Financial Results Briefing Materials

Second Quarter of FY Ending March 2023

Ubiquitous AI Corporation (UAC)
Satoshi Hasegawa, President
November 14, 2022

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Ubiquitous AI

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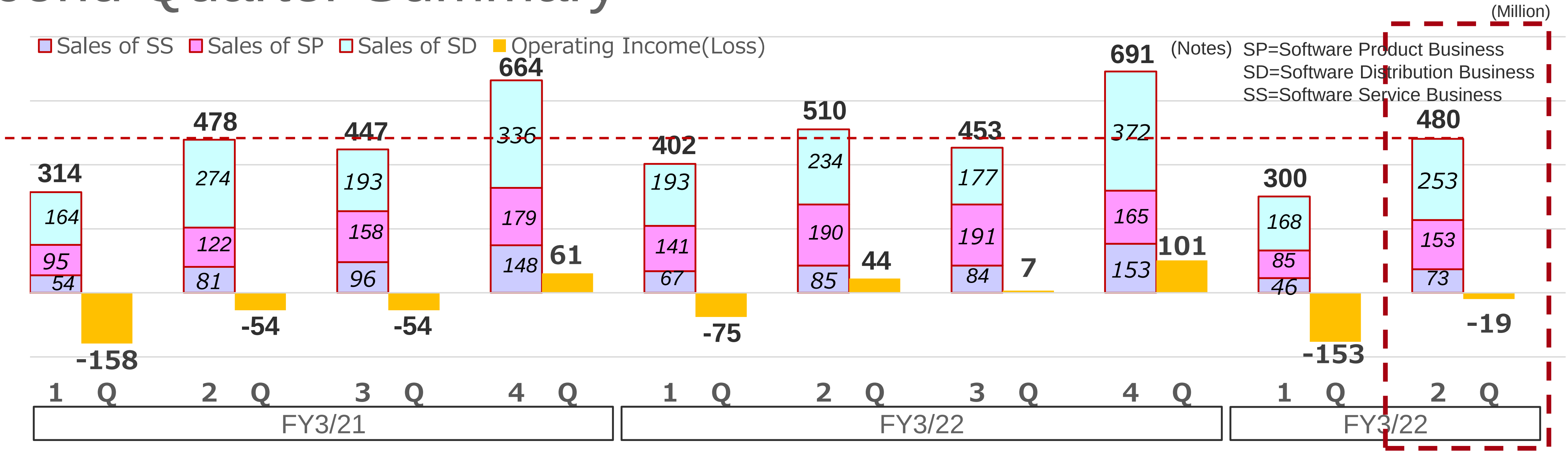
- Topics

Second Quarter Performance Overview

Ubiquitous AI

Second Quarter Summary



- COVID-19 pandemic and the Russia-Ukraine situation adversely affected both sales and operating income bringing them lower than year-on-year and down to the same performance level as FY March 2021, which was largely affected by the pandemic.
  - Consolidated sales: 781 million yen (-14.4% vs. Q2 FY3/22)
  - Consolidated operating loss: 172 million yen (operating loss of 30 million yen in Q2 FY3/22)
  - Summary by Segment

Software Product Business	Sales: Operating loss:	239mn yen 73mn yen	Sales and operating income were lower than in the same quarter of the previous fiscal year when the security-related products recorded sales and profits by large projects of existing customers related to in-vehicle devices field, and in this period, personnel expenses increased due to reorganization.
Software Distribution Business	Sales: Operating loss:	421mn yen 91mn yen	Operating loss improved compared to the same period of the previous fiscal year due to a decrease in personnel from reorganization, despite a slight decrease in royalty sales related to in-vehicle devices.
Software Service Business	Sales: Operating loss:	119mn yen 7mn yen	Both sales and operating income were lower than year-on-year due to a gap in terms of contract development projects and a decrease in royalties related to in-vehicle devices.

The impact of COVID-19 pandemic and the Russia-Ukraine situation on our performance

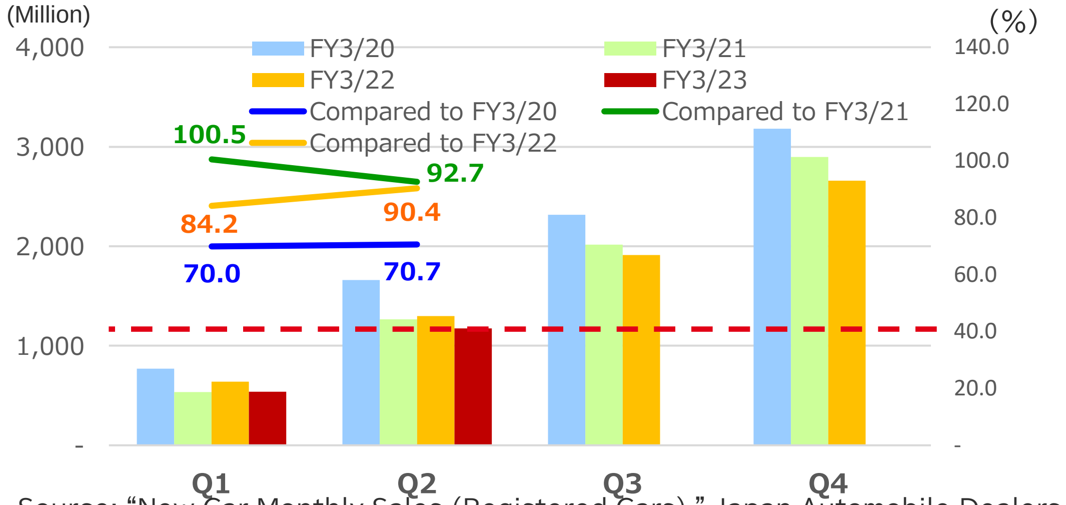
In-vehicle devices

- In the first and second quarters, automobile sales in Japan were lower than in the same period of the previous year
- Our in-vehicle device-related sales followed the same situation as the sales of Japanese automobile

New Contracts

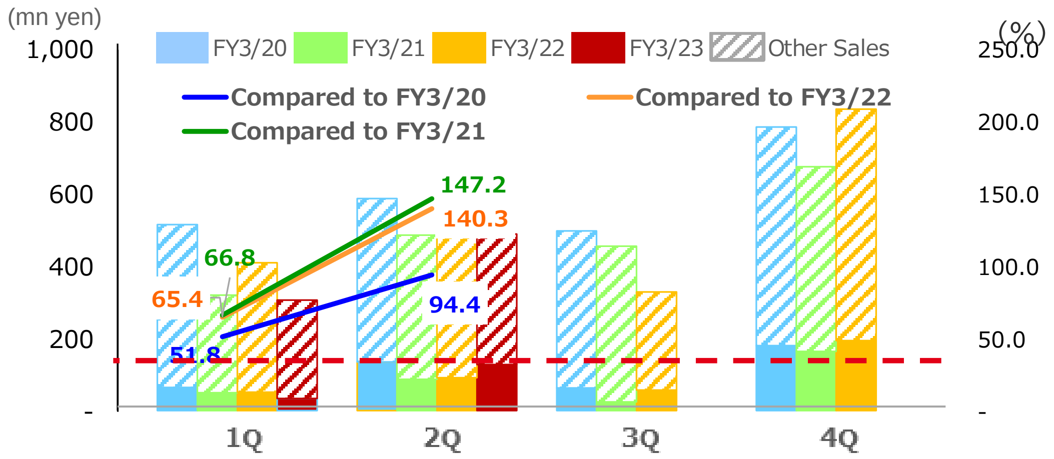
- Although the first quarter was lower the same period of the previous year, the second quarter was higher than the same period of the previous year, reaching at the same level as the fiscal year ended March 31,2020, which was before the COVID-19 pandemic
- New inquiries and inquiries were also on an uptrend

