
VISUALIZE THE FUTURE



Fiscal Year Ending March 31, 2017 First Half

Results Briefing

Digital Media Professionals Inc.

November 17, 2016

The views and forecasts that appear in these materials represent determinations made by the Company at the time the materials were created. The accuracy of the information therein is not guaranteed.

Please be aware of the possibility that actual performance and results may differ considerably due to a variety of factors.

1 Explanation of Results, Fiscal Year Ending March 31, 2017 First Half

2 Fiscal Year Ending March 2017, Full-Year Business Forecast

3 Medium-Term Management Plan and Growth Outline

4 Reference Materials

1 **Explanation of Results, Fiscal Year
Ending March 31, 2017 First Half**

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Global

- The smartphone field is decelerating, but demand for memory, automotive, and industrial equipment remains buoyant
 - 3Q (July - September) global sales at historical high of \$88.3 billion (+11.5% compared with the year-earlier period) *1
 - 0.6% annual average growth in the 2015 - 2018 period. Market size in 2018 expected at \$34.09 billion *2
- While set producers promote in-house manufacture of semiconductors (Apple, Huawei, Samsung), major semiconductor vendors are rapidly shifting to IoT and the automotive field
- China-based set producers and fabless semiconductor vendors are coming to the fore

Domestic

- After falling into negative growth in 2016, the outlook is for a moderate recovery until 2018, with a market size of ¥3,629.8 billion in 2018

(*1) Semiconductor Industry Association (SIA), release of October 3, 2016

(*2) World Semiconductor Trade Statistics (WSTS), Japan Chapter, release of June 7, 2016

Effort

Focus on order acquisition activities for IP licenses

Development of next-generation 3D graphics IP core (*1)

Selected as one of the members of IoT promoting project publicly offered by NEDO (*2)

Promotion of VF3 (successor chip) development

Result

Sales: +30% (approx.) compared with the year-earlier period

- ✓ Solid performance of running royalties from existing customers
- ✓ Income from maintenance support also contributing
- ✓ Income recognized from a publicly offered project commissioned by NEDO

Earnings: Operating loss recognized

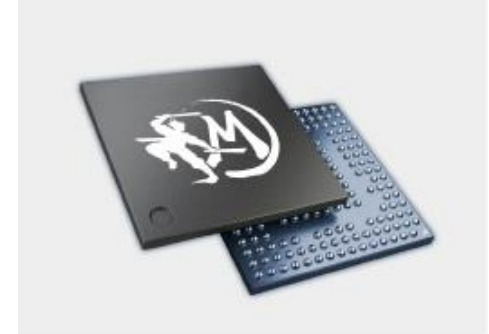
- ✓ Emergence of R&D costs for next-generation SoC

*1 Details on pages 6

*2 New Energy and Industrial Technology Development Organization

1 Started offering “M3000 series” new 3D graphics IP core (announced August 9, 2016)

- ▶ Realized small size combined with high performance
 - Roughly 6-fold gain in performance compared with prior-generation “SMAPH-S”
 - Achieved same performance as ARM GPU core using one-third of the surface area



2 Received commission for “Lateral technology development project for the promotion of IoT” of NEDO (announced July 8, 2016)

- ▶ Started development of artificial intelligence platform based on power saving AI engine and cloud able to integrate dissimilar engines (*)



3 Promotion of strategic partnerships

- ▶ Joint marketing activities with UKC Holdings in the SoC/module business and in the professional services field

(*) Details on pages 16 and 17

Fiscal Year Ending March 31, 2017 First Half Results Summary (P/L) - YoY Change

(Unit: million yen)

	1H FY ended March 2016 (Actual)	1H FY ending March 2017 (Actual)	YoY change	
			(Amount)	(Increase- decrease rate)
Net sales	147	192	45	31.0%
Operating loss	-179	-364	-185	—
Ordinary loss	-176	-376	-200	—
Quarterly net loss	-47	-366	-319	—

- ✓ Operating loss: ¥200 million in up-front R&D expenses from progress in the development of next-generation LSI to succeed VF2
- ✓ Ordinary loss: ¥11 million exchange rate loss due to sudden yen appreciation
- ✓ Net loss for the quarter: Received ¥9 million in partial internal reserves from sales proceeds from CogniVue Corporation shares divested in the previous 1H

Fiscal Year Ending March 31, 2017 First Half Results Summary (B/S) - YoY Change

(Unit: million yen)

	End of March 2016	End of September 2016	Increase- decrease amount
Current assets	1,984	1,685	-299
Non-current assets	260	253	-7
Total assets	2,244	1,938	-306
Current liabilities	226	276	50
Non-current liabilities	18	18	0
Total liabilities	245	294	50
Total net assets	1,999	1,643	-356
Total Liabilities and Net Assets	2,244	1,938	-306

✓ Equity ratio of 84.6% remains at a high level

1

Explanation of Results, Fiscal Year Ending March 31, 2017 First Half

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**Fiscal Year Ending March 2017,
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Fiscal Year Ending March 2017, Full-Year Business Forecast

(Unit: million yen)

	FY ended March 31, 2016 (Actual)	FY ending March 31, 2017 (Forecast)	YoY change	
			(Amount)	(Increase- decrease rate)
Net sales	733	1,000	267	36.3%
Operating loss	-176	-161	15	—
Ordinary loss	-193	-161	32	—
Current net loss	-64	-161	-97	—

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3 **Medium-Term Management Plan and Growth Outline**

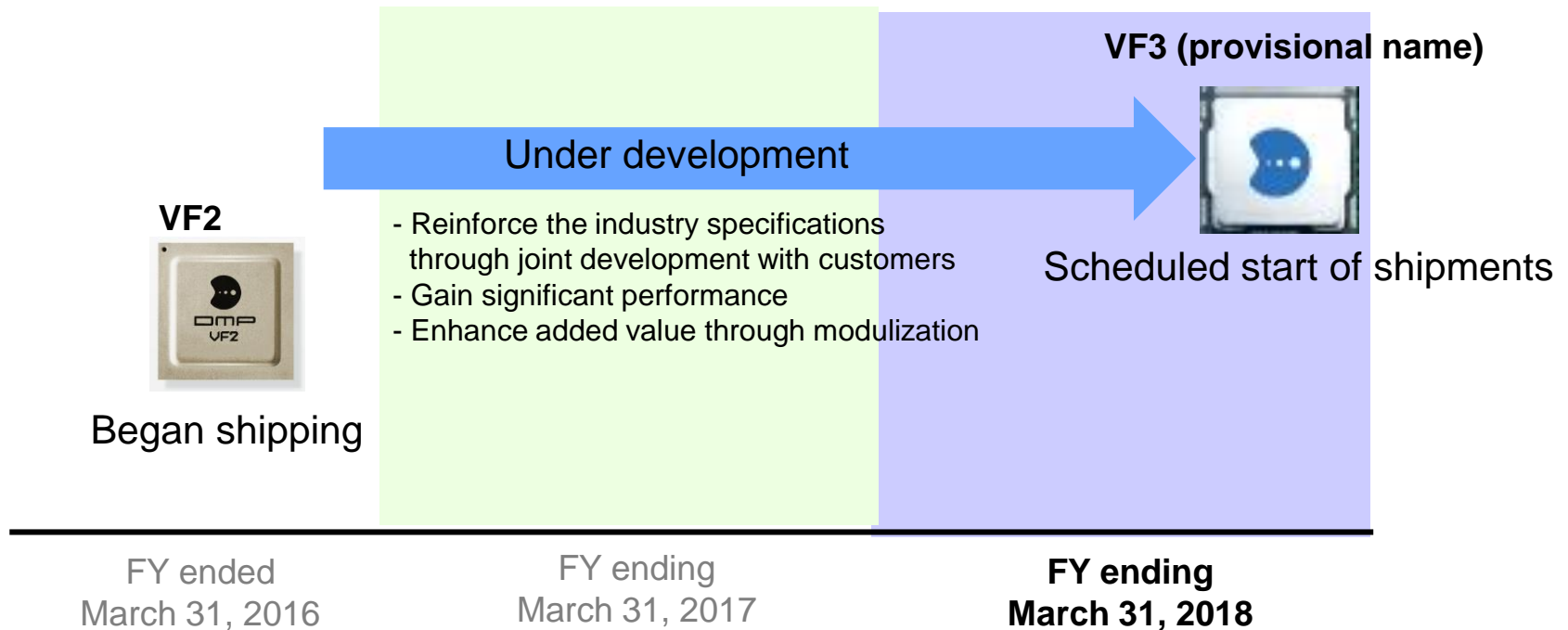
4 Reference Materials

SoC/Module Business Field

Build and expand business by developing and increasing sales of SoC

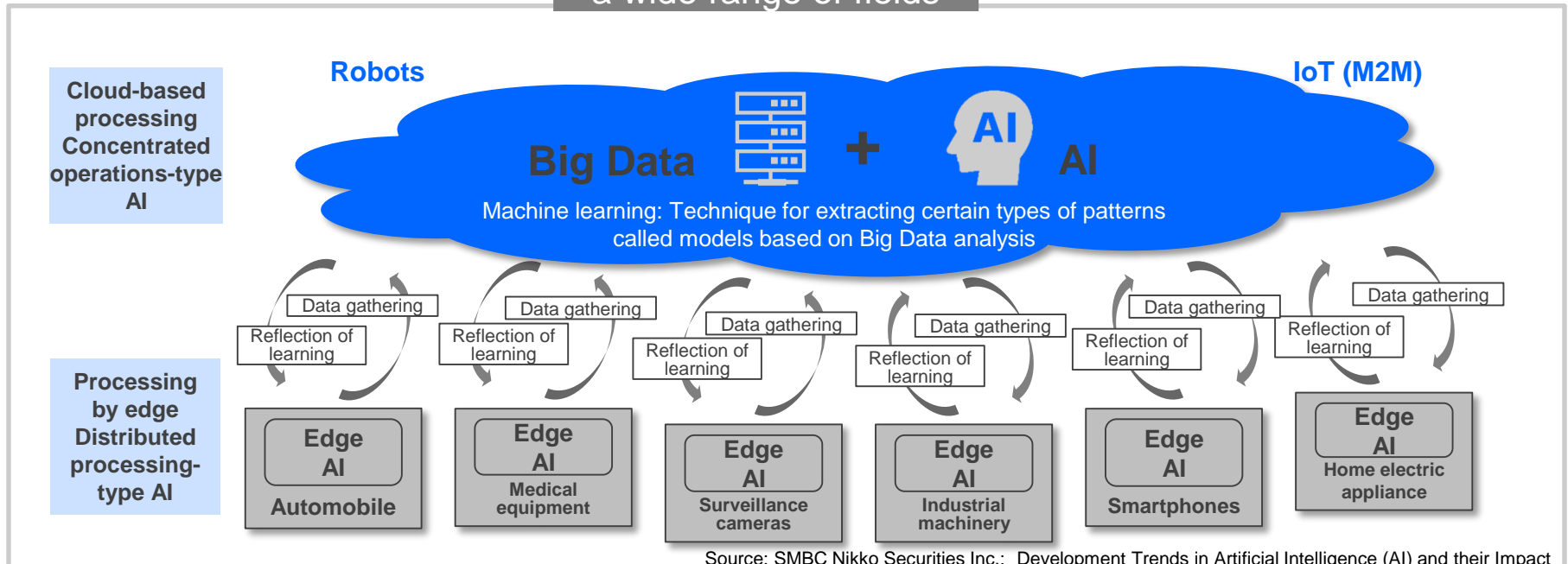
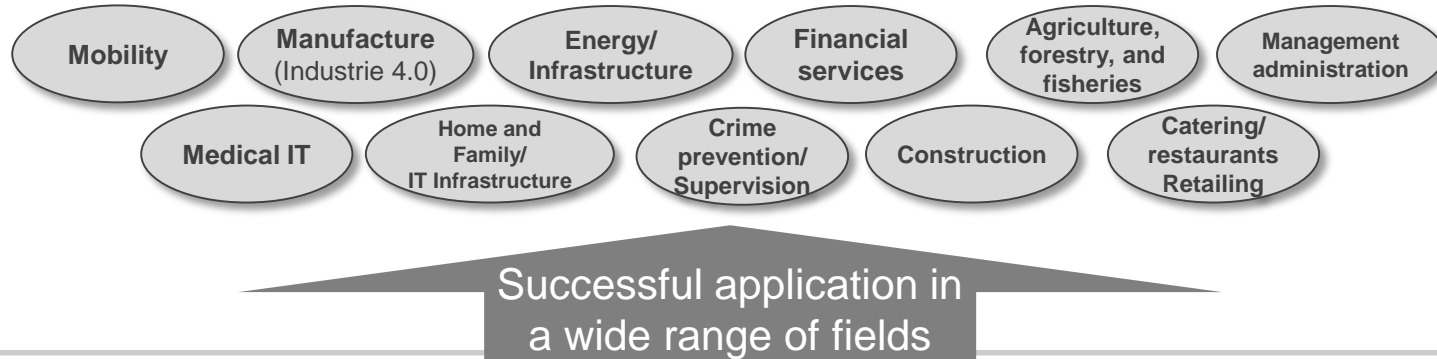
Initiation of shipments of graphics LSI “VF2”

