

---

VISUALIZE THE FUTURE

---



**Fiscal Year Ending March 31, 2018 First Half**

# Results Briefing

Digital Media Professionals Inc.

November 17, 2017

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, 2018 Second Quarter**

**2**

**Fiscal Year Ending March 2018,  
Full-Year Business Forecast**

**3**

**Proposition for Future Growth**

**1**

**Explanation of Results, Fiscal Year  
Ending March 31, 2018 Second Quarter**

**2**

**Fiscal Year Ending March 2018,  
Full-Year Business Forecast**

**3**

**Proposition for Future Growth**

## Semiconductor Industry


- The size of the semiconductor market in 2017 is forecast to surge 19.7% from the year earlier to US\$ 411.1 billion (Gartner)
- Demand has been driven by new iPhone products and orders from Chinese smartphone manufacturers, with semiconductor supply tightening centered on memory
- Trade inquiries for automotive semiconductor applications are on the rise as the number of car models equipped with driving support systems increases
- The miniaturization of leading-edge semiconductor products continues. TSMC and Samsung are planning for volume production of 7nm chips beginning in 2018

## AI / Visual Computing Field

- Smartphones and edge devices are seeing the inception of AI accelerator applications
- With the arrival of new AI related applications, semiconductor demand will increase for sensors, AI accelerators, and networks, while data centers and servers will also see further upgrades
- AI will revolutionize production sites, in semiconductors and elsewhere (Industry 4.0)

## Successful return to black figures due to significantly higher sales at IP licensing and professional service operations

### LSI product operations moving to the volume production phase

- **IP licensing operations** (sales increased ¥106 million compared with the year-earlier period)
    - Increased running royalties from existing customers in game machines and digital cameras, etc.
    - Licensing of the new GPU IP core "K3000" to new and existing customers
  - **Professional services operations** (sales increased ¥135 million compared with the year-earlier period)
    - Growth in commissioned projects from automotive equipment manufacturers centering on AI applications
    - Additional new order receipts relating to commissions for the acceleration of NEDO "Development commissions for power-saving AI engines"
-  For details see page 12
- **LSI products operations** (sales increased ¥9 million compared with the year-earlier period)
    - Completion of the development of next-generation graphics processing LSI "RS1" (final cost recognized on accounts)
    - New order receipts for volume production

## Licensing start of "ZIA DV700" AI processor IP

- ▶ Processor IP for Deep Learning inference process specialized processor with ultra low power consumption



## Start of sample product (ES) shipments of the "RS1" next-generation graphics processor developed jointly with BANDAI NAMCO for game machines





## "ZIA Classifier" adopted for the drive recorder AI service provided by Sumitomo Mitsui Auto Service Company, Limited, the top auto leasing company in Japan



Approximately 90%\* of traffic accidents are due to human error such as inattentive driving and driving while engaged in other activities

\* According to research conducted by Sumitomo Mitsui Auto Service

In the auto leasing industry the first **application of AI technology to video analysis**



Performs automatic drive-recorder video analysis to identify the specific driving behavior (causative behavior) that leads to dangerous driving, combined with an external camera video (behavior result) analysis and report



**Promotion of effective analyses using AI technology**



AI controlled analysis of drive recorder video footage of the car interior identifies dangerous behavior such as talking on a mobile phone while driving



人とクルマを笑顔でつなぐ  
住友三井オートサービス

# Fiscal Year Ending March 31, 2018 Second Quarter Results Summary (P/L) - YoY Change



(Unit: million yen)

	FY 03/2017 2Q	FY 03/2018 2Q	YoY change	
			(Amount)	(Increase-decrease rate)
<b>Net sales</b>	192	<b>442</b>	250	129.4%
<b>Operating income</b>	-364	<b>18</b>	382	-
<b>Ordinary income</b>	-376	<b>19</b>	395	-
<b>Net income</b>	-366	<b>19</b>	385	-

✓ Development cost of RS1 reduced by ¥100 million compared with the year-earlier period



# Fiscal Year Ending March 31, 2018 Second Quarter Results Summary (B/S) - YoY Change

(Unit: million yen)

	End of March 2017	End of September 2017	Increase-decrease amount
Current assets	1,668	1,499	-169
Non-current assets	112	298	186
<b>Total assets</b>	<b>1,780</b>	<b>1,798</b>	<b>18</b>
Current liabilities	91	54	-37
Non-current liabilities	18	18	0
<b>Total liabilities</b>	<b>110</b>	<b>72</b>	<b>-38</b>
<b>Total net assets</b>	<b>1,670</b>	<b>1,725</b>	<b>55</b>
<b>Total liabilities and net assets</b>	<b>1,780</b>	<b>1,798</b>	<b>18</b>

✓ Equity ratio of 95.8% remains at a high level

1

Explanation of Results, Fiscal Year Ending March 31, 2018 Second Quarter

2

**Fiscal Year Ending March 2018,  
Full-Year Business Forecast**

3

Proposition for Future Growth

**Further diversification of revenue sources and opportunities by strengthening existing businesses and engaging in AI related business activities**

- Volume production of next-generation LSI graphics processor "RS1"
- Promotion of "DV700" AI processor IP licensing
  - Applications such as cameras, office machines, factory automation, and automobiles
- Enhancement of ZIA platform product line-up and provision of solutions through alliances with partner companies
- Acceleration of AI related professional services centering on automotive equipment manufacturers
- Promotion of development commissions from NEDO for power-saving AI engines

Projections for sales, operating income, and ordinary income are unchanged from the beginning of the fiscal year

Net loss for the period improved due to the recognition of an extraordinary gain of ¥51 million from a settlement payment associated with the end of a distributor agreement

(Unit: million yen)

	FY 03/2017 (actual)	FY 03/2018 (projection)	YoY change	
			(Amount)	(Increase- decrease rate)
Net sales	694	1,100	406	+58.4%
Operating income	-263	-90	173	-
Ordinary income	-262	-90	172	-
Net income	-365	-39	326	-



## 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 (existing portion)  
¥108 million (additional portion in the current FY)

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

1

Explanation of Results, Fiscal Year Ending March 31, 2018 Second Quarter

2

Fiscal Year Ending March 2018, Full-Year Business Forecast

3

**Proposition for Future Growth**



Added  
value

## Entry into the next added-value and growth market

Expansion into the growing IoT field + Expansion into the AI / Deep Learning fields

**Establishment of SoC business platforms in amusement markets where chances exist to win a top position**

Shift to volume production of new product "RS1"

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

Expansion of professional services centered on automotive industry

Expansion of the SoC / Module Business

- Top share in amusement SoC
- High-volume edge AI processors

Growth  
markets

Phase 1

Phase 2

Phase 3