminal area such as a car navigation system.
- The accumulated number of shipped licenses of “Ubiquitous QuickBoot”, a fast device boot-up solution for Linux/Android exceeded 50 million unites globally as of the end of May 2021.

## ■ Business Direction

- Enhancing sales and marketing for the overseas market.
- Expanding sales of in-vehicle products other than in-vehicle information terminals
- Promoting high value-added solutions and cross-sell by combining various functions such as a file system that can work at the time of power discontinuity, virtualization technology, and secure boot.
- Continuing the development of next generation technologies.



(Note) The graph shows sales and profit in the entire Software Product Business and sales only related to the Connectivity and Security area.



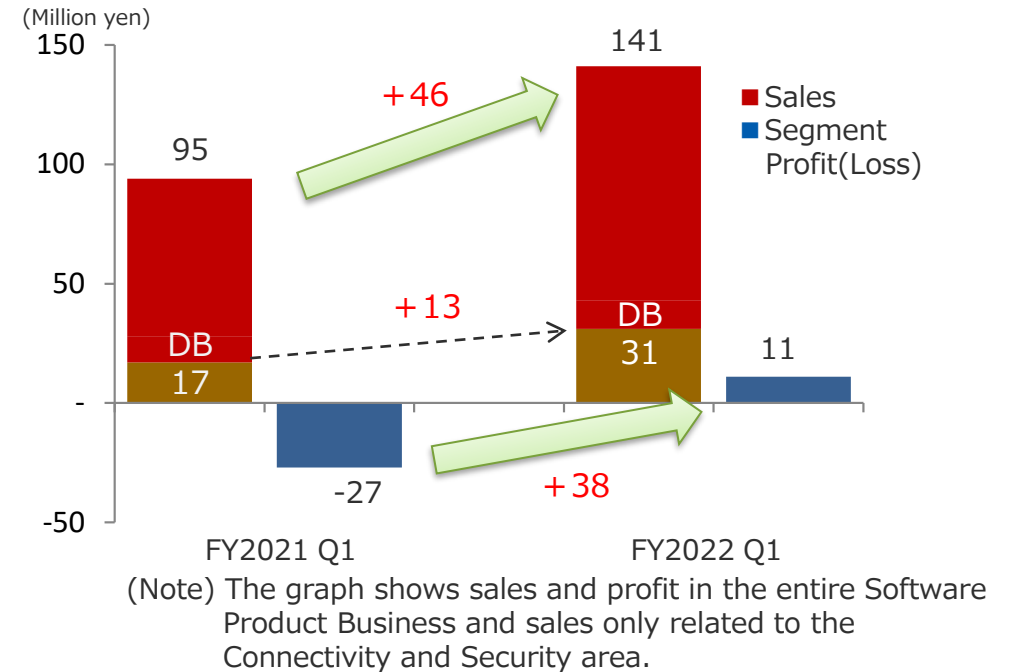
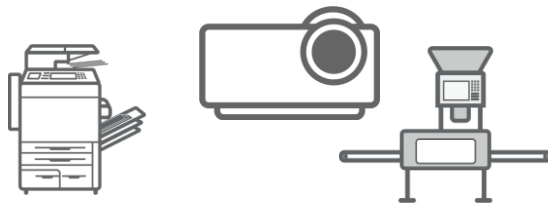
# Database

## ■ Summary of FY 2022 Q1

- Recorded a royalty income from existing customers in the area of industrial machines

## ■ Business Direction

- Ensuring a stable profit by support services to existing customers
- Increasing sales of products for in-vehicle equipment, OA equipment, testing equipment, and industrial machines