Steady progress in client-commissioned development of successor chip “VF3”



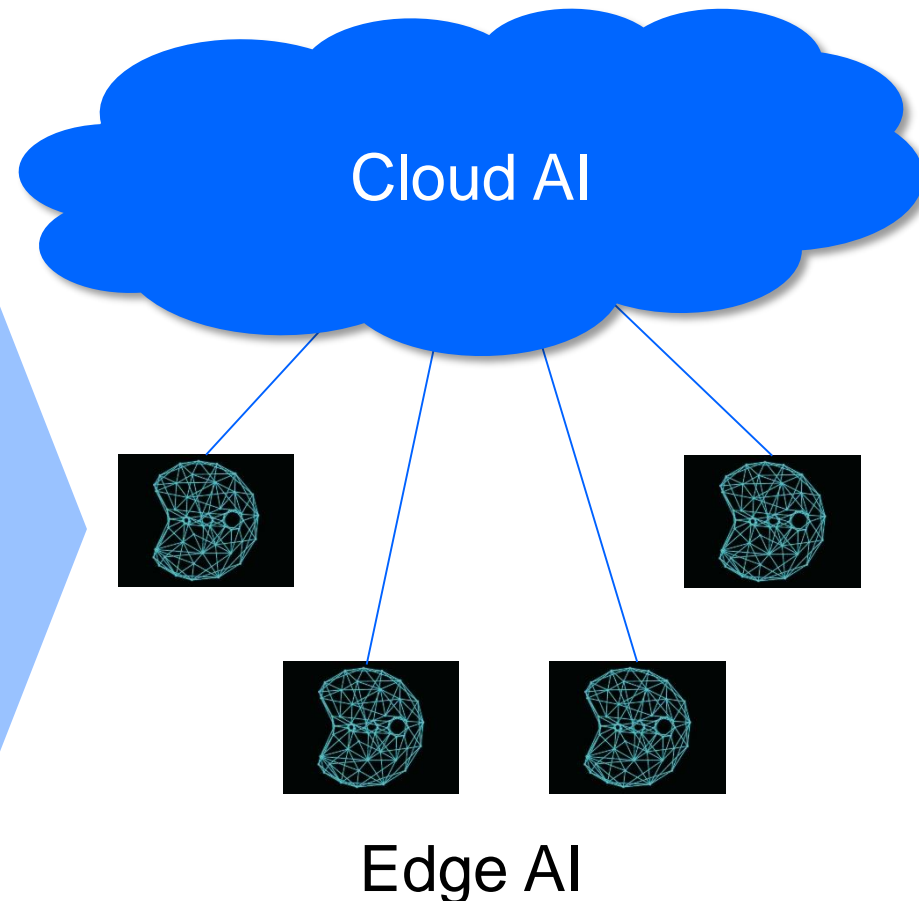
Artificial intelligence technology destined to become infrastructure in every industry

The environment surrounding artificial intelligence (AI)