Domestic Automobile Sales FY Mar 2020 to FY Mar 2023

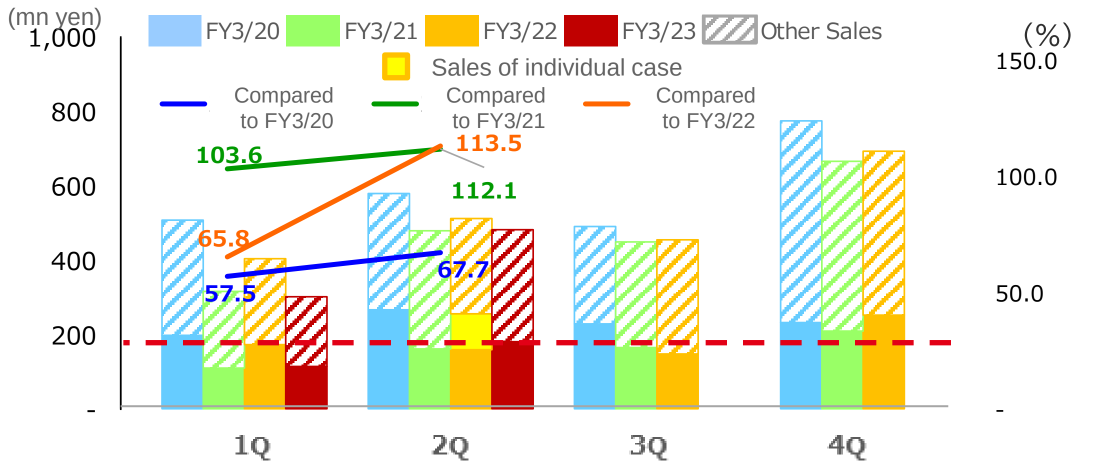


Source: “New Car Monthly Sales (Registered Cars),” Japan Automobile Dealers Association

New contract sales (lump-sum contract payments) from FY Mar 2020 to FY Mar 2023



In-vehicle device-related sales from FY Mar 2020 to FY Mar 2023



YoY: Sales per Segment and Product

(Million yen)

Segment	Product Area	FY3/23 Q2 (Consolidated)	FY3/22 Q2 (Consolidated)	Change	FY3/20 Q2 (Consolidated)	Change
Software Product Business	Connectivity & Security	36	107	-66.3%	72	-49.8%
	Quick Boot	174	177	-1.7%	189	-7.9%
	Database	28	46	-38.9%	33	-14.3%
	Sub-Total	239	332	-27.9%	295	-18.9%
Software Distribution Business		421	427	-1.4%	617	-31.7%
Software Service Business		119	152	-21.6%	171	-30.0%
Total		781	913	-14.4%	1,084	-27.9%

YoY Sales and Profit per Segment

(Million yen)

		FY3/23 Q2 (Consolidated)	FY3/22 Q2 (Consolidated)	Change	FY3/20 Q2 (Consolidated)	Change
Software Product Business	Sales	239	332	-92	295	-55
	Segment Profit(Loss)	-73	78	-151	46	-120
Software Distribution Business	Sales	421	427	-5	617	-195
	Segment Profit(Loss)	-91	-127	36	*1 -55	-35
Software Service Business	Sales	119	152	-33	171	-51
	Segment Profit(Loss)	-7	18	-26	*2 -31	23
Total	Sales	781	913	-131	1,084	-302
	Segment Profit(Loss)	-172	-30	-141	*3 -40	-132

(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: Segment Sales and Profit before Amortization of Goodwill

(Million yen)

		FY3/23 Q2 (Consolidated)	FY3/22 Q2 (Consolidated)	Change	FY3/20 Q2 (Consolidated)	Change
Software Product Business	Sales	239	332	-92	295	-55
	Segment Profit(Loss)	-73	78	-151	46	-120
Software Distribution Business	Sales	421	427	-5	617	-195
	Segment Profit(Loss)	-91	-127	36	*1 -2	-88
Software Service Business	Sales	119	152	-33	171	-51
	Segment Profit(Loss)	-7	18	-26	*2 20	-28
Total	Sales	781	913	-131	1,084	-302
	Segment Profit(Loss)	-172	-30	-141	*3 64	-237

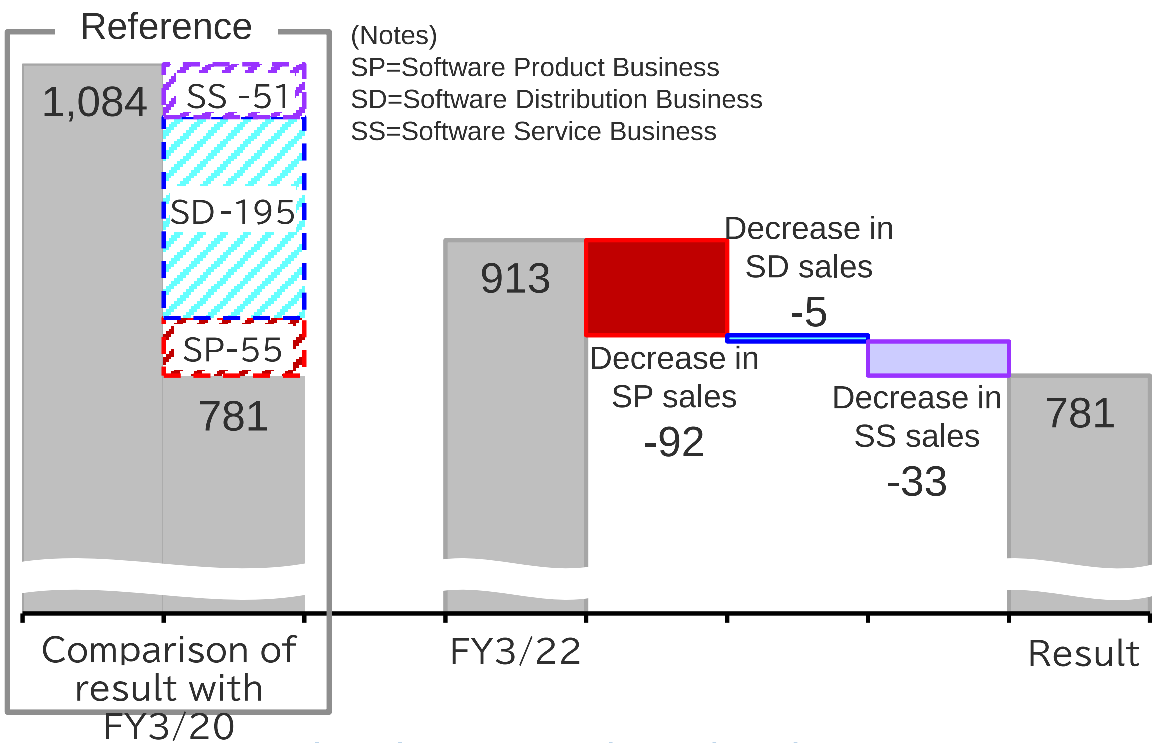
(Note) For ease of comparison with FY3/23:

*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

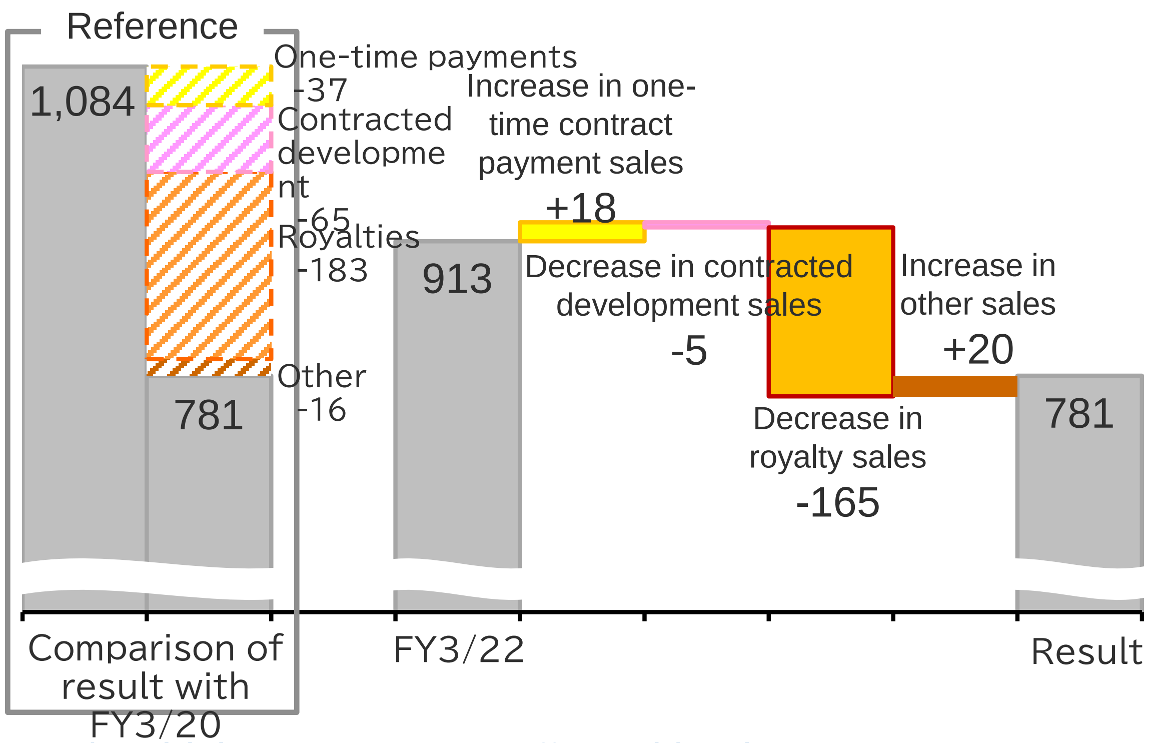
(Million yen)

Per Business



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

Per Type

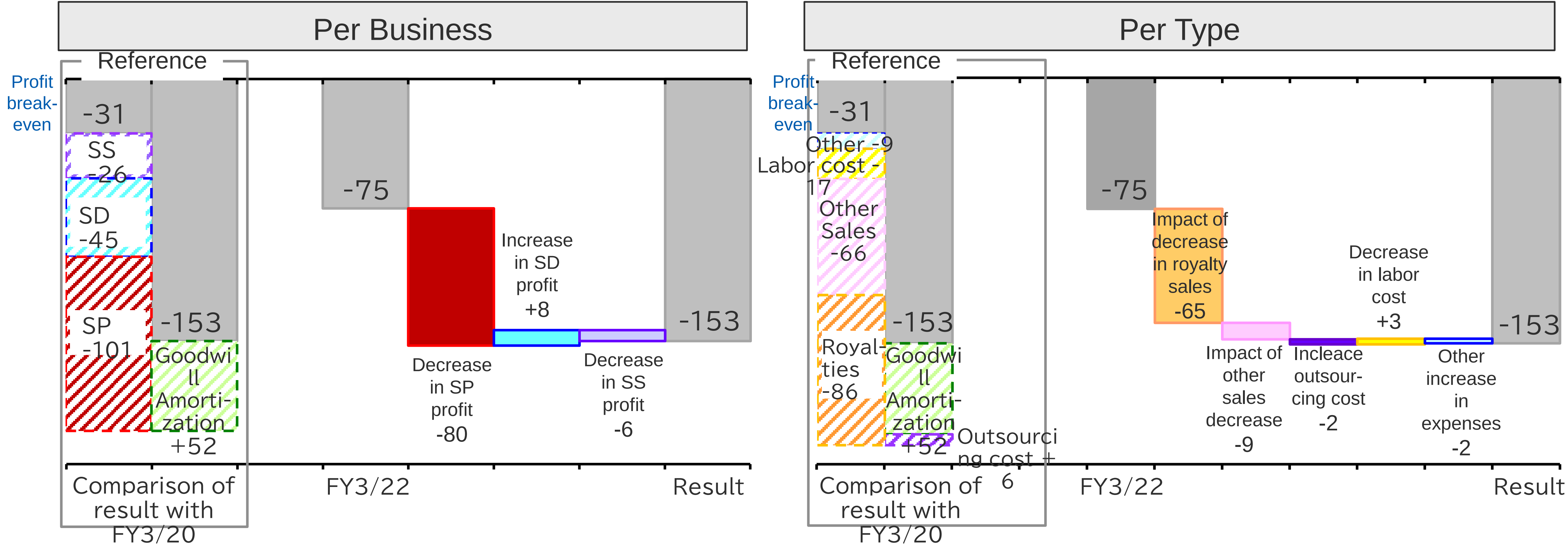


■ Sales: Lower than in FY 2022/3 and at the same level as FY2021/3 which was severely affected by the COVID-19 pandemic

- SP：Sales was lower than year-on-year, due to in the same quarter in the previous fiscal year, the security-related products recorded sales and profits by large projects of existing customers related to in-vehicle devices.
- SD：Despite Lump-sum sales at the time of contract increased, royalty sales decreased.
- SS：Decrease in sales due to lower sales of in-vehicle device-related contents licenses, and delay in contracted development projects

YoY: Operating Profit

(Million yen)



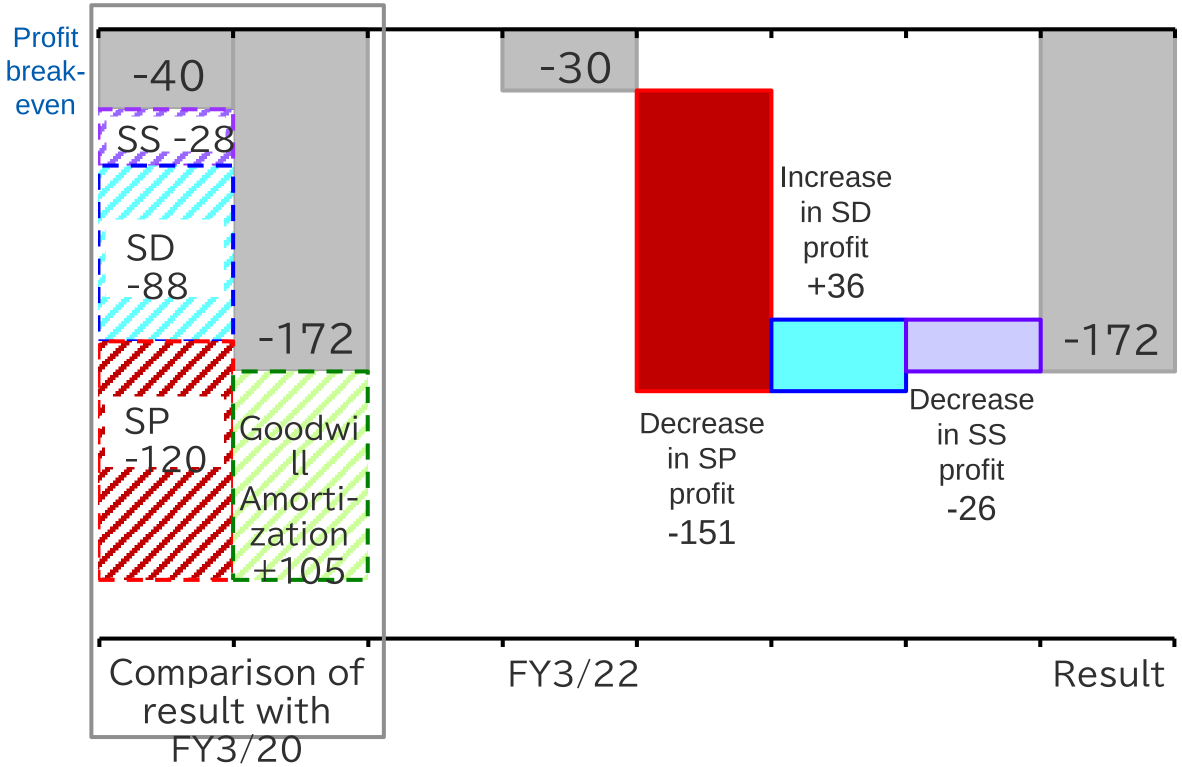
■ As with net sales, lower than in FY 2022/3 and at the same level as FY2021/3

- Operating profit decreased mainly due to lower royalty sales in the SP business
- Due to the transfer of a portion of the SD business to the SP business, the labor costs of the target division are reflected in the profit and loss of each division.

