
VISUALIZE THE FUTURE



Fiscal Year Ending March 31, 2019 First Half

Results Briefing

Digital Media Professionals Inc.

November 20, 2018

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

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**Explanation of Results, Fiscal Year
Ending March 31, 2019 First Half**

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**Fiscal Year Ending March 2019,
Full-Year Business Forecast**

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Proposition for Future Growth

Semiconductor Industry


- According to SIA, semiconductor sales were the highest ever in August 2018 (three-month average from June to August 2018), reaching US\$40.16 billion. However, the year-on-year growth rate has slowed, dropping to 14.9% from last year's 20%.
By region, the growth rates were, in order, China (27%), United States (15%), Europe (9.5%) and Japan (8.5%)
- Demand for use in smartphones slowed, but demand for use in automobiles and IoT is expected to drive the market in the future

AI / Visual Computing Field

- According to Tractica, more than 70 companies worldwide are developing new chips for AI
- According to Tractica, the AI chipset market will grow to US\$66 billion (CAGR of 73%) by 2025
- Annual AI edge device shipments in 2025 are expected to reach 2.6 billion units

Net sales came in about where expected, while profits exceeded the plan

- **Products operations** (net sales of ¥6 million)
 - Sales of graphics processing LSI "RS1" (full-scale contribution to sales expected in fourth quarter)
 - Sales of DV700 AI evaluation kit "ZIA C2, C3" launched
- **IP core licensing operations** (net sales of ¥142 million)
 - Shipments of new products for cameras to semiconductor customers in Taiwan contributed to sales, but running royalties for game machines and digital cameras from existing customers were weak
 - ZIA Classifier licensing agreement for new customers
 - Licensing agreement for new "ZIA DV500" AI processor

 For details see page 13
- **Professional services operations** (net sales of ¥202 million)
 - Commissioned projects from automotive equipment manufacturers centering on AI applications remained strong
 - Development commissions from NEDO for power-saving AI engines also contributed steadily to sales

Fiscal Year Ending March 31, 2019 First Half Results Summary (P/L)

(Unit: million yen)

	1H FY 03/2019 (Initial forecast)	1H FY 03/2019 (Actual)	Difference between initial forecast and actual results	1H FY 03/2018 (Actual)	YoY change
Net sales	360	351	-9	442	-91
Operating income	-30	-17	13	18	-35
Ordinary income	-30	-8	22	19	-27
Net income	-30	-8	22	19	-27

■ Differences compared to initial forecast

- Professional services net sales came in higher than planned (+¥108 million), but IP licensing and royalties and product sales came in lower than planned (-¥90 million and -¥25 million, respectively)
- Operating income increased ¥13 million owing to decreased SG&A (-¥16 million) and other factors, while recording of foreign exchange gains (+¥7 million) resulted in a ¥22 million increase in ordinary income and net income

■ Changes from the same period of previous year

- The main factor behind the change in net sales was a decrease in GPU IP licensing and royalties (-¥92 million)
- Completion of RS1 development resulted in the elimination of development expenses, so SG&A improved, but lackluster sales resulted in the recording of operating and ordinary losses

Fiscal Year Ending March 31, 2019 First Half Results Summary (B/S)

(Unit: million yen)

	End of March 2018	End of September 2018	Increase-decrease amount
Current assets	1,774	1,678	-96
Non-current assets	346	317	-29
Total assets	2,121	1,995	-125
Current liabilities	228	75	-153
Non-current liabilities	18	18	0
Total liabilities	247	94	-153
Total net assets	1,873	1,901	27
Total liabilities and net assets	2,121	1,995	-125

✓ Equity ratio of 95% remains at a high level

NEW

Launch of ZIA DV500 AI Processor IP sales

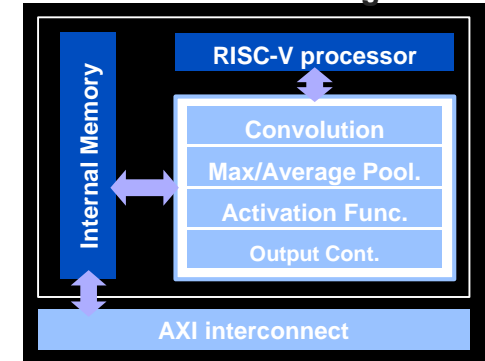
(announced on April 25, 2018)

