Materials for Financial Performance Reporting

Third Quarter for FY Ending March 2021

Ubiquitous AI Corporation (UAC)

Satoshi Hasegawa, President
February 12, 2021

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Ubiquitous AI Corporation

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- Business Trend and Actions by Segment and Product Area
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Summary of Financial Performance for FY 2021 Q3

Ubiquitous AI Corporation

Summary of Financial Performance for FY 2021 Q3 (Accumulated Period)

Financial Performance

- Both sales and operating profit decreased adversely impacted by COVID-19
- Consolidated sales: 1,240 million yen (-21.2% Y/Y)
- Consolidated operating loss: 267 million yen (-90 million yen in Q3 of the previous FY)

Summary by Segment

Software Product Business	**In Quick Boot Business, a royalty income of in-vehicle products decreased. In the Connectivity & Security Business, we focused on the development our original products. Sales decreased, as we transferred the commissioned development business to the Software Service Business segment.**
Software Distribution Business	**Sales of products related to vehicles were down due to COVID-19 and a lack of marketable items; other businesses also recorded declining sales affected by COVID-19.**
Software Service Business	**Sales from content licensing related to in-vehicle equipment declined due to COVID-19 outbreak and cancelation of commissioned development projects as a result of shrinking budget in the customer side.**

Consolidated Profit and Loss Statement

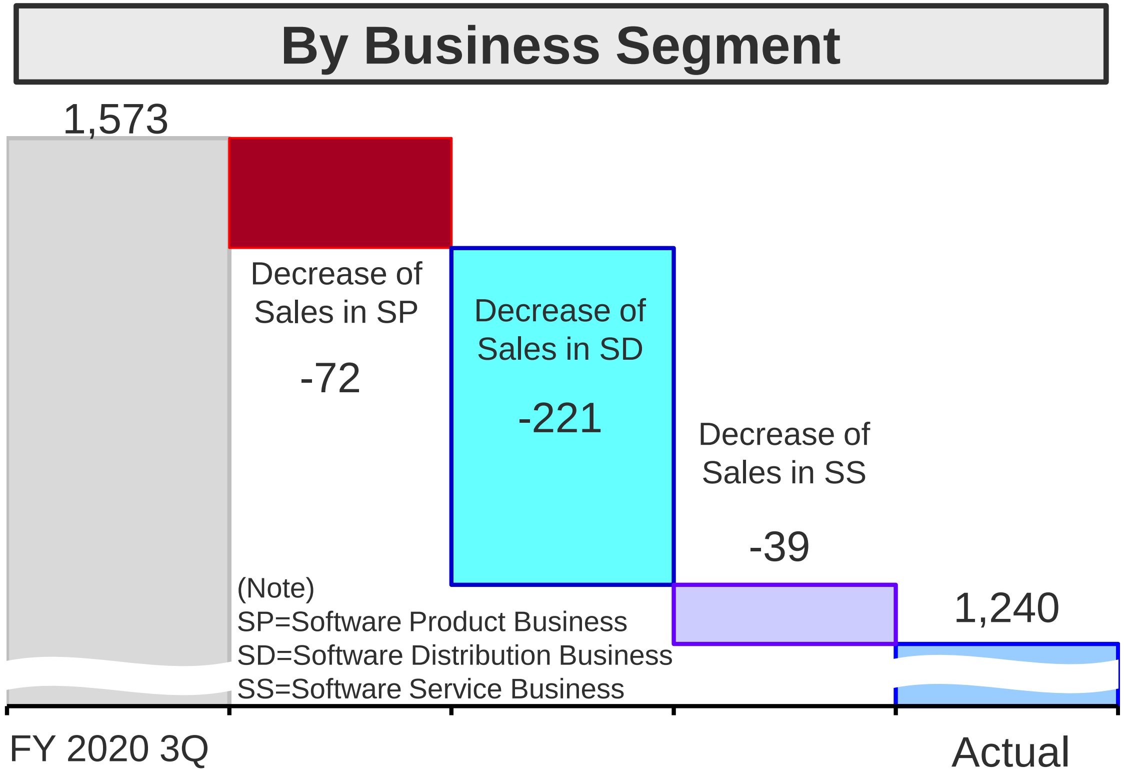
(Unit:Million yen)

	FY2020 Q3	FY2021 Q3	Change
Sales	1,573	1,240	-333
Cost of Sales	871	725	-146
Gross Margin	702	515	-187
SG&A	793	782	-10
Operating Income(Loss)	-90	-267	-176
Non-Operating Profit	4	3	-0
Ordinary Income(Loss)	-86	-263	-176
Extraordinary Income(Loss)	-	-	-
Income Taxes	11	24	12
Net Income(Loss)*	-98	-287	-189

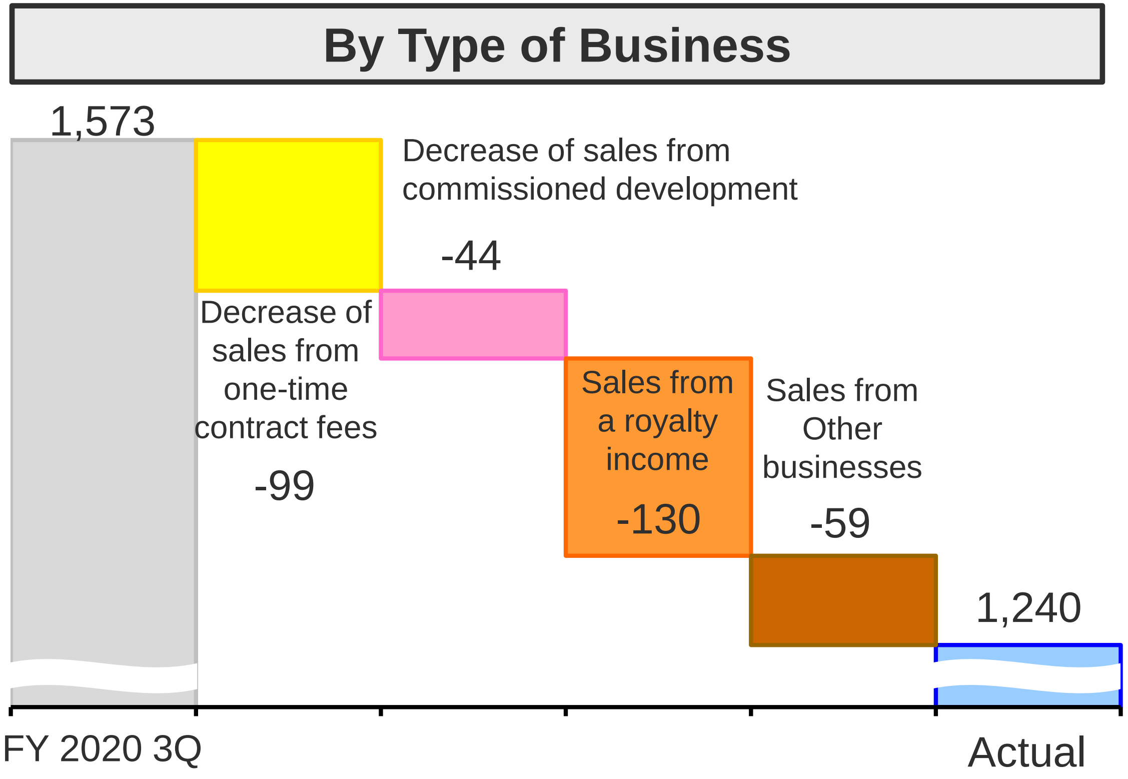
*Profit(Loss) attributable to owners of the parent

