Materials for Financial Performance Reporting

Second Quarter for FY Ending March 2021

Ubiquitous AI Corporation (UAC)

Satoshi Hasegawa, President

November 13, 2020

Ubiquitous AI Corporation

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Summary of Financial Performance for FY 2021 Q2

Ubiquitous AI Corporation

Summary of Financial Performance for FY 2021 Q2 (Accumulated Period)

Financial Performance

- Both sales and operating profit decreased adversely impacted by COVID-19
- Consolidated sales: 792 million yen (-26.9% Y/Y)
- Consolidated operating loss: 212 million yen (-40 million yen in Q2 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

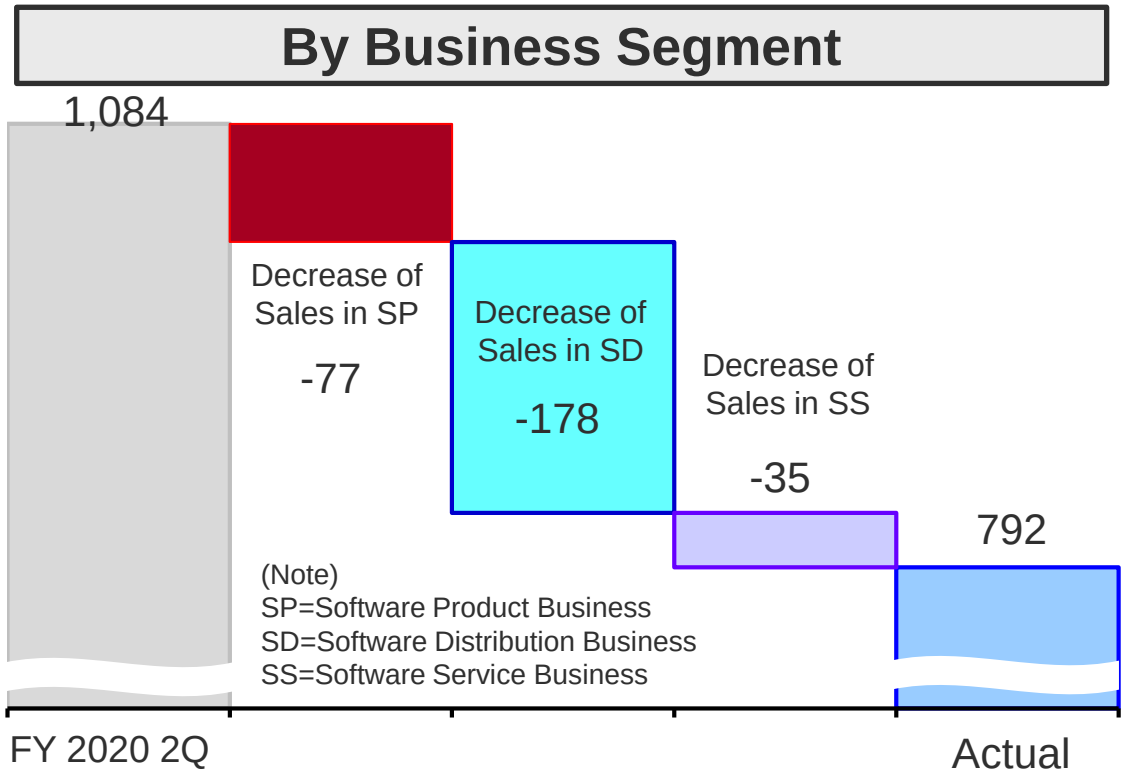
(Unit: Million yen)

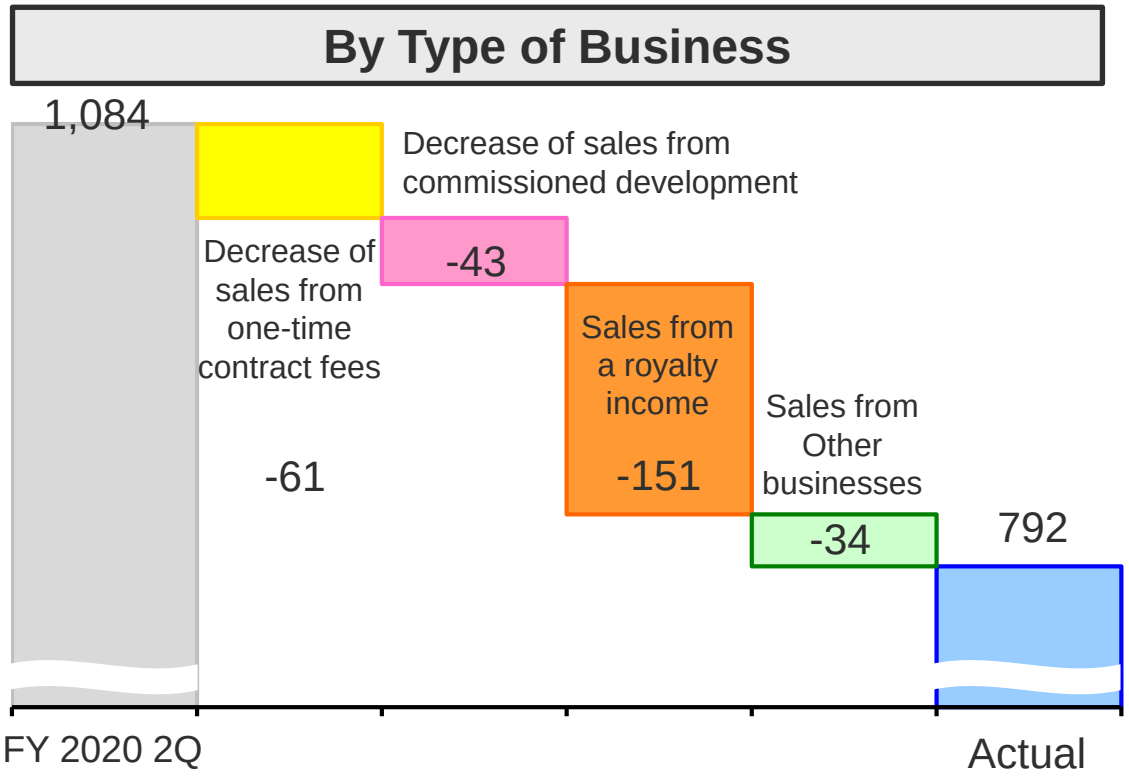
	FY2020 Q2	FY2021 Q2	Change
Sales	1,084	792	-291
Cost of Sales	602	482	-120
Gross Margin	481	310	-171
SG&A	522	522	-
Operating Income(Loss)	-40	-212	-172
Non-Operating Profit	2	2	-0
Ordinary Income(Loss)	-37	-210	-172
Extraordinary Income(Loss)	-0	-	0
Income Taxes	16	15	-1
Net Income(Loss)*	-54	-225	-171

