
VISUALIZE THE FUTURE



1st Quarter ended June 30, 2019

Financial Results Supplementary Information

Digital Media Professionals Inc.

<https://www.dmprof.com/en>

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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.

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Business description

Business	Description	Major Customers
IP Core* ¹ License Business	<p>Development and license offer of hardware IP (logic design data etc.) and software IP (mainly hardware control drivers and supporting tools for contents creation) necessary for drawing detailed images and artificial intelligence*² (AI) such as deep learning*³</p> <p>a) License fee Compensation through offering IP core license in the process of developing products such as home appliances by customers</p> <p>b) Running royalty Compensation received according to the number of products incorporating IP core shipped by customers</p>	Semiconductor manufacturer/ Manufacturer of final product with embedded semiconductor
LSI Product Business	Development, manufacturing (outsourced) and sales of graphics LSI* ⁴ (SoC* ⁵) mainly for amusement equipment	Semiconductor trading company/Manufacturer of final product with embedded semiconductor
	Development, manufacturing (outsourced) and sales of AI LSI (FPGA* ⁶) for AI equipment	
Professional Service Business	Provision of design service of studying and optimizing the entire SoC system by integrating various IP cores of the Company, software service of developing and optimizing algorithm based on GPU* ⁷ /vision /AI technology cultivated through development of in-house products, etc.	Manufacturer of final product with embedded semiconductor

*1: Partial circuit modules within an LSI, designed for a specific function (e.g. graphics IP core). IP stands for Intellectual Property.

*2: Software and system that enable computers to make human-like perceptions and judgments such as computer programs that understand and judge sentences, images, conversations, sounds, etc.

*3: A type of machine learning method that realizes artificial intelligence by utilizing human brain imitated neural network mechanism, which is being commercialized in the field of image recognition

*4: Large-scale integrated circuits composed of silicon wafers (materials with properties intermediate between conductors and insulators used in the manufacture of semiconductor products). LSI stands for Large Scale Integration and is also called "semiconductor".

*5: Integrated circuit (design method) that integrates a series of functions (systems) required on one semiconductor chip. SoC stands for System on a Chip.

*6: Integrated circuit that allows buyers or designers to set and change the configuration after manufacturing. FPGA stands for Field Programmable Gate Array.

*7: Arithmetic unit or processor specialized in real-time image processing represented by computer games. GPU stands for Graphics Processing Unit. By utilizing its better performance in parallel computing performance than CPU, technologies called GPGPU (General-Purpose computing on GPU) that apply its computing resources to purposes other than image processing are applied to the AI/deep learning field.

Net sales and profits decreased in the first quarter

(Unit: million yen)	1st Quarter ended June 30, 2018	1st Quarter ended June 30, 2019	Amount change
Net sales	137	61	▲76
Operating income	▲52	▲154	▲102
Ordinary income	▲47	▲195	▲148
Net income	▲47	▲195	▲148

- Net sales

Dropped due to falloff of NEDO commissioned revenue and decrease in IP running royalty etc.

- Operating income

Operating loss expanded due to increased expenses for strengthening the development system in addition to the impact of decrease in sales.

- Ordinary income

Share issuance cost of ¥56 million regarding business and capital alliance with and the implementation of the third-party allotment to Yamaha Motor Co., Ltd. was recorded as non-operating expenses, even though quarterly subsidy income of ¥17 million regarding NEDO project “AI Platform for Artificial Intelligence (AI): An Energy Efficient AI Engine” was recorded as non-operating income

IP core license business Net sales ¥34 million YoY change ▲¥22 million

- Decrease in running royalties from game console customers
- New license contract of ZIA edge AI IP "DV series"

LSI product business Net sales ¥0.2 million YoY change ▲¥3 million

- Recorded sales of AI FPGA (RS1 small lot sales same period last year)

Professional service business Net sales ¥26 million YoY change ▲¥52 million

- Falloff of the sales of ¥47 million from development of power-saving AI engines commissioned by NEDO last year (receiving subsidy from this fiscal year, that is recorded in non-operating income)
- Recorded sales for automobile from May (From April last year)

- Equity increased due to Business and capital alliance with Yamaha Motor
- Investments (human resources, etc.) are planned for future expansion of businesses centered on AI field.

