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



2nd Quarter ended September 30, 2020

Results Briefing

Digital Media Professionals Inc.

November 13, 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.

- 1 Explanation of Results, 2nd Quarter ended September 30, 2020**
- 2 Progresses of This Fiscal Year's Initiatives and Business**
- 3 Fiscal Year Ending March 31, 2021, Full-Year Business Forecast and Blueprint for Future Growth**
- 4 Focus Areas and New Initiatives**

- 1 Explanation of Results, 2nd Quarter ended September 30, 2020**
- 2 Progresses of This Fiscal Year's Initiatives and Business
- 3 Fiscal Year Ending March 31, 2021, Full-Year Business Forecast and Blueprint for Future Growth
- 4 Focus Areas and New Initiatives

Short-term negative impacts, midterm positive impacts due to changes in market structure

Business/Market	Factors	Impact on DMP's business	
		Short-term FY2020	Midterm FY2021-
Operation	<ul style="list-style-type: none"> All officers and employees can work from home from March Continue to have no positive people Current attendance rate is about 50% 	-	±
	<ul style="list-style-type: none"> Slight impact on customer approach (Strengthening web approach) 		
Amusement Market	<ul style="list-style-type: none"> Pachinko parlor occupancy rate is stable (about 80%) Removal of old rule machines and replacement with new rule machines are expected to be carried out toward Dec. 2021 	-	+
	<ul style="list-style-type: none"> Test pass rate of new platforms has been low Parlor's motivation to purchase game machines is weak ▶ Affect product/production plans of game machine manufacturers 		
AI Solution Business	<ul style="list-style-type: none"> Demand for robotics in controlling infection is on the rise including orders of PoC (Proof of Concept) 	-	+
	<ul style="list-style-type: none"> Temporary restraint on development investment by some customers 		

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)	2nd Quarter ended Sep. 30, 2019 (non-consolidated)	2nd Quarter ended Sep. 30, 2020 (consolidated)
Net sales	293	533
Operating income	△207	△ 191
Ordinary income	△231	△ 155
Net income	△231	△ 156

- Sales of IP license business and professional service business fell below the previous year's results due to a decrease in existing running royalties and a decrease in development investment by some customers, respectively. Shipment of graphic processor "RS1" for volume production exceeded the previous year in the headwind of widespread COVID-19.
- 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	¥61 million	Same period last year (non-consolidated)	¥82 million
-------	-------------	---	-------------

- Decrease in running royalties from digital equipment centered on digital still camera
- Impacts of temporary restraint and suspension of development investment / project by some customers
- Won new licenses for robotics, Started recording running royalty for AI-based safe driving support

LSI product business

Sales	¥383 million	Same period last year (non-consolidated)	¥111 million
-------	--------------	---	--------------

- Recorded sales of “RS1” for volume production and “ZIA™ C3” AI FPGA modules

Professional services business

Sales	¥87 million	Same period last year (non-consolidated)	¥99 million
-------	-------------	---	-------------

- Recorded commissioned revenue from NEDO’s “AI Edge Contest” and sales of AI-related contract development service for safe driving support and robotic vehicles
- Impacts of temporary restraint and suspension of development investment / project by some customers

Equity ratio remains high at 92.6%

Capital stock and capital surplus increased ¥34M each as a result of issuance of RS to directors and employees in 2nd Quarter

(Unit: million yen)		End of March 2020 (Non-consolidated)	End of Sep. 2020 (Consolidated)	Major breakdown
	Current assets	3,077	2,951	Cash & deposits 2,050, Securities 443 Accounts receivable - trade 295
	Non-current assets	763	778	Investment securities 500 Software 131
Total assets		3,841	3,730	
	Current liabilities	279	255	Accounts payable - trade 208
	Non-current liabilities	18	18	Asset retirement obligation 17
Total liabilities		297	274	
Total net assets		3,543	3,455	Capital stock 1,838, Capital surplus 1,858 Retained earnings -232
Total liabilities and net assets		3,841	3,730	