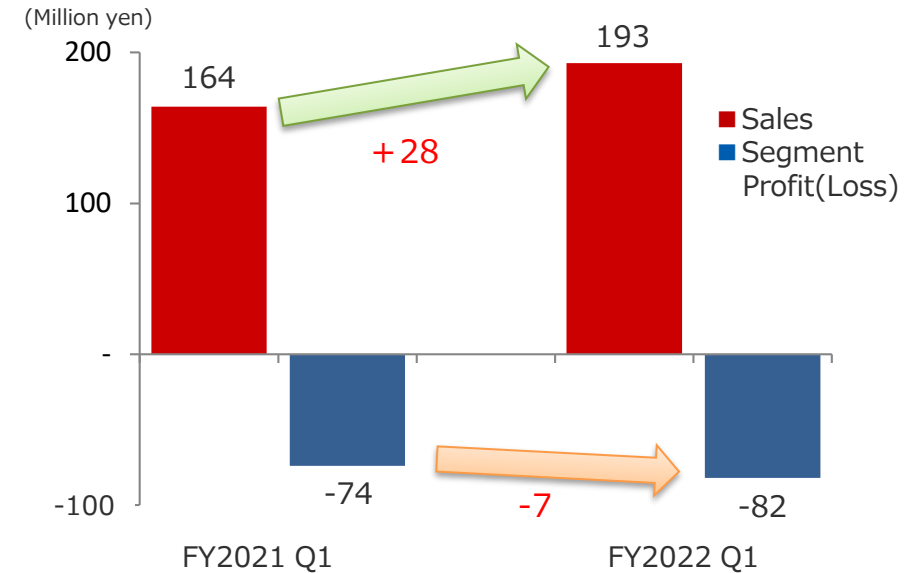
# Software Distribution Business

## ■ Summary of FY 2022 Q1

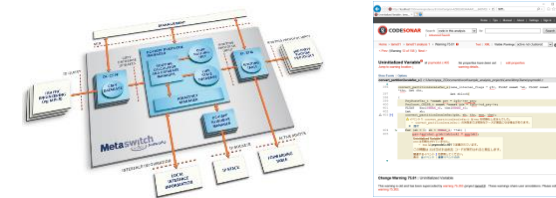
- BIOS products: Recorded a royalty income of “Insyde H2O \*1” from an existing customer that provides notebook PCs.
- Quality improvement supporting tools: Recorded a licensing fee of “CodeSonar\*2” from existing customers in the areas of in-vehicle equipment and industrial machines.
- Wireless products: Recorded a royalty income of “Blue SDK \*3” from an existing customer in the area of in-vehicle equipment.
- AI Solution Products: Recorded a royalty income of “CoDriver \*4” from an existing customer in the area of in-vehicle equipment.
- Others: Recorded a royalty income from new and existing customers for various products we are offering.

## ■ Business Direction

- Exploring products and technologies that can meet the changes triggered by the COVID-19 pandemic.
- Acquiring overseas vendors that have excellent marketability.
- Enhancing sales of new products that have been developed/acquired in the previous FY.
- Focusing on sales of tool products such as software quality improvement supporting tools that can highly contribute to a stable income stream under the annual licensing agreements.



(Note) Changes of segment profits are before the amortization of goodwill for easy comparison.



- \*1 Insyde H2O: BIOS based on C-driver that implements the ‘EFI/UEFI’ specifications
- \*2 CodeSonar: Tool that can statically analyze operational malfunction and vulnerability of software at the time of compiling a source code and detect bugs.
- \*3 BlueSDK: Bluetooth protocol stack
- \*4 CoDriver: Driver monitoring system

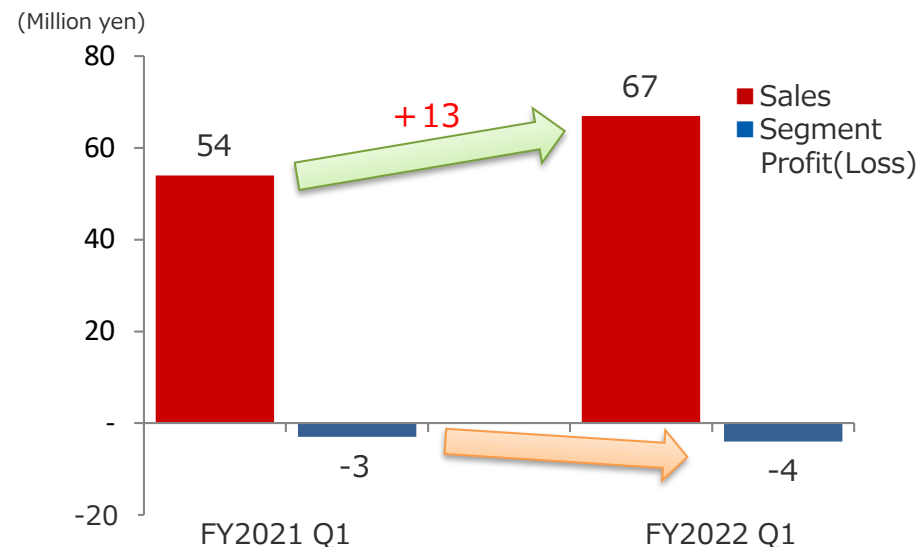
# Software Service Business

## ■ Summary of FY 2022 Q1

- Recorded various commissioned development sales from existing customers
- Recorded a licensing fee for “YOMI Data” content for in-vehicle equipment

## ■ Business Direction

- Maintaining existing profit backed by close collaboration with Gracenote in the U.S. as well as developing new business through a proposal of business cooperation
- In addition to projects with existing customers and partners, realizing a sales synergy effect throughout the group based on engineering service projects for our group products and customers



(Note) Changes of segment profits are before the amortization of goodwill for easy comparison.



