

# Financial Results Briefing Materials

Second Quarter of FY Ending March 2022

Ubiquitous AI Corporation (UAC)

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November 12, 2021

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# Second Quarter Performance Overview

# First Half Summary

## Performance

- Compared with FY3/21, both sales and OP increased
- Compared with FY3/20, although sales did not recover owing to the impact of COVID-19, including lower automobile production caused by semiconductor shortages, etc., OP increased slightly (down after considering amortization of goodwill)
  - Consolidated sales: 913 million yen (+15.2% vs. 1H FY3/21; -15.8% vs. 1H FY3/20)
  - Consolidated operating loss: 30 million yen (operating loss of 212 million yen in 1H FY3/21; operating loss of 40 million yen in 1H FY3/20)

## Summary by Segment

Software Product Business	Sales Operating profit	332mn yen 78mn yen	In the fast device boot-up business, royalty sales for in-vehicle products declined, while sales increased YoY in the Connectivity & Security business as the Company won major contracts for in-vehicle products
Software Distribution Business	Sales Operating loss	427 mn yen 127mn yen	Royalty sales from existing customers fell, resulting in a YoY decline in sales
Software Service Business	Sales Operating loss	152 mn yen 18 mn yen	Content licensing sales increased for in-vehicle products and contracted development also performed well, resulting in a YoY increase in sales

# Segment Profit Changes to Calculation Method

## ■ Changes to method of calculating segment profit for two Ubiquitous AI Corporation businesses

- Background
  - The company has been unifying shared departments since the merger with the former AI Corporation (July 2018)
- Details of changes
  - Allocation ratio: The allocation ratio will be 1:1, in consideration of sales, gross profit, etc., in initial forecasts for FY3/22
  - Applicable to: Expenses of shared departments – personnel costs and departmental costs of sales, marketing & communication, and administration departments

## ■ Impact of changes to method of calculating segment profit

(Million yen)

		FY2022 Q2			FY2021 Q2			Change		FY2020 Q2			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	332		332	218		218	114	114	295		295	36	36
	Segment Profit	56	21	78	-41	22	-19	98	97	16	30	46	40	31
Software Distribution Business	Sales	427		427	439		439	-11	-11	617		617	-189	-189
	Segment Profit	-105	-21	-127	-76	-22	-99	-29	-28	27	-30	-2	-133	-124
Software Service Business	Sales	152		152	135		135	17	17	171		171	-18	-18
	Segment Profit	18		18	10		10	7	7	20		20	-2	-2

(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.

# YoY: Sales per Segment and Product

(Million yen)

Segment	Product Area	FY2022 Q2 (Conso- lidated)	FY2021 Q2 (Conso- lidated)	Change	FY2020 Q2 (Conso- lidated)	Change
Software Product Business	Connectivity & Security	107	25	330.8%	72	48.9%
	Quick Boot	177	158	11.9%	189	-6.4%
	Database	46	34	37.5%	33	40.3%
	Sub-Total	332	218	52.5%	295	12.4%
Software Distribution Business		427	439	-2.5%	617	-30.7%
Software Service Business		152	135	12.7%	171	-10.7%
Total		913	792	15.2%	1,084	-15.8%

# YoY Sales and Profit per Segment

(Million yen)

		FY2022 Q2 (Consolidated)	FY2021 Q2 (Consolidated)	Change	FY2020 Q2 (Consolidated)	Change
Software Product Business	Sales	332	218	114	295	36
	Segment Profit(Loss)	78	-19	97	46	31
Software Distribution Business	Sales	427	439	-11	617	-189
	Segment Profit(Loss)	-127	*1 -152	24	*1 -55	-71
Software Service Business	Sales	152	135	17	171	-18
	Segment Profit(Loss)	18	*2 -41	59	*2 -31	-28
Total	Sales	913	792	120	1,084	-171
	Segment Profit(Loss)	-30	*3 -212	181	*3 -40	9

(Notes) \*1 Includes 53 million yen from the amortization of goodwill associated with the acquisition of shares of the former AI Corporation.

\*2 Includes 51 million yen from the amortization of goodwill associated with the acquisition of shares of AIM Corporation.

\*3 Includes 105 million yen from the above amortization of goodwill.

# YoY: Sales and Profit Before Amortization of Goodwill per Segment

(Million yen)

		FY2022 Q2 (Consolidated)	FY2021 Q2 (Consolidated)	Change	FY2020 Q2 (Consolidated)	Change
Software Product Business	Sales	332	218	114	295	36
	Segment Profit(Loss)	78	-19	97	46	31
Software Distribution Business	Sales	427	439	-11	617	-189
	Segment Profit(Loss)	-127	*1 -99	-28	*1 -2	-124
Software Service Business	Sales	152	135	17	171	-18
	Segment Profit(Loss)	18	*2 10	7	*2 20	-2
Total	Sales	913	792	120	1,084	-171
	Segment Profit(Loss)	-30	*3 -107	76	*3 64	-95