Rise in distributed-type AI with AI processing on the edge

- Network zone
- Real time properties
- Privacy



DMP GPU core

Low power consumption

Fast processing

Small size
Low cost

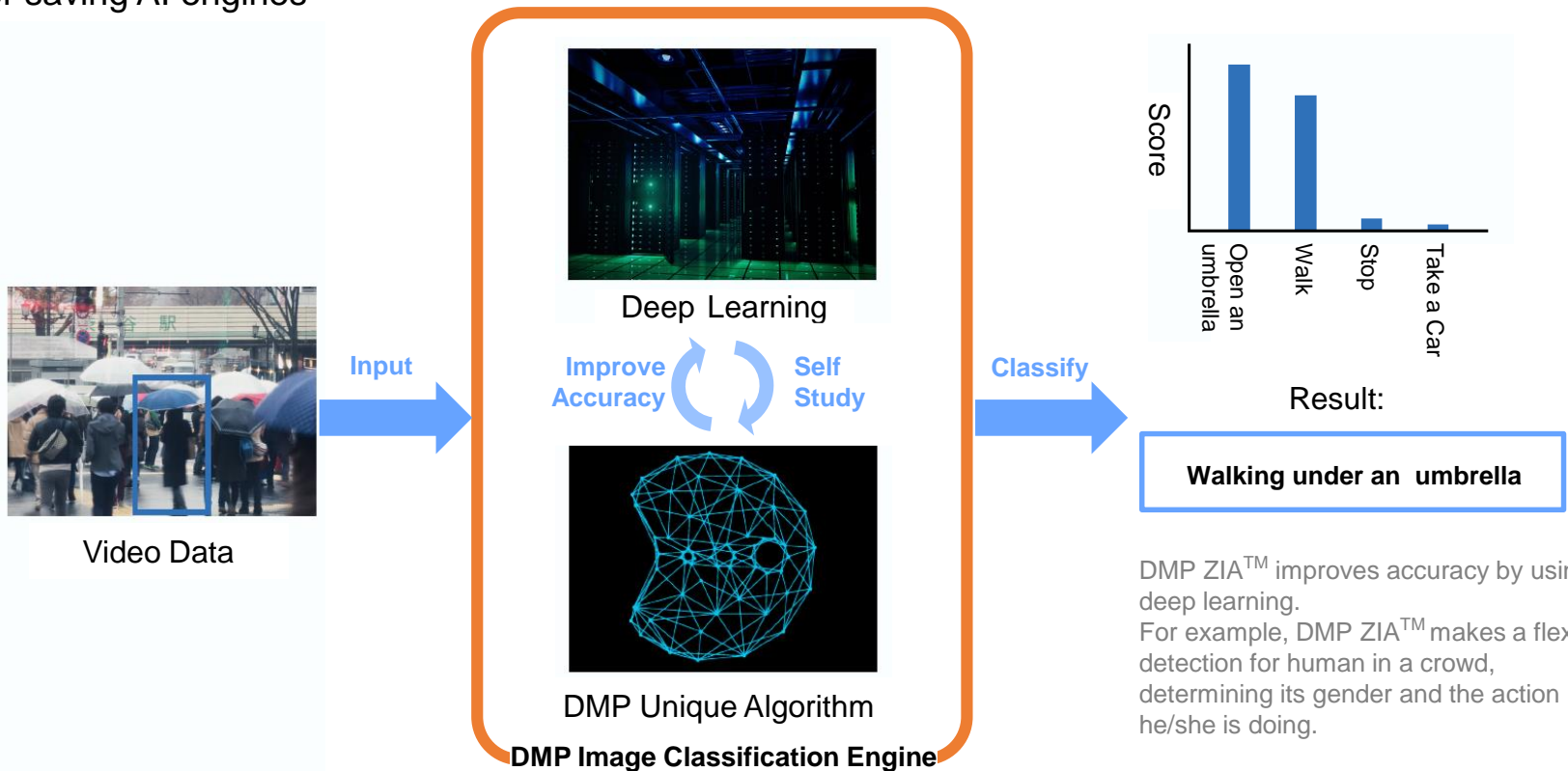
A field DMP can make most of its development technology

as one out of four companies providing GPU in the world

ZIA™ Z Intelligent Accelerator

DMP starts offering AI driven platform ZIA™ (November 7, 2016)

- As the first stage, sales launch of Deep Learning-type DMP image classification engine (see pictures below)
- Going forward, DMP plans to successively release hardware products with integrated AI related software and power saving AI engines





Started development of artificial intelligence platform based on power saving AI engine and cloud able to integrate dissimilar engines

Amount awarded DMP under the contract (total amount):
¥475 million

Duration of the commission: June 2016 - March 2019

Project outline

- **Development of a power saving AI engine** which enables AI algorithms to process 10 times more efficient than predecessors did
- Development of an AI platform for integrating dissimilar engines on the cloud side



Accelerate DMP AI Business



Lateral technology development project for the promotion of IoT

(Fiscal year 2016 to fiscal year 2020)

Development of AI platform based on a power saving AI engine and a cloud integrating dissimilar engines

Commission

Development of an edge-based AI platform



Development of a power saving AI processor

Sub-contracting

TOSHIBA
Package mounting technology



Development of design and mounting tools

Development of a cloud-based AI platform

National Institute of Advanced Industrial Science and Technology (AIST)



Cloud integrating dissimilar engines
System software



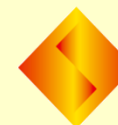
Architecture for the integration of dissimilar engines

Advisory companies

DENSO

SECOM

Canon



Sony Interactive Entertainment

and more

Entry into the next added-value and growth market

Expansion into phase 2 and the growing AI field

Establishment of a SoC business platform in the amusement market where we can win

Expansion of the SoC/module business




Development of software and hardware products for AI applications centered on the ZIA platform







Phase 1

Phase 2

Phase 3

-  Development of SoC: Develop products in fields where we can "win"
-  Expand IP portfolio: Enter image processing field
-  Launch professional services

-  Increased added value through the provision of modules
-  Expansion of the IP portfolio: Power saving AI processor IP
-  AI related professional services / software products