Comparison to FY 2020 3Q: Sales

(Unit: Million yen)



(Note)
SP=Software Product Business
SD=Software Distribution Business
SS=Software Service Business



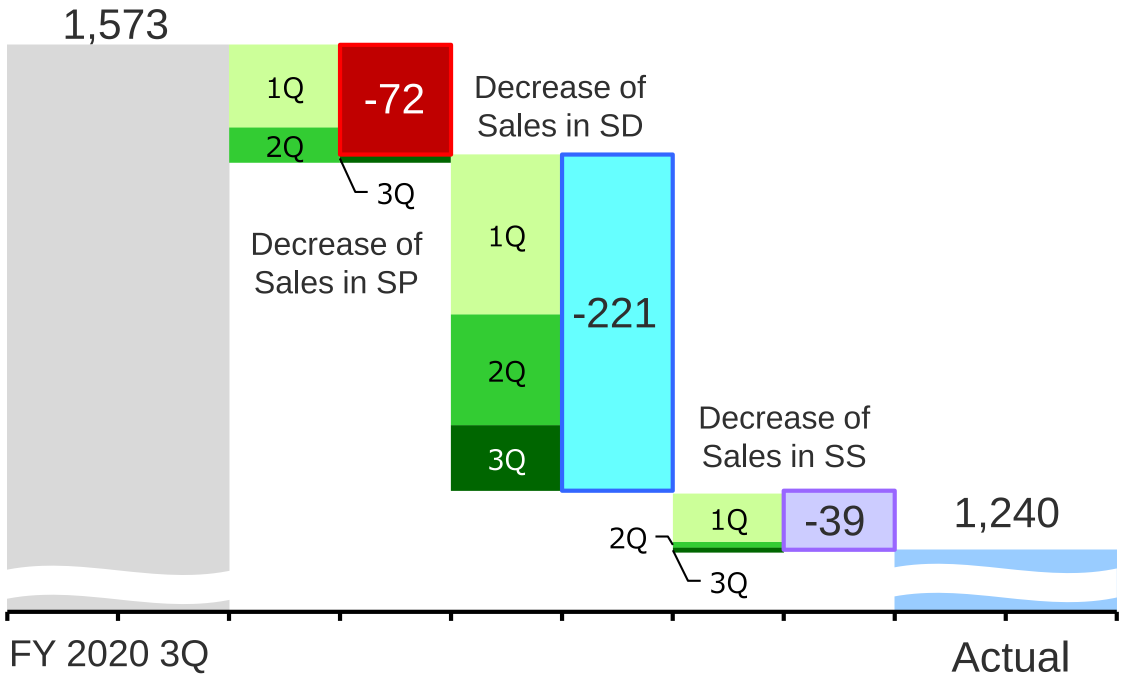
Comparison to FY2020 3Q - Sales: Decrease

- SP Business: Sales generally decreased, mainly by sluggish sales of in-vehicle products in the Fast Device Boot-up business and commissioned development in the Connectivity & Security business.
- SD Business: Sales generally decreased due to COVID-19 and a significant decrease of sales of vehicle-related products resulting from a lack of marketable products. Other sales were also impacted by COVID-19.
- SS Business: Sales generally decreased, as sales from content licensing for in-vehicle products and commissioned development impacted by COVID-19.

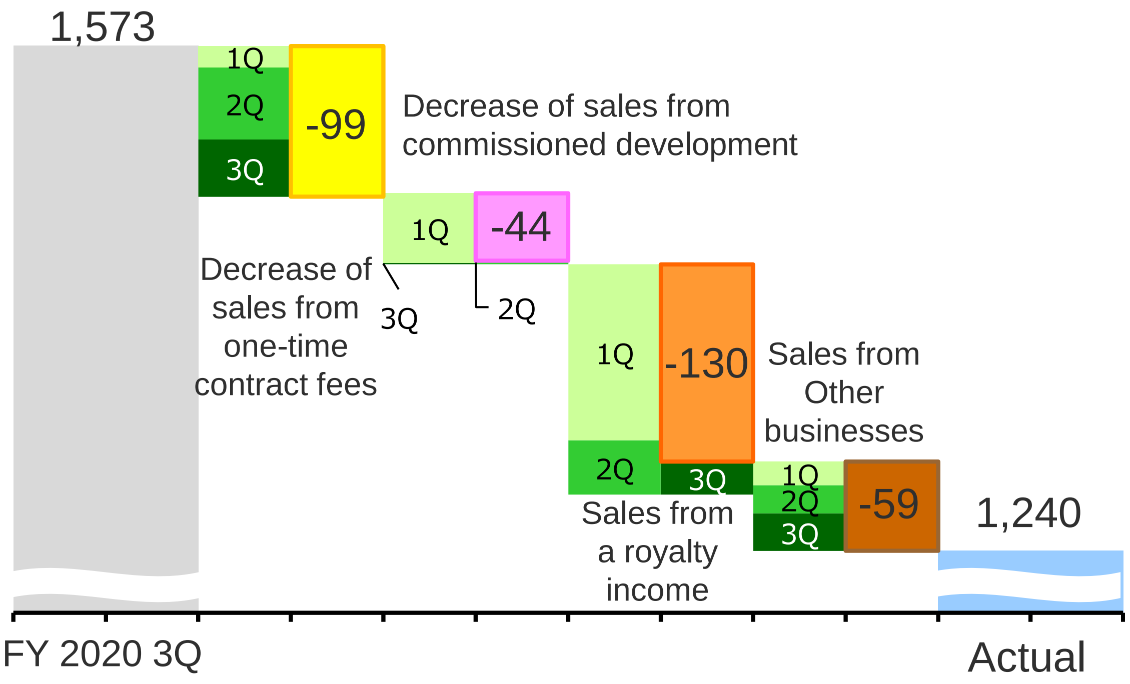
Comparison to FY 2020 3Q: Sales (Quarterly Basis)

(Unit: Million yen)