*Profit(Loss) attributable to owners of the parent

Comparison to FY 2020 2Q: Sales

(Unit: Million yen)

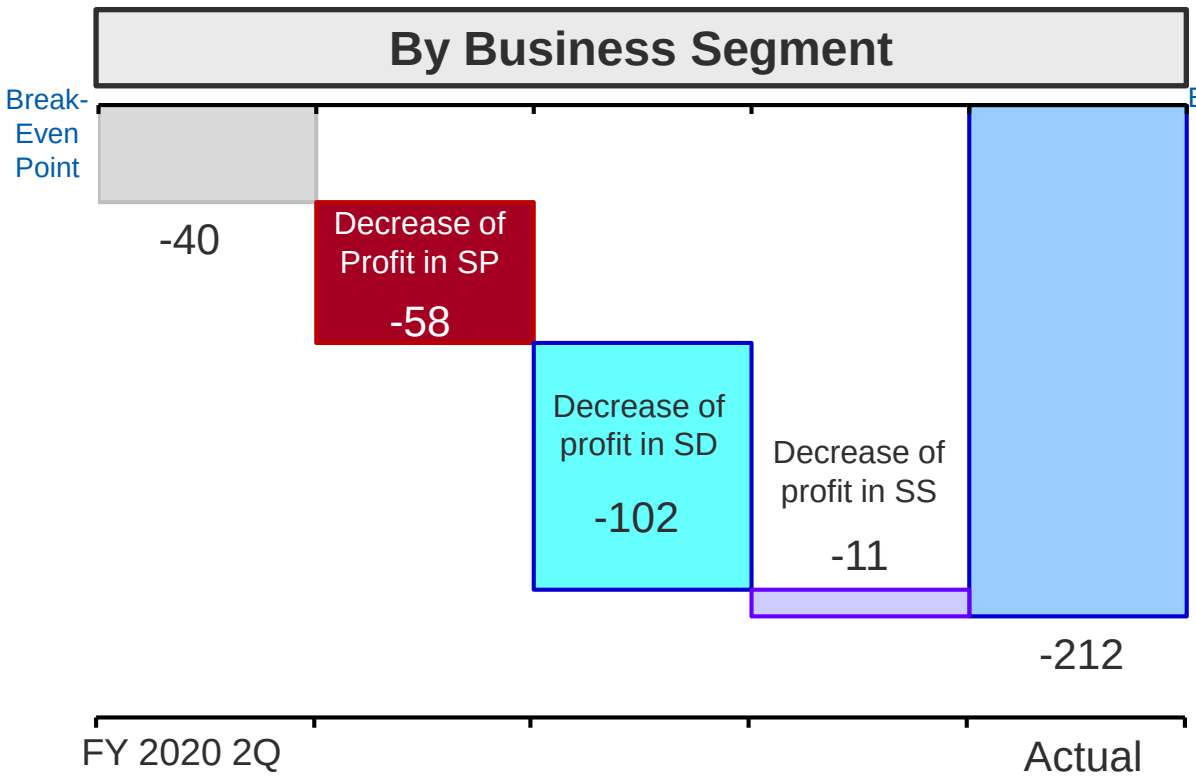


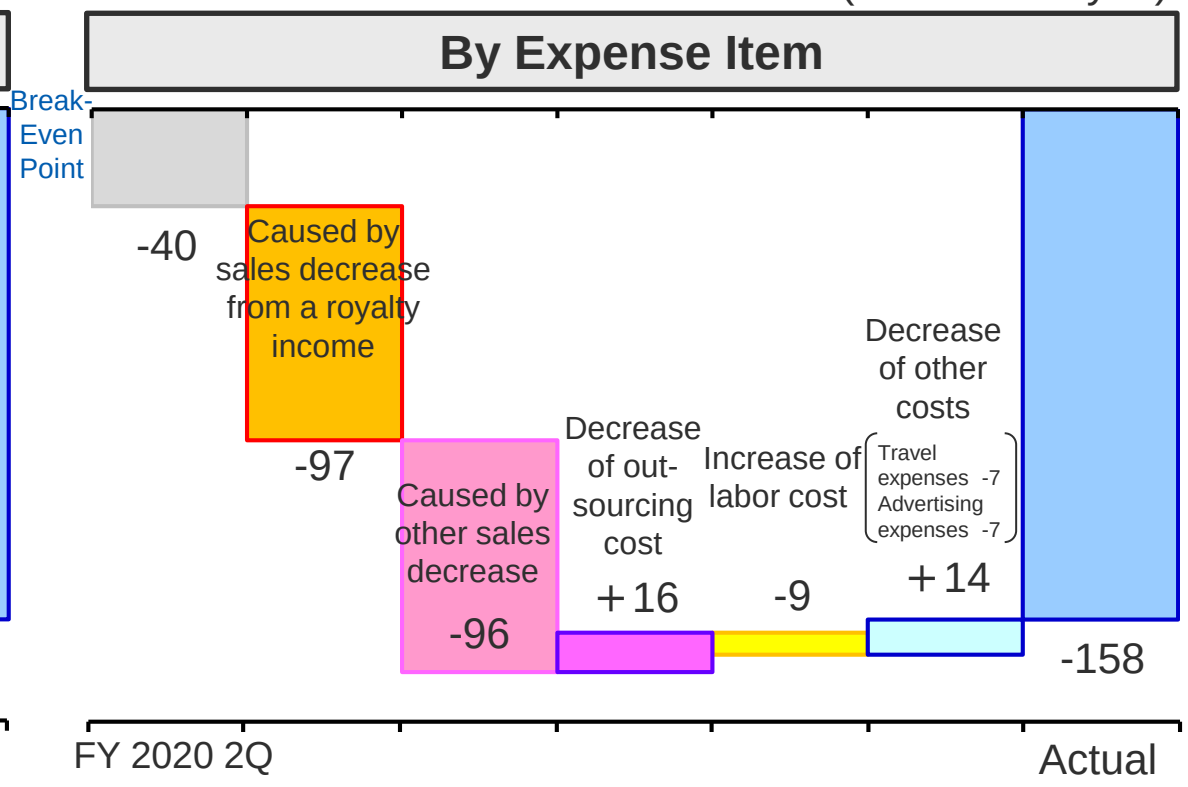


- Comparison to FY2020 2Q - Sales: Decrease
  - SP Business: Sales generally decreased, mainly by sluggish sales of in-vehicle products in the Fast Device Boot-up business and commissioned development in the Connectivity & Security business.
  - SD Business: Sales generally decreased due to COVID-19 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 2Q: Operating Profit