-  LSI products for AI applications

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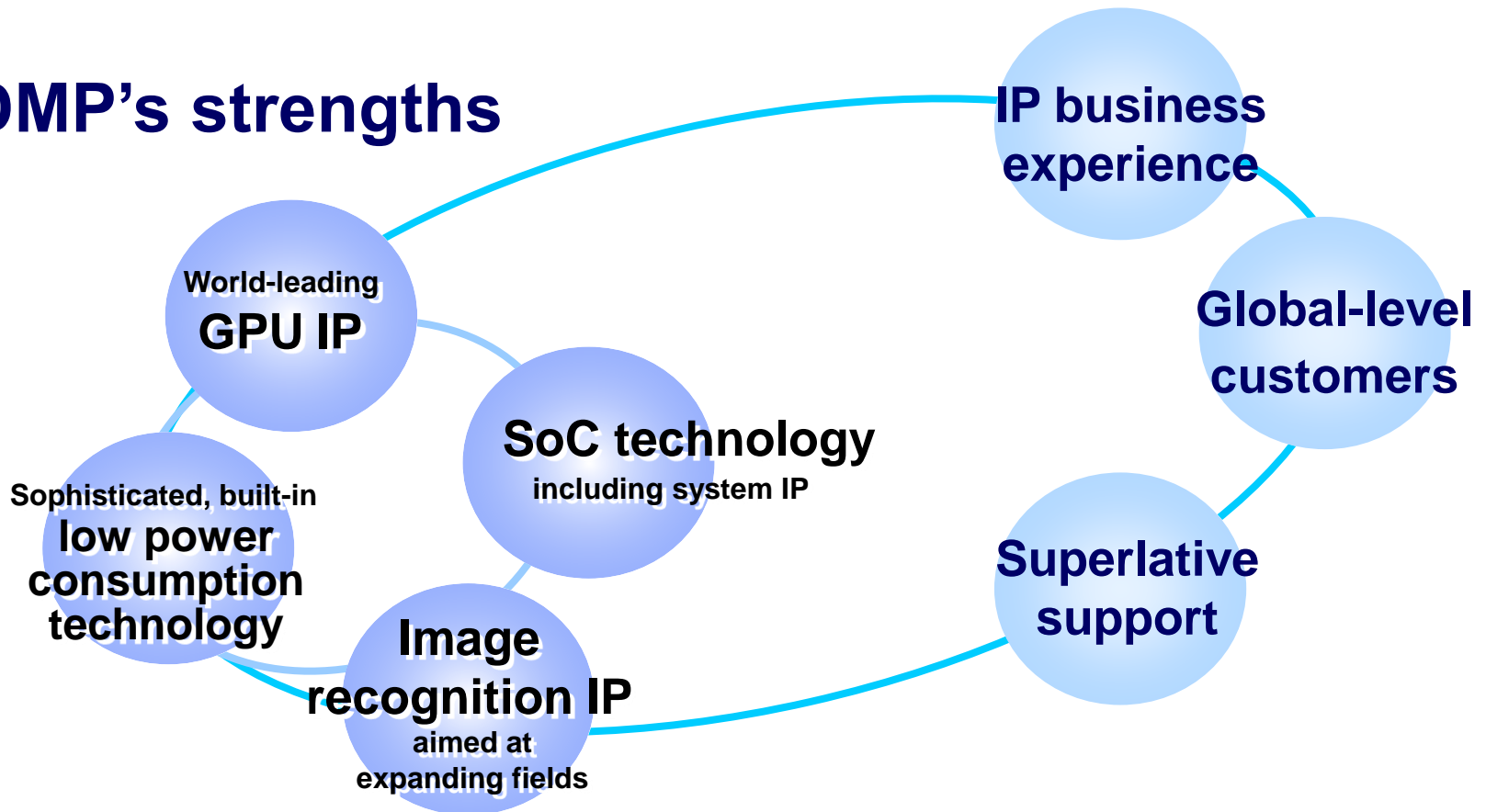
**Become a one-stop solutions provider in the
visual computing* field**