By Business Segment



By Type of Business

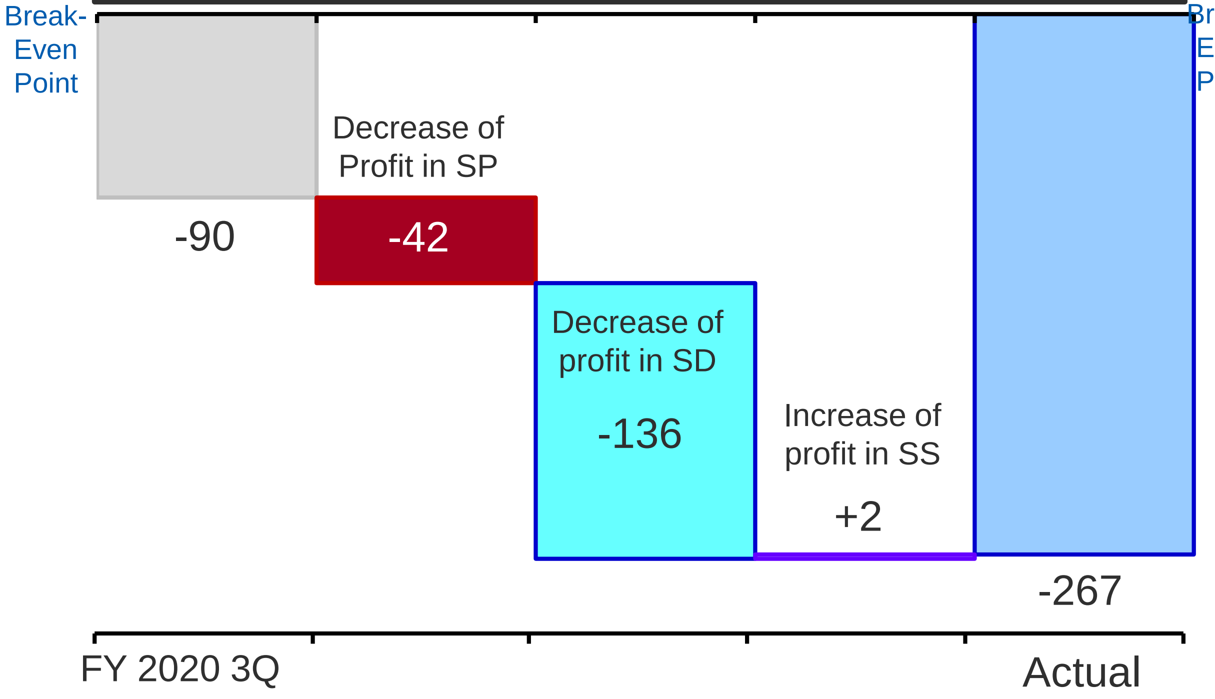


- Comparison to FY2020 3Q - Sales: Decrease
  - SP Business: Although Q3 sales increased due to a recovery of our royalty income, the business is still adversely impacted by sluggishness in Q1 and Q2.
  - SD Business: Although decrementals were shrunk, we recorded a Y/Y decrease in Q1, Q2, and Q3. A one-time contract fee and support sales (other sales) were down.
  - SS Business: Although sales have recovered to the level in the previous year since Q2, the business has still been adversely impacted by unfavorable sales in Q1.

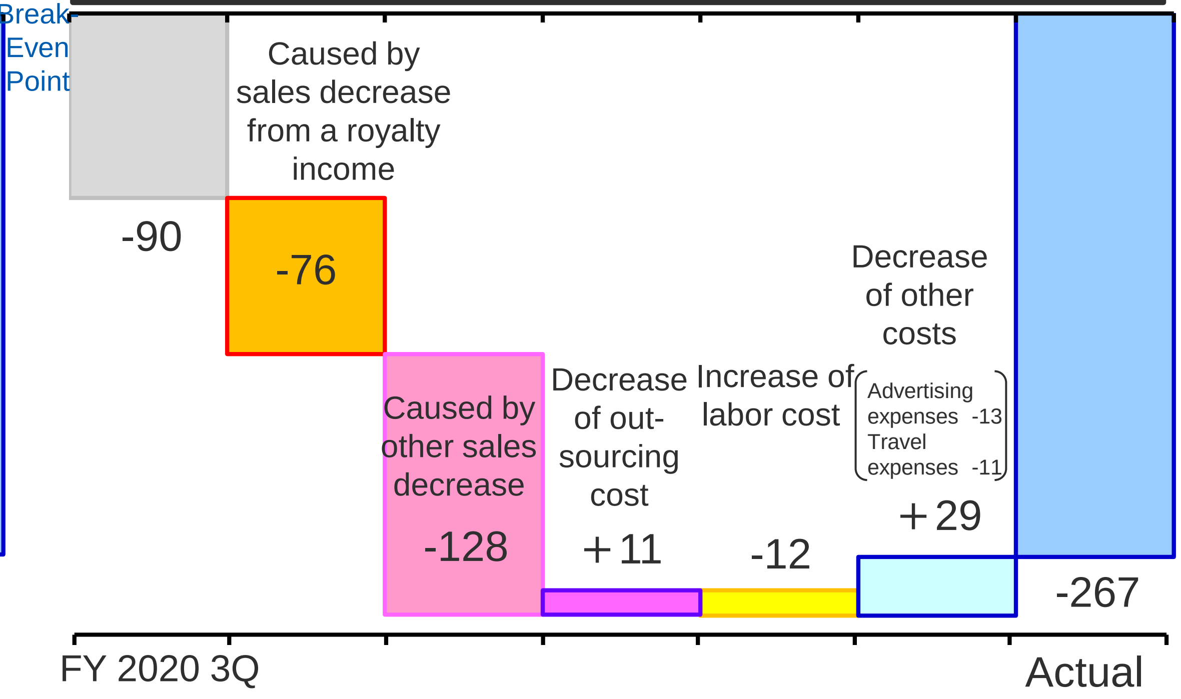
Comparison to FY 2020 3Q: Operating Profit

(Unit: Million yen)

By Business Segment



By Expense Item

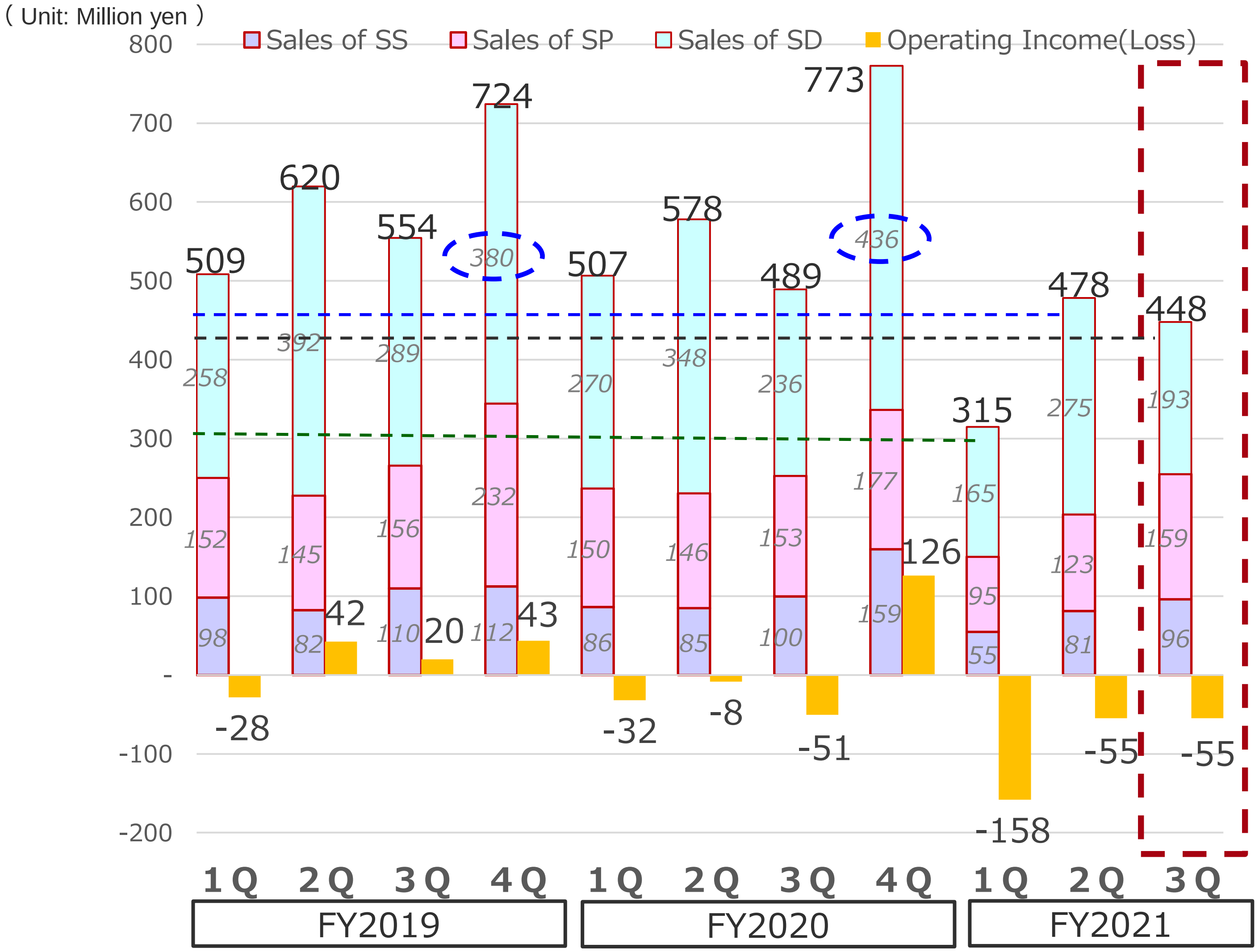


Comparison to FY 2020 3Q - Operating Profit: Decrease

- Operating profit was down, as the entire businesses in SP business, SD business, and SS business recorded a decrease of sales.

COVID-19 Impact on Financial Performance

<Reference> Quarterly Consolidated Financial Performance



Impact on 3rd Quarter Result

（Largely impacted: In-vehicle equipment, new projects）

- In-vehicle equipment
  - As a result of increasing auto sales (significantly down in Apr.-Jun. but recovered in Jul.-Sept. and slightly increased in Oct.- Dec.), a royalty income from products that have already been adopted by our customers changed to an upward trend from a recovery trend.
- New projects
  - As some projects were canceled and a budget was shrunk in the customer side, our new development projects and R&D were also suspended or postponed. We still see sluggishness in new projects generally.

Forecast for Full FY

- Year-on-year quarterly sales are in a recovery trend
  - As decrementals of sales on a year-on-year basis are shrinking (-191 mil. yen in Q1, -99 mil. yen in the Q2, and -41 mil. yen in Q3), sales are now on a recovery trend.
- Uncertainty remains in Q4 sales
  - New projects mainly in the Software Distribution Business increase generally in Q4.
  - We are concerned about the effect of the State of Emergency declared on January 7, and it is still uncertain how/whether our customers start a new project.
  - We are still in a challenging situation and cannot make a reasonable full FY estimate now.

Consolidated Balance Sheet (Asset Section)

(Unit: Million yen)

	End of March 2020	End of December 2020	Change
Cash and deposits	934	969	35
Notes and accounts receivable-trade	740	372	-368
Securities	800	800	-
Inventories	-	25	24
Prepaid expenses	59	42	-17
Other	27	58	31
Current assets	2,563	2,269	-294
Goodwill	316	158	-157
Other	397	439	41
Noncurrent assets	714	598	-115
Assets	3,277	2,867	-410

Consolidated Balance Sheet (Liabilities and Net Assets Section)

(Unit: Million yen)

	End of March 2020	End of December 2020	Change
Accounts payable-trade	160	69	-90
Accounts payable-other	38	60	22
Advances received	91	67	-24
Other	92	14	-78
Current liabilities	382	212	-170
Noncurrent liabilities	82	80	-1
Capital stock	1,483	1,483	0
Capital surplus	1,453	1,453	0
Retained earnings	-159	-447	-287
Other	35	84	49
Net assets	2,812	2,574	-238
Liabilities and net assets	3,277	2,867	-410

Achievement to Full FY Forecast (Consolidated)

(Unit: Million yen)

	Full FY Forecast	Q3 Actual	Achievement Ratio (%)
Sales	2,362	1,240	52.5
Operating Income(Loss)	12	-267	–
Ordinary Income(Loss)	12	-263	–
Net Income(Loss)	-46	-287	–

Business Trend and Actions by Segment and Product Area

Ubiquitous AI Corporation

Comparison to FY 2020 Q3
Sales by Segment and by Product Area

(Unit: Million yen)

Segment	Product Area	FY2020 Q3 (Consolidated)	FY2021 Q3 (Consolidated)	Change
Software Product Business	Connectivity & Security	94	42	-55.3%
	Quick Boot	311	281	-9.6%
	Database	42	52	23.0%
	Sub-Total	449	376	-16.1%
Software Distribution Business		853	632	-26.0%
Software Service Business		270	231	-14.4%
Total		1,573	1,240	-21.2%

Comparison to FY 2020 Q3 Sales and Profit by Segment

(Unit: Million yen)

		FY2020 Q3 (Consolidated)	FY2021 Q3 (Consolidated)	Change
Software Product Business	Sales	449	376	-72
	Segment Profit(Loss)	19	-22	-42
Software Distribution Business	Sales	852	632	-220
	Segment Profit(Loss)	*1 -70	*1 -206	-136
Software Service Business	Sales	259	231	-28
	Segment Profit(Loss)	*2 -40	*2 -37	2

*1 Including amortization of goodwill of 79 million yen as a result of acquiring shares of former A.I. Corporation.

*2 Including amortization of goodwill of 77 million yen as a result of acquiring shares of AIM Corporation.

Comparison to FY 2020 Q3：Sales and Profit before Amortization of Goodwill by Segment

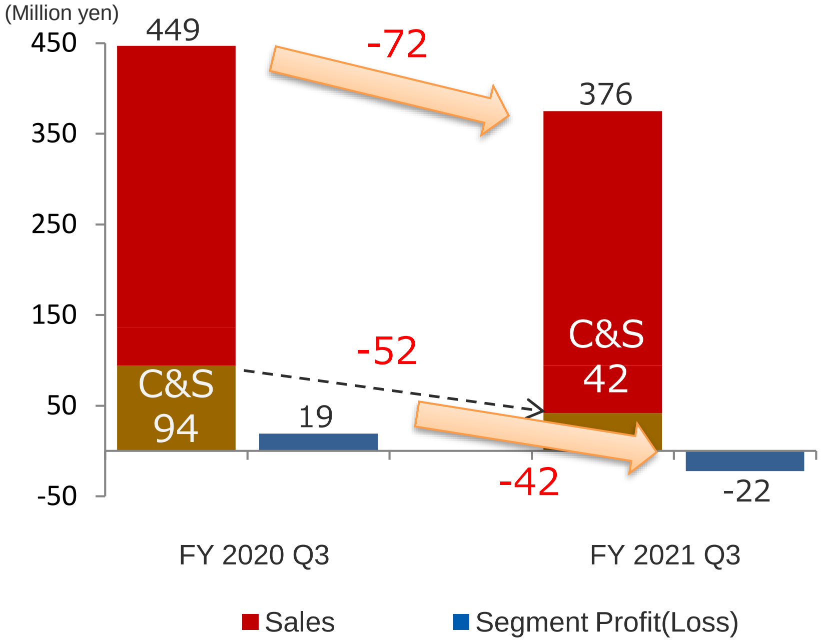
(Unit: Million yen)

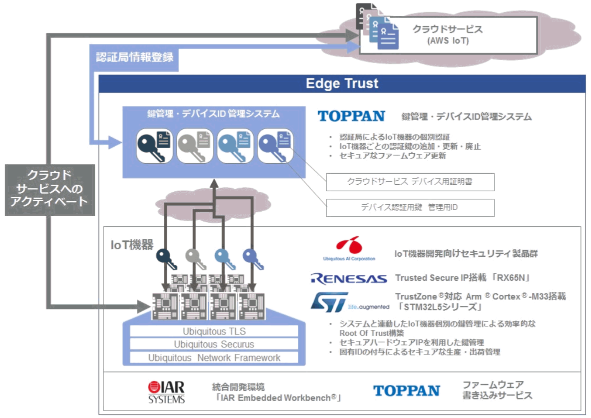
		FY2020 Q3 (Consolidated)	FY2021 Q3 (Consolidated)	Change
Software Product Business	Sales	449	376	-72
	Segment Profit(Loss)	19	-22	-42
Software Distribution Business	Sales	852	632	-220
	Segment Profit(Loss)	9	-126	-136
Software Service Business	Sales	259	231	-28
	Segment Profit(Loss)	37	39	2

Software Product Business

Connectivity & Security

Ubiquitous
Network Framework





クラウドサービス
(AWS IoT)
認証局情報登録
Edge Trust
鍵管理・デバイスID 管理システム
TOPPAN
鍵管理・デバイスID管理システム
認証局によるIoT機器の個別認証
IoT機器ごとの認証鍵の追加・更新・廃止
セキュアなファームウェア更新
クラウドサービス デバイス用証明書
デバイス認証用鍵 管理用ID
クラウド
サービスへの
アクティベート
IoT機器
Ubiquitous AI Corporation
IoT機器開発向けセキュリティ製品群
RENESAS
Trusted Secure IP搭載「RX65N」
life.augmented
TrustZone®対応 Arm® Cortex®-M33搭載「STM32L5シリーズ」
システムと連動したIoT機器個別の鍵管理による効率的なRoot Of Trust構築
セキュアハードウェアIPを利用した鍵管理
固有IDの付与によるセキュアな生産・出荷管理
Ubiquitous TLS
Ubiquitous Securus
Ubiquitous Network Framework
IAR SYSTEMS
統合開発環境「IAR Embedded Workbench®」
TOPPAN
ファームウェア書き込みサービス

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

Summary of FY 2021 Q3

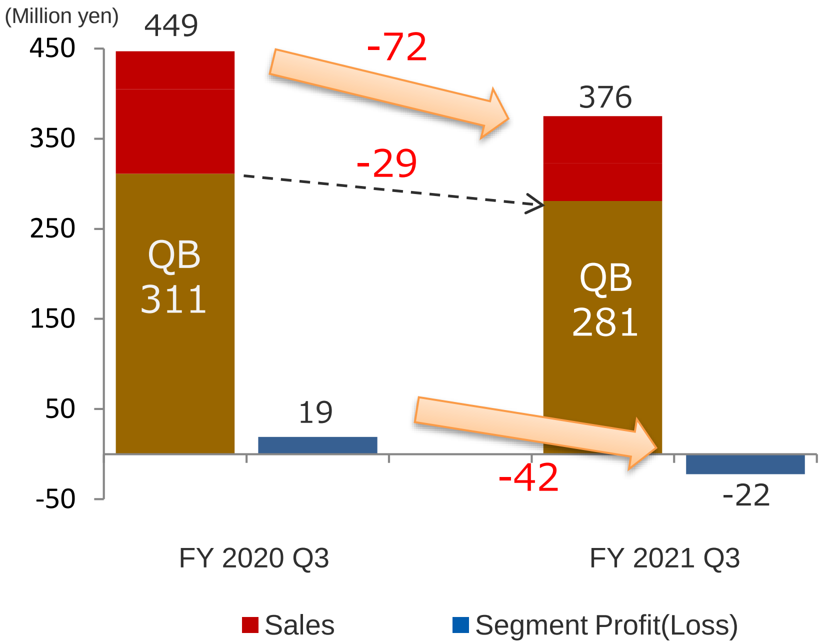
- Recorded sales of a R&D project from a semi-conductor manufacture related to “Edge Trust”.
- Enjoyed sales from a R&D project related to IoT security
- Received a royalty income from an existing customer in the area of in-vehicle equipment
- Had commissioned development sales from an existing customer in the area of digital imaging
- Developed a software product jointly with PTC Japan that is compatible with the client function of IIoT platform “ThingWorx®” and be operable on an MCU, and launched it as “Ubiquitous Network Framework ThingWorx Edge Package” on February 1, 2021

Business Direction

- Focusing on the business development in the IoT security area mainly supported by “Edge Trust”; enhancing collaboration with business partners in various fields that is required for providing a secure IoT service
- Expanding sales of security-related products mainly in the areas of in-vehicle, industrial, and IoT fields

Software Product Business

Fast Device Boot-up



*The graph shows sales and profit in the entire Software Product Business and sales only related to the Fast Device Boot-up area.

