

Digital Media Professionals Inc.

Q&A at the Results Briefing for the first half ended September 30, 2019

(Question 1)

When and how much is the contribution of RS1 being shipped for mass production to the business results?

(Answer 1)

Regarding the timing, the Company believes that there will be a peak from the summer 2020 (after the end of the Tokyo Olympics and Paralympics) through January 2021 when demand for switching to the new standard is in full swing. Although the Company refrains from giving specific figures of the impact on business results, it expects a considerable impact. In addition, the Company believes that the demand for RS1 for the new standard will continue even beyond this peak.

(Question 2)

What's the specific plan for strengthening the development system?

(Answer 2)

The plan is proceeding according to the disclosure that the Company aims to hire about 10 people annually for five years as the use of funds acquired through the business and capital alliance with Yamaha Motor.

(Question 3)

What are the projects that shifted from the first half to the second half?

(Answer 3)

Although the Company is unable to give any specific details, as for the IP core license business, a new business deal with a major consumer electronics company is expected to be concluded by the end of this year. In addition, as for professional service project, business deals with multiple new customers related to safe driving support are expected to be concluded by the end of the current fiscal year.

(Question 4)

How does the Company expect royalty income for game consoles in the next fiscal year?

(Answer 4)

For game consoles, royalty revenue is expected to continue to decline in the next fiscal year as the life of models with the Company's IP is limited. On the other hand, royalty income related to graphics IP for other consumer devices will continue to be generated. In addition, the revenue from AI-related IP core licenses (DV Core series) including mass production royalties is expected to increase in the future.

(Question 5)

Is it correct to consider that RS1s being shipped in the second half are for mass production?

(Answer 5)

Yes, it's correct.

(Question 6)

Will the sales of RS1 with peak of the shipments coming after the summer 2020 be also recorded in the first half of the fiscal year ending March 2021?

(Answer 6)

Since the business flow goes through trading companies, the Company expects the shipment volume to be leveled from the first half.

(Question 7)

How the customers evaluate RS1?

(Answer 7)

The major competitions include Nvidia mainly for pachislot machines, and Axell and Yamaha mainly for pachinko machines. The Company's product was the first in the industry to realize not only real-time 3D functions mainly for pachislot machines but also 2D functions mainly for pachinko machines. This makes it possible to share platforms for 2D titles and 3D titles, resulting in highly evaluated by customers in that helping customers to reduce costs which is the biggest challenge for customers and realizing graphics performance no inferior to other companies' products.

(Question 8)

What's the number of engineers at the end of the previous fiscal and the current outlook?

(Answer 8)

As of the end of the previous fiscal year, there were approximately 30 engineers. There were 36 engineers at the end of the first half of this fiscal year. The Company expects about 43 engineers at the end of the current fiscal year.

(Question 9)

Is it correct to consider that the forecast for the current fiscal year will not change based on the assumption that there will be about 43 engineers at the end of the fiscal year?

(Answer 9)

Yes, it's correct.

(Question 10)

As for NEDO's contracted business "Survey of issues for finding ideas regarding Technology Development for AI Chip and Next-generation Computing for High-efficiency and High-speed Processing", how much revenue is expected for this fiscal?

(Answer 10)

The Company expects about 40 million yen.

(Question 11)

Is the total amount of NEDO projects this fiscal year the same as the previous year's revenue?

(Answer 11)

The previous year's contracted revenue was 172 million yen. For the current fiscal, the total of contracted and subsidized businesses is expected to be approximately 100 million yen.

(Question 12)

What is the impact on business results of the contribution of the business alliance with Yamaha Motor which the Company expects will be accelerated in the second half?

(Answer 12)

The Company is unable to give a specific amount. However, the Company discussed the details of the business tie-up between the two companies in the first quarter after the conclusion of the business and capital agreement with Yamaha Motor and started a full-scale contracted development from the second quarter. In addition, the Company expects a considerable volume of business in the future since the development roadmap has been set up to several years ahead.

(Question 13)

Is it correct to consider that the Company keeps going to meet demands for contract development from auto-related manufacturers?

(Answer 13)

The Company has been constantly getting contracted R&D related business from auto-related manufacturers. The Company expects the same situation continues in the future as it takes more time to realize fully autonomous driving of automobiles. On the other hand, the Company expects realistic and considerable business chance on automatic driving for low-speed vehicles which we are working with Yamaha Motor because the full-scale market will be built up at an early stage.

(Question 14)

The Company has announced the technical alliance with Computermind for product visual inspection. Does the Company have contact points with industrial equipment manufacturers?

(Answer 14)

In the industrial equipment field, the Company has begun concrete business talks with machine tool manufacturers and food visual inspection equipment manufacturers.