***Visual computing:**

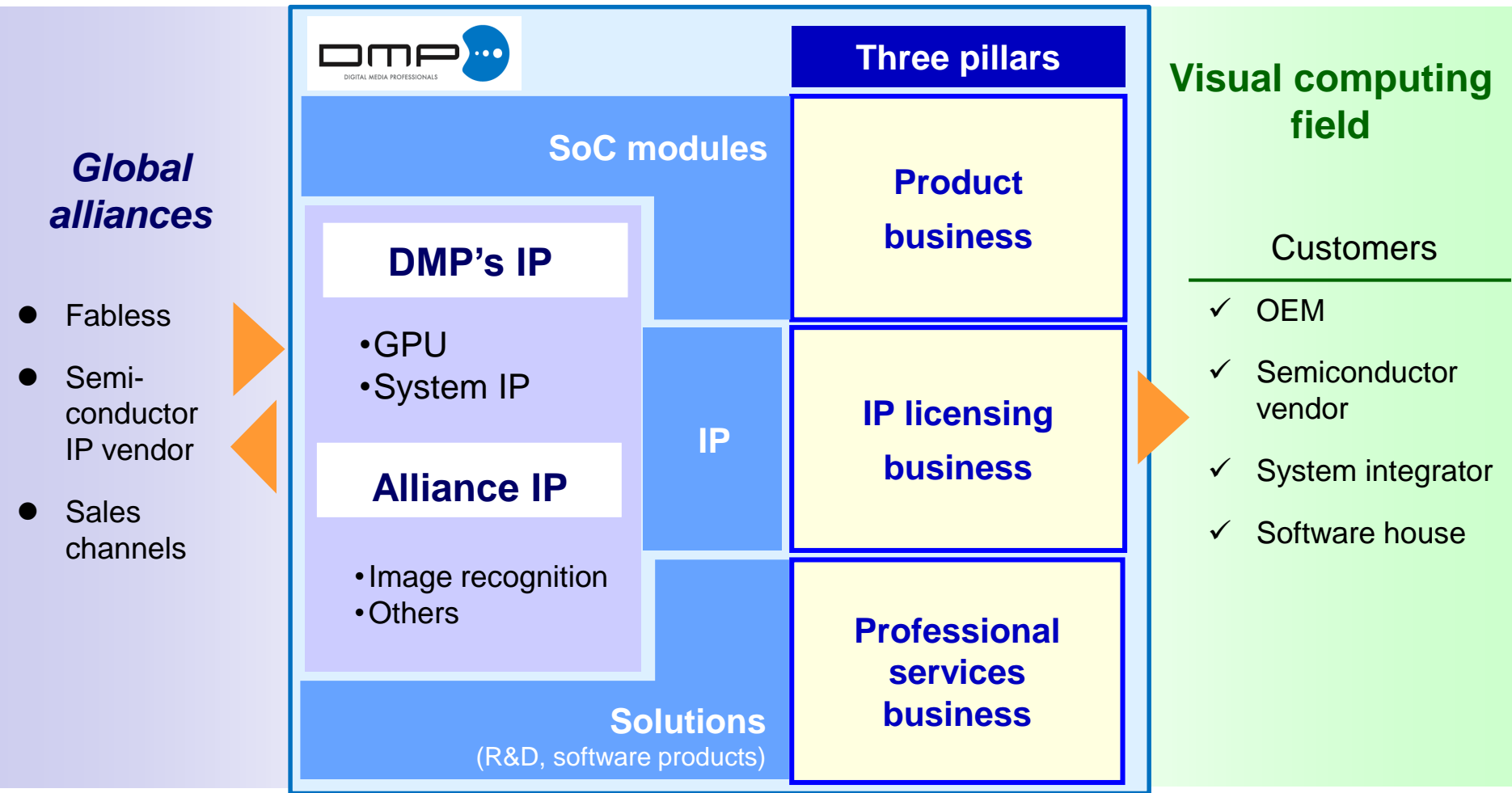
General term for computer processing via graphics and images

Core technologies and business experience in semiconductors that produce high added value for DMP

DMP's strengths



Offering unique products, licenses, and services with a distinctive IP portfolio



Build foundation for growth with “three pillars” that can make the most of DMP's strengths

Product business

Provide competitive SoC and solutions that the make most of DMP IP

- Make the most of strengths to start business in “fields we can win”
- Expand size of business by providing SoC/modules

IP licensing business

Create new business in growth fields

- Focus on visual computing field
- Expand portfolio, strengthen proposal-making ability

Professional services business

Offer superior technological capabilities and make essential to developing new fields

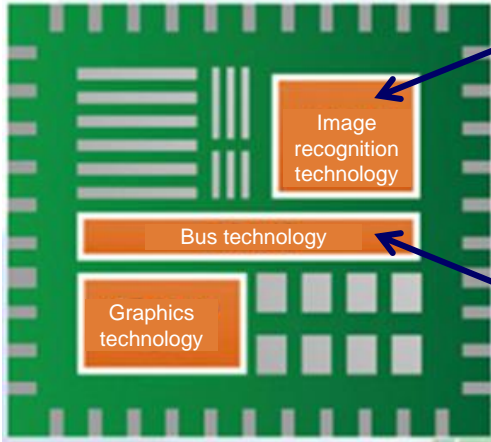
- Build up high value-added services using GPU/vision technologies (in-house/external) as base
- Strengthen R&D

Systems and corporate

Strengthen management resources through alliances

(Partners for commercial distribution, semiconductor development and outside IP adoption)

Offer IP on industry's cutting edge with demonstrable low power consumption and high performance



Next-generation image recognition processor IP under development

- High-performance, low-power consumption processor for Computer Vision use
- Preparing algorithm library that includes ability to detect persons, face recognition, and gesture recognition

Loputo System Series

SoC Interconnect IP

- Supported bus protocols: AMBA AXI, OCP, ACE I/F support
- Support for low latency, QoS thanks to multilayered configuration

DDR Memory Controller IP

- DDR 1/2/3/4, LPDDR 1/2/3 support
- SoC interfaces: AXI, OCP/ • DDR PHY interface (DFI)

ant Series

UI Drawing Engine IP Core

- World's smallest core at 0.5 x 0.5 mm
- Low power consumption, high rendering performance, distortion correction



SMAPH Series

3D Graphics IP Core

- Latest Khronos standard: OpenGL ES 3.0 compatible
- DMP's unique advanced feature MAESTRO



2D Graphics IP Core

- Latest Khronos standard: OpenVG1.1 compatible
- High-speed rendering of such vector graphic content as fonts, maps, and icons with industry's smallest IP core size