Ultra-small AI processor IP specializing in object recognition

ZIA™ DV500

Miniaturization achieved while maintaining high processing performance by optimizing for scene understanding and object recognition often used in industrial equipment and automobile driving assistance systems

ZIA™ DV500 block diagram



Detection of humans, cars, crosswalks, signs and other objects (SSD)



Pixel-by-pixel classification for trees, sky, roads, shoulders, buildings, humans and other objects (SegNet)



NEW

Launch of ZIA C2/C3 edge AI module sales

(announced on September 18, 2018)

- Compact, low power consumption and high performance AI inference processing module, mounting DMP DV700 to FPGA
- Providing C2 with Intel FPGA and C3 with Xilinx FPGA to cover industry-leading FPGAs



Advanced AI inference processing

High performance and accuracy with "ZIA™ DV700."



Power-conserving and fanless

No need for cooling fans, which tend to fail and restrict structural design.



High usability

Supports Caffe and Keras AI development frameworks.



Flexibility

Hardware can be updated by FPGA.

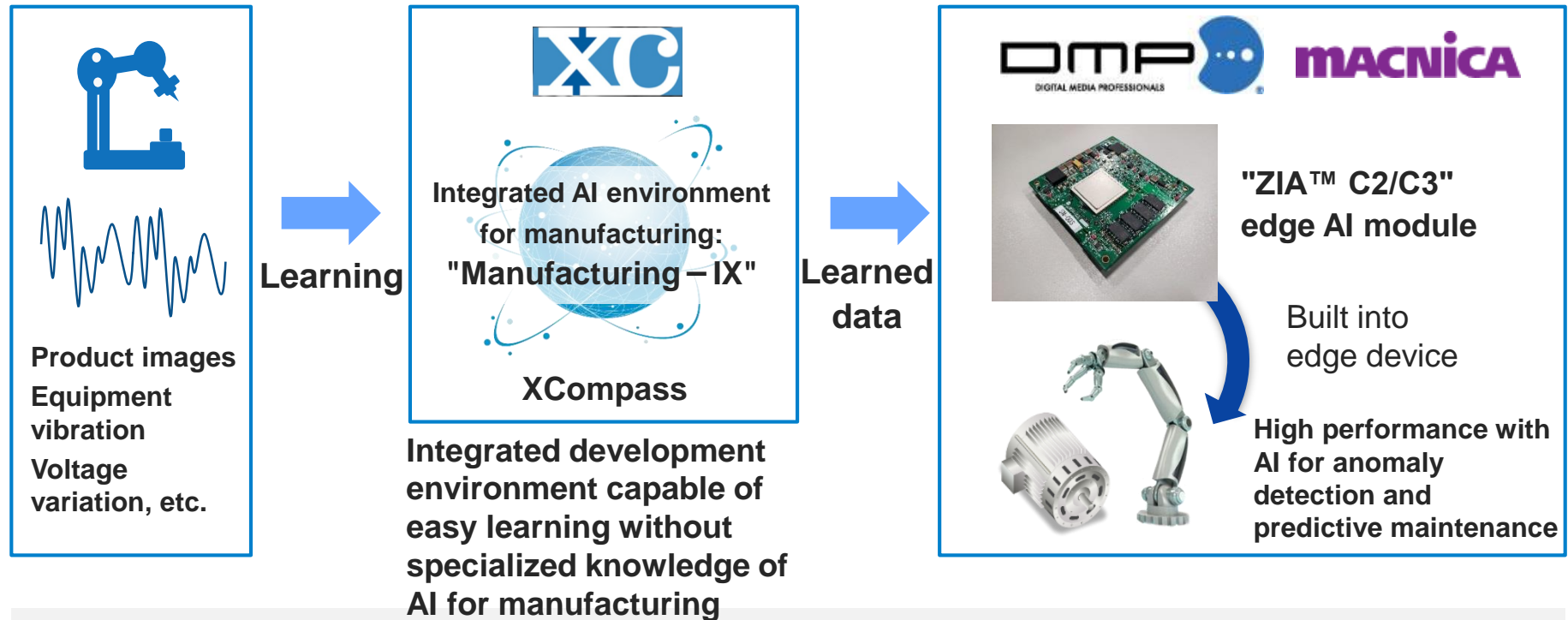


Long-term supply

Module utilizes FPGAs with sold track records of long-term supply with industrial equipment.