Summary of FY 2021 Q3

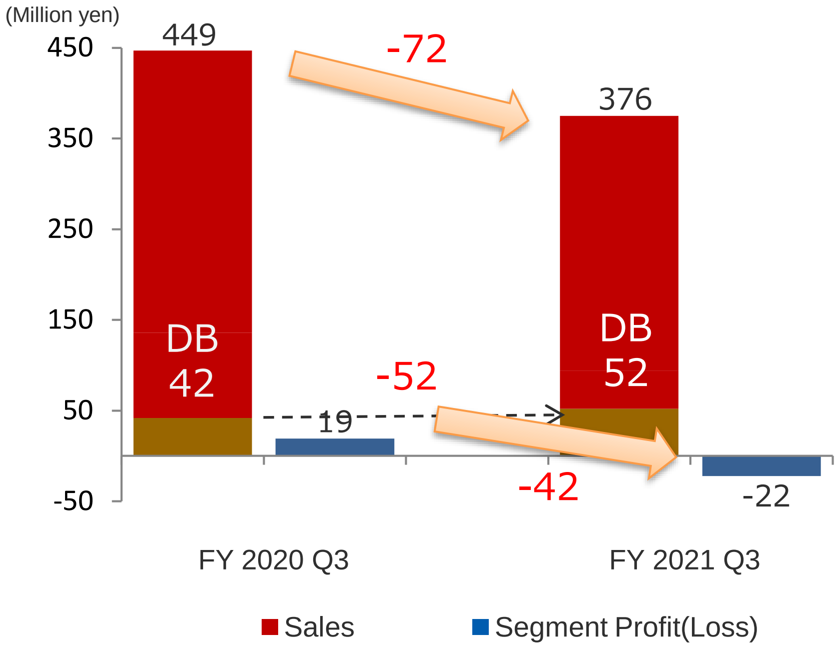
- Recorded sales of in-vehicle products and a royalty income from overseas existing customers in the consumer products area.
- Continued large and middle-sized R&D projects with several customers in the areas of in-vehicle equipment such as a car navigation system

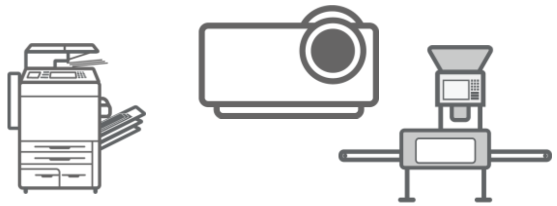
Business Direction

- Enhancing sales in overseas markets
- Strengthening marketing of products for automobiles other than in-vehicle information terminals
- Promoting highly value-added solutions and cross-sell such as a product with the combination of the file system compatible with power discontinuity, virtualization technology, and secure boot function
- Continuing development of the next-generation technology

Software Product Business

Database





Ubiquitous DeviceSQL

Summary of FY 2021 Q3

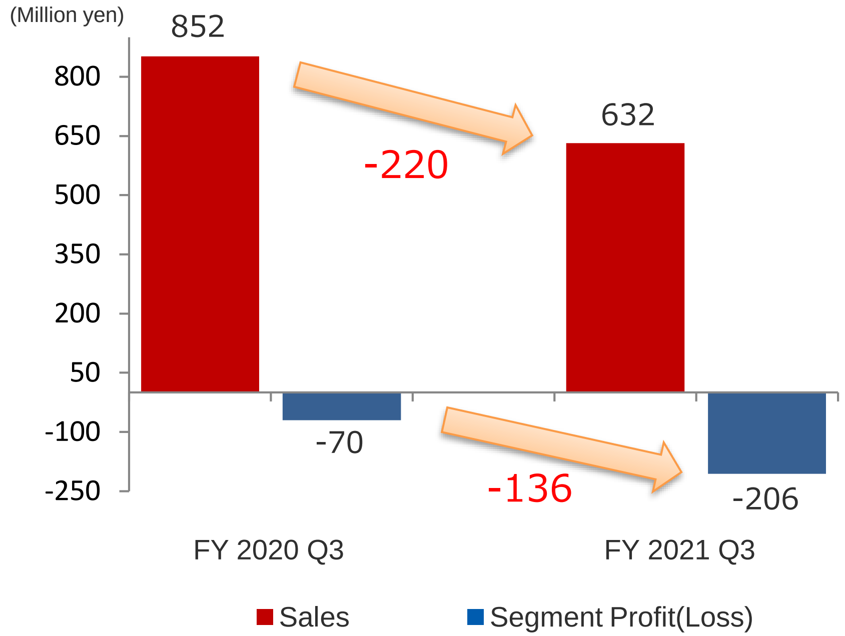
- Recorded a royalty income from existing customers in the area of industrial machines

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

*The graph shows sales and profit in the entire Software Product Business and sales only related to the Database area.

Software Distribution Business

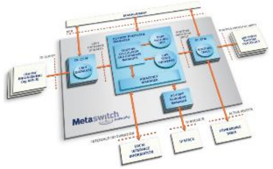


Summary of FY 2021 Q3

- BIOS Products: Recorded a royalty income of “Insyde H2O *1” from an existing customer that provides notebook PCs.
- Wireless Products: Recorded a royalty income of “Blue SDK *2” from existing customers in the area of in-vehicle equipment. A royalty income showed a recovery trend as the automobile sales rebounded.
- Products Supporting Quality Improvement: Recorded repeated sales from licensing fees and support fees for “CodeSonar *3” from existing customers in the areas of in-vehicle equipment and medical equipment.
- AI Solution Products: Recorded sales from commissioned development project for “CoDriver *4” from an existing customer in the area of in-vehicle equipment and a licensing fee for “GenSynth *5” (a platform optimizing a deep-learning model) from a new customer in the area of industrial machines.
- Recorded a royalty income from new and existing customers for various products. New Projects are generally sluggish.