Focus on visual computing market bound for growth



Games



User interfaces



Image recognition



Automobile driving assistance



Connected home



Mobile vision



Wearable computing



Security



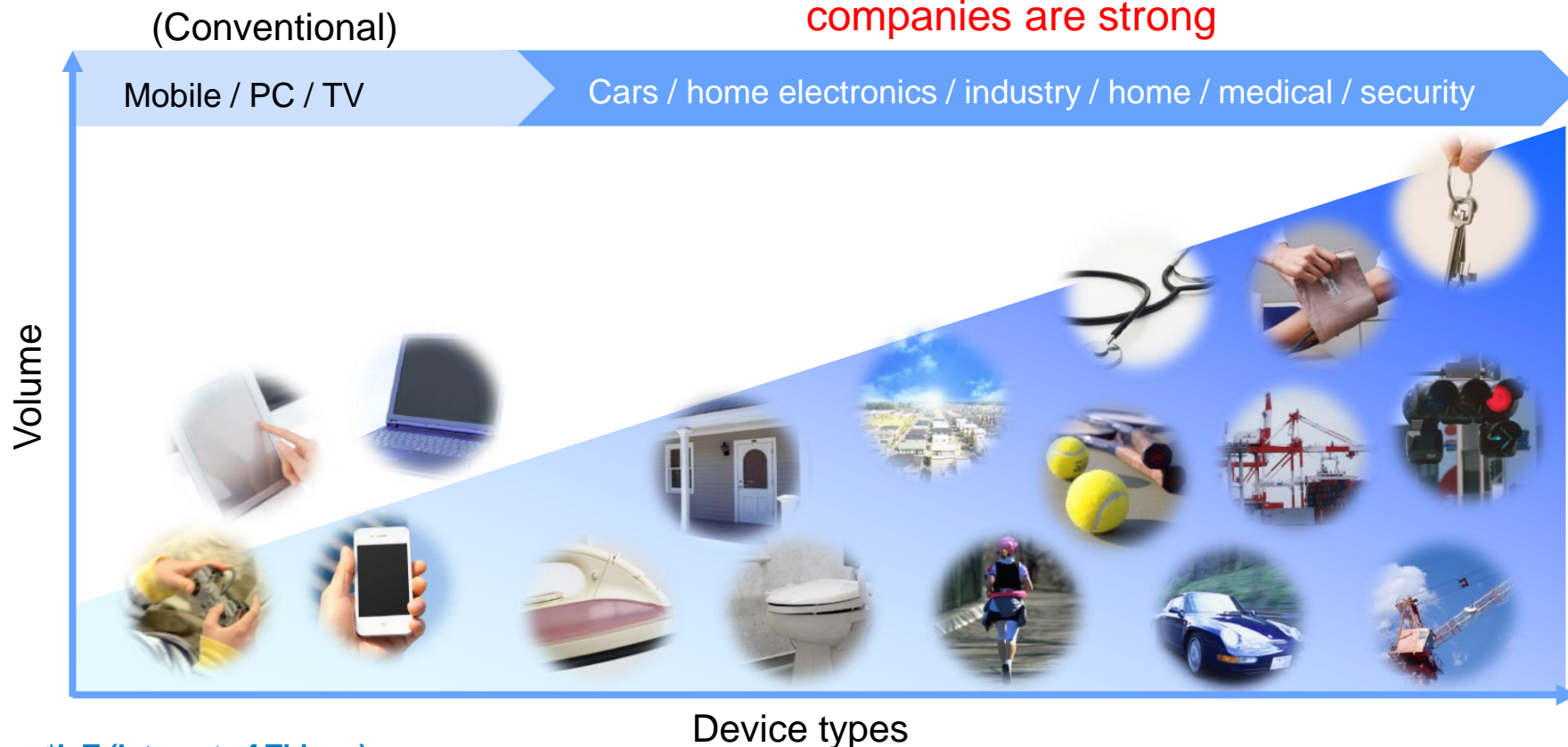
Robots/FA



Medical

Semiconductor Market Prospects

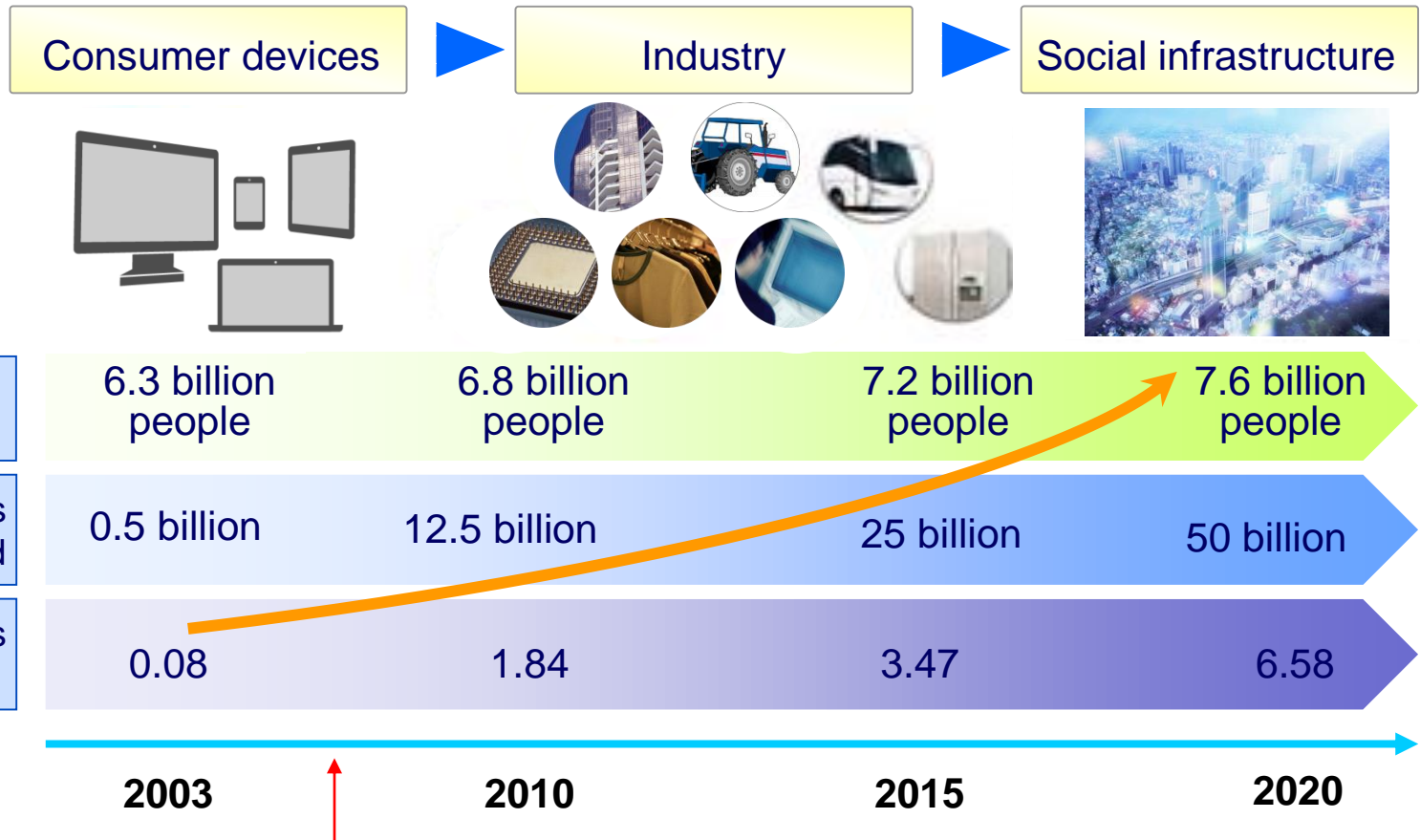
IoT(*) → Growth in fields where Japanese companies are strong