(Unit: million yen)	March 31, 2019	June 30, 2019	Amount change
Current assets	2,063	2,511	448
Non-current assets	320	926	605
Total assets	2,383	3,437	1,054
Current liabilities	366	134	▲232
Non-current liabilities	18	18	▲0
Total liabilities	385	153	▲232
Total net assets	1,998	3,284	1,286
Total liabilities and net assets	2,383	3,437	1,054

No changes from the forecasts disclosed on May 10, 2019

(Unit: million yen)	Result for 1Q ended June 2019	Forecast for 6 months ending September 2019	Forecast for fiscal year ending March 2020
Net sales	61	400	1,300
Operating income	▲ 154	▲ 115	30
Ordinary income	▲ 195	▲ 135	30
Net income	▲ 195	▲ 135	20

- RS1 sales are expected in each quarter from 2Q.
- New share issuance cost recorded in 1Q is expected to be offset with subsidies from NEDO in full fiscal year.

● Expanding RS1 business

ZEEG, a joint venture between Sammy and Universal Entertainment adopts RS1 for the chassis with common specification. Machines will be shipped to the pachinko/pachislot halls from 2019.

● Expanding Portfolio and Sales of AI Products

- Hardware IP with smaller size and higher performance (ZIA™ DV720 IP core release)
- Enhanced software product lineup (Release of license plate recognition software “ZIA™ Plate”)
- Enhanced performance of FPGA products (ZIA™ C3 KIT version up)

● Strengthening Collaboration with Customers and Cultivating Specific Fields

- Business and capital alliance with Yamaha Motor Co., Ltd.

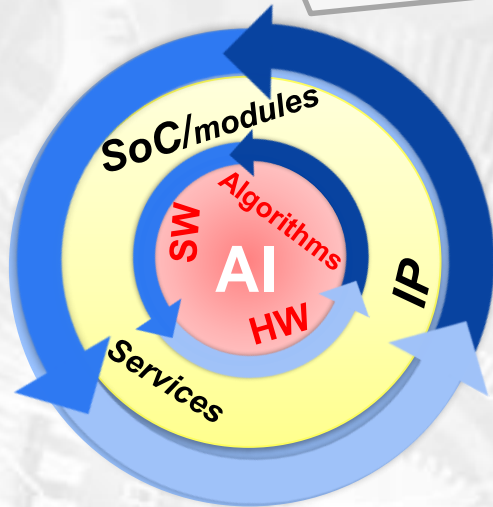
Started specific discussions and initiatives in business alliance fields such as development of automatic/autonomous driving system in low speed area and development of labor saving/automation system in agricultural area using robotics technology etc.

- Expansion into medical AI field (adopted as NEDO’s “Project for Accelerating Innovative AI Chip Development”)

Research and development of AI hardware for AI pathology imaging system for cancer companion diagnostics

Evolve into the world's leading "AI Computing Company"

Integrated development of AI algorithms, software and hardware



Expansion into the growing IoT/AI field

Development of ZIA platform

- Processor IP
- Software
- Modules
- Strengthening of ecosystem with partners
- Overseas expansion

AI solutions for Mobility / Industry

- Autonomous driving
- Robotics

Expansion of the SoC / Module Business

- High value-added modules
- High-volume AI products

Stable management foundation in the amusement market where we can win

Expand sales of RS1

Aiming for top share in amusement SoC

Current position

Phase 1

Phase 2

Phase 3

Reference) Major activities so far from April 2019

Each item is linked to PR/IR news of DMP's website (in Japanese).

Announcement/ Event Date	Content
April 3-5, 2019	<u>Partners exhibited ZIA™ C3 KITs at AI (Artificial Intelligence) EXPO</u>
April 10, 2019	<u>Release of ZIA™ C3 KIT Ver. 7.1</u>
May 10, 2019	<u>Business and capital alliance with Yamaha Motor Co., Ltd.</u>
May 16, 2019	<u>Image processing processor “RS1” adopted by ZEEG, a joint venture between Sammy and Universal Entertainment as units and parts for pachinko/pachislot machines</u>
May 17, 2019	<u>Acquired certification of International standard “ISO9001”</u>
May 20-23, 2019	<u>Exhibit at “Embedded Vision Summit 2019” (Santa Clara, California, USA)</u>
May 21, 2019	<u>Release of ZIA™ DV720 IP Core</u>
June 7, 2019	<u>President Yamamoto invited to the Pitch to the Minister hosted by Mr. Takuya Hirai, Minister in charge of Information Technology Policy</u>
June 12-14, 2019	<u>Exhibit at “Image Sensing Show 2019”</u>
June 24, 2019	<u>Release of ZIA™ C3 KIT Ver. 7.2</u>
July 24, 2019	<u>Mr. Takuya Hirai, Minister in charge of Information Technology Policy, visited DMP</u>
July 30, 2019	<u>Release of license plate recognition software “ZIA™ Plate”</u>
August 7, 2019	<u>“Research and development of AI hardware for AI pathology imaging system for cancer companion diagnostics” adopted as NEDO’s “Project for Accelerating Innovative AI Chip Development”</u>

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