Examples of using “YOMI Data”(artist & sort)

Artist Name	YOMI
さだまさし	サダメサシ
サザンオールスターズ	サザンオールスターズ
L'Arc-en-Ciel	ラルクアンシエル
松任谷由実	マツトウヤユミ

Sorted by Artist Name		Sorted by YOMI	
Sorted Result	Artist Name	Sorted Result	YOMI
1	L'Arc-en-Ciel	1	サザンオールスターズ
2	サザンオールスターズ	2	さだまさし
3	さだまさし	3	松任谷由実
4	松任谷由実	4	L'Arc-en-Ciel

# Topics

# Accumulated number of shipped licenses of “UbiquitousQuickBoot” exceeded 50 million units (June 14)

More adoption in the overseas market, leading to a sharp increase of shipment in the last one year that led to more than 12 million units shipped

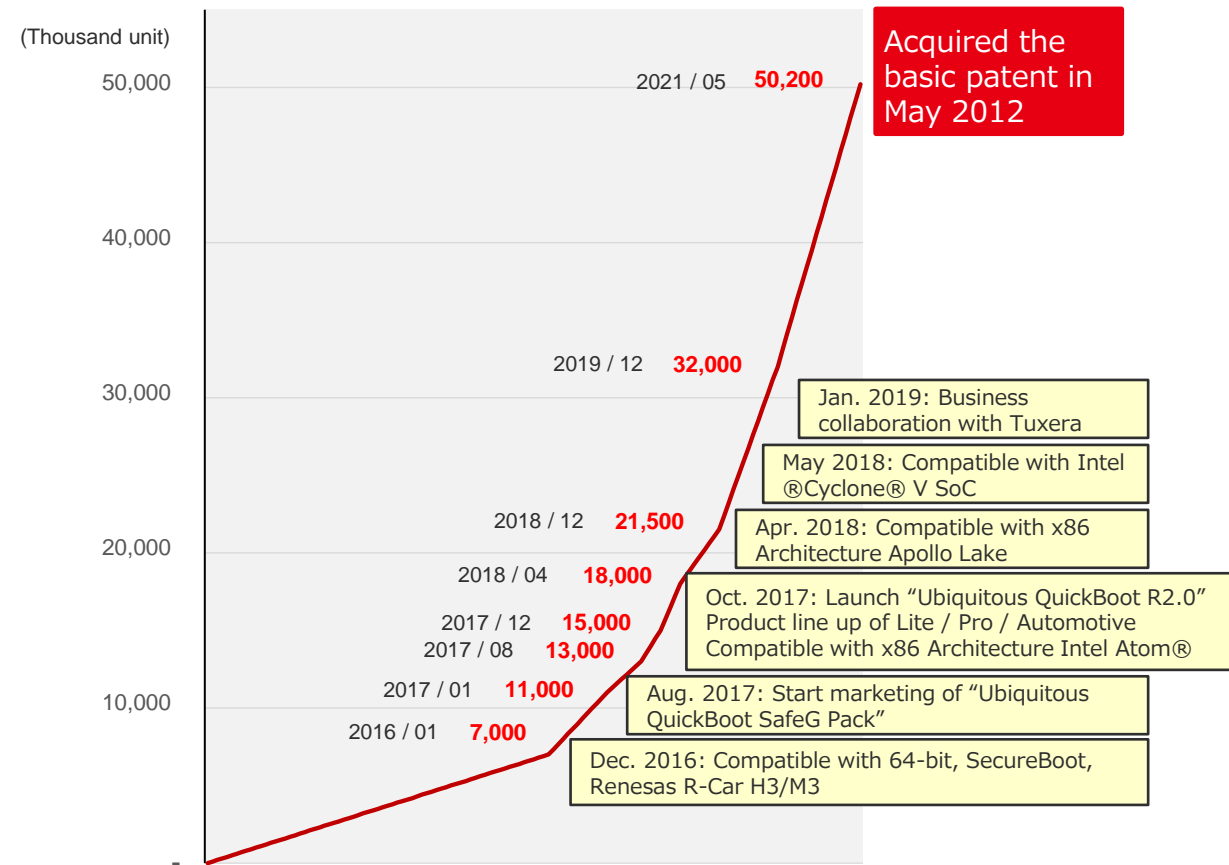
## ■ Product Profile

- Our proprietary fast device boot-up solution developed in-house
- Easily speeding up the boot-up time of devices, contributing to the energy saving and supporting better user experience

<Introduction effects and examples of applications>

Introduction effects	Example of applications		
Quickly start various processing tasks such as saving and monitoring	Monitoring camera	Digital camera	Drive recorder
Mitigate stress of users who are waiting for the boot-up	Car navigation system	TV	PC/Various console
Can operate with zero standby current thanks to quick boot-up	Mobile router	Digital book	multifunction printer/printer
Improve productivity by reducing the testing time per unit at the time of product inspection	Testing equipment	Production of products	