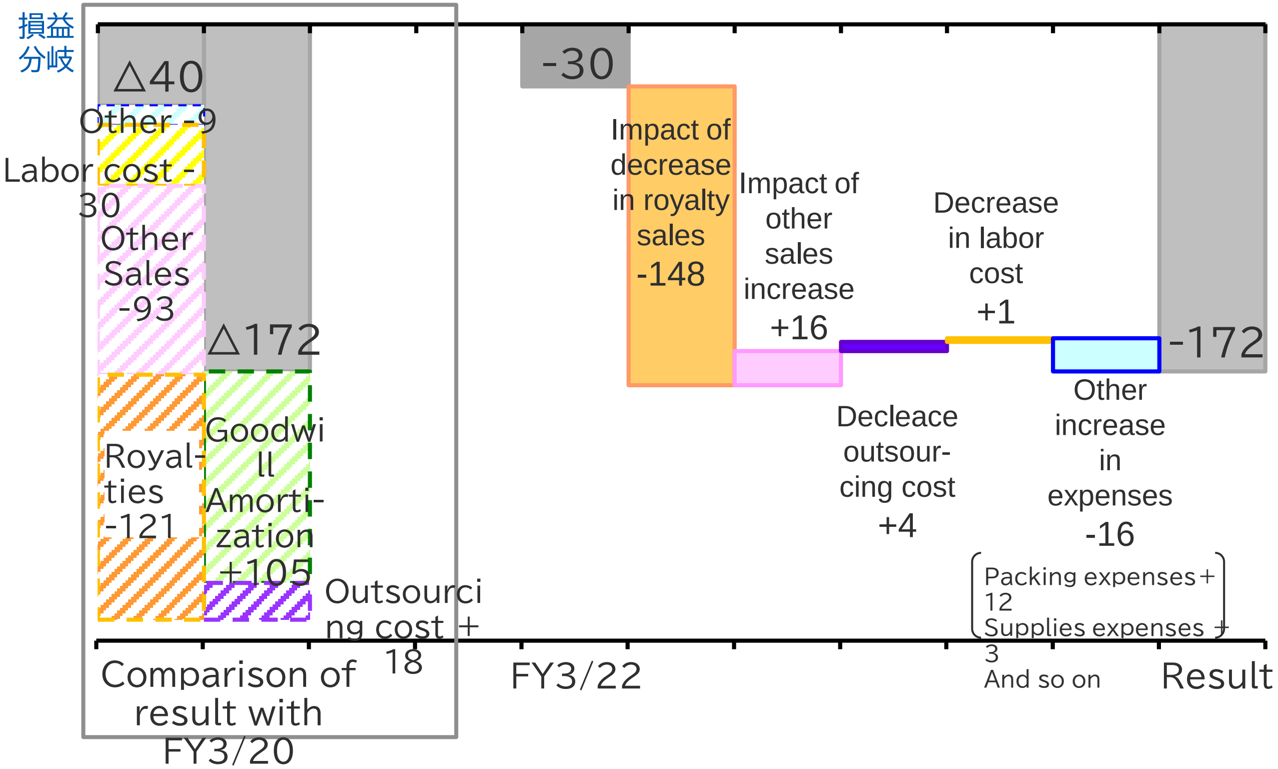
YoY: Operating Profit

(Million yen)

Per Business



Per Type



As with net sales, lower than in FY 2022/3

- Sales was lower than year-on-year, due to in the same quarter in the previous fiscal year, the security-related products recorded sales and profits by large projects of existing customers related to in-vehicle devices.
- Due to the transfer of a portion of the SD business to the SP business, the labor costs of the target division are reflected in the profit and loss of each division.
- In terms of expenses, increase in relocation and consolidation costs

Consolidated Statement of Income

(Million yen)

	FY3/23 2Q	FY3/22 2Q	Change	FY3/20 2Q	Change
Sales	781	913	-131	1,084	-302
Cost of Sales	494	493	1	602	-107
Gross Margin	286	419	-132	481	-194
SG&A	459	450	8	522	-62
Operating Income(Loss)	-172	-30	-141	-40	-132
Non-Operating Profit	9	7	2	2	6
Ordinary Income(Loss)	-163	-23	-139	-37	-125
Extraordinary Income(Loss)	-	-	-	-	-
Income Taxes	3	0	2	16	-13
Net Income(Loss)*	-166	-24	-142	-54	-112

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

Consolidated Balance Sheet (Assets)

(Million yen)

	End of September 2022	End of March 2022	Change
Cash and deposits	570	705	-134
Notes and accounts receivable-trade & Contract assets	385	652	-267
Securities	1,000	1,000	-
Inventories	11	0	11
Prepaid expenses	41	43	-2
Other	41	27	14
Current assets	2,050	2,428	-378
Noncurrent assets	613	546	67
Assets	2,664	2,974	-310

Consolidated Balance Sheet (Liabilities and Net Assets)

(Million yen)

	End of September 2022		End of March 2022	Change
Accounts payable-trade	85		153	-68
Accounts payable-other	66		32	33
Contract liabilities	87		97	-9
Other	51	*	164	-112
Current liabilities	290		448	-157
Noncurrent liabilities	97		84	13
Capital stock	1,483		1,483	-
Capital surplus	1,453		1,453	-
Retained earnings	-792		-626	-166
Other	132		131	0
Net assets	2,276		2,442	-165
Liabilities and net assets	2,664		2,974	-310

*Includes asset retirement obligation arising from the headquarters relocation and consolidation.
(79 million yen as at the end of March 2022)

Progress Toward Full-Year Earnings Forecasts (Consolidated)

(Million yen)

	Full-year earnings forecast	Q2 result	Progress (%)
Sales	2,152	781	36.3
Operating profit (loss)	5	-172	—
Ordinary profit (loss)	5	-163	—
Net profit (loss)	3	-166	—

Trends and Initiatives by Segment and Product Area

Ubiquitous AI

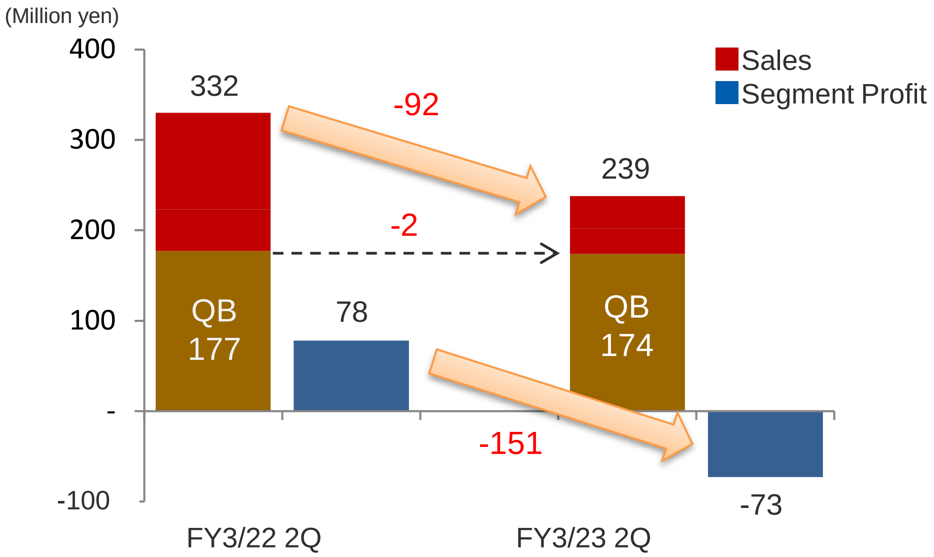
Software Product Business
Related

Summary of FY3/23 Q2

- Royalty sales from existing Japanese/international customers of in-vehicle devices and international consumer products is recorded
- Large and medium-sized development projects are in progress with some companies, mainly for in-vehicle devices such as car navigation systems