Business Direction

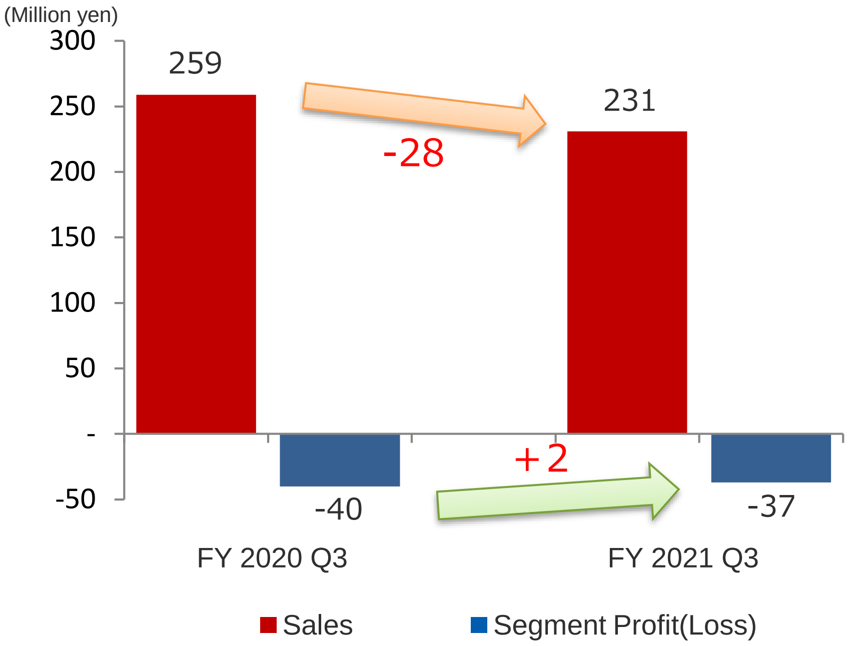
- Exploring products and technologies that can meet changes as a result of spreading COVID-19
- Enhancing sales and marketing of AI-related products (started to market two new products in the current quarter)
- For promoting sales of vehicle-related tools, signed a business collaboration agreement with A&D Company Ltd. and started joint development of a simulator for developing in-vehicle system software products. Target launch date is April 2021.
- Focusing on sales of products supporting software quality improvement that can generate a stable income flow with an annual licensing contract.



HEMS機器
計器、センサ
カメラ、ヘルスケア
Bluetooth/Wi-Fi
コンボモジュール
大型家電
車載機器
クラウド

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

Software Service Business

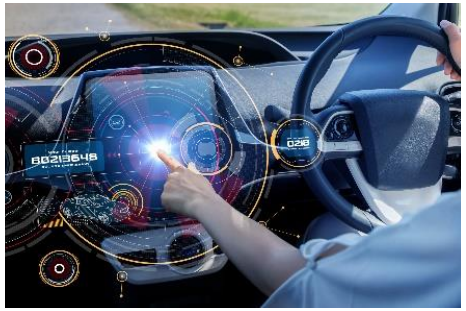


Summary of FY 2021 Q3

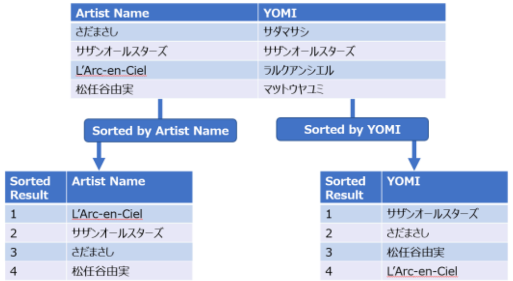
- Recorded various commissioned development sales from existing customers
- Recorded a licensing fee for “YOMI Data” content for in-vehicle equipment

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



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



Artist Name	YOMI
さだまさし	サダマサシ
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 Result	Artist Name
1	L’Arc-en-Ciel
2	サザンオールスターズ
3	さだまさし
4	松任谷由実

Sorted by YOMI

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

Ubiquitous AI Corporation

Topics

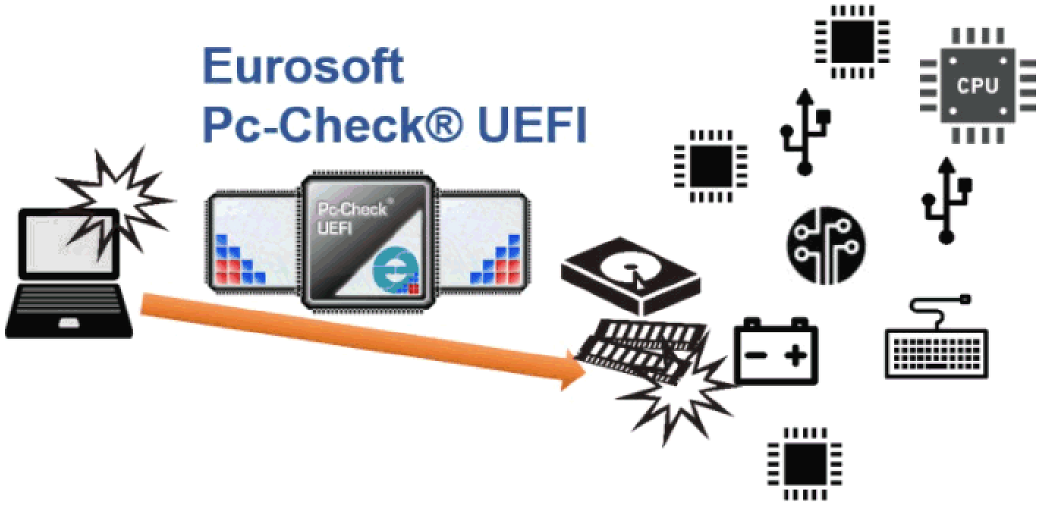
Signed a distributor agreement with Eurosoft for diagnostic toll compatible with Native UEFI for detecting hardware failures:

“Pc-Check® UEFI” (started marketing on December 11)

Diagnostic solution independent from OS environment that is provided by Eurosoft, a company providing hardware solutions in 20 years

- Background of the Business Collaboration
  - When a product has a failure, it is more and more important to have a toll that can classify the failure.
  - While failure diagnostics was done on an OS or DOS previously, BIOS has evolved into UEFI.
  - On UEFI, we can diagnose failures in the UEFI environment independent from an OS.