- DMP DV700 AI processor IP
- FPGA: Intel Arria (C2), Xilinx Zynq (C3)
- Dual core ARM processor
- 2GB main memory
- 16GB flash memory
- Dimensions: 90 mm x 90 mm

Technical collaboration with Macnica and XCompass on integrated environment from AI generation to edge AI implementation for manufacturing (announced on September 19, 2018)



Build edge AI systems in short periods of time in wide range of fields

- Factory automation
- Self-contained robots in distribution
- Medical treatment

Collaboration with PALTEK



- **Collaboration on edge AI solution utilizing Xilinx FPGA**
(announced on August 30, 2018)
- **Distributorship agreement signed for ZIA C3** (announced on November 6, 2018)

Acceleration of edge AI for industrial IoT

Fields

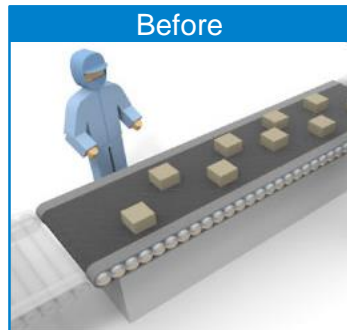
FA cameras, robots, construction machinery, agricultural machinery, inspection equipment, medical equipment

Applications

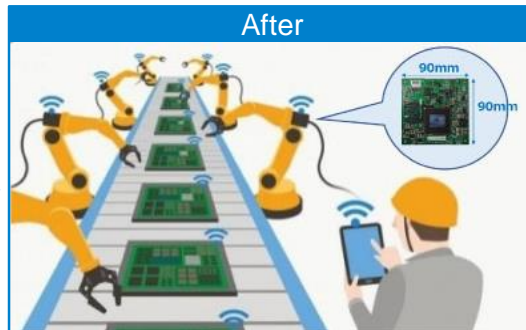
Visual inspection, predictive maintenance, foreign matter/noise inspection, course recognition, obstacle detection, crop yield determination, etc.

Example application

Defect determination



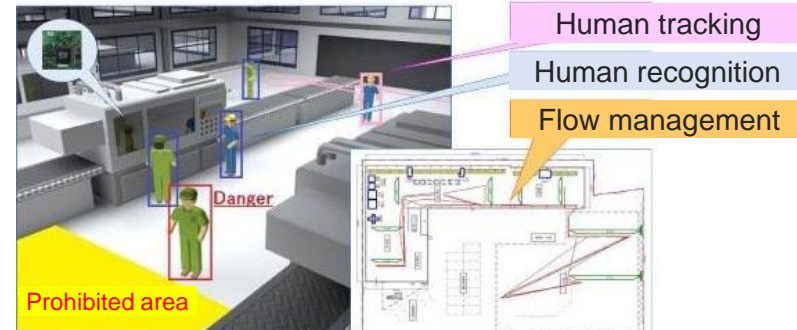
Judgment by human eye



Automatic determination by AI robot

Example application

Streamlining of production line



Human tracking, human recognition, flow management

"ZIA™ DV500" adopted in UKC camera monitoring system

Joint development of on-board camera monitoring system (CMS) equipped with Sony image sensor