- 1 Explanation of Results, 2nd Quarter ended September 30, 2020
- 2 **Progresses of This Fiscal Year's Initiatives and Business**
- 3 Fiscal Year Ending March 31, 2021, Full-Year Business Forecast and Blueprint for Future Growth
- 4 Focus Areas and New Initiatives

● Approaches to Robotic Vehicle Domain

- Expanded focus area to Robotics, whose market is expected to grow, and implemented AI image recognition function in collaborative robots, etc.
- Continued collaboration with Yamaha Motor of developments such as labor saving and automation (autonomous driving / autonomous driving) technologies in the low-speed vehicle area
- Developed high-precision SLAM*¹

● Approaches to Safety / DMS*² Domain

- Started providing the industry's first one-stop solution for edge-side real-time processing and cloud processing through the development of SaaS*³ type cloud service (ZIA™ Cloud SAFE) utilizing Amazon Web Services
- Realized recurring business with running royalties and subscription licenses

● Strengthening of Amusement Field

- Strengthened efforts to develop new customers
- Strengthened quality control system

※1 Simultaneous Localization and Mapping

※2 Driver Monitoring System

※3 Software as a Service

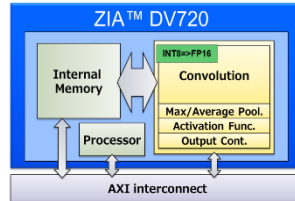
Fiscal Year Ended March 31, 2021: Progress of Other Initiative Expanding Portfolio and Sales of AI Products

Expanding product lineup and customer adoptions of ZIA AI processor IP, module, and software

IP Core Products

ZIA™ DV720/DV740

Compact and high performance **AI inference processor IP** that uses deep learning



Application

- AI-integrated camera SoC
- Autonomous driving SoC

Update

- Announcement of ZIA DV740
- Announcement of ZIA ISP

Initiatives

- Improvement of performance
- Enhancement of line-up

Results

- Adopted for robotics, consumer equipment and industrial equipment

Module Products

ZIA™ C3

Flexible and low power consumption **AI inference processing module**, mounting DMP DV720 to FPGA



Application

- Industrial machinery
- Robotics
- Medical equipment

Update

- Started new mass production

Initiatives

- Co-development of AI evaluation kit for vehicles
- Adopted for peripheral monitoring of commercial vehicles

Results

Software Products and Services

ZIA™ SAFE ZIA™ Cloud SAFE

ZIA™ Classifier ZIA™ Plate

- Self-developed and advanced **image recognition engine** based on AI and image-processing technology
- Provision of **professional services** optimized for each domain