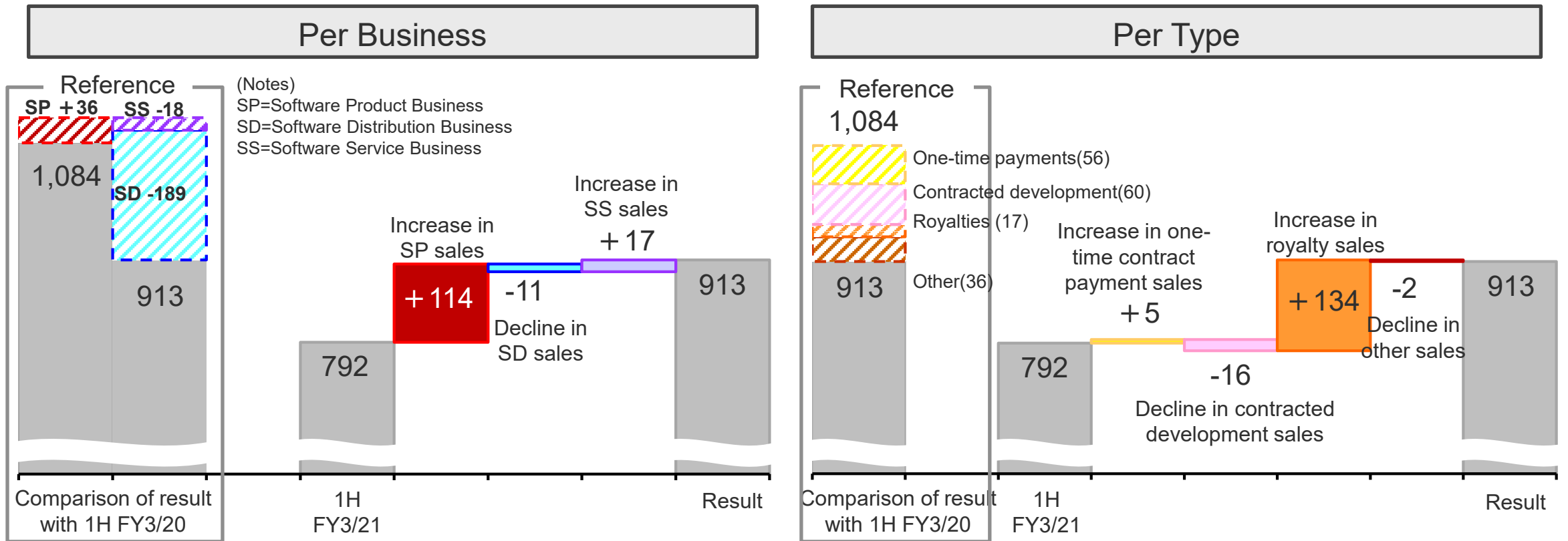
(Note) For ease of comparison with FY3/22:

- \*1 Does not include 53 million yen from amortization of goodwill associated with the acquisition of shares in the former AI Corporation.
- \*2 Does not include 51 million yen from amortization of goodwill associated with the acquisition of shares in AIM Corporation.
- \*3 Does not include 105 million yen from the above amortization of goodwill.



# YoY: Sales

(Million yen)

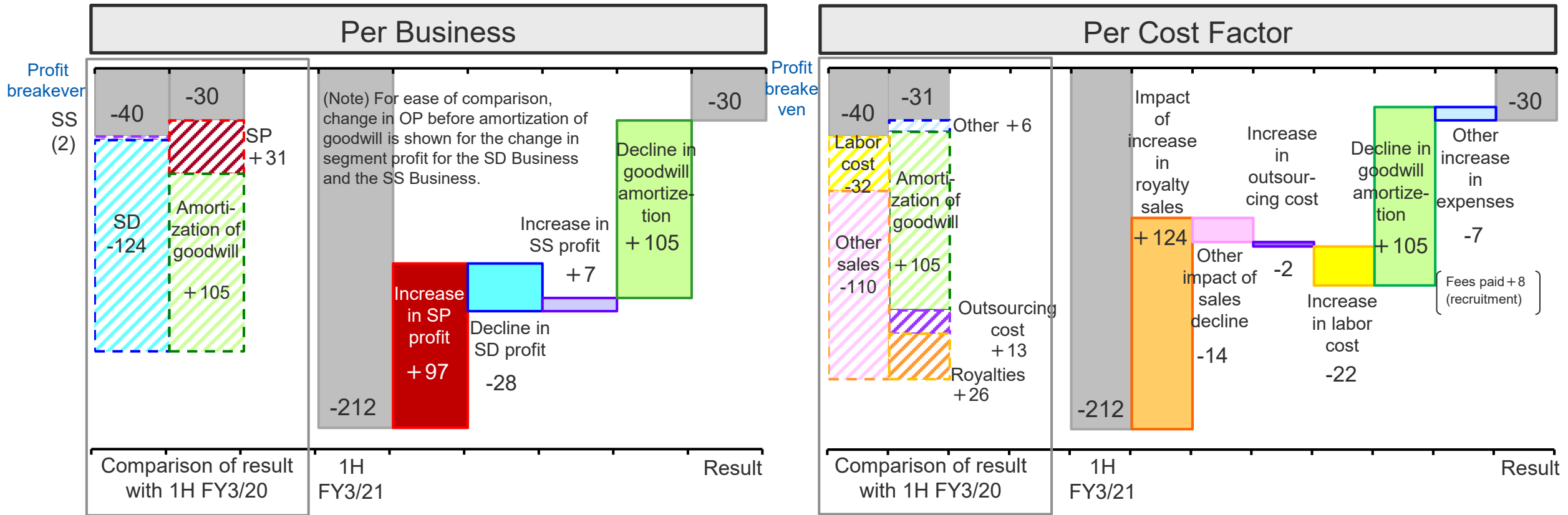


■ Sales: Although sales increased compared with FY3/21, they did not reach the level of FY3/20, prior to the COVID-19 pandemic