Business Direction

- Sales expansion for in-vehicle devices other than in-vehicle information terminals
- Expand sales in international markets and promote necessary platform support
- Expand sales by promoting the application of fast boot-up technology to zero standby power in electronic devices and as a means of achieving carbon neutrality



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

Software Products Business

Connectivity, security & OS related

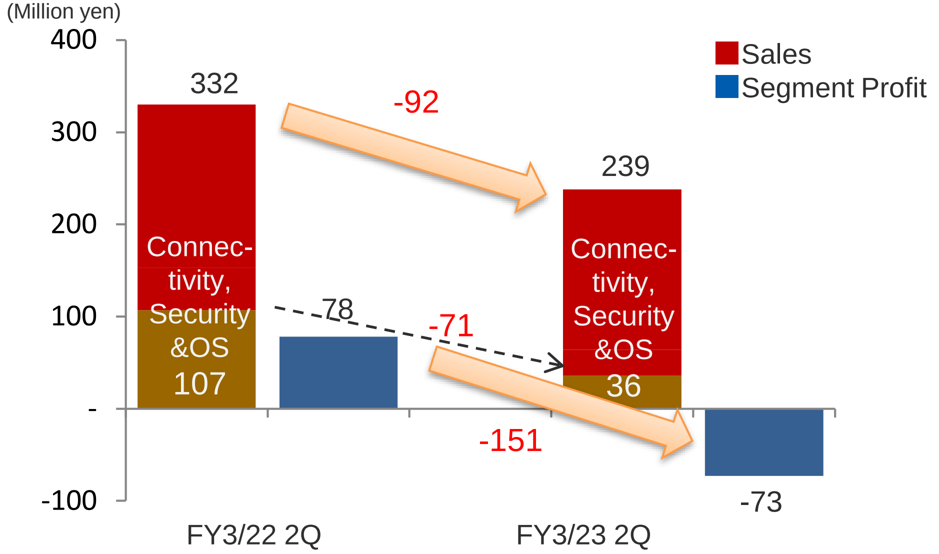
Ubiquitous RTOS IoT Enabler
TOPPERS-Pro
Ubiquitous HDCP
Ubiquitous Securus
EdgeTrust

Summary of FY3/23 Q2

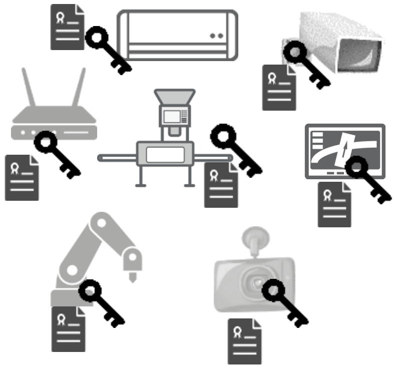
- In Connectivity and Security Products, we recorded lump-sum sales at the time of contract from existing customers related to in-vehicle devices
- In Real-time OS-related products, we recorded lump-sum sales at the time of contract from new customers related to medical devices

Business Direction

- Promoting sales expansion of "Ubiquitous RTOS IoT Enabler," a software package that shortens the development period of IoT devices
- Appealing for the realization of a carbon-neutral society by achieving power saving, which is the superiority of real-time OSs
- Appealing the value of security products and expanding sales in response to growing concerns about security vulnerabilities in IoT devices
- Strengthen development and sales promotion of security products necessary for playback of premium content in cabin entertainment with the spread of autonomous driving
- Research and development with a view to the spread of next-generation Internet communications and security standards



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



Software Product Business

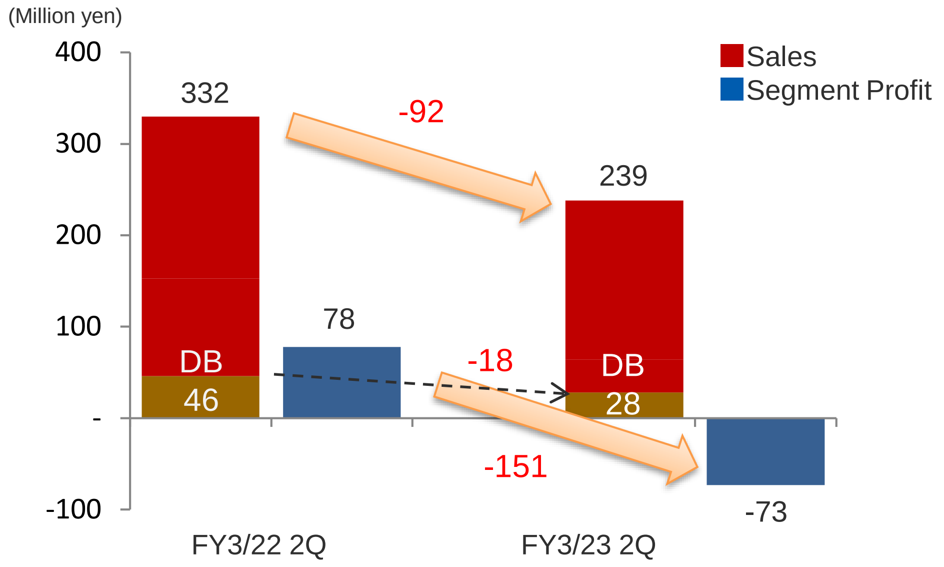
Database Related

Summary of FY3/23 Q2

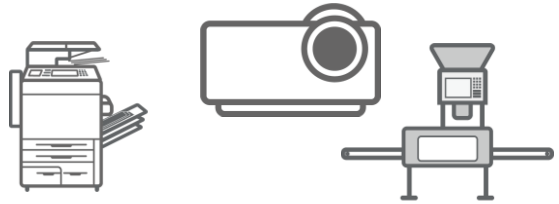
- We recorded royalty sales from existing customers of industrial equipment

Business Direction

- Securing stable earnings by supporting existing customers
- Expand sales for in-vehicle devices, office automation equipment, inspection equipment, industrial equipment, etc.



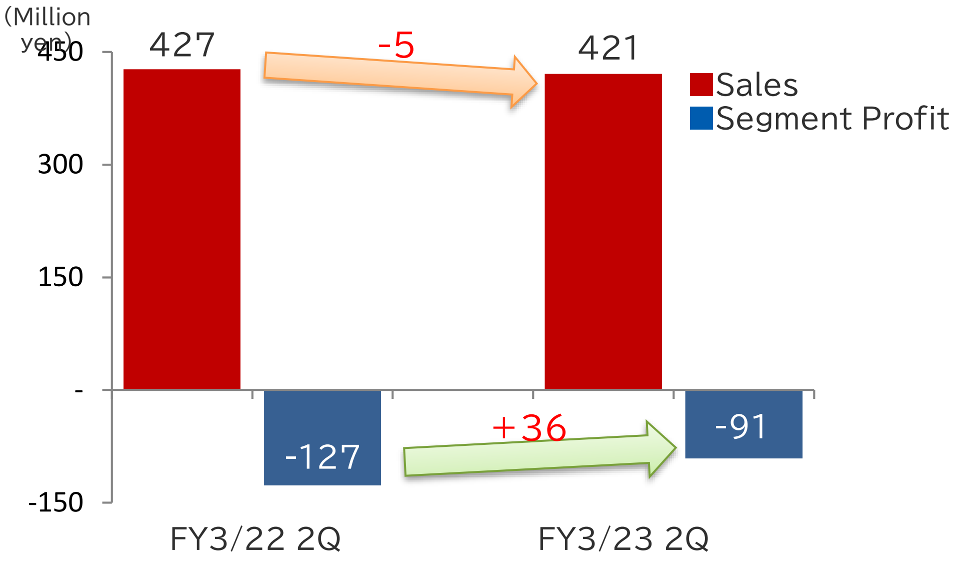
(Note) The graph shows sales and profit in the entire software product
business and sales only related to the database area.



Software Distribution Business

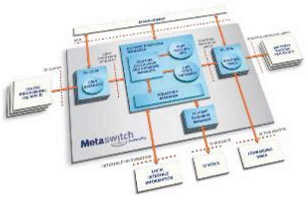
Summary of FY3/23 Q2

- Licensed and royalty sales were recorded for the InsydeH2O(R)*1 BIOS product, the Blue SDK*2 wireless product, the CodeSonar*3 software quality improvement support tool product, the carrier-grade product ConfD*4, and the security product HE-CRYPTO*5.
- Recorded sales from new and existing customers, mainly sales related to software quality improvement tools and IoT security verification tools & services.



Business Direction

- Provision of verification tools, services and expansion of supported applications in response to the demand for cybersecurity measures
- Acquisition and sales of tools in security products that realize automation, efficiency, and high quality of large-scale software development
- Strengthen profitability by providing high-value-added consulting services and support
- Strengthen acquisition and sales of products in anticipation of accelerating the computerization of parts due to the spread of EVs



*1 InsydeH2O®: C-based BIOS implementing the EFI/UEFI specification
*2 Blue SDK : Bluetooth Protocol Stack
*3 CodeSonar : Static Analysis tools that detect software defects
*4 ConfD : On-Device Network Equipment Management Software
*5 HE-CRYPTO : Embedded Cryptographic Library

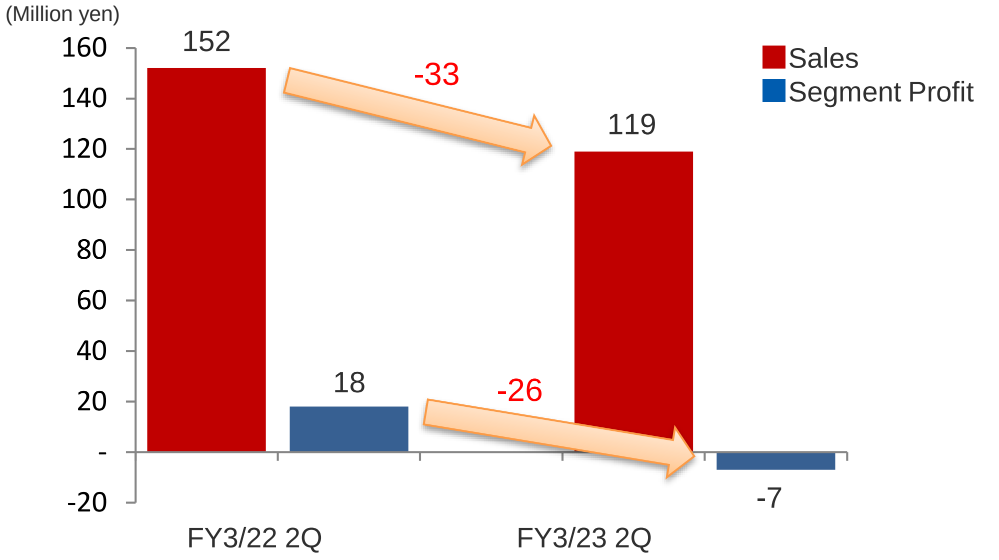
Software service business

Summary of FY3/23 Q2

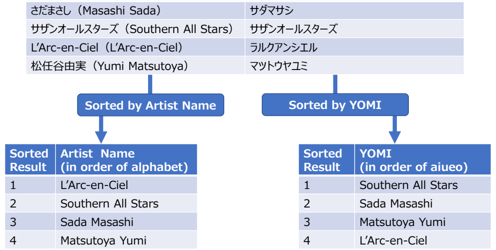
- Recorded sales of various contract development from existing customers
- Recorded license royalties for the “YOMI” data content, mainly for in-vehicle devices.

Business Direction

- Continuous securing of existing revenue through close collaboration with Gracenote Inc. (US) and new initiatives through collaboration proposals
- In addition to existing customers and partner projects, we will realize sales synergies throughout the group centered on engineering service projects related to the group's products and customers.



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



Artist Name	YOMI（Katakana notation）
さだまさし（Masashi Sada）	サダマサシ
サザンオールスターズ（Southern All Stars）	サザンオールスターズ
L’Arc-en-Ciel（L’Arc-en-Ciel）	ラルクアンシエル
松任谷由実（Yumi Matsutoya）	マツトウヤユミ

Sorted by Artist Name

Sorted Result	Artist Name (in order of alphabet)
1	L’Arc-en-Ciel
2	Southern All Stars
3	Sada Masashi
4	Matsutoya Yumi

Sorted by YOMI

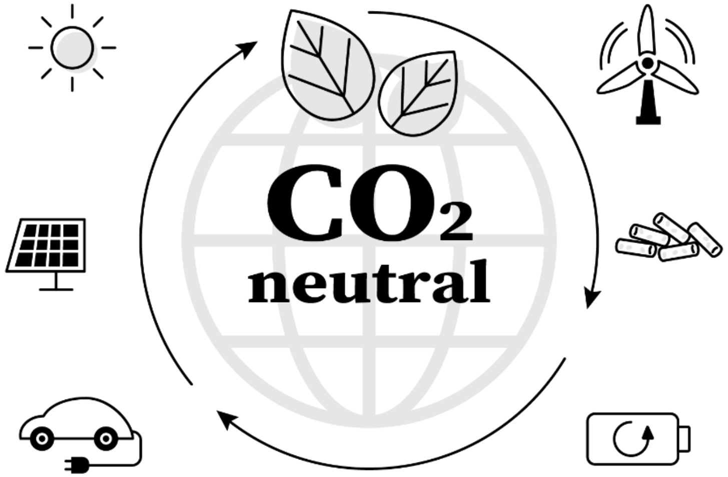
Sorted Result	YOMI (in order of aiueo)
1	Southern All Stars
2	Sada Masashi
3	Matsutoya Yumi
4	L’Arc-en-Ciel

Focus Theme: Contributing to Carbon Neutrality

In IoT devices, which are expected to be in use in 30 to 40 billion units by 2030, the technologies and products we provide will reduce power consumption per unit, leading to a huge reduction in the amount of power consumption and contributing to the realization of a carbon-neutral society.

Ubiquitous QuickBoot

The problem of not being able to completely turn off equipment to reduce startup time has been solved by reducing startup time with QuickBoot, a fast startup solution that achieves zero standby power.



Ubiquitous RTOS IoT Enabler

By replacing IoT devices designed based on embedded Linux with RTOS IoT Enabler based on real-time OS, we have realized a power-saving system that operates at a resource saving.

Deeplite

DARWIN AI

By optimizing the bloated AI model, it contributes to reducing the utilization rate of CPUs and GPUs. Depending on the target, a GPU is no longer required, further reducing power consumption.

AI technology compresses communication data to reduce the amount of power generated during communication.

ATOM BEAM®

Focus theme: Enhancement of product lineup necessary for evolving automobile development

CASE（Connected, Autonomous, Shared & Services, Electric）

Supporting the evolution of the product with a wide range of software solutions

Infotainment/Information Software Development

Fast boot-up
Ubiquitous QuickBoot

Connectivity
Ubiquitous Wi-Fi SDK
Bluetooth SDK（BlueSDK）
USB Protocol Stack（HE-USB）

Hypervisor
COQOS Hypervisor SDK／SafeG

Security/Cryptographic Libraries
Ubiquitous Securus
Ubiquitous DTCP / HDCP
Ubiquitous TPM Security
Cryptographic Library（HE-CRYPTO）

Driver Monitoring
CoDriver

Storage
Ubiquitous DeviceSQL
EDC-supported file system（Reliance Nitro/FlashFX）
SD/SDIO driver

Smartphone Mirroring
Ubiquitous Miracast SDK
Mirroring SDK

Construction of in-house voice environment
Automotive noise/echo canceller （BdSound S2C-A）

Infotainment
Gracenote CDDB Porting Services
YOMI Data Content License

OTA Update
OMA-DM, LWM2M client

ECU/Control system software development

In-vehicle network/For ECUs
ISO26262 ASIL-D hypervisor for automotive integrated ECUs（COQOS Micro SDK）
Cryptographic Library（HE-CRYPTO）
TLS（Ubiquitious TLS、HE-TLS）
IPSec（HE-IPSec）