- Main futures of “Pc-Check® UEFI”
  - Can be embedded into BISO, as it is light and compatible with UEFI
  - Fast hardware diagnosis
  - Can be operable during the UEFI pre-boot environment
  - Can execute under the secure-boot environment
  - Can diagnose various hardware all at once



<Image of Using “Pc-Check® UEFI”>

Extension package of “Ubiquitous Network Framework” that was jointly developed with PTC Japan:

“Ubiquitous Network Framework ThingWorx Edge Package”

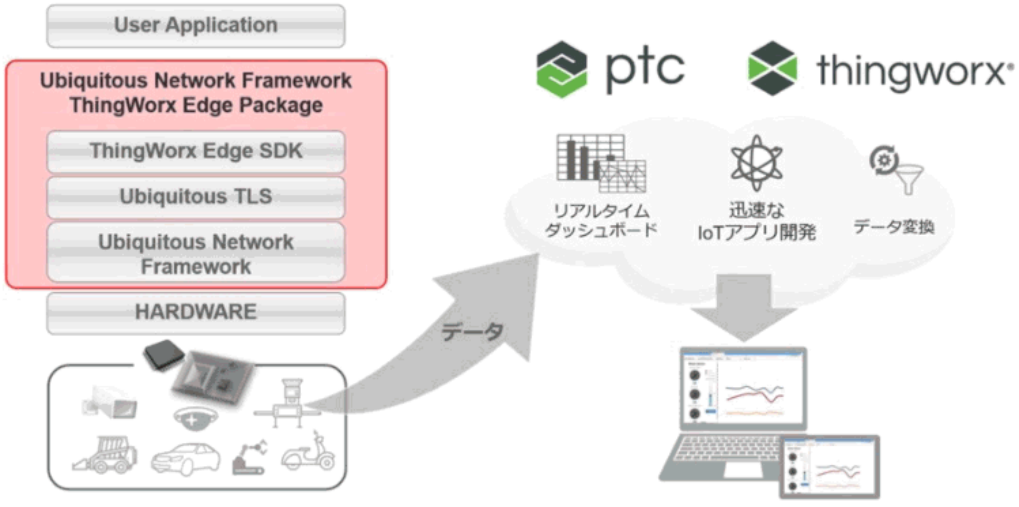
(Started Marketing on Feb. 1)

Developed with PTC a software product that is compatible with the client function of ThingWORX®, a platform for IIoT and can be operable on an MCU

- Background of the Development

  When users of ”ThingWorx Edge SDK” provided by PTC attempt to use an MCU, they need to spend a huge amount work and time for individual development, as ThingWorx is best optimized for Linux and Windows.

- Main Features of “Ubiquitous Network Framework ThingWorx Edge Package”
  - Significantly reduce the time for developing IOT equipment that is compatible with PTC’s ThingWorx®
  - Require less resources and achieve high performance while running on an MCU
  - Ensure high security by protecting device authentication information using TLS


User Application
Ubiquitous Network Framework ThingWorx Edge Package
ThingWorx Edge SDK
Ubiquitous TLS
Ubiquitous Network Framework
HARDWARE
データ
ptc
thingworx
リアルタイムダッシュボード
迅速なIoTアプリ開発
データ変換

<Image of connection with ThingWorx>

Signed a distributor agreement with Deeplite for DNN model automatic optimization/compression software:
"Neutrino™" (Started marketing on January 13)

Reduce the number of required days for optimization process to a few days from six months

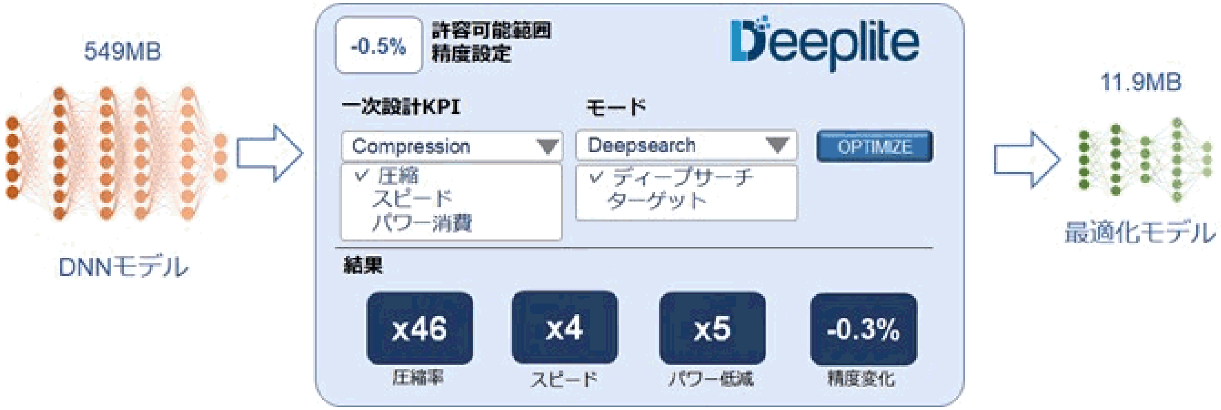
Automatically optimize a DNN model in the on-premise environment and improve the development efficiency

Background of the Business Collaboration

- R&D activities on AI have progressed day by day in the areas of machine learning and deep learning.
- Optimizing a model requires complicated try & error efforts and a huge amount of time, human resources, and computing resources.
- In the AI application development for IoT/edge equipment, there are further requirements such as DNN model optimization without compromising the accuracy and low electric consumption.

Main Features of "Neutrino™"

- Only need to set a DNN model that has already been trained and a data set for implementing the optimization process while maintaining the accuracy (rate) of AI engine, enabling a significant reduction of development costs
- Can use internally, as it is for the on-premise environment.


549MB
DNNモデル
-0.5%
許容可能範囲
精度設定
Deeplite
一次設計KPI
Compression
✓ 圧縮
スピード
パワー消費
モード
Deepsearch
✓ ディープサーチ
ターゲット
OPTIMIZE
結果
x46
圧縮率
x4
スピード
x5
パワー低減
-0.3%
精度変化
11.9MB
最適化モデル

<Image of using "Neutrino™">

Appendix

Ubiquitous AI Corporation

Disclosures in FY 2021 Q3

Announcement Date		Press Release
Q3	November 5	■ Ubiquitous AI Corporation launches “ThunderScan®”, a state-of-the-art SAST (Static Application Security Testing) tool on November 5.
	November 5	■ Ubiquitous AI Corporation starts marketing of the latest version of commercial real-time OS compatible with RISC-V on November 6. -Enabling high performance embedded equipment at a lower price using commercial RTOS with high-speed operation/energy saving/power saving features -
	November 10	■ Ubiquitous AI Corporation launches “AtomBeam”, an IoT data compression/secure telecommunication AI solution on November 10 that can reduce the IoT/M2M data transmission volume by 70 to 90% using patented AI technology
	December 11	■ Ubiquitous AI Corporation signed a distributor agreement with Eurosoft and started marketing of diagnostic toll “Pc-Check® UEFI” on December 11 that is compatible with Native UEFI for detecting hardware failures.
	December 24	■ Ubiquitous AI Corporation started distribution of a software package that can provide the client function of IIoT platform ThingWorx and can be operable on an MCU for Edge equipment on February 1 - Developed with PTC Japan and provided as an extension package of “Ubiquitous Network Framework” -
Q4 （Reference）	January 13	■ Ubiquitous AI Corporation signed a distributor agreement with Deeplite and started marketing of “Neutrino™”, DNN model optimization/compression software on January 13, 2021. - Reduce the number of days required for the optimization process to a few days from six months, and provide AI application for embedded equipment -

Connecting the Future

Ubiquitous AI Corporation