Sales to be launched in February 2019

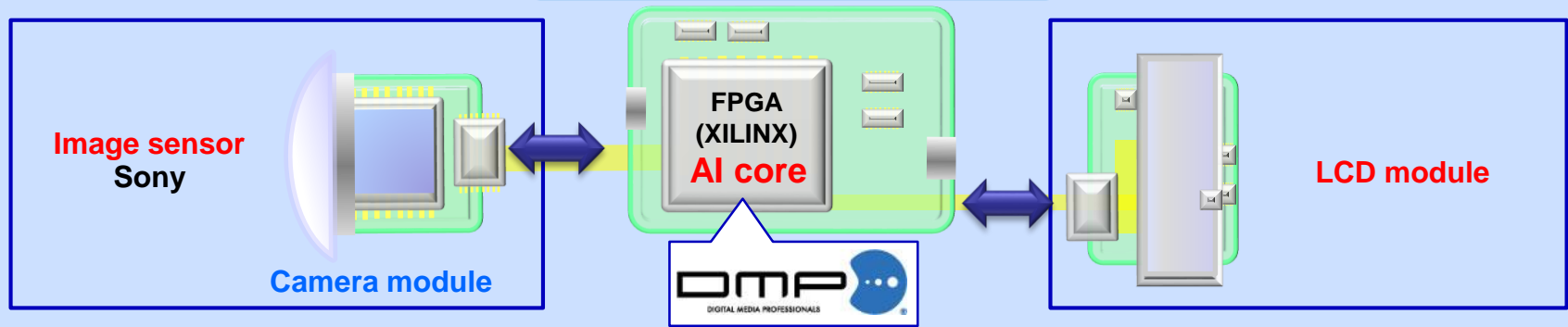
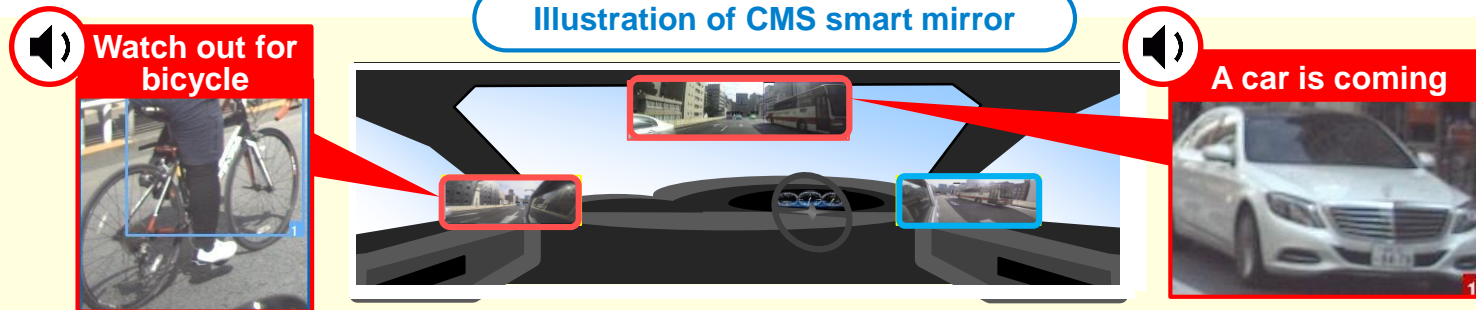


Illustration of CMS smart mirror



Automatic recognition and warning of humans, bicycles, cars, etc.

- No restriction of field of vision by luggage in vehicle or vehicle body
- Not affected by weather and provides greater visibility than regular mirrors

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**Explanation of Results, Fiscal Year
Ending March 31, 2019 First Half**

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**Fiscal Year Ending March 2019,
Full-Year Business Forecast**

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Proposition for Future Growth

■ Full-scale launch of SoC business with launch of "RS1" mass production

- Aim to make industry standard platform as it has been adopted by several influential customers, and focus on supporting launch of customer products

■ Expand sales of ZIA platform products and enhance portfolio

- Cultivate new ZIA Classifier customers
- Land DV700/DV500 licensing agreements
- Promote sales of "ZIA C2" and "ZIA C3" AI FPGA modules for embedded devices

■ Promotion of alliances

- Provide AI solutions through collaboration with partner companies

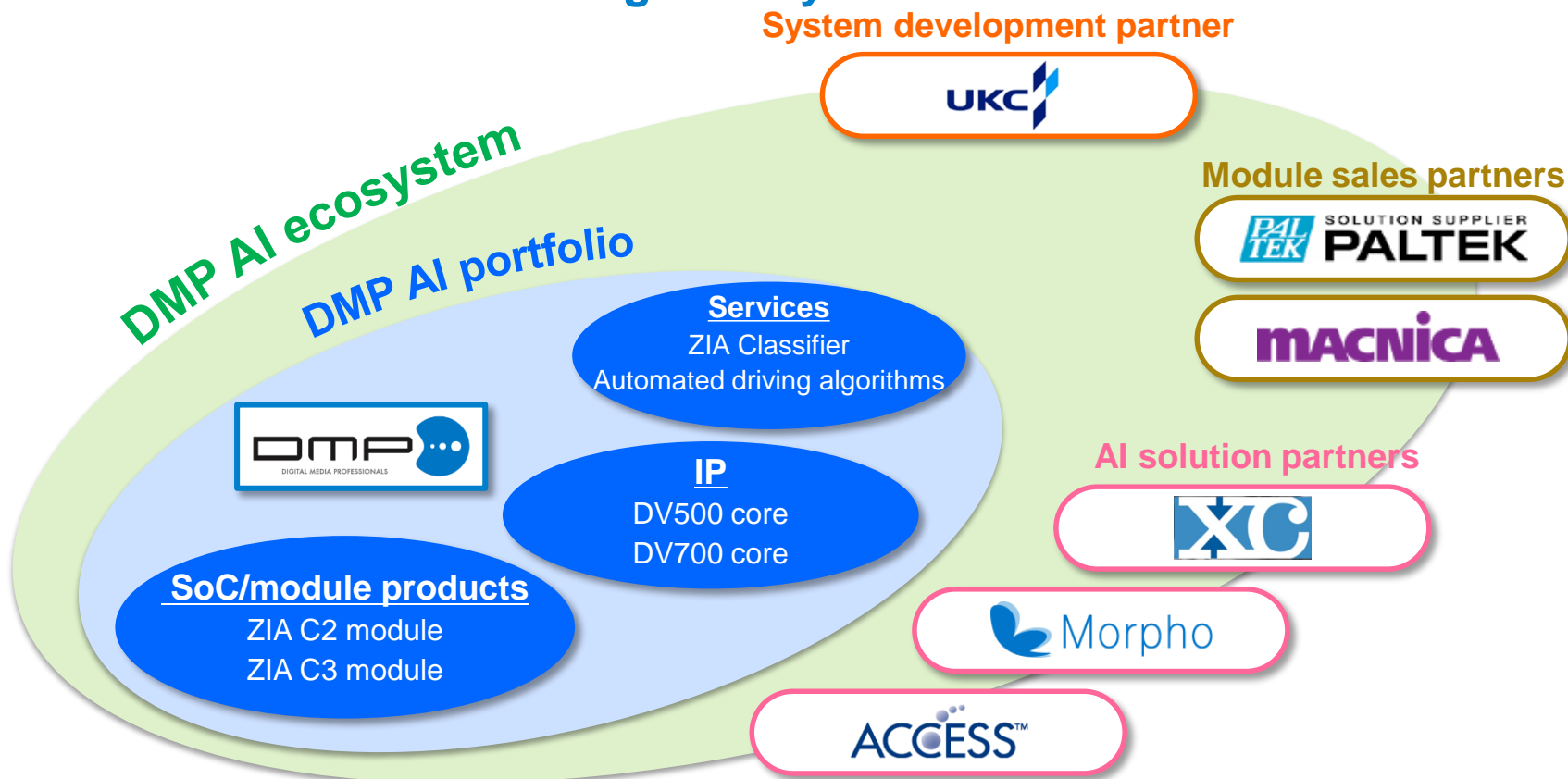


■ Promotion of development commissions from NEDO for power-saving AI engines

■ Promotion of AI-related professional services for automotive equipment manufacturers

▶ ▶ ▶ Continue to promote these initiatives and achieve full-year targets

- Broad-scoped edge AI portfolio, including IP, hardware/software products, and services
- Provision of solutions through ecosystem



Fiscal Year Ending March 2019

Full-Year Business Forecast

Net sales, operating income and ordinary income will all increase with increase in RS1 sales volume and expansion of AI products and services

(Unit: million yen)

	FY 03/2018 (Actual)	FY 03/2019 (Forecast)	YoY change	
			(Amount)	(Increase-decrease rate)
Net sales	973	1,200	227	23.3%
Operating income	69	100	31	44.9%
Ordinary income	66	100	34	51.5%
Net income	109	90	-19	-19.0%

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Proposition for Future Growth

Establishment of new growth domains

Expansion into the growing IoT/AI field

Integrated development of AI algorithms, software and hardware

Development of ZIA platform

- AI processors for edge computing
- Software
- Modules
- Provision of solutions with partners
- Overseas development

Expansion of professional services centered on automotive industry

- Automated driving algorithms

Expansion of the SoC / Module Business

- Top share in amusement SoC
- High-volume AI products

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

- Volume production of new product "RS1"
- Aim to make it an industry standard platform

Current position

Phase 1

Phase 2

Phase 3

Thank you for listening.

<Inquiries>

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