- SP Business: Although sales increased from the previous year, mainly for in-vehicle products for fast boot-up products, and industrial royalties for database products, they did not recover to the level of FY3/20. In Connectivity & Security products, sales exceeded those of FY3/20 as the Company won individual major contracts (advance royalties) for in-vehicle products
- SD Business: Although royalty sales increased YoY for wireless products, royalties for PC-related products, etc., fell, resulting in a YoY decline
- SS Business: Although sales increased YoY, mainly for content licensing on individual contracts for in-vehicle products and contracted development, they did not recover to the level of FY3/20

# YoY: Operating Profit

(Million yen)



■ Significant increase compared with FY3/21; slight increase compared with FY3/20, prior to COVID-19

- OP increased significantly compared with the previous year, thanks mainly to an increase in royalty sales in the SP Business, as well as the end of goodwill amortization, but the increase was moderate compared with FY3/20, as a result of a decline in other sales. However, OP declined after taking the amortization of goodwill into consideration

# Consolidated Statement of Income

(Million yen)

	FY2022 Q2	FY2021 Q2	Change	FY2020 Q2	Change
Sales	913	792	120	1,084	-171
Cost of Sales	493	482	10	602	-109
Gross Margin	419	310	109	481	-62
SG&A	450	522	-72	522	-71
Operating Income(Loss)	-30	-212	181	-40	9
Non-Operating Profit	7	2	4	2	4
Ordinary Income(Loss)	-23	-210	186	-37	14
Extraordinary Income(Loss)	-	-	-	-	-
Income Taxes	0	15	-14	16	-15
Net Income(Loss)*	-24	-225	201	-54	29

\* Net income (loss): Profit (loss) attributable to owners of the parent

# Consolidated Balance Sheet (Assets)

(Million yen)

	End of September 2021	End of March 2021	Change
Cash and deposits	878	828	49
Notes and accounts receivable-trade	-	676	-676
Notes and accounts receivable-trade & Contract assets	451	-	451
Securities	900	800	100
Inventories	21	5	15
Prepaid expenses	45	46	-1
Other	32	56	-24
Current assets	2,328	2,414	-86
Noncurrent assets	422	393	29
Assets	2,751	2,807	-56

# Consolidated Balance Sheet (Liabilities and Net Assets)

(Million yen)

	End of September 2021	End of March 2020	Change
Accounts payable-trade	84	131	-46
Accounts payable-other	32	47	-14
Advances received	-	73	-73
Contract liabilities	73	-	73
Other	62	46	16
Current liabilities	253	298	-44
Noncurrent liabilities	79	80	-1
Capital stock	1,483	1,483	-
Capital surplus	1,453	1,453	-
Retained earnings	-610	-586	-24
Other	92	78	13
Net assets	2,418	2,429	-10
Liabilities and net assets	2,751	2,807	-56

# Progress Toward Full-Year Earnings Forecasts (Consolidated)

(Million yen)

	Full-year earnings forecast	1H result	Progress (%)
Sales	2,196	913	41.6
Operating profit (loss)	80	(30)	—
Ordinary profit (loss)	80	(23)	—
Net profit (loss)	57	(24)	—