(Unit: Million yen)

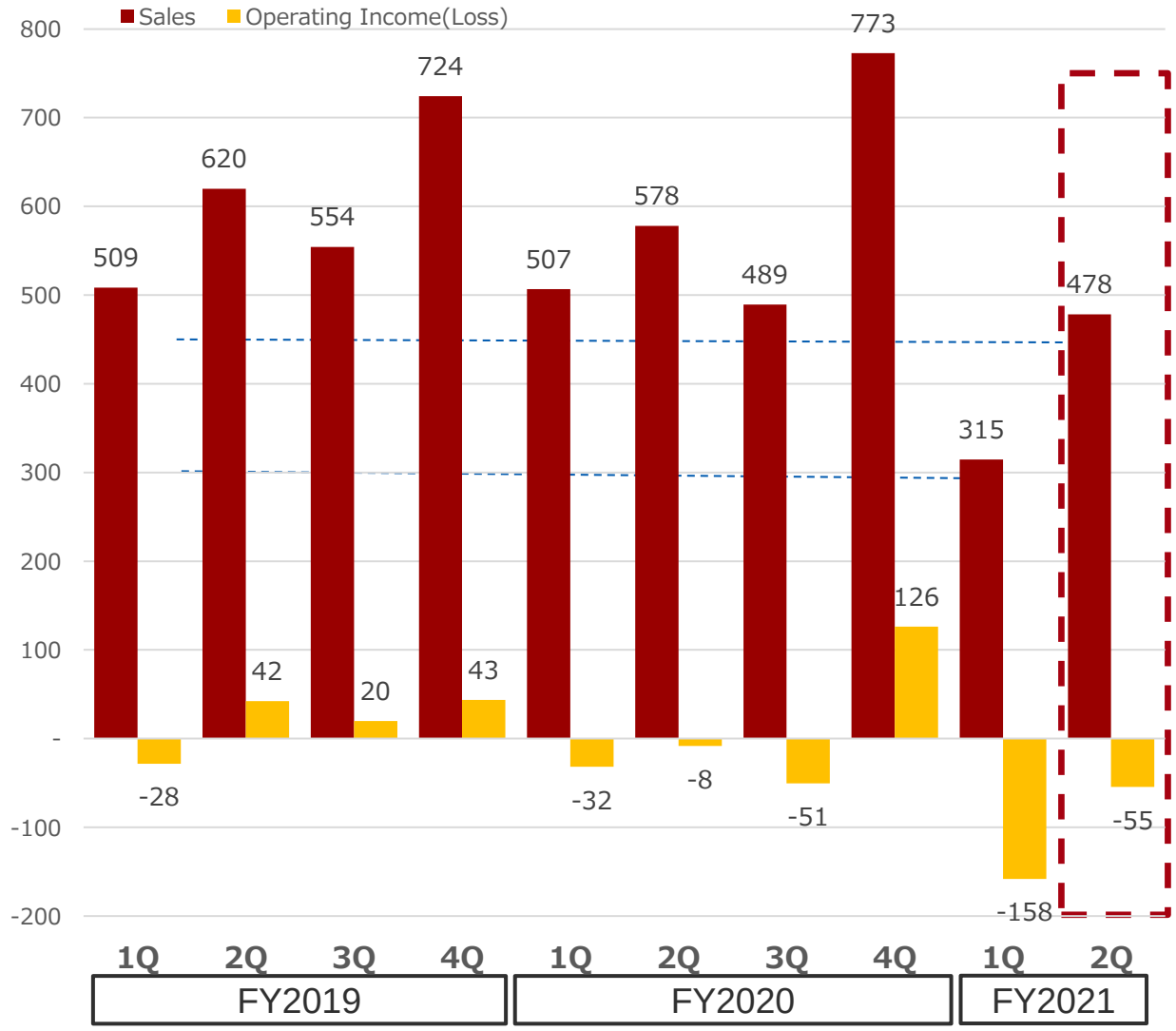




- Comparison to FY 2020 2Q - Operating Profit: Decrease
  - Operating profit was down, as the entire businesses in SP business, SD business, and SS business recorded a decrease of sales.

COVID-19 Impact on Financial Performance

<Reference> Quarterly Consolidated Financial Performance



Impact on 1st Half Result

- Largely impacted: In-vehicle equipment, new projects
- In-vehicle equipment
  - Thanks to recovery of automobile sales (significantly down in Apr.-Jun., but recovered in Jul.-Sept.), a royalty income from existing products is in an upward 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. Although we have caught up with delay of realizing profits as a result of COVID-19 outbreak in 2Q, we still see sluggishness in new projects generally.

Forecast for Full FY

- Although year-on-year comparison in sales recovered from 1Q (-¥192 mln.) in Q2 (-¥100 mln.), it is hard to offset the decline in the 1st half (-292 mln.) in the 2nd half under the current situation, possibly bringing a deficit for the full FY.
- As the third wave of COVID-19 outbreak is concerned, we cannot make a reasonable full FY estimate now. We need to consider a result for 3Q and will make a necessary adjustment.

Consolidated Balance Sheet (Asset Section)

(Unit: Million yen)

	End of March 2020	End of September 2020	Change
Cash and deposits	934	877	-57
Notes and accounts receivable-trade	740	399	-341
Securities	800	900	100
Inventories	-	30	29
Prepaid expenses	59	48	-11
Other	27	66	38
Current assets	2,563	2,321	-242
Goodwill	316	211	-105
Other	397	392	-5
Noncurrent assets	714	603	-110
Assets	3,277	2,924	-352

Consolidated Balance Sheet (Liabilities and Net Assets Section)

(Unit: Million yen)

	End of March 2020	End of September 2020	Change
Accounts payable-trade	160	87	-73
Accounts payable-other	38	36	-1
Advances received	91	80	-10
Other	92	35	-57
Current liabilities	382	240	-142
Noncurrent liabilities	82	80	-1
Capital stock	1,483	1,483	0
Capital surplus	1,453	1,453	0
Retained earnings	-159	-385	-225
Other	35	52	16
Net assets	2,812	2,604	-208
Liabilities and net assets	3,277	2,924	-352

Achievement to Full FY Forecast (Consolidated)

(Unit: Million yen)

	Full FY Forecast	Q2 Actual	Achievement Ratio (%)
Sales	2,362	792	33.6
Operating Income(Loss)	12	-212	–
Ordinary Income(Loss)	12	-210	–
Net Income(Loss)	-46	-225	–

Business Trend and Actions by Segment and Product Area

Ubiquitous AI Corporation

Comparison to FY 2020 Q2
Sales by Segment and by Product Area

(Unit: Million yen)

Segment	Product Area	FY2020 Q2 (Consolidated)	FY2021 Q2 (Consolidated)	Change
Software Product Business	Connectivity & Security	72	25	-65.4%
	Quick Boot	189	158	-16.3%
	Database	33	34	2.1%
	Sub-Total	295	218	-26.3%
Software Distribution Business		617	439	-28.9%
Software Service Business		171	135	-20.8%
Total		1,084	792	-26.9%

Comparison to FY 2020 Q2
Sales and Profit by Segment

(Unit: Million yen)

		FY2020 Q2 (Consolidated)	FY2021 Q2 (Consolidated)	Change
Software Product Business	Sales	295	218	-77
	Segment Profit(Loss)	15	-42	-58
Software Distribution Business	Sales	617	439	-178
	Segment Profit(Loss)	*1 -25	*1 -128	-102
Software Service Business	Sales	170	135	-35
	Segment Profit(Loss)	*2 -30	*2 -41	-11

*1 Including amortization of goodwill of 53 million yen as a result of acquiring shares of former A.I. Corporation.
*2 Including amortization of goodwill of 51 million yen as a result of acquiring shares of AIM Corporation.

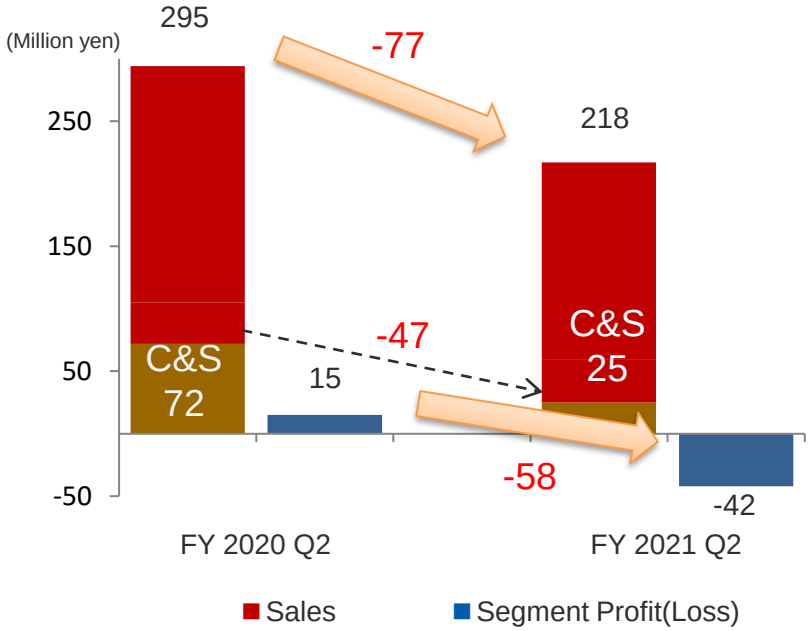
Comparison to FY 2020 Q2：Sales and Profit before Amortization of Goodwill by Segment

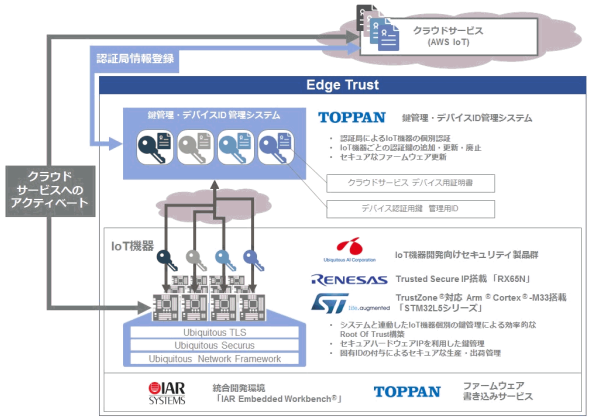
(Unit: Million yen)

		FY2020 Q2 (Consolidated)	FY2021 Q2 (Consolidated)	Change
Software Product Business	Sales	295	218	-77
	Segment Profit(Loss)	15	-42	-58
Software Distribution Business	Sales	617	439	-178
	Segment Profit(Loss)	27	-75	-102
Software Service Business	Sales	170	135	-35
	Segment Profit(Loss)	21	10	-11

Connectivity & Security

Ubiquitous Network Framework





*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 Q2

- Recorded sales from an R&D project with a semiconductor manufacturer related to “Edge Trust”.
- Recorded sales from a commissioned development project in the area of smart energy.
- Enjoyed a royalty income from security-related products in the in-vehicle equipment area
- Announced development of proprietary technology for preventing data falsification by combining IoT systems and a block chain, and filed patent application of it