Application

- Driver monitoring
- Analysis of near misses
- Medical diagnosis

Update

- Announcement of ZIA Cloud SAFE

Initiatives

- Optimization aimed at growth domains

Results

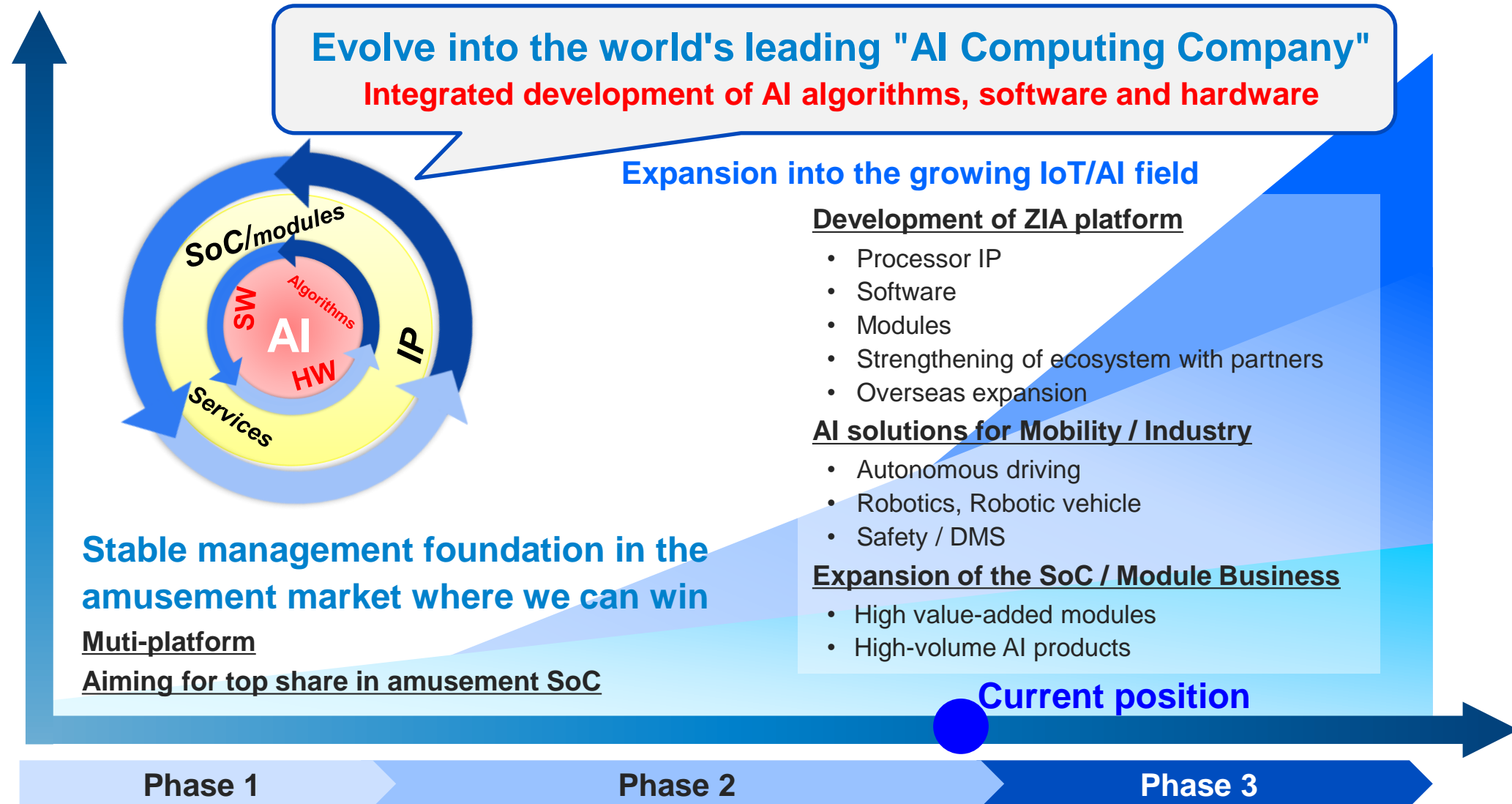
- Adopted by drive recorder-related customers
- Started recurring business

- 1 Explanation of Results, 2nd Quarter ended September 30, 2020
- 2 Progresses of This Fiscal Year's Initiatives and Business
- 3 Fiscal Year Ending March 31, 2021, Full-Year Business Forecast and Blueprint for Future Growth**
- 4 Focus Areas and New Initiatives

Short-term negative impacts by COVID-19, Strengthening efforts to achieve mid-term growth

(Unit: million yen)	FY 03/2020 (Actual) (Non-consolidated)	2 nd Quarter FY 03/2021 (Actual) (Consolidated)	FY 03/2021 (Forecast) (Consolidated)
Net sales	1,328	533	1,500
Operating income	82	△192	△ 150
Ordinary income	85	△155	△ 100
Net income	65	△156	△ 100

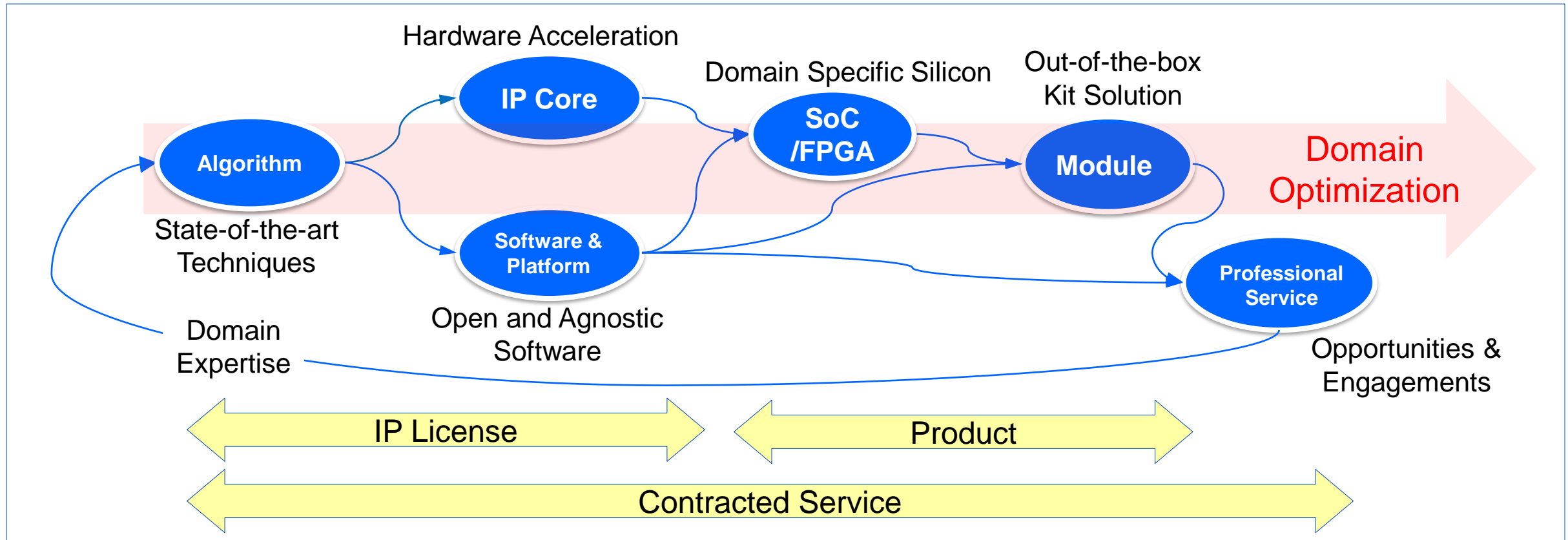
- Growth in LSI product business falls short of expectation because low test pass rate of new platforms and the weak motivation to purchase game machines by pachinko parlors are affecting product and production plans of game machine manufacturers.
- Development investment by some AI-related customers tends to be temporarily restrained or suspended, affecting IP core license business and professional services business. Since there are no major changes in the customers' development roadmaps, this impact is assumed to be time-limited.
- Expanding mid-term corporate value by diversifying revenue sources and expanding sales through accelerating new initiatives in focusing areas with market growth such as robotics and safe driving support fields, as well as by generating stable revenue in the amusement market through demand for replacement with new rule machines toward December 2021 and market share expansion



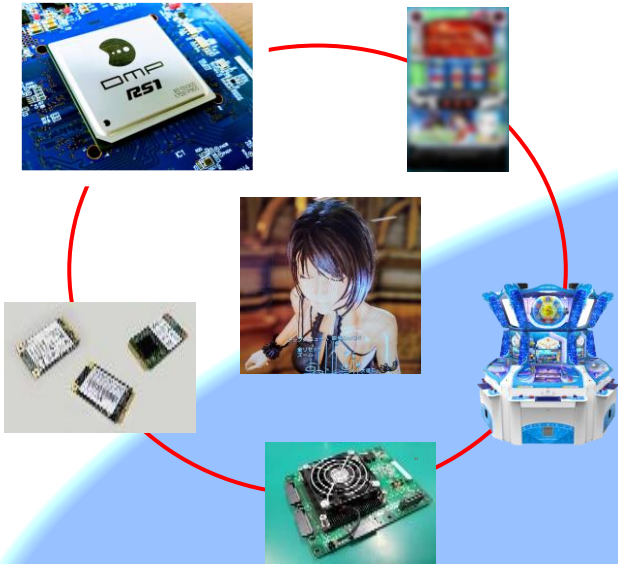
- 1 Explanation of Results, 2nