

Financial Results Briefing Materials

Third Quarter of FY Ending March 2022

Ubiquitous AI Corporation (UAC)

Satoshi Hasegawa, President

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- Topics

Third 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., the operating loss declined (operating loss increased after considering amortization of goodwill)
 - Consolidated sales: 1,366 million yen (+10.2% vs. Q3 FY3/21; -13.2% vs. Q3 FY3/20)
 - Consolidated operating loss: 23 million yen (operating loss of 267 million yen in Q3 FY3/21; operating loss of 90 million yen in Q3 FY3/20)

Summary by Segment

Software Product Business	Sales	532 mn 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
	Operating profit	118 mn yen	
Software Distribution Business	Sales	605 mn yen	Royalty sales from existing customers fell, resulting in a YoY decline in sales
	Operating loss	183 mn yen	
Software Service Business	Sales	237 mn yen	Content licensing sales increased for in-vehicle products and contracted development also performed well, resulting in a YoY increase in sales
	Operating loss	41 mn yen	

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 Q3			FY2021 Q3			Change		FY2020 Q3			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	523		523	376		376	147	147	449		449	74	74
	Segment Profit	83	34	118	-18	33	14	102	103	22	44	66	61	51
Software Distribution Business	Sales	605		605	632		632	-27	-27	853		853	-248	-248
	Segment Profit	-148	-34	-183	-123	-33	-156	-25	-27	16	-44	-27	-165	-156
Software Service Business	Sales	237		237	231		231	5	5	270		270	-33	-33
	Segment Profit	41		41	32		32	9	9	27		27	13	13

(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 Q3 (Conso- lidated)	FY2021 Q3 (Conso- lidated)	Change	FY2020 Q3 (Conso- lidated)	Change
Software Product Business	Connectivity & Security	140	42	231.1%	94	48.0%
	Quick Boot	286	281	1.7%	311	-8.0%
	Database	96	52	84.8%	42	127.3%
	Sub-Total	523	376	39.1%	449	16.7%
Software Distribution Business		605	632	-4.3%	853	-29.1%
Software Service Business		237	231	2.5%	270	-12.2%
Total		1,366	1,240	10.2%	1,573	-13.2%

YoY Sales and Profit per Segment

(Million yen)

		FY2022 Q3 (Consolidated)	FY2021 Q3 (Consolidated)	Change	FY2020 Q3 (Consolidated)	Change
Software Product Business	Sales	523	376	147	449	74
	Segment Profit(Loss)	118	14	103	66	51
Software Distribution Business	Sales	605	632	-27	853	-248
	Segment Profit(Loss)	-183	*1 -236	52	*1 -107	-76
Software Service Business	Sales	237	231	5	270	-33
	Segment Profit(Loss)	41	*2 -45	87	*2 -49	-12
Total	Sales	1,366	1,240	125	1,573	-207
	Segment Profit(Loss)	-23	*3 -267	243	*3 -90	67

(Notes) *1 Includes 79 million yen from the amortization of goodwill associated with the acquisition of shares of the former AI Corporation.

*2 Includes 77 million yen from the amortization of goodwill associated with the acquisition of shares of AIM Corporation.

*3 Includes 157 million yen from the above amortization of goodwill.

YoY: Sales and Profit Before Amortization of Goodwill per Segment

(Million yen)

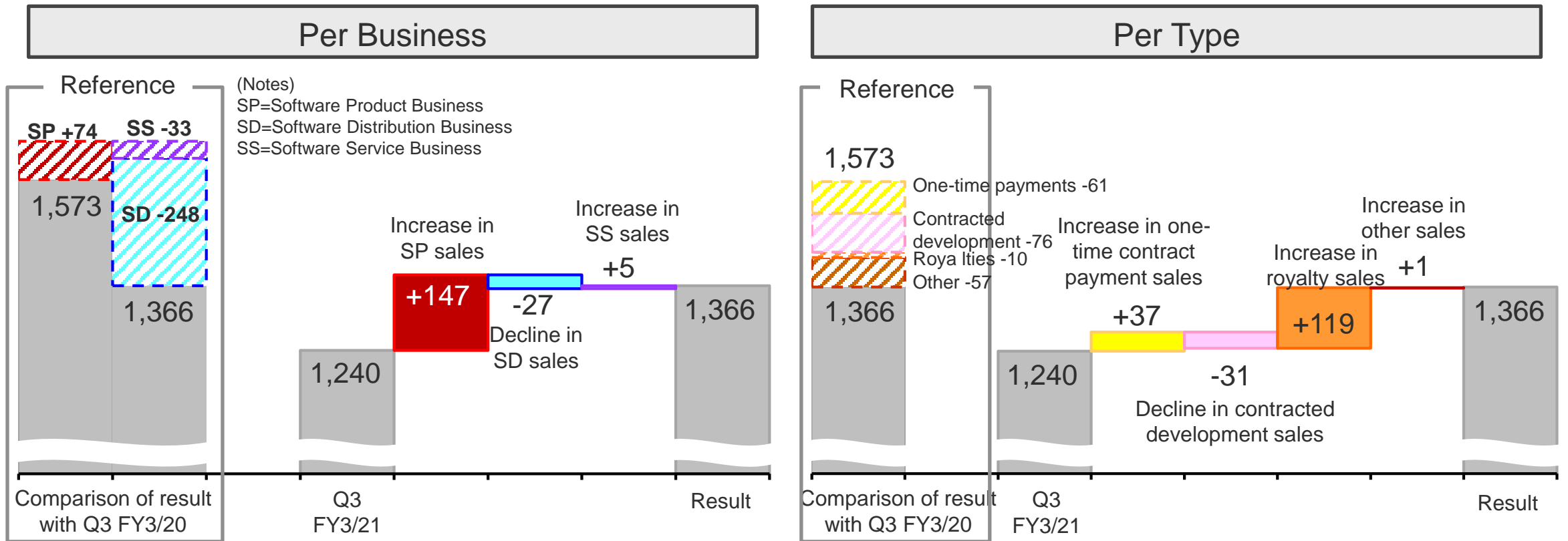
		FY2022 Q3 (Consolidated)	FY2021 Q3 (Consolidated)	Change	FY2020 Q3 (Consolidated)	Change
Software Product Business	Sales	523	376	147	449	74
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	Segment Profit(Loss)	-183	*1 -156	-27	*1 -27	-156
Software Service Business	Sales	237	231	5	270	-33
	Segment Profit(Loss)	41	*2 32	9	*2 27	13
Total	Sales	1,366	1,240	125	1,573	-207
	Segment Profit(Loss)	-23	*3 -109	86	*3 66	-90

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

- *1 Does not include 79 million yen from amortization of goodwill associated with the acquisition of shares in the former AI Corporation.
- *2 Does not include 77 million yen from amortization of goodwill associated with the acquisition of shares in AIM Corporation.
- *3 Does not include 157 million yen from the above amortization of goodwill.

YoY: Sales

(Million yen)

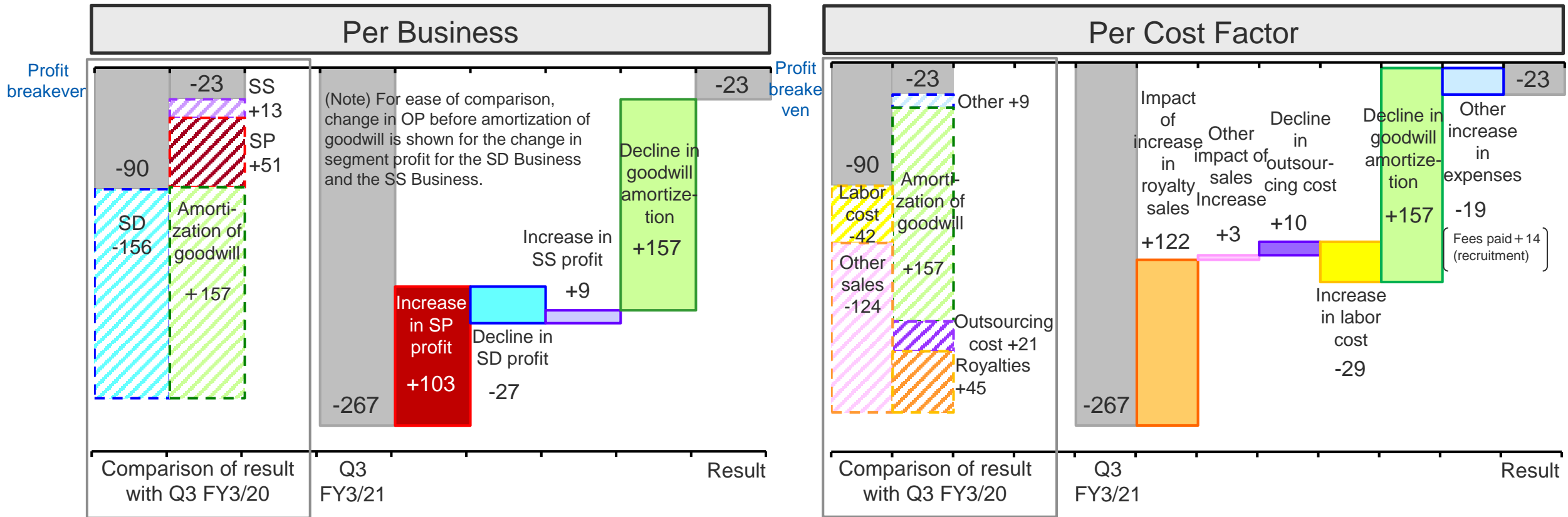


■ Sales: Although sales increased compared with FY3/21, they did not reach the level of FY3/20, prior to the COVID-19 pandemic

- SP Business: Although royalties declined for fast boot-up products, mainly for in-vehicle products, sales exceeded those of FY3/20 as the Company secured industrial royalties for database products and won individual major contracts (advance royalties) for in-vehicle products in the Connectivity & Security business
- 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

- The operating loss declined 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, whereas compared with FY3/20, the operating loss also declined despite the impact of a decline in other sales, but it increased after taking lower amortization of goodwill into consideration

Consolidated Statement of Income

(Million yen)

	FY2022 Q3	FY2021 Q3	Change	FY2020 Q3	Change
Sales	1,366	1,240	125	1,573	-207
Cost of Sales	712	725	-13	871	-159
Gross Margin	654	515	139	702	-47
SG&A	677	782	-104	793	-115
Operating Income(Loss)	-23	-267	243	-90	67
Non-Operating Profit	11	3	7	4	7
Ordinary Income(Loss)	-12	-263	250	-86	74
Extraordinary Income(Loss)	-0	-	-0	-	-0
Income Taxes	13	24	-10	11	2
Net Income(Loss)*	-27	-287	260	-98	71

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

Consolidated Balance Sheet (Assets)

(Million yen)

	End of December 2021	End of March 2021	Change
Cash and deposits	895	828	66
Notes and accounts receivable-trade	-	676	-676
Notes and accounts receivable-trade & Contract assets	408	-	408
Securities	900	800	100
Inventories	22	5	16
Prepaid expenses	40	46	-5
Other	26	56	-30
Current assets	2,292	2,414	-122
Noncurrent assets	388	393	-4
Assets	2,681	2,807	-126

Consolidated Balance Sheet (Liabilities and Net Assets)

(Million yen)

	End of December 2021	End of March 2020	Change
Accounts payable-trade	58	131	-72
Accounts payable-other	28	47	-18
Advances received	-	73	-73
Contract liabilities	63	-	63
Other	49	46	3
Current liabilities	199	298	-98
Noncurrent liabilities	76	80	-3
Capital stock	1,483	1,483	-
Capital surplus	1,453	1,453	-
Retained earnings	-614	-586	-27
Other	82	78	3
Net assets	2,404	2,429	-24
Liabilities and net assets	2,681	2,807	-126

Progress Toward Full-Year Earnings Forecasts (Consolidated)

(Million yen)

	Full-year earnings forecast	Q3 result	Progress (%)
Sales	2,196	1,366	62.2
Operating profit (loss)	80	-23	—
Ordinary profit (loss)	80	-12	—
Net profit (loss)	57	-27	—

Impact of COVID-19 and Semiconductor Shortages on the Company's Performance

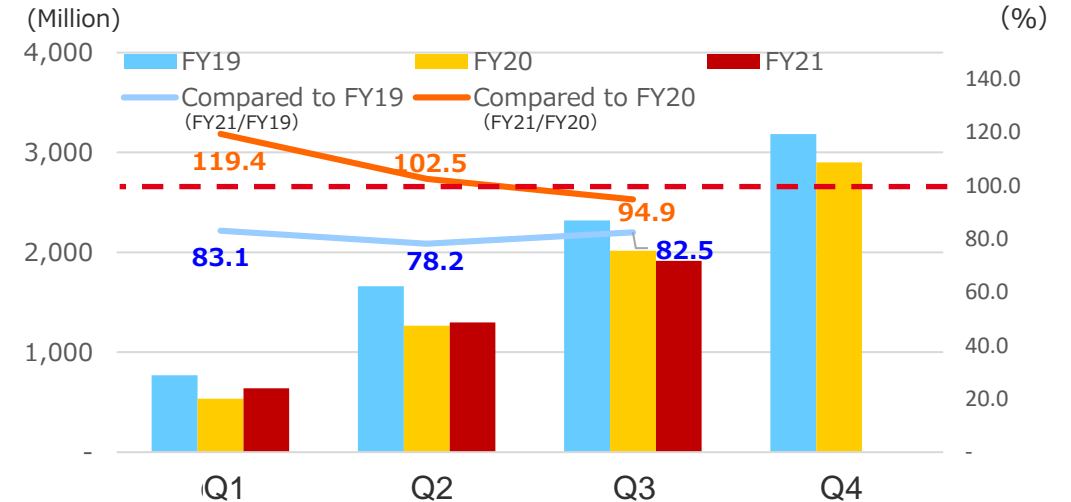
In-vehicle devices

- Although there were signs of a YoY recovery in Q1 and Q2, the number of automobiles sold in Japan was lower than the previous year in Q3
- The number of automobiles sold has yet to recover to the level of FY3/20, prior to COVID-19
- Sales of the Company's in-vehicle devices are following a similar trend, with trends in Q4 remaining unclear