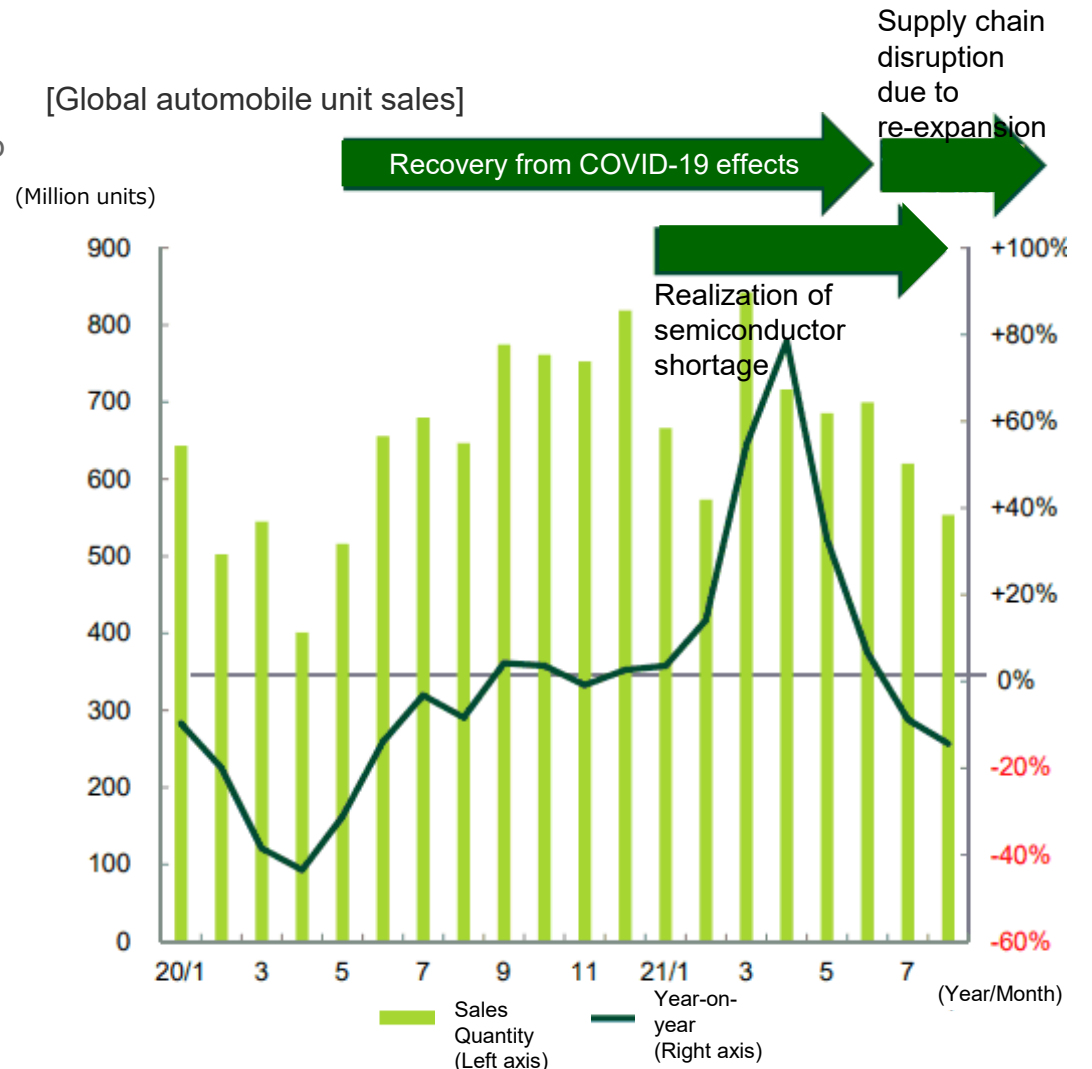
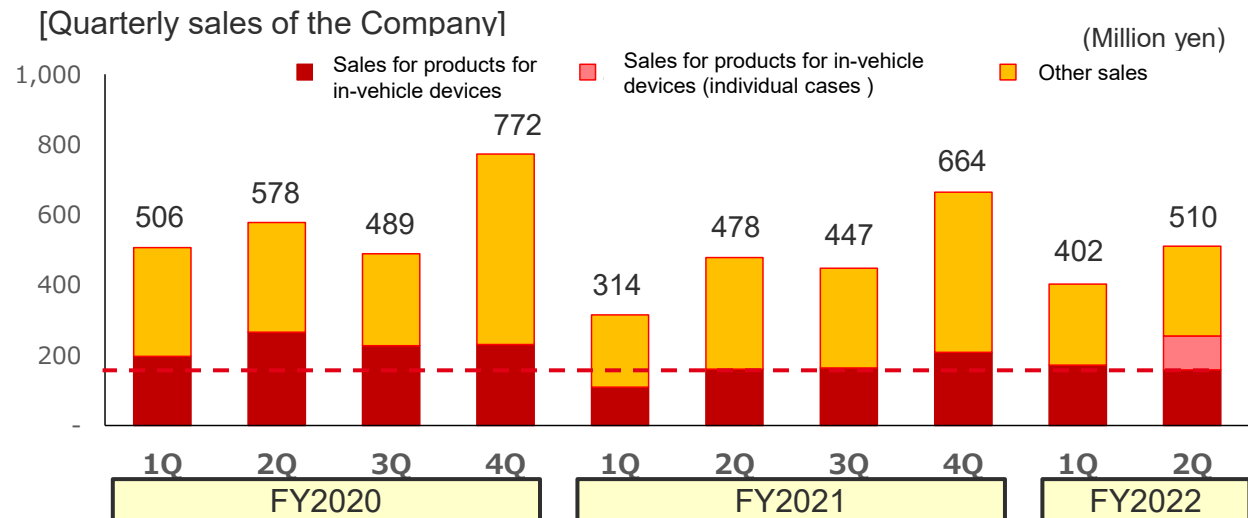
# Impact of COVID-19 on the Company's Performance (In-vehicle Products)

## Impact on Automobile Sales

- Automobile sales bottomed out in April 2020, and by September 2020 were up compared with the same month of the previous year
- Notable decline in production as a result of semiconductor shortages from the start of 2021
- From July 2021 onward, automobile sales were down compared with the same month of the previous year, partly owing to a decline in component supply from the renewed spread of COVID-19 in Asia

## Impact on the Company's Sales

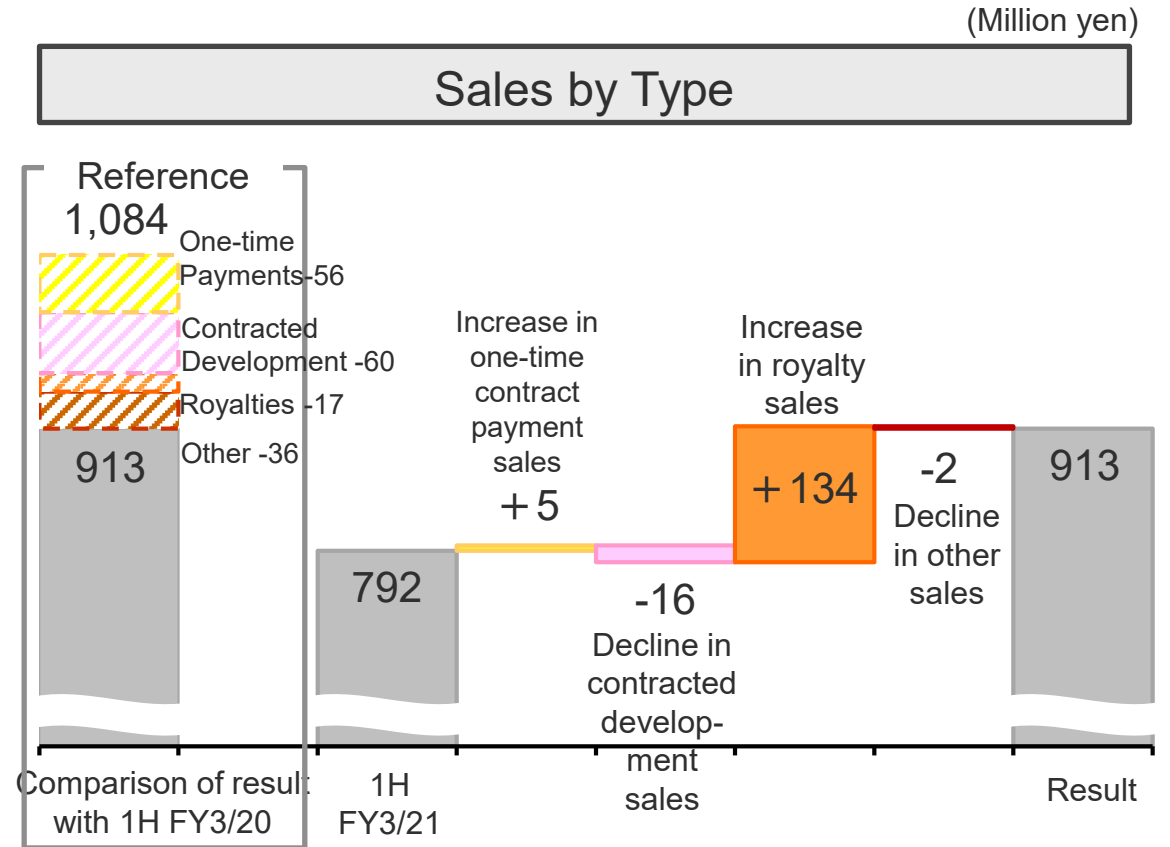
- During the quarter, deferred royalty sales declined for products for in-vehicle devices in line with a decline in automobile unit sales, and the impact is expected to continue from Q3 onward, depending on automobile sales



# Impact of COVID-19 on the Company's Performance (New Contracts)

## ■ Acquisition of new contracts

- New contract sales in 1H FY3/22 moderately exceeded 1H FY3/21, but have yet to recover to the level of FY3/20
- New inquiries themselves are trending upward, and the Company is continuing initiatives to achieve its target for FY3/22





# Business Trend and Actions by Segment and Product Area

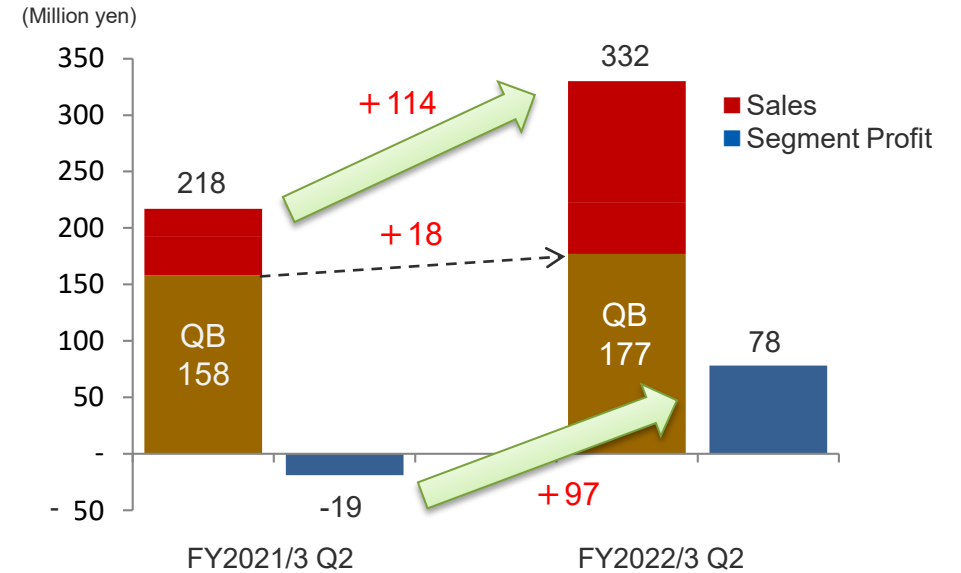
# QuickBoot Related

## ■ Summary of FY 2022 Q2

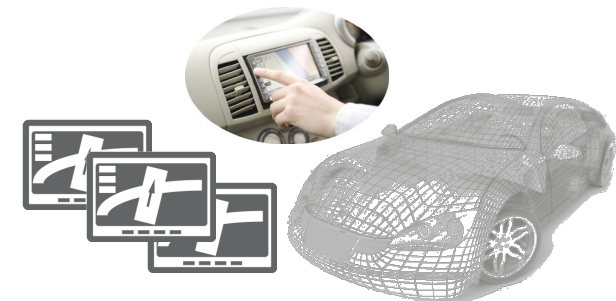
- Recorded royalty sales from existing customers in the area of domestic and overseas in-vehicle equipment and overseas consumer products.
- Ongoing large-scale and medium-scale development projects with several companies, mainly for in-vehicle equipment such as a car navigation system.

## ■ Business Direction

- Strengthen sales to overseas markets.
- Expand sales for in-vehicle equipment other than in-vehicle information terminals.
- Promote high value-added solutions and cross-selling by combining functions such as file systems for power failure, virtualization technology, and secure boot, etc.
- Continue to develop next-generation technologies.



(Note) The graph shows sales and profit in the entire software product business and sales and profit only related to QuickBoot.



# Connectivity & Security Related

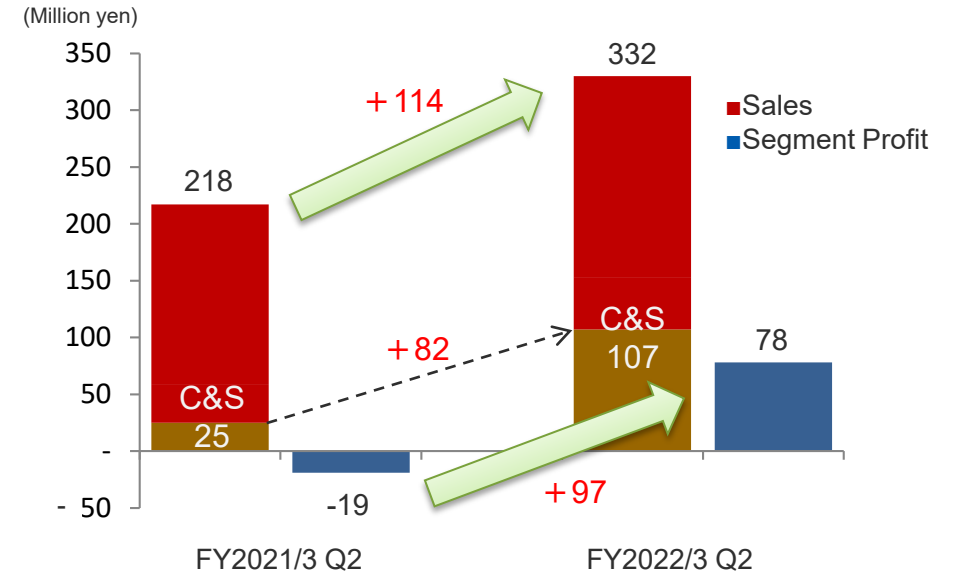


## Summary of FY 2022 Q2

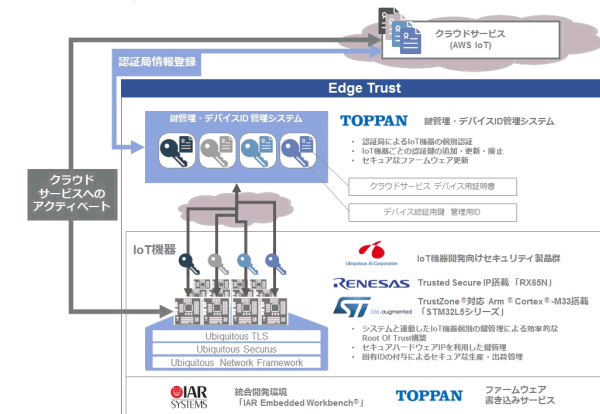
- Recorded royalty sales from existing customers in the areas of in-vehicle equipment and digital imaging, and obtained large upfront royalty sales from a new project in the in-vehicle equipment-related area.
- Recorded upfront payments from existing customers in the area of smart energy.

## Business Direction

- Strengthen collaboration with partners in a wide range of areas, from semiconductor devices to cloud, in order to accelerate business development in the IoT security area, centering on "Edge Trust".
- Expand the HDCP/DTCP and "Securus" businesses to meet the growing demand for secure digital content transmission in in-vehicle equipments.



(Note) The graph shows sales and profit in the entire software product business and sales and profit only related to the connectivity and security area.