Quality Improvement Support / Development Support Tools
Runtime Error Static Detection Tool（CodeSonar）
Software Composition Analysis（CodeSentry）
ECU timing verification（chronSUITE）
Coverage measurement（Testwell CTC++）
ECU Development Simulation Tool（GSIL）
ECU variable management system, middleware (Visu-IT!)
Vulnerability and Security Verification Framework（beSTORM）

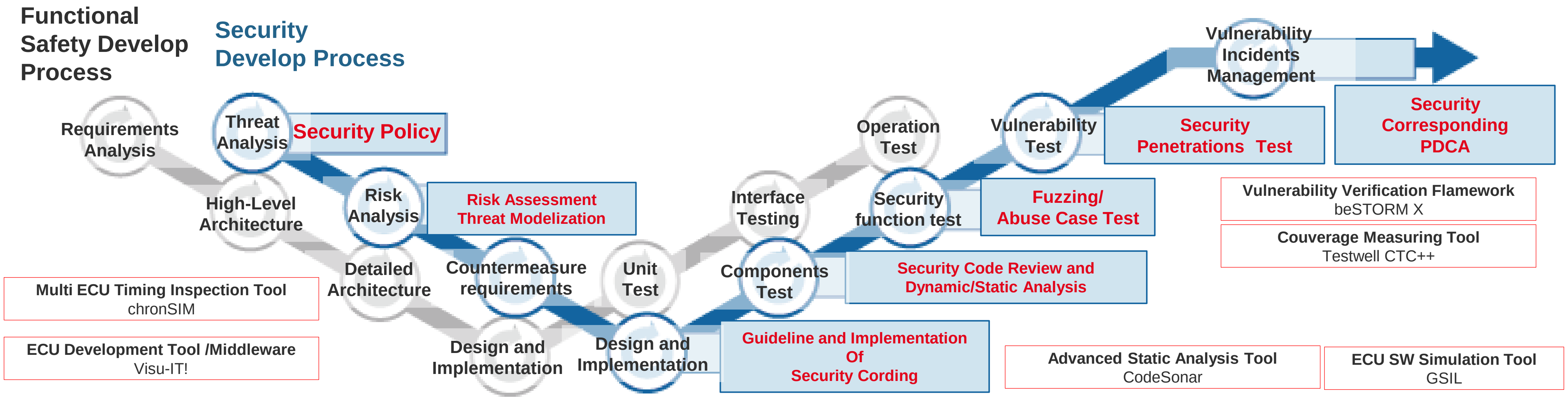
Ubiquitous AI

Focus Theme: Responding to IoT Security Demand

Security solutions covering the entire product development process for cybersecurity solve current and future challenges

- Code Analysis and Quality Improvement Tools
- Vulnerability Verification Tools and Services
- ECU Development Simulation Tool
- Cryptographic Library
- Device Lifecycle Management Services

Security and quality improvement development tools for the entire design, development, and testing process



Functional Safety Develop Process

Security Develop Process

Requirements Analysis

Threat Analysis

Security Policy

High-Level Architecture

Risk Analysis

Risk Assessment
Threat Modelization

Detailed Architecture

Countermeasure requirements

Design and Implementation

Design and Implementation

Guideline and Implementation Of Security Cording

Unit Test

Components Test

Security Code Review and Dynamic/Static Analysis

Interface Testing

Security function test

Fuzzing/ Abuse Case Test

Operation Test

Vulnerability Test

Security Penetrations Test

Vulnerability Incidents Management

Security Corresponding PDCA

Multi ECU Timing Inspection Tool
chronSIM

ECU Development Tool /Middleware
Visu-IT!

Advanced Static Analysis Tool
CodeSonar

ECU SW Simulation Tool
GSIL

Vulnerability Verification Flamework
beSTORM X

Couverage Measuring Tool
Testwell CTC++

Middleware products that enhance security

Tamper resistance/Key Management /Device Certification Middleware Ubiquitous Securus, Ubiquitous DTCP/HDCP	**TPM Solutions** Ubiquitous TPM Security TPM Secure Boot	**Embedded Firewall Middleware** Floodgate Firewall **IoT data compression /**	**Embedded Security Middleware** IPsec / IKE, Cipper LIB(AES/SSL/TLS/REA/3DES) WPA/WPA,HE-NET Safety	**Service** IOT device security verification service Edge Trust

Ubiquitous AI

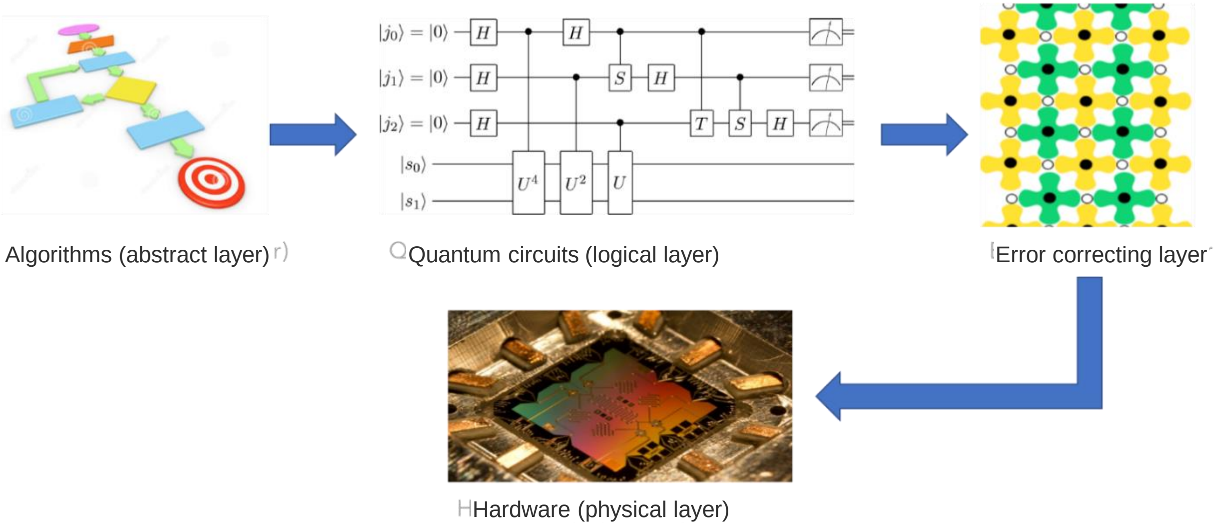
Topics

Signed distributor agreement with softwareQ (9.Aug)
Compilers and simulators for quantum computers now available.

Optimizing quantum algorithms with open-source compilers

Quantum computers have problems such as difficulty in designing, implementing, and optimizing at compile time

- staq
  Operating environment independent, environment-adapted, open-source-based tools for optimizing and compiling quantum software
- Quantum++
  Simulation tools for compiled software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$|j_1\rangle = |0\rangle$
$|j_2\rangle = |0\rangle$
$|s_0\rangle$
$|s_1\rangle$
H
S
T
U^4
U^2
U
Algorithms (abstract layer)
Quantum circuits (logical layer)
Error correcting layer
Hardware (physical layer)

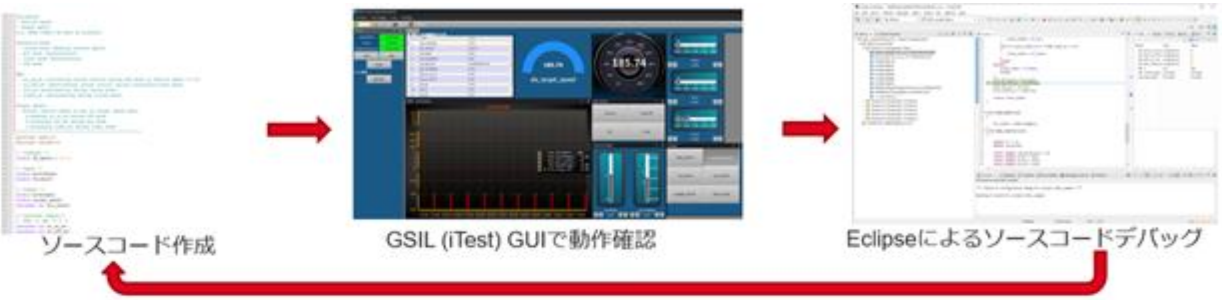
Optimized image of quantum software stack

Launched "GTrainer" , learning package for ECU Control Software (1st September 2022)

Training ECU Control Software Developers in 5 Days

■A learning package that even engineers with no experience in ECU software development can learn efficiently

- ECU control software development can be learned on a PC, no hardware environment is required
- Trained to a level where even beginners can enter the development site in about 5 days
- Learning by self-study, and there is no hassle on the part of the educator.
- Since it is an exercise format that proceeds according to the problem book,
  Learn anytime, anywhere
- Ease of debugging, a feature of GSIL
  Make the most of it and learn efficiently



8 New Companies and Organizations Endorse "HEXAGON“, Manufacturing Business Platform

A total of 24 companies and organizations support HEXAGON

8 new supporting companies and organizations

- Arsaga Partners Inc.
- FFG Venture Business Parners
- Kitakyushu Foundation for the Advancement of Industry, Science and Technology
- FUKUOKA VENTURE MARKET
- Sumitomo Mitsui Trust Bank
- Headline Asia
- IVS Inc.
- Pluszero Inc.
- HEARTBEATS Inc.

We're with HEXAGON

Manufacturing Business Platform

Agreement with Alsaga Partners to support and collaborate with startup companies in Japan (25.Oct)

Utilizing HEXAGON to provide products and services for domestic start-up companies

■Strengthening relationships with startups and venture companies

- Collaboration with Alsaga Partners, which has a track record of consulting and support for domestic startups and venture companies
- Products and services using cutting-edge technology from domestic startups and venture companies supported by Alsaga Partners is provided through HEXAGON
- Seeking new forms of partnerships and businesses

Ubiquitous AI

We're with
HEXAGON
Manufacturing Business Platform
Ubiquitous AI

Arsaga Partners, Inc.
Arsaga Studio

Collaborate with Headline Asia and IVS to support startups working on businesses for the manufacturing industry（27.Oct）

Accelerating startup growth by providing sales opportunities through HEXAGON

■Headline Asia and IVS which Executive-only conference “IVS” operate begin collaboration

- By increasing opportunities to contact with companies participating in the "IVS LAUNCHPAD" pitch event for promising companies in the seed stage and startups, we will provide client companies with products and services that utilize cutting-edge technologies for a wider variety of manufacturing industries than ever before.
- Actively engage in joint development with startups

Ubiquitous AI

We're with
HEXAGON
Manufacturing Business Platform
Ubiquitous AI

Headline

IVS

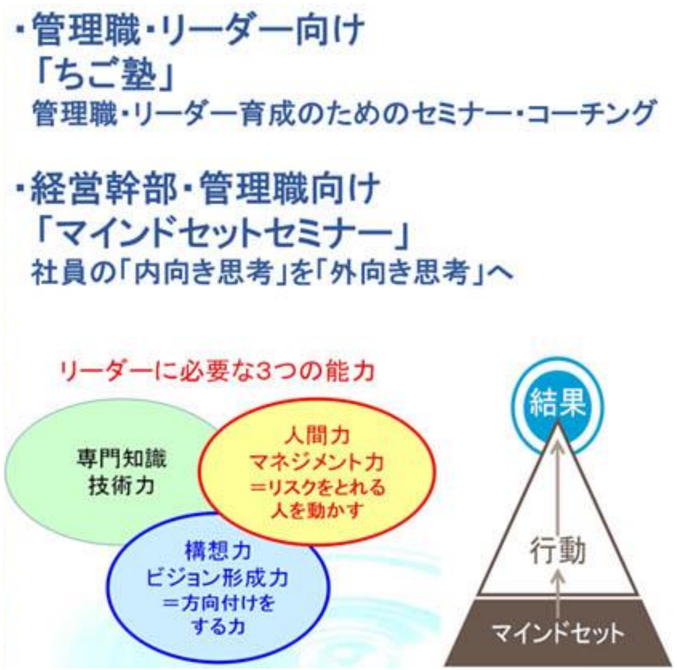
HEXAGON business platform for manufacturing
Started handling services of one new supporting company (31.Oct)

Parallel World “Chigo Juku" "Mindset Seminar"

■“Chigo Juku" for managers and leaders, "Mindset Seminar" for executives and managers

- Chigo Juku
  A one-year program for the development of managers and leaders that includes seminars and coaching. Rather than stopping at the stage of "listening to a good story," achieve steady and continuous growth

- Mindset Seminar
  Seminar programs to change employee mindset to "outward thinking" and improve organizational performance

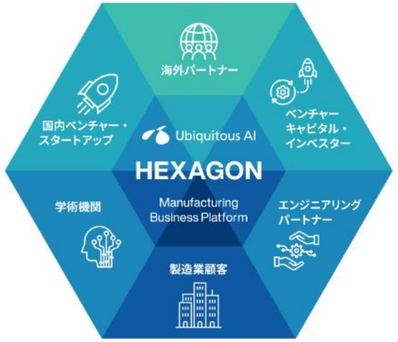


・管理職・リーダー向け
「ちご塾」
管理職・リーダー育成のためのセミナー・コーチング

・経営幹部・管理職向け
「マインドセットセミナー」
社員の「内向き思考」を「外向き思考」へ

リーダーに必要な3つの能力
専門知識
技術力
人間力
マネジメント力
=リスクをとれる
人を動かす
構想力
ビジョン形成力
=方向付けを
する力
結果
行動
マインドセット

HEXAGON Update -


海外パートナー
ベンチャーキャピタル・インベスター
エンジニアリングパートナー
製造業顧客
学術機関
国内ベンチャー・スタートアップ
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- Participating companies / organizations：**25**（as of 4th Nov 2022, during 4.5 months from HEXAGON launch on 22nd June 2022, including cooperation companies/organizations）
- Sales and business tie-ups are underway with startups introduced by venture capitalists and startup support companies
- Collaborative discussions with academic institutions are underway with a view to future endorsement and collaboration
- Start-up product and service sales begin in October (except prior to announcement)

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25
Collaborations

AIBOD AI VALUE CREATOR
+ zero
SASSOR
ACCORD VENTURES
FFG FFGベンチャービジネスパートナーズ
Future Venture Capital
Engineerforce
Smart Energy LABORATORY
Headline I V S
三井住友信託銀行 SUMITOMO MITSUI TRUST BANK
Arsaga
HEARTBEATS
bplats
Rablock Blockchain Technology
北九州市 CITY OF KITAKYUSHU
FAIS
FVM FUKUOKA VENTURE MARKET
J-Startup KYUSHU
ちど塾 株式会社パラレルワールド
Encourage Inc.
M&A Cloud
NCES
DTS INSIGHT
GRAPE SYSTEMS
metatechno

Appendix

FY 2023 Q2 Disclosure List

Date of announcement		Press release
Q2	August 9	■Signed a distributor agreement with softwareQ INC. and began offering Compilers for Quantum Computers “staq” and Simulators “Quantum++”
	September 1	■Learning Package for ECU Control Software Developers “GTrainer” goes on sale Training ECU Control Software Developers in 5 Days
Q3（Reference）	October 14	■5 new companies and organizations support HEXAGON, a business platform for the manufacturing industry A total 21 companies and organizations support HEXAGON
	October 25	■Agreement with Alsaga Partners to Support and Collaborate with Domestic Startups Utilizing "HEXAGON" to provide products and services for domestic start-up companies
	October 27	■Partnering with Headline Asia and IVS to Support Startups Working on Manufacturing Business Accelerating startup growth by providing sales opportunities through "HEXAGON"
	October 31	■ 3 new companies and organizations support HEXAGON, a business platform for the manufacturing industry A total 24 companies and organizations support HEXAGON
	October 31	■HEXAGON, a business platform for the manufacturing industry, newly starts handling services from one supporting company "Ichigo Juku" "Mindset Seminar“(Parallel World.)

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