New contracts

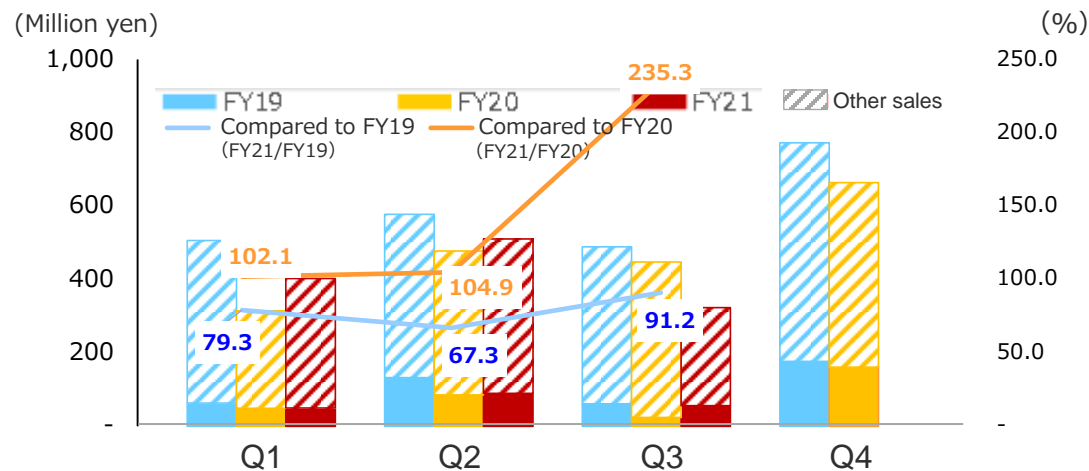
- Although new contracts exceeded FY3/21 over Q1 through Q3, they have yet to recover to the level of FY3/20, prior to COVID-19
- New inquiries themselves are trending upward, and the Company is continuing initiatives to achieve its target for FY3/22

[FY19-21 Domestic Automobile Sales]

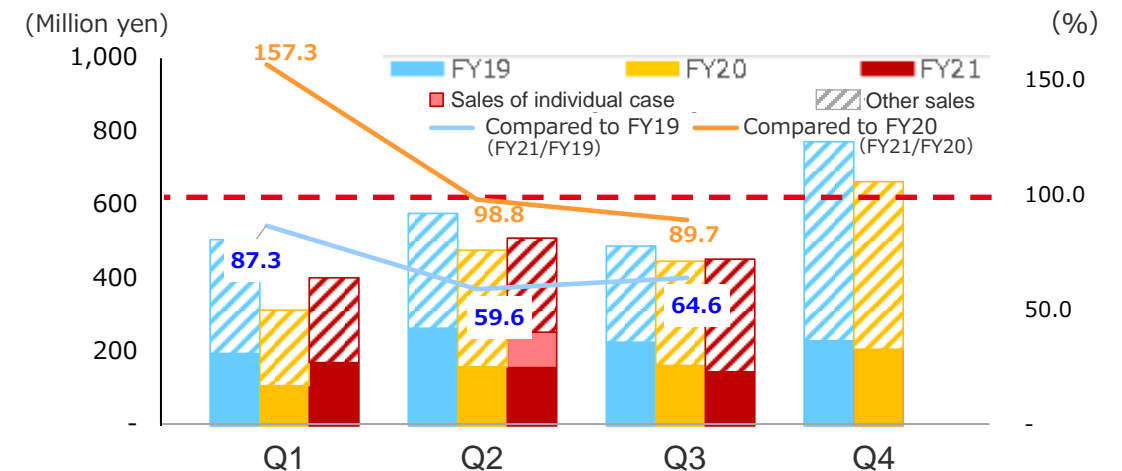


Source: "2021 New Car Monthly Sales (Registered Cars)," Japan Automobile Dealers Association

[FY19-21 The Company's New Contract Sales (One-time Contract Payments)]



[FY19-21 Sales of the Company's In-vehicle Devices]



Business Trend and Actions by Segment and Product Area

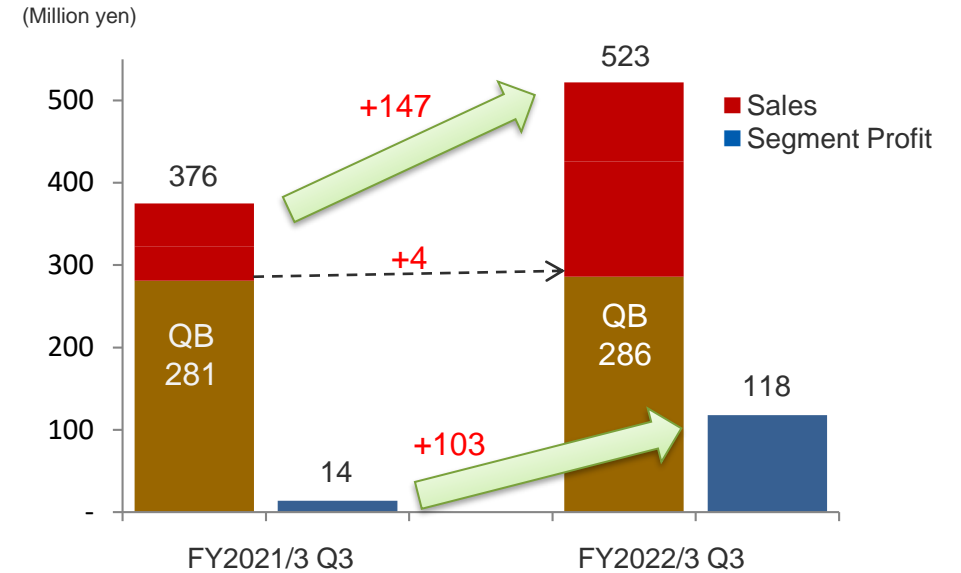
QuickBoot Related

■ Summary of FY 2022 Q3

- 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

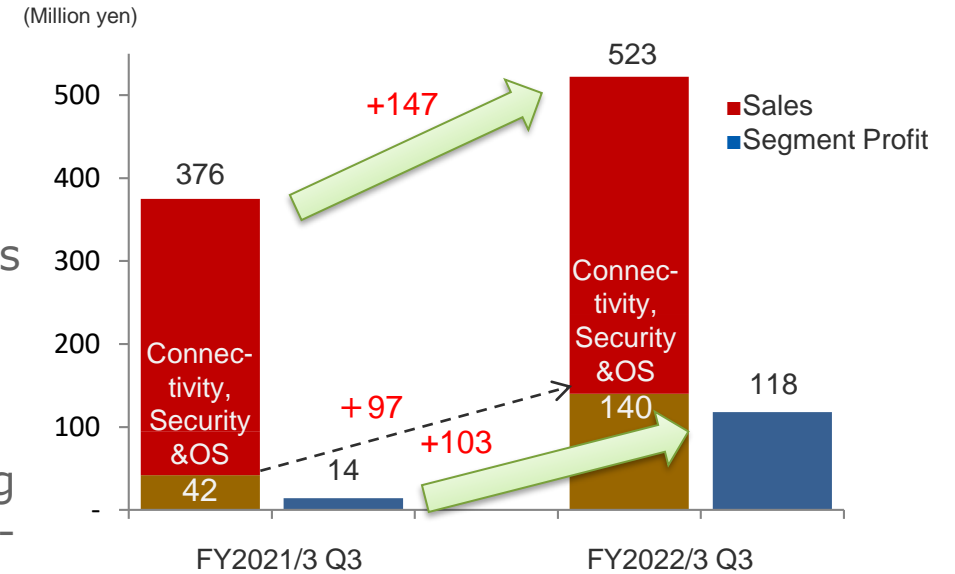


Summary of FY 2022 Q3

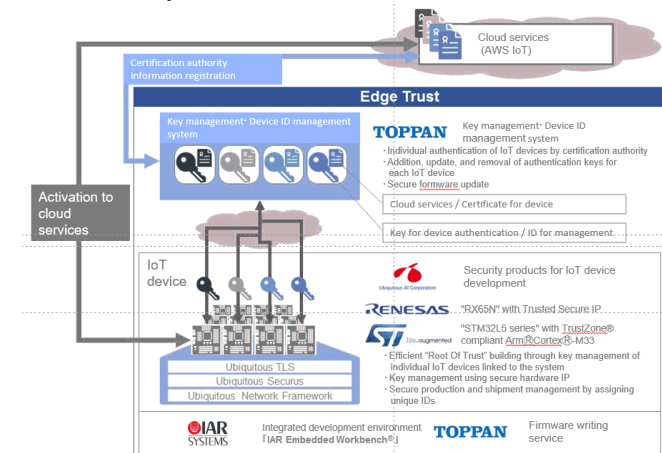
- Recorded upfront payments from existing customers in the area of in-vehicle equipment
- Recorded contract development sales from existing customers in the area of industrial equipment
- Recorded sales from R&D contracts in the IoT security area

Business Direction

- Offer total packages for embedded devices encompassing connectivity, security, and real-time OS, thus offering one-stop solutions to customers' issues
- Continue to stimulate IoT device security demand and develop our businesses, centering on "Edge Trust." Strengthen collaboration with partners in a wide range of areas, from semiconductor devices to cloud, in order to offer solutions
- Promote "HDCP/DTCP" and "Securus" businesses to meet the growing demand for secure digital content transmission in in-vehicle equipment, and accelerate our response in the area of onboard semiconductor devices



(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.



Software Product Business

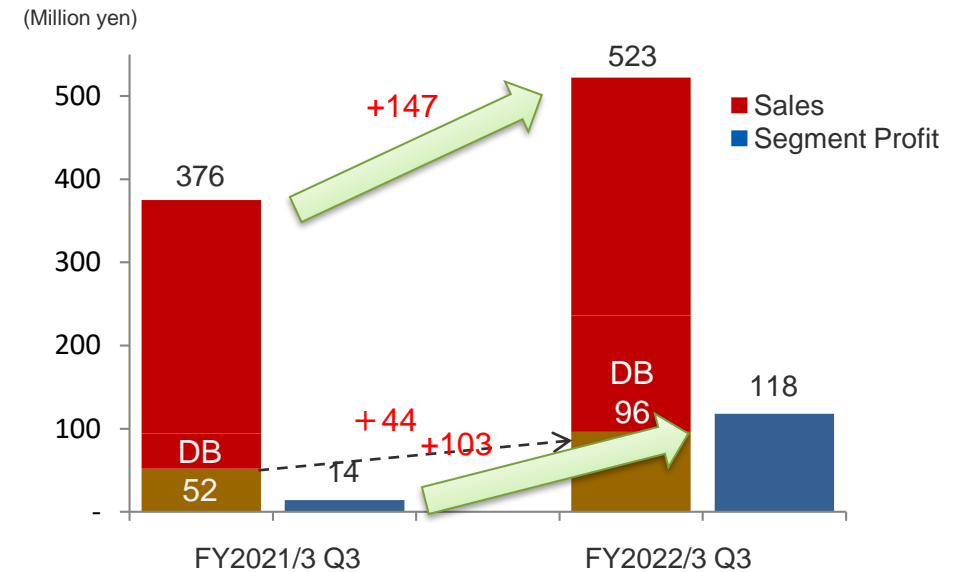
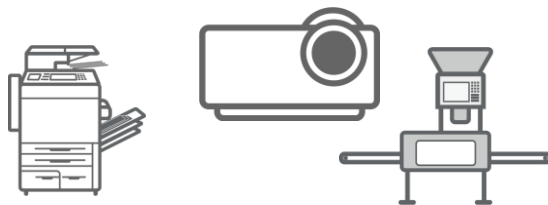
Database Related

■ Summary of FY 2022 Q3

- 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.

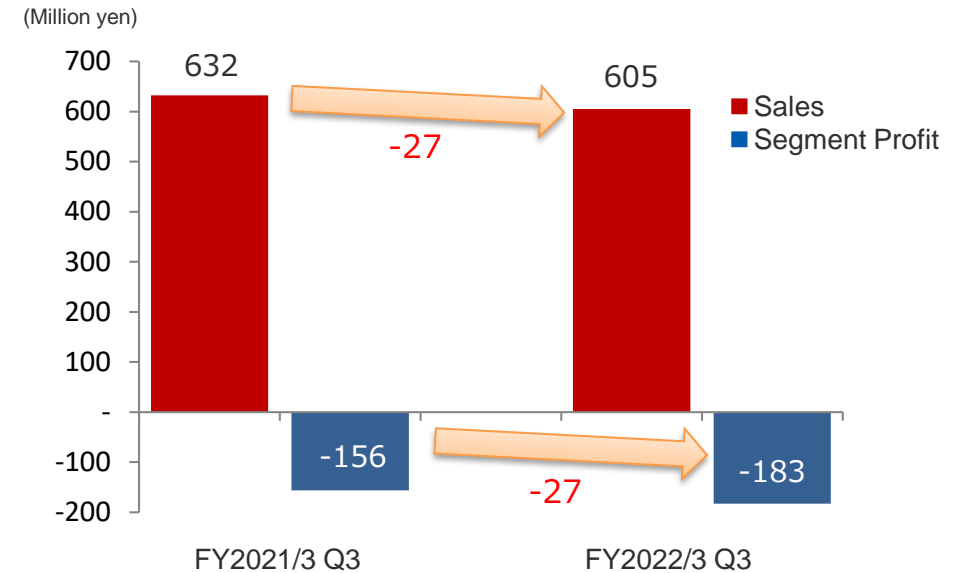
Software Distribution Business

Summary of FY 2022 Q2

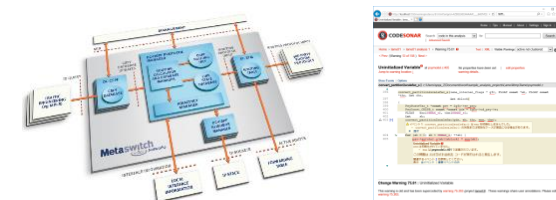
- Recorded sales from new and existing customers for various products offered, particularly royalty sales for the BIOS product “InsydeH2O® *1” and the wireless product “Blue SDK *2,” license sales of the quality improvement support tool product “CodeSonar *3,” and license and royalty sales of the carrier-grade product “ConfD *4,”” as well as IoT security verification service-related sales, etc.

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

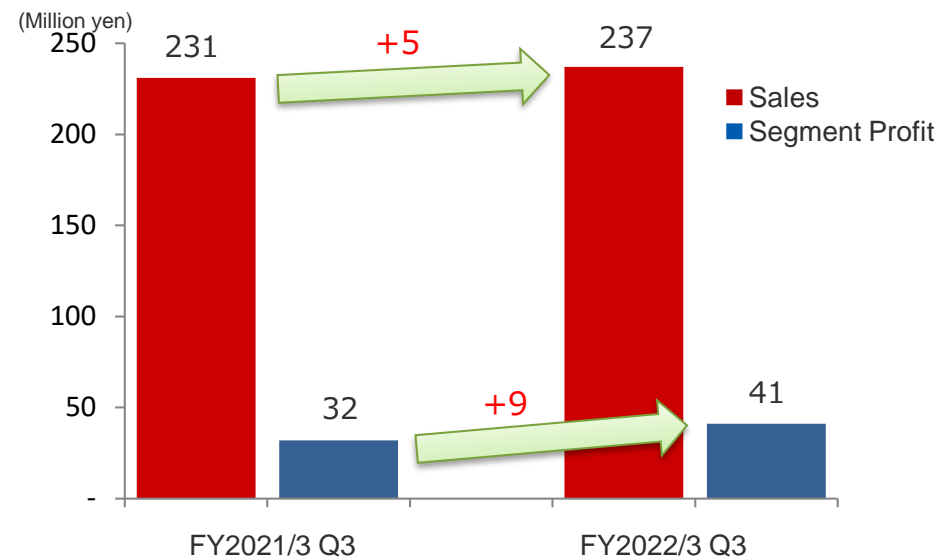
Software service business

■ Summary of FY 2022 Q3

- 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.



Examples of using "YOMI Data"(artist & sort)

Artist Name	YOMI
さだまさし	サタマサン
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

Launch of "Blue SDK FUSION" (October 12)

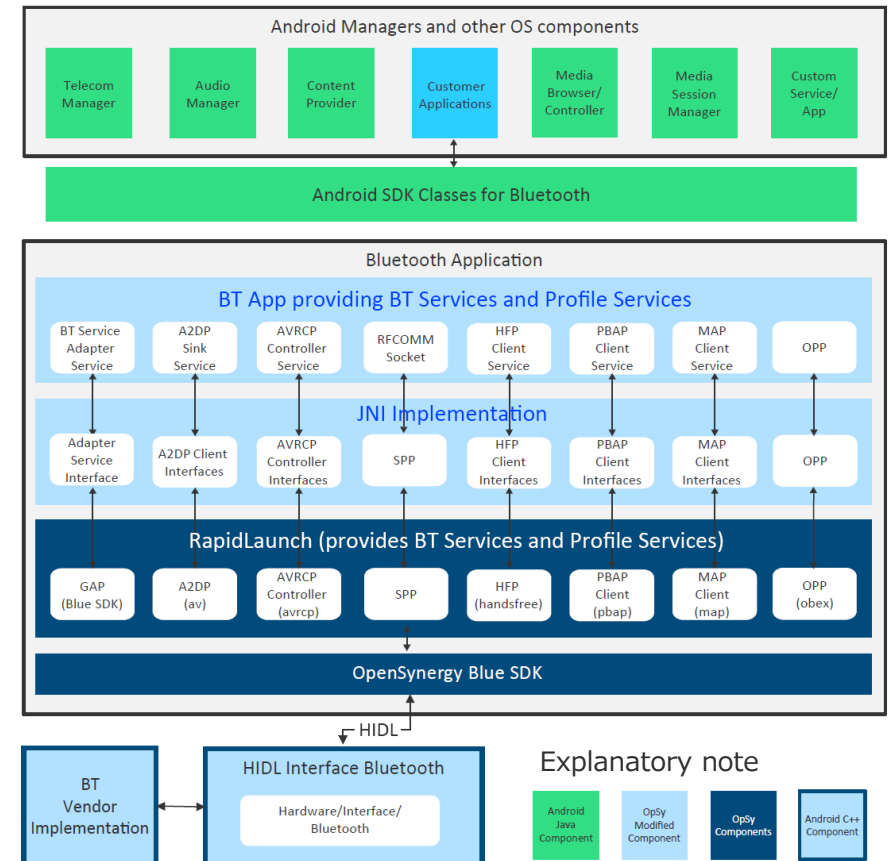
Realizing Automotive-Grade Applications Based on Android Open Source Project

Automotive-Grade Bluetooth Protocol Stack for in-vehicle Android™ devices

■ Features

- Develop based on OpenSynergy's Blue SDK, which has extensive experience in in-vehicle infotainment devices
- Provide functionality, flexibility, and robustness to meet the requirements for in-vehicle infotainment devices
- Maintain compatibility with ASOP standard Bluetooth APIs, and integrate with existing applications and services
- Capable of extending ASOP※ Bluetooth API and adding functions
- Support CTS, VTS, and ATS

※ASOP (Android Open Source Project) is software for Android that is open source and available to the public.



Product stack configuration for Blue SDK FUSION

Launch of "AIBOD ACADEMY" (November 25)

Simultaneously develop AI/DX human resources in the manufacturing industry and solve specific issues for client companies.

Problem-solving human resource development service to realize AI/DX in the manufacturing industry based on the capital and business alliance with Team AIBOD

■ Main programs offered

- **Business Transformation Leader Training**
Foster the ability to integrate customer's existing technologies with leading-edge technologies to create concrete products and services as a new core business.
- **Marketing Planner Training**
Foster the planning and business development skills to identify trends in cutting-edge technologies and create new added value for customer's business.
- **Project Manager Training**
Foster management skills to promote the high-level development and business that is unique to products and services that incorporate cutting-edge technology.

<Content provided>

- Classroom lectures and PBL (Project Based Learning) style lectures
- Consulting



AIBOD ACADEMY service image

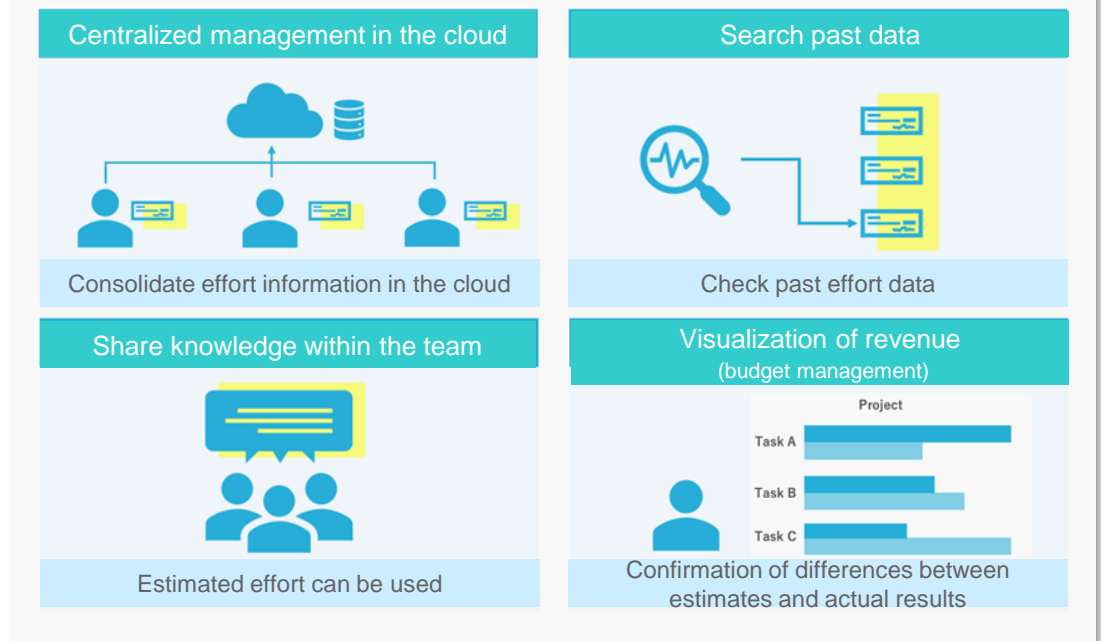
Capital and business alliance with Engineerforce (January 12)

Develop estimation tools mainly for the manufacturing industry to improve the accuracy of estimation work and save labor by sharing past estimation data internally

■ Issues related to estimating effort for system development

- Estimating effort is an extremely important task because the deviation from the actual effort generated directly affects the profit. However, there are many cases where estimating efforts are accumulated/managed individually using Excel or other software, depending on the skills of each person in charge. In addition, the process is time-consuming, so there are issues such as equalizing accuracy, in-house sharing, and improving work efficiency.
- SaaS-based management of estimating effort can be expected to improve accuracy and skills by referring to past data, prevent a decline in profitability, and reduce costs by shortening work hours.
- The review function that visualizes the gap between estimated effort and actual effort generated leads to the discovery of the causes of estimation errors.

Features of "Engineerforce", a DX tool for estimation work



Change of trade name to "Ubiquitous AI" (January 5)

■ Reason for change

- When the former AI Corporation was merged in July 2018, the company name was changed to the current one to leverage the name recognition of both companies.
- Three years have passed since the merger, and we have judged that we have gained a certain level of recognition, so we have changed our trade name to improve our corporate value and brand value, and to further penetrate the market with our company name.

※No change to Ubiquitous AI Corporation in English

■ Scheduled date of change

July 1, 2022

※Subject to approval of partial amendments to the Articles of Incorporation at the 21st annual shareholders' meeting to be held in late June 2022.

Selecting the "Standard Market" under the new market segmentation (December 20)

- The Board of Directors resolved to select the "Standard Market" as the new market segment of the Tokyo Stock Exchange and to apply for it.
- Plan to shift to the new market on April 4, 2022.

Appendix

Disclosures FY 2022/3 Q3

Announcement Date		Press Release
Q3	October 12	<ul style="list-style-type: none"> ■ "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~
	November 25	<ul style="list-style-type: none"> ■ Ubiquitous AI Corporation launches "AIBOD ACADEMY," a problem-solving human resource development service for AI/DX in the manufacturing industry by Team AIBOD. ~Simultaneously develop AI/DX human resources and solve specific issues for client companies~
Q4 (Reference)	January 12	<ul style="list-style-type: none"> ■ Ubiquitous AI Corporation agrees to capital and business alliance with Engineerforce, providing estimating process visualization and knowledge sharing tools, and to sales collaboration for the manufacturing industry.

Connecting the Future



Ubiquitous AI Corporation