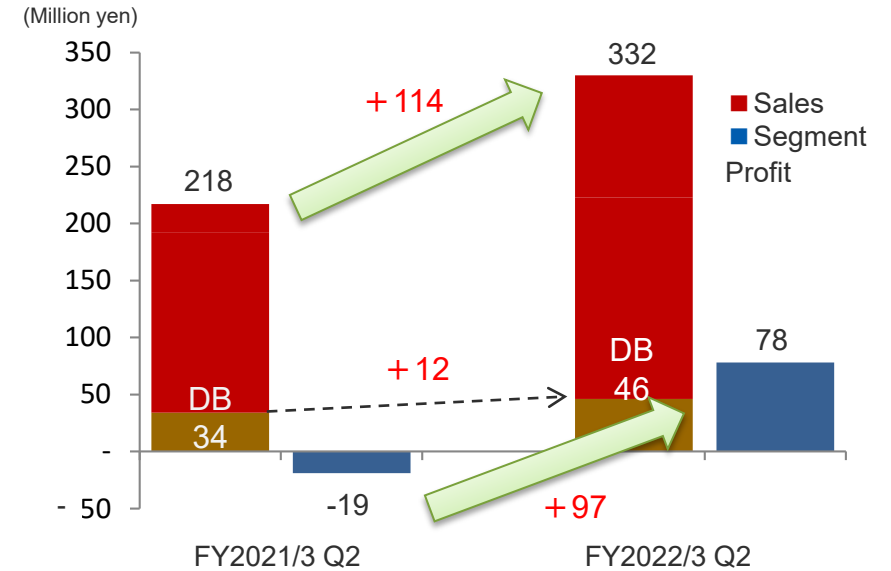
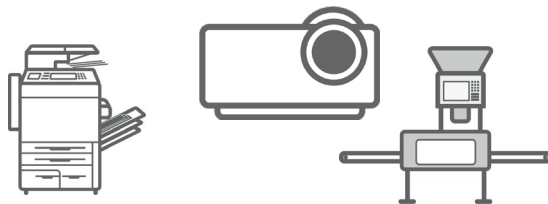
# Database Related

## ■ Summary of FY 2022 Q2

- Recorded royalty sales, etc. from existing customers in the area of industrial machines, etc.

## ■ Business Direction

- Ensure stable revenue by supporting existing customers.
- Expand sales for in-vehicle equipment, OA equipment, testing equipment, and industrial machines, etc.



(Note) The graph shows sales and profit in the entire software product business and sales only related to the database area.

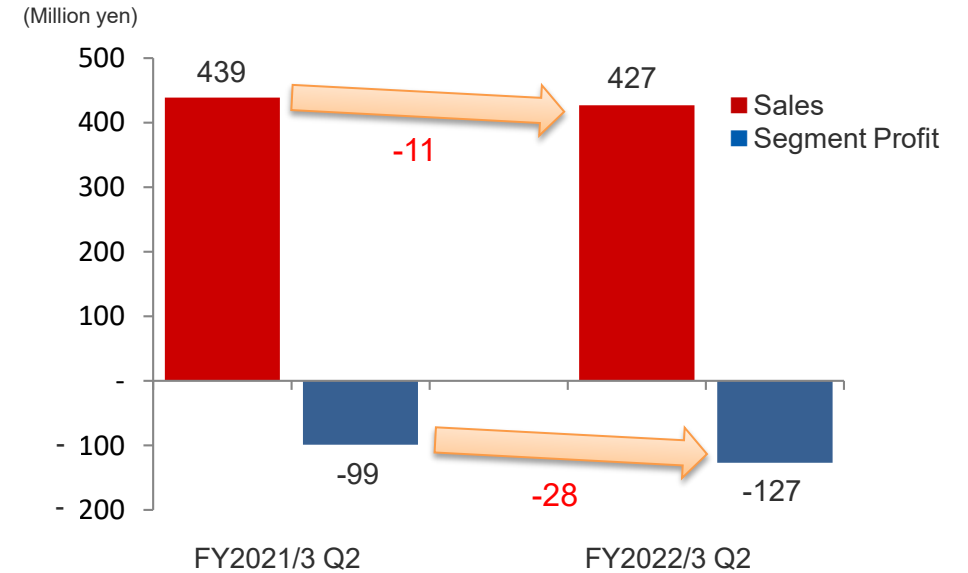
# Software Distribution Business

## Summary of FY 2022 Q2

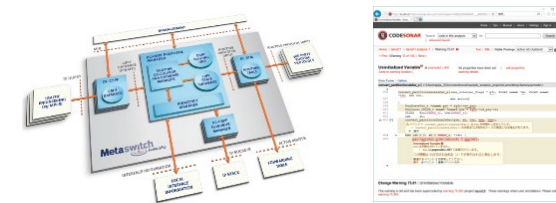
- BIOS products:  
Recorded royalty sales of “InsydeH2O® \*1” from existing customers in the area of PCs and other related products
- Quality improvement support tool products:  
Recorded license sales, etc. of “CodeSonar \*2” from existing customers in the area of in-vehicle equipment and industrial machines, etc.
- Wireless products:  
Recorded royalty sales of “Blue SDK \*3” from existing customers in the area of in-vehicle equipment, etc.
- AI solution products:  
Recorded license sales, etc. of “Neutrino™ \*4” from existing customers in the area of industrial machines.
- Other:  
Recorded sales from new and existing customers for various products we are offering.

## Business Direction

- Discover products and technologies that respond to changing needs due to COVID-19 crisis.
- Acquisition of commercial rights from overseas vendors with market potential.
- Strengthen sales of new products developed and acquired in the previous quarter.
- Focused on sales promotion of tool products, such as software quality improvement support, which make a significant contribution to revenue stability through annual usage license contracts.



(Note) Segment profits for the same period of the previous year shows the change (Increase/Decrease) in operating income before amortization of goodwill for easy comparison.