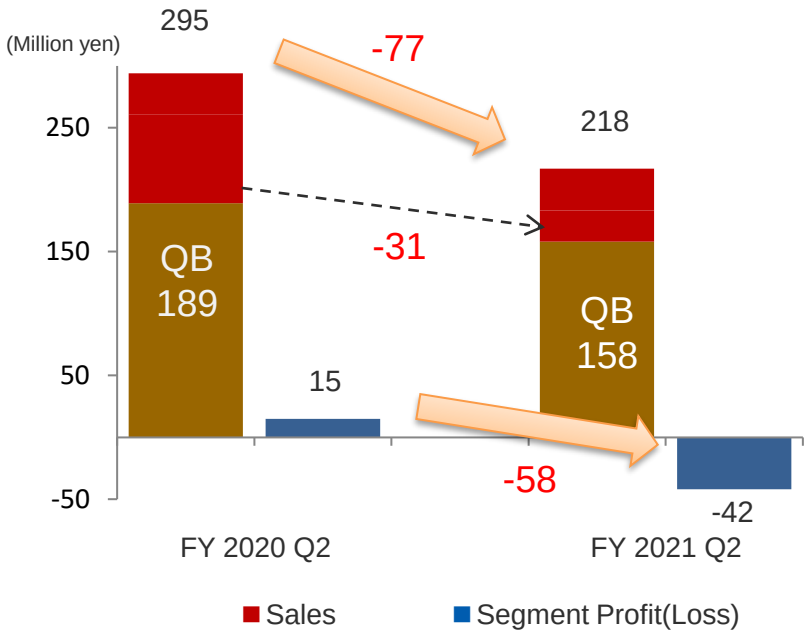
Business Direction

- 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

Ubiquitous QuickBoot



*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 Q2

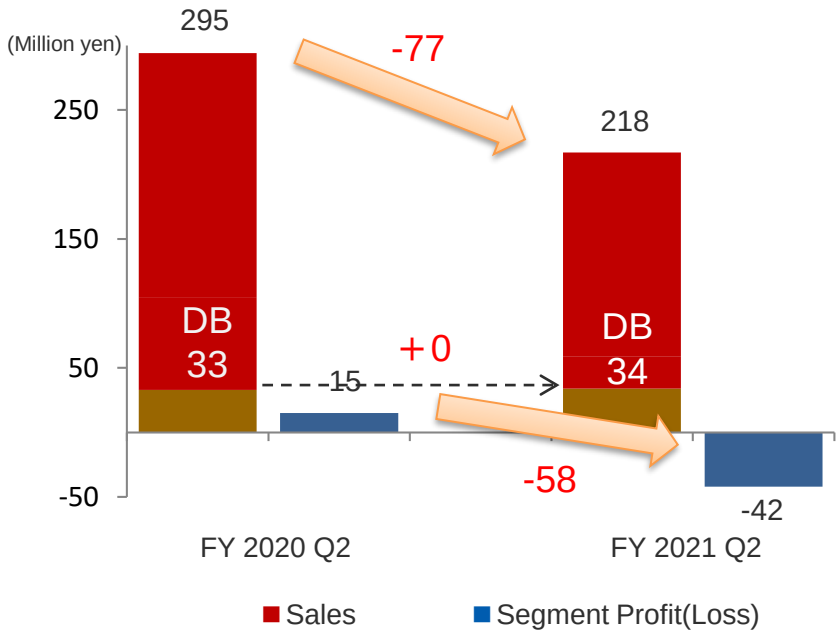
- Recorded sales of in-vehicle products and a royalty income from overseas existing customers in the consumer products area. A royalty income that significantly declined in 1Q showed a recovery trend as the automobile sales rebounded. New projects are still in a sluggish stage.
- Continued large and middle-sized R&D projects with several customers in the areas of in-vehicle equipment such as a car navigation system

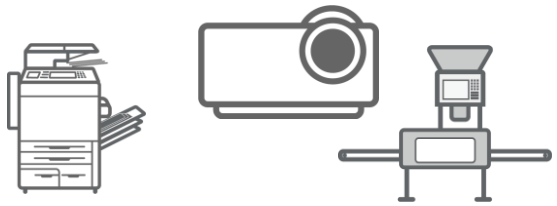
Business Direction

- 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





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

Ubiquitous
DeviceSQL

Summary of FY 2021 Q2

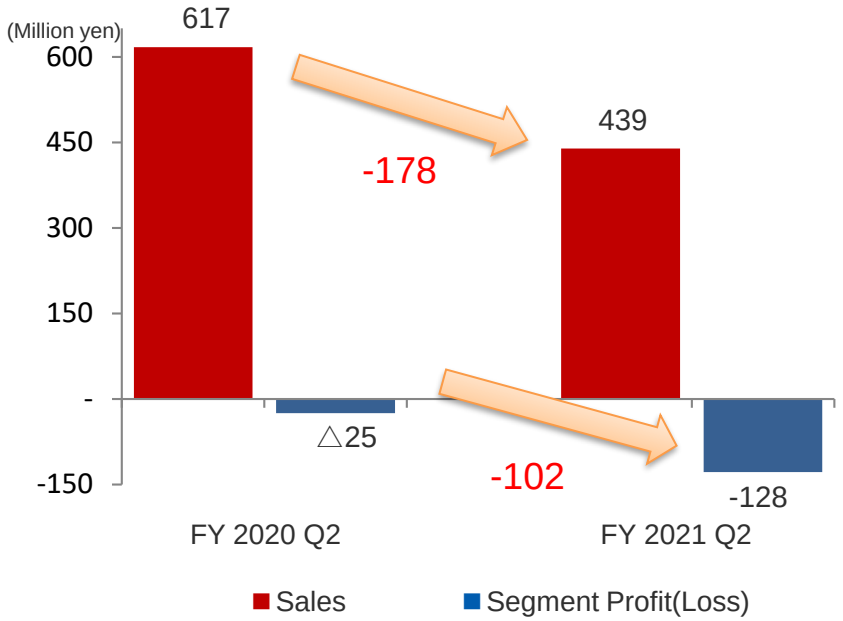
- Recorded a royalty income from existing customers in the area of industrial machines

Business Direction

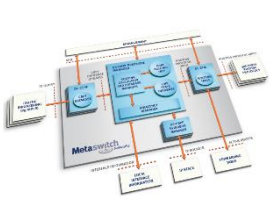
- Ensuring a stable profit by support services to existing customers
- Increasing sales of products for in-vehicle equipment, OA equipment, testing equipment, and industrial machines

Software Distribution Business

Summary of FY 2021 Q2



- BIOS Products: Recorded a royalty income of “Insyde H2O *1” from an existing customer that provides notebook PCs. Although we concerned backlash due to the end of Windows 7 support in the previous FY, stronger demands for notebook PCs supported by increasing remote workers partly offset the negative impact from COVID-19 outbreak.
- Products Supporting Quality Improvement: Recorded repeated sales from annual licensing fees and support fees for “CodeSonar *2” from existing customers in the areas of in-vehicle equipment and medical equipment. Some sales of products for in-vehicle equipment were diminished due to termination of agreements as a result of shrinking budget in the customer side.
- Wireless Products: Recorded a royalty income of “Blue SDK *3” from existing customers in the area of in-vehicle equipment. A royalty income showed a recovery trend as the automobile sales rebounded.
- AI Solution Products: Recorded a royalty income of “CoDriver *4” from existing in-vehicle equipment customer
- Recorded a royalty income from new and existing customers for various products. New Projects are generally sluggish.

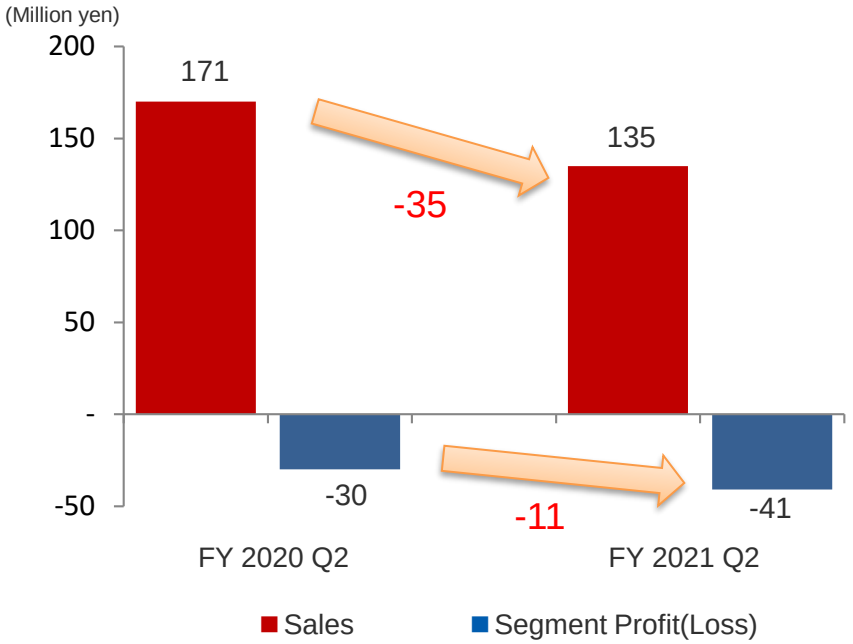


Business Direction

- 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.

