
V I S U A L I Z E T H E F U T U R E



1st Quarter ended June 30, 2020

Financial Results Supplementary Information

Digital Media Professionals Inc.

August 7, 2020

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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Group 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> <p>c) Maintenance and service fee: Revenue from maintenance of IP based on maintenance contract, etc.</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.

Shifted to a consolidated accounting system due to the start of business at the subsidiary in Vietnam (unable to simply compare figures with those in the same period last year)

(However, sales of the subsidiary in Vietnam are currently design service income only to the headquarters with no external sales)

(Unit: million yen)	1st Quarter ended June 30, 2019 (non-consolidated)	1st Quarter ended June 30, 2020 (consolidated)
Net sales	61	229
Operating income	△ 154	△ 114
Ordinary income	△ 195	△ 93
Net income	△ 195	△ 93

- Although sales of the IP license business and professional service business were almost the same as those in the same period last year, sales of the graphic processor "RS1" for volume production which were not in the same period last year were recorded.
- Non-operating balance improved due to a fall-off of share issuance cost recorded as non-operating expenses in the same period of the previous year on one hand and the subsidy income from NEDO recorded as non-operating income on the other hand.

IP core license business

Sales	¥28 million	Same period last year (non-consolidated)	¥34 million
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- Decrease in running royalties from digital equipment centered on digital still camera
- Won new licenses for robotic vehicles

LSI product business

Sales	¥166 million	Same period last year (non-consolidated)	¥0.2 million
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- Recorded sales of “RS1” for volume production and “ZIA™ C3” AI FPGA modules

Professional services business

Sales	¥34 million	Same period last year (non-consolidated)	¥26 million
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- Recorded commissioned revenue from NEDO’s “AI Edge Contest” and sales of AI-related contract development service for robotic vehicles

Equity ratio remains high at 93.6%

(Unit: million yen)	End of March 2020 (Non-consolidated)	End of June 2020 (Consolidated)	Major breakdown
Current assets	3,077	2,939	Cash & deposits 2,182, Securities 444 Accounts receivable - trade 187
Non-current assets	763	745	Investment securities 499 Software 140
Total assets	3,841	3,684	
Current liabilities	279	216	Accounts payable - trade 171
Non-current liabilities	18	18	Asset retirement obligation 16
Total liabilities	297	234	
Total net assets	3,543	3,449	Capital stock 1,804, Capital surplus 1,823 Retained earnings -169
Total liabilities and net assets	3,841	3,684	

● **Subsidiary for development in Vietnam started business**

- Utilizing high quality human resources in Vietnam to strengthen and complement the development system
- In the mid term, aiming to develop the local market in Southeast Asia including Vietnam and making it a bridgehead for the overseas business

● **Approaches to Robotic Vehicle and Safe Driving Assistance**

- Upgrade of IP core (ZIA™ DV740) and release of new IP core (ZIA™ ISP) were carried out.
- Won stock business (subscription model) related to safe driving assistance, which contributes to stable revenue from the second half

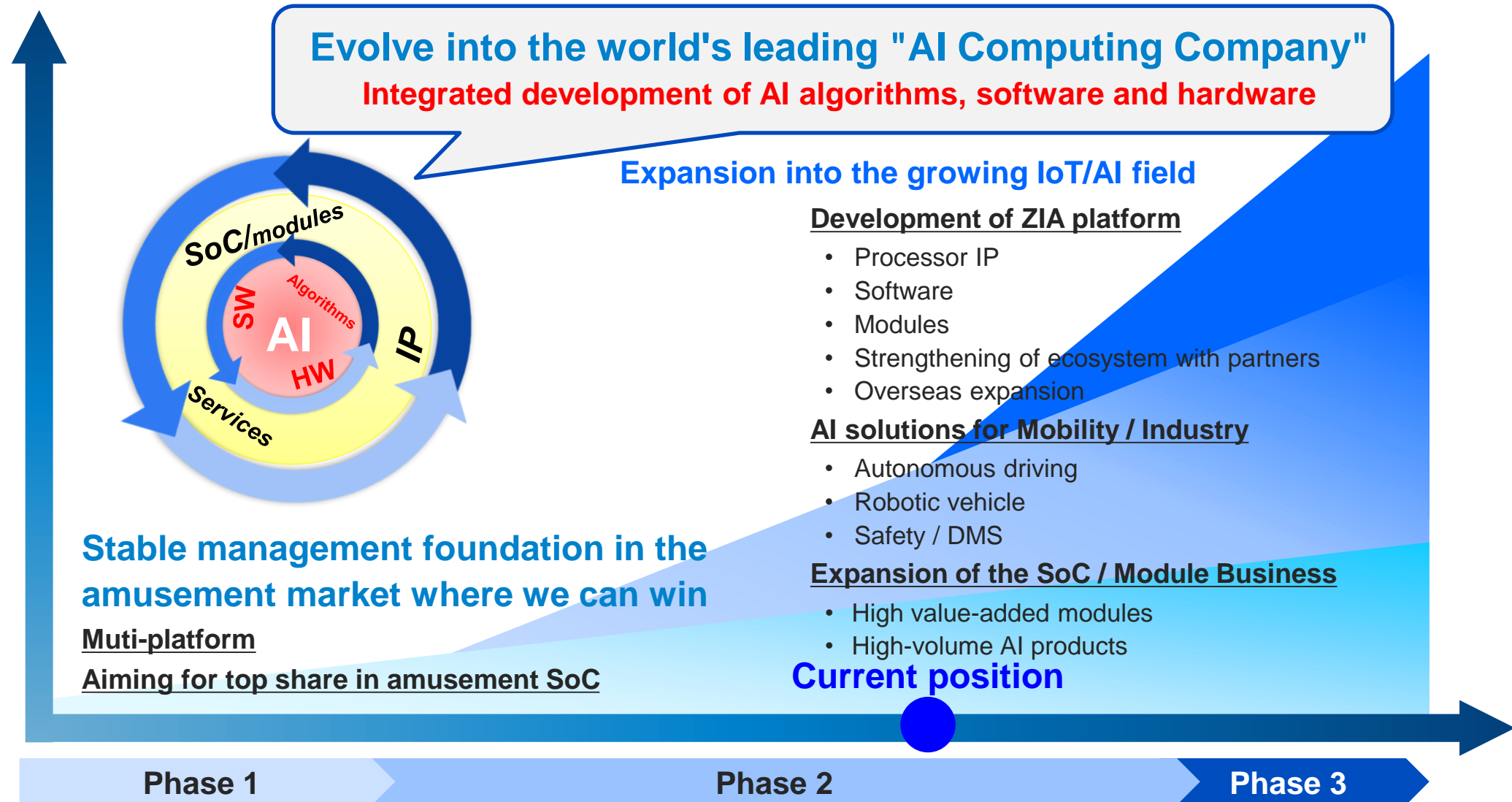
● **Partnership in development with overseas tech-companies**

- Partnered with Prophesee in France to develop embedded machine vision and artificial intelligence (AI) applications using Prophesee's Event-Based Vision sensors with high dynamic range, high data efficiency, and ultra-low power consumption
- Partnered with Basemark in Finland to develop smart mirror for commercial vehicles such as trucks and buses
- Promoting discussions for mid-range monetization

Business forecast for the fiscal year ending March 2021 remains undecided because it is difficult to reasonably calculate the impact of the new coronavirus infection at this stage. It will be disclosed as soon as reasonably predictable.

(Unit: million yen)	FY 03/2020 (Actual) (Non-consolidated)	FY 03/2021 (Forecast) (Consolidated)
Net sales	1,328	TBD
Operating income	82	TBD
Ordinary income	85	TBD
Net income	65	TBD

- At the request of the National Police Agency and the efforts of the industry group, it is expected that the removal of old-rule gaming machines and the replacement by new-rule gaming machines will be carried out in a planned manner. Although the declaration of a state of emergency has been lifted, the number of infected people is increasing nationwide recently. Accordingly, the occupancy rate and gaming machine purchase policy of halls, and product plans of gaming machine manufacturers are still uncertain.
- There is a tendency for some customers to restrain development investment.
- DMP continues to work on deep digging of domains such as safe driving assistance and robotic vehicles, and horizontal development of customers.



Reference) Major Activities (Fiscal Year Ending March 31, 2021)



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

Date of Announcement/Event	Details
April 1, 2020	<u>Establishment and business start of subsidiary in Vietnam</u>
May 11, 2020	<u>Hold 3rd AI Edge Contest with METI, NEDO, and SIGNATE</u>
May 14, 2020	<u>Prophesee, DMP partner to accelerate development of embedded machine vision and artificial intelligence (AI) applications using Event-Based Vision approach</u>
June 8, 2020	<u>DMP, Silex Technology, and PALTEK jointly developed vehicle AI evaluation kit to support development of safe, remote, and automated AI solutions</u>
July 1, 2020	<u>Hold 4th AI Edge Contest with METI, NEDO, and SIGNATE</u>
July 1, 2020	<u>Basemark and DMP Partner to Develop Smart Mirrors for commercial vehicles</u>
July 13, 2020	<u>DMP releases IP Core "ZIA™ ISP"</u>
July 13, 2020	<u>DMP releases IP Core "ZIA™ DV740"</u>
July 15, 2020	<u>Website renewal</u>

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Forward-looking statements contained within this document are based on currently available information and involve risks and uncertainties, including macroeconomic conditions and trends in the industries in which we are engaged. As such, actual results may differ materially from those anticipated.