\*1 InsydeH2O®: BIOS based on C-language 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 Neutrino™: Deep learning model auto-optimization and compression software

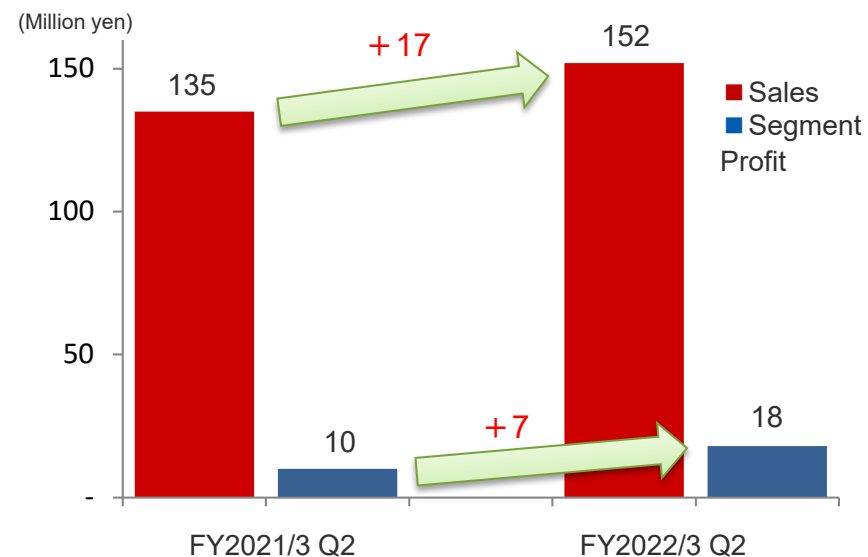
# Software service business

## ■ Summary of FY 2022 Q2

- Recorded sales of various types of contract development from existing customers.
- Recorded sales of license fees for data contents "YOMI" mainly for in-vehicle equipment.

## ■ Business Direction

- Continued to secure existing revenue through close collaboration with Gracenote USA and new initiatives through collaboration proposals.
- In addition to existing customers and partner projects, realizing sales synergies throughout the group based on engineering service projects related to our group products and customers.



(Note) Segment profits for the same period of the previous year shows the change (Increase/Decrease) in operating income before amortization of goodwill for easy comparison.



YOMIデータの活用例：アーティスト名ソート

アーティスト表記	YOMI
さだまさし	サガマサシ
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

アーティスト表記でソート		YOMIでソート	
ソート順位	アーティスト表記	ソート順位	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

# "CodeSentry" is now available (9/1)

## Automatic detection of OSS components contained in binary files and their vulnerabilities

A solution that analyzes open source in binary software components and their vulnerabilities to realize safe software development.

### ■ Features

- No source code required. SCA (Software Composition Analysis) solution for binary files.
- Create software bill of materials (SBOM) by detecting open source components in software with high accuracy.
- Unique binary analysis technology to detect zero-day vulnerabilities
- Can also be used to analyze in-house developed software and tools, or to understand open source components included in tools used in business as internal security measures.

Path/File	Component	Version	Match	OSS Distribution	Artifact
▶	libpng	1.4.2	High	0 0 0 0 0 0 0 0 0 0	libpng
▶	libxml	2.9.1	Medium	0 0 0 0 0 0 0 0 0 0	libxml
▶	libxps	1.7.0	Medium	0 0 0 0 0 0 0 0 0 0	libxps
▶	libxslt	1.1.3	Low	0 0 0 0 0 0 0 0 0 0	libxslt
▶	jsoncpp	1.7.2	Low	0 0 0 0 0 0 0 0 0 0	jsoncpp

Report image of CodeSentry



The security component of "Edge Trust "Acquired PSA Certified™ certification (Aug. 25)

Japan's first certified middleware for embedded devices

First to be certified by ECSEC Lab, the first PSA Certified™ evaluation organization in Japan

IoT product developers can significantly reduce the burden of complex security implementation and verification by using Edge Trust, which consists of PSA Certified™ middleware, and performing lifecycle management of devices with a guaranteed level of security.

#### ■ What is PSA Certified™ certification?

- A system that evaluates and certifies compliance with the "Platform Security Architecture (PSA)" framework for protecting connected IoT devices.

#### ■ Significance of PSA Certified™ certification

- Certified by ECSEC Lab, a third-party organization, that the middleware for embedded devices, which is a security component of Edge Trust, is a solution that follows the clear guidelines of PSA.



# Appendix

# Disclosures FY 2022/3 Q2

Announcement Date		Press Release
Q2	August 25	<ul style="list-style-type: none"> <li>■ Middleware for embedded devices, a security component of "Edge Trust", receives PSA Certified™ Certification for the first time in Japan            ~Became the first PSA Certified™ by ECSEC Lab, Japan's first PSA Certified™ evaluation organization~</li> </ul>
	September 1	<ul style="list-style-type: none"> <li>■ Ubiquitous AI started providing binary software composition analysis solution "CodeSentry" on September 1st.            ~Automatic detection of OSS components in binary files and their vulnerabilities~</li> </ul>
Q3 (Reference)	October 12	<ul style="list-style-type: none"> <li>■ "Blue SDK FUSION", an Automotive-Grade Bluetooth Protocol Stack for in-vehicle Android™ devices, to be Launched on October 12            ~Implement Automotive-Grade applications based on Android Open Source Project~</li> </ul>

*Connecting the Future*



**Ubiquitous AI Corporation**