## ■ Accumulated number of licenses shipped



# Acquired patent evaluation for the basic technology of “Edge Trust” (June 15)

Acquired the patent for technology that can realize the security of IoT device throughout the life cycle

## ■ Details of the patent

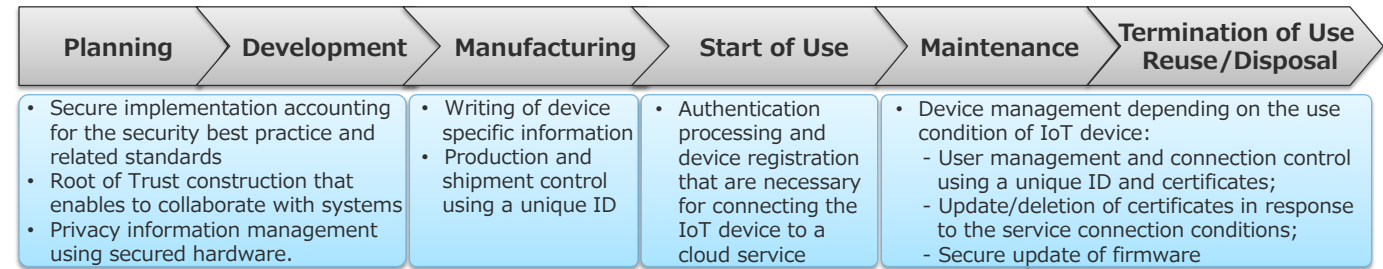
- It is a (deactivation) technology by which a “Device use certificate” issued for securely using a cloud service on an IoT device is automatically deleted by the IoT device itself when the cloud service is terminated or the IoT device is disposed.

## ■ Summary of Patent Evaluation

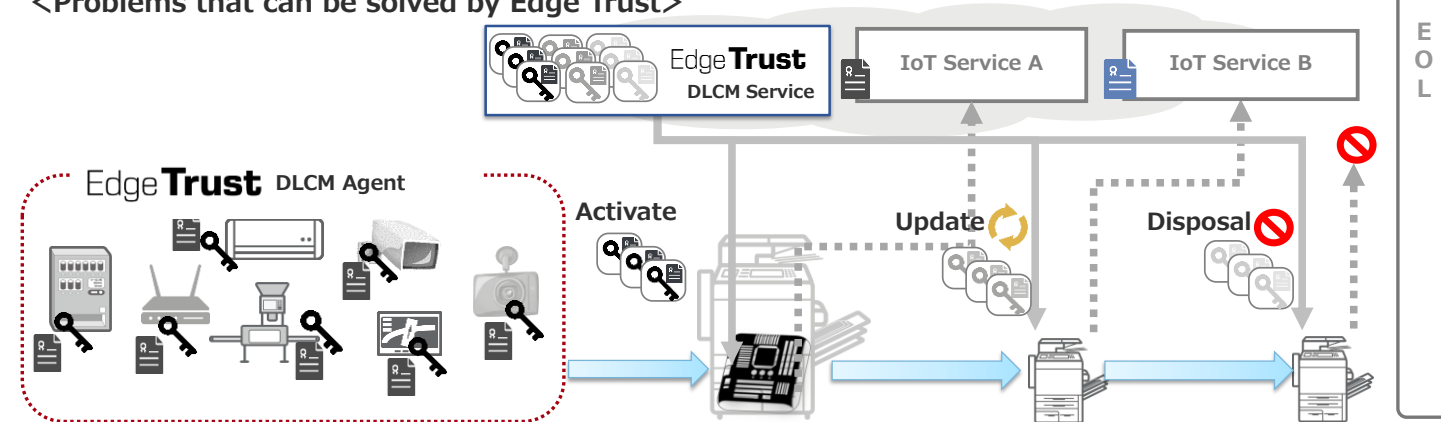
- Patent Application No. P2019-108731
- Name of Invention Information processing device and its control program
- Patent applicants Ubiquitous AI Corporation, Toppan Inc.

### Life Cycle Management of IoT devices by Edge Trust

Life cycle of IoT device



<Problems that can be solved by Edge Trust>



# Appendix



# Disclosures in FY 2022 Q1

Announcement Date		Press Release
Q1	June 14	■ Ubiquitous AI announced that the accumulated number of shipped licenses of “Ubiquitous QuickBoot”, a fast device boot-up solution for Linux/Android™, exceeded 50 million unites globally. -- Introduction by the in-vehicle information devices stably increased; expanded shipment for overseas market --
	June 15	■ Ubiquitous AI and Toppan Inc. acquired the patent evaluation for the basic technology of “Edge Trust”. - Acquired the patent for technology that can realize security throughout the life cycle of IoT device

*Connecting the Future*



**Ubiquitous AI Corporation**