*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 2021 Q2

- 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)

アーティスト表記	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

アーティスト表記でソート

ソート順位	アーティスト表記
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

YOMIでソート

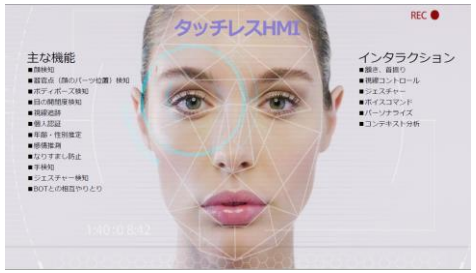
ソート順位	YOMI
1	サザンオールスターズ
2	さだまさし
3	松任谷由実
4	L'Arc-en-Ciel

New Initiatives: AI-Related Products

Increasing AI-Related New Products

<New products related to AI (until November 2020)>

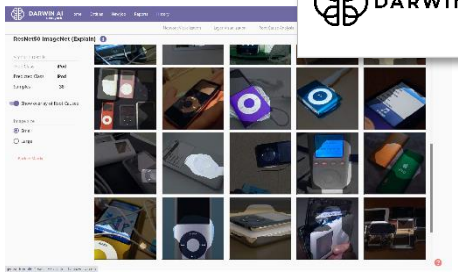
Preventing accidents using deep-learning technology



Touchless HMI using AI

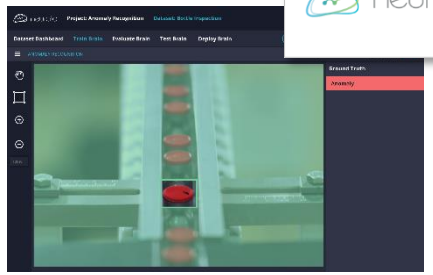
Patient monitoring using AI

Air quality analysis using AI

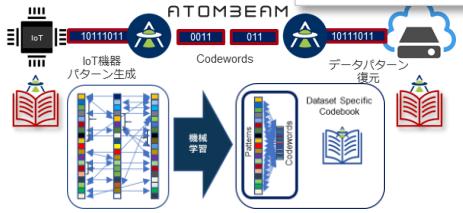


Promoting deep-learning development using AI

Edge AI that adopts self-learning



Automatic appearance inspection process using AI

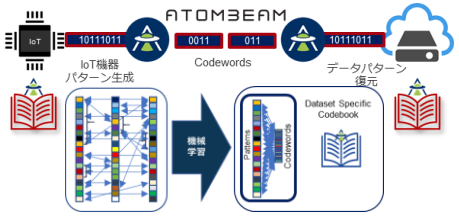


Reducing data transmission volume based on the patented AI technology

Adding More AI-Related Products and Enhancing Introduction Support Services for Customers

New Initiatives: IoT + Security

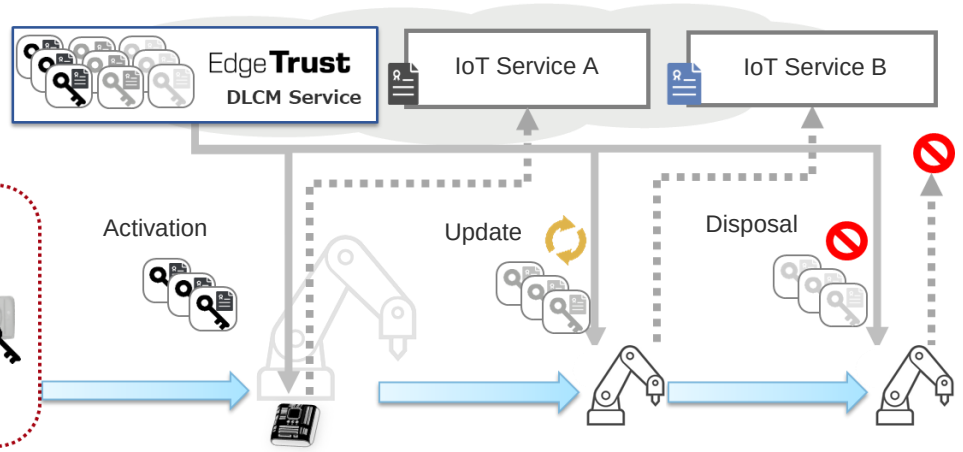
Enhanced Product Line-ups for more secure IoT services



IoT data compression/Secure telecommunication AI solution
“AtomBeam”

Prevention of falsification caused by distributed ledgers in IoT equipment
“Business Blockchain Solution”

Development and support of embedded software products that are necessary for using IoT for electronic equipment
Support for secure implementation of IoT equipment
“Embedded Software Solutions”



Vulnerability verification tool
「beSTORM X」

Security verification & consultation for IoT equipment
“Security Verification Service for IoT equipment”

Regular health check service for IoT equipment
“Edge Trust Health Check”

Enhanced Services and Solutions Related to IoT Security

New Initiatives: IoT + Security

A Wide Range Of Collaboration Bringing Various Solutions

Life Cycle of **IoT Equipment**

Planning	Development	Manufacturing	Commencement of Operation	Maintenance	Cessation of Operation Reuse/Disposal

EOL

EdgeTrust — Ubiquitous AI Corporation — TOPPAN — **Device Life-Cycle Management Service**

Ubiquitous AI Corporation
- Embedded solution for IoT equipment
- Development support for IoT equipment
- IoT verification service

TOPPAN
- Firmware writing service

RENESAS
- Trusted Secure IP-mounted **"RX65N"**

STM32 life.augmented
- TrustZone®-compatible,
- Arm® Cortex® -M33-mounted **"STM32L5 Series"**

IAR SYSTEMS
- Comprehensive development environment **"IAR Embedded Workbench®"**

Serverworks
- AWS integration

ptc / thingworx
- Industrial IoT platform

ATOMBEAM®
- IoT data compression/secure telecommunication AI solution

Ubiquitous AI Corporation
- Regular health check service for IoT equipment **"Edge Trust Health Check"**

Ubiquitous AI Corporation / Rablock Blockchain Technology
- Business Blockchain solution (under development)

Providing One-Stop Solution from Embedding to Cloud Service

Topics

Ubiquitous AI Corporation

Echo Canceler and Noise Reduction Exclusively for In-Vehicle Equipment

Launch of “BdSound S2C-A” (August 19)

Providing an echo canceller and noise reduction function at a low price

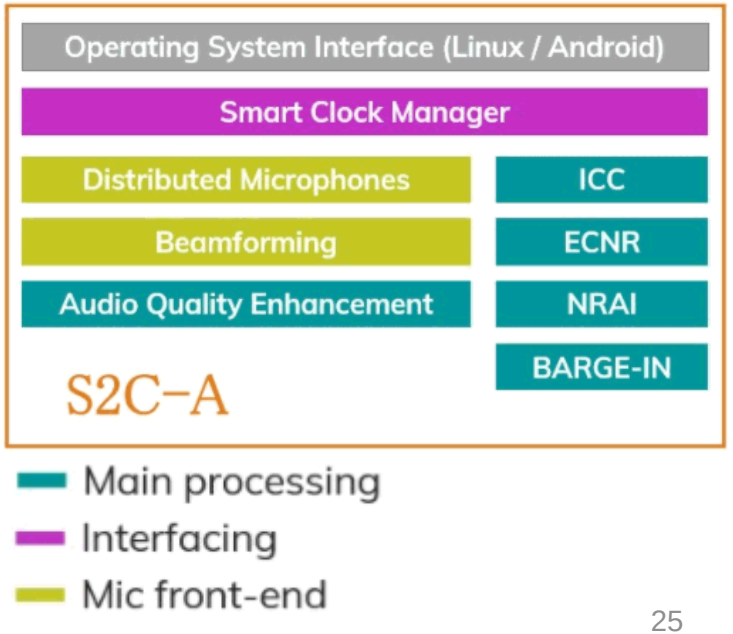
Useful for improving user experience by enabling high quality voice signal within a car

Background of launch

- In the automobile industry, user experience improvement within a car is required in addition to safety, which led to the adoption of MaaS.
- Further dissemination is expected such as voice control of in-vehicle equipment and voice assistance for driving a car.
- Challenges exist for adding new functions and improving functionality.

Major futures of “BdSound S2C-A”

- Solving many challenges that cannot be solved by existing ECNR* hardware module using a proprietary technology developed by BdSound (Italy)
- Unlike other ECNR software, a system developer can easily tune parameters any time to realize an ideal voice communication environment within a car.
- More than 50 car models have adopted BdSound that is authorized by Apple as Apple CarPlay®.



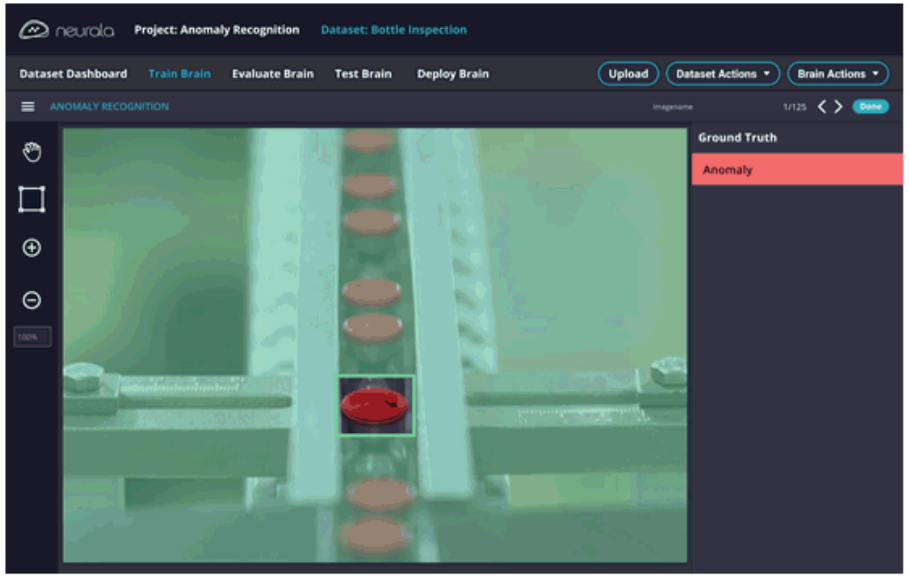
*ECNR: Echo Canceler and Noise Reduction

Solution for Developing Automatic Appearance Inspection System Using AI
Launch of “VIA （Vision Inspection Automation) (September 30)

Only one CPU enables simultaneous inspection with up to four cameras

Expected to be useful for preventing contagion

- Background of launch
  - Production sites face a challenge to improve profitability as well as maintain quality with insufficient human resources.
  - Automatic appearance inspection is expected to not only contribute to improving profitability and reducing manpower for product inspection, but also giving a less chance for contact between people and products, which is useful as a congestion prevention measure.
- Major futures of “VIA”
  - Solution for developing an automatic appearance inspection system that is developed by Neurala (U.S.)
  - Customers can easily automate an appearance inspection process without expensive hardware investment and a huge amount of data.
  - Only one CPU enables model learning and simultaneous inspection by sterical recognition with up to four cameras, significantly contributing to reducing costs



<Image of VIA Use>

State-of-the-Art SAST (Static Application Security Testing)

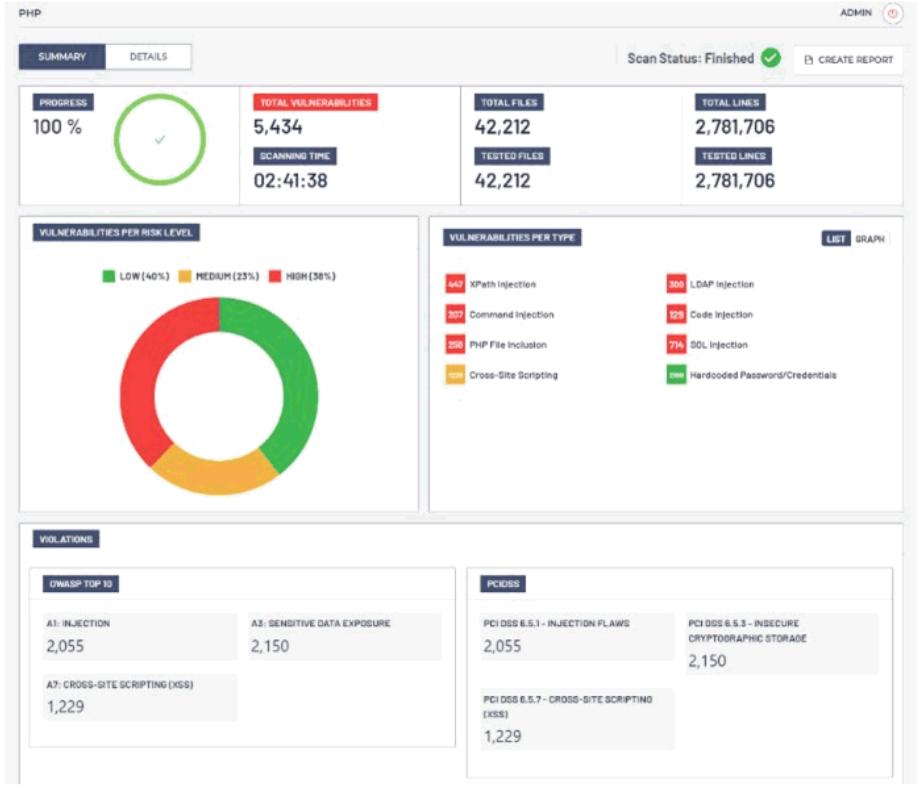
Launch of “ThunderScan®” (November 5)

Can easily integrate with DevOps environment and CI/CD pipelines

High accuracy SAST solution that support a wide range of programming languages

- Background of launch
  - Increasing needs of security measures for IoT equipment
  - Demands toward implementation of Security by Design and introduction of “DevSecOps*” environment that means incorporating security into all the existing development and operation processes of DevOps.
- Major features of “ThunderScan®”
  - SAST tool developed by DefenseCode (Ireland) that can support approximately 30 programming languages.
  - Can detect vulnerability included in applications from source code at a high accuracy rate

*DevSecOps: It is a DevOps process incorporating security measures (DevOps process is realized by close cooperation between software developers and operators of software to build a system and automate each task in various processes, for the purpose of accelerating the introduction and update of software.)



<Reporting image of ThunderScan®>

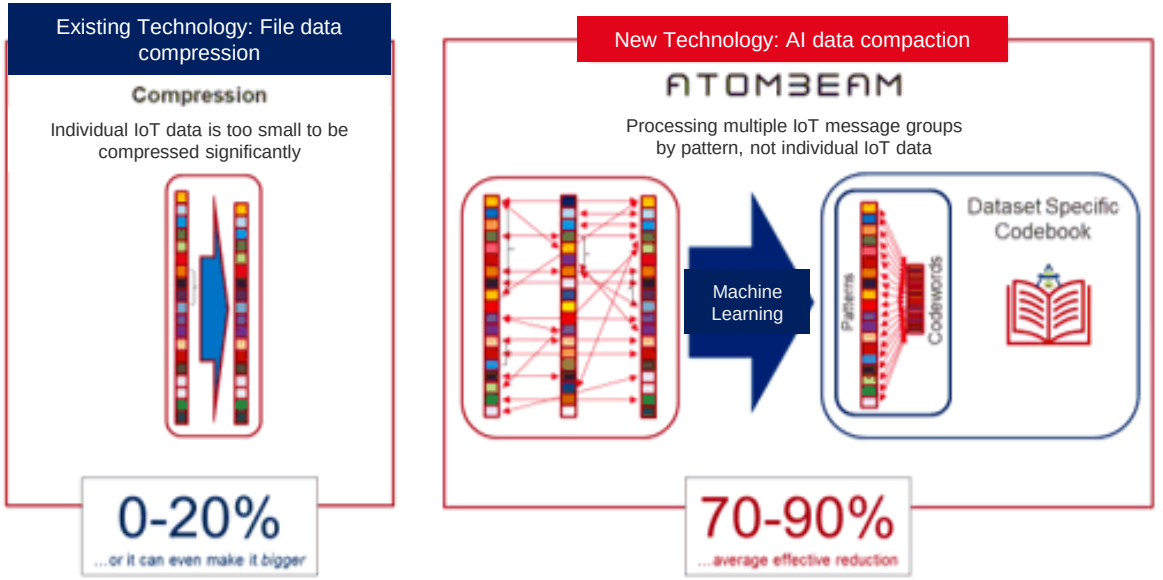
IoT Data Compression/Secure Telecommunication AI Solution

Launch of “AtomBeam” (November 10)

Reduce 70 to 90% of IoT/ M2M data transmission volume using patented AI technology*

Can effectively encode data to a minimum volume while securing security

- Background of launch
  - Following the dissemination of 5G, it is expected that IoT/M2M data transmission volume further increases.
  - Significant reduction of sending data volume is an issue to be tackled in the future.
- Major features of “AtomBeam”
  - Using patented AI engine “AI Data Compaction” technology developed by AtomBeam (U.S)
  - Effectively encoding data to a minimum volume while securing security
  - Enabling effective data processing in a small-sized IoT/Edge equipment
  - The execution delay time is near zero and 400 times faster than a typical compression algorism



<Data Compaction Technology of AtomBeam>

*Patented AI technology: A technology completely different from existing compression technologies. (Patent No.: US 10,509,582 B2)

Appendix

Disclosures in FY 2021 Q2

Announcement Date		Press Release
Q2	July 1	■ Ubiquitous AI Corporation and A&D establish a business partnership - Jointly develop a simulator for developing in-vehicle system software that can significantly improves the test efficiency by combining SILS/HILS -
	July 9	■ Ubiquitous AI Corporation signs an agency agreement with Tuxera and starts providing a high-performance NTFS file system "Microsoft NTFS by Tuxera" on July 9
	July 9	■ Ubiquitous AI Corporation develops and applies for a patent of a proprietary technology about a solution for preventing data falsification with the combination of IoT system and a blockchain
	August 19	■ Ubiquitous AI Corporation starts providing "BdSound S2C-A", a echo canceler and noise reduction system exclusively for in-vehicle equipment - Low-cost voice solution dedicated to the global in-vehicle market -
	September 23	■ Ubiquitous AI Corporation signs a distributor agreement with Visu-IT! and starts marketing of various tools and middle ware for in-vehicle ECU software development on October 1
	September30	■ Ubiquitous AI Corporation launches "Blue SDK Mesh", a Bluetooth mesh protocol stack on September 30 - Wireless network solution with high interconnectivity that will play an important role in the next generation IoT -
	September30	■ Ubiquitous AI Corporation starts providing "VIA", a solution for developing automatic appearance inspection system - Only one CPU enables simultaneous inspection with up to four cameras. Expected to be useful for preventing contagion -
Q3 (Reference)	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

Connecting the Future

Ubiquitous AI Corporation