***IoT (Internet of Things):**

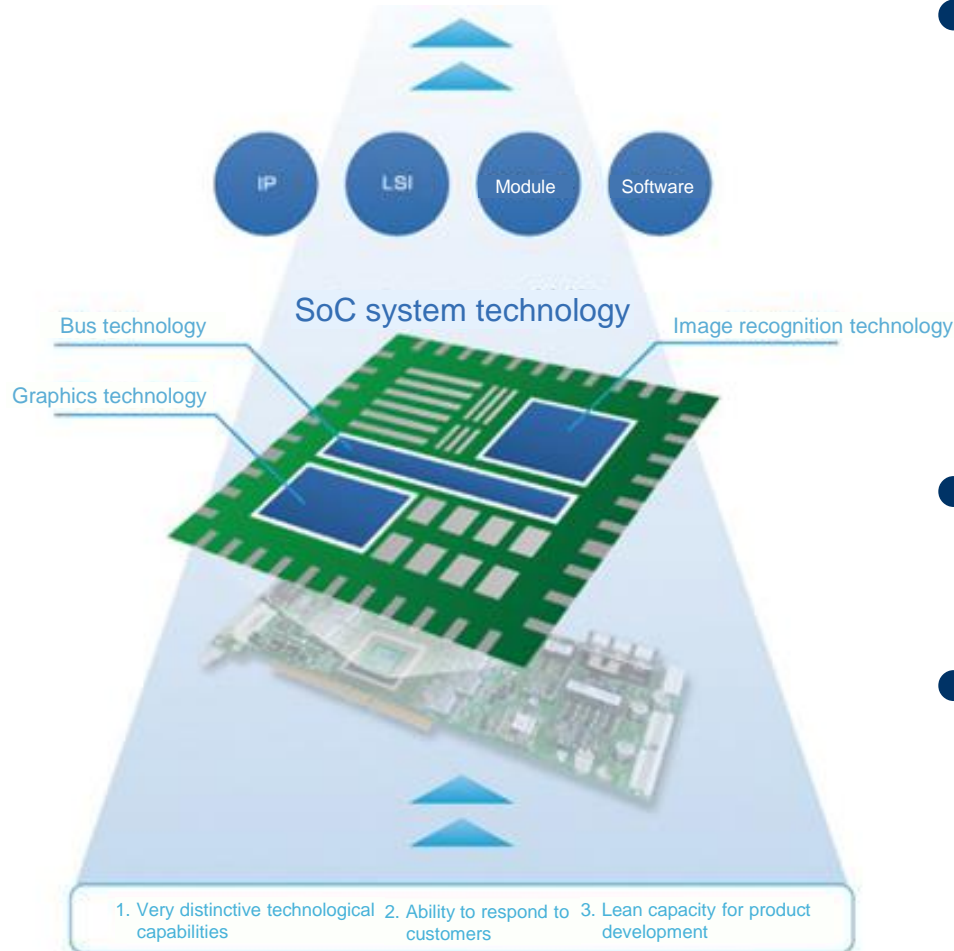
The idea of being able to provide connectivity to a variety of devices and the like used in daily life—going beyond such information technology devices as PCs, smartphones, tablets, and game equipment—and then connect them to the internet as well as perform tasks such as automatic recognition, automatic control, remote monitoring, etc. by communicating with them interactively.

Arrival of IoT (Source: Cisco IBSG.2011)



The number of devices connected to the internet exceeds the world population

Visual Computing Field



● High value-added IP core

- Advanced processor IP (GPGPU/image recognition) that enables heterogeneous processing environment
- System IP that achieves top-rank system performance in terms of low power consumption
- Collection of software tools optimized for drawing out IP performance

● SoC/modules differentiated by DMP IP

● Professional services

- Algorithms
- Benchmarking, optimization
- Application development
- Inspection

Phase 1

- Development of SoC:
Develop products in fields where we can “win”
- Expand IP portfolio:
Enter image processing field
- Launch professional services

Phase 2

- Provide one-stop solutions
- Expand IP portfolio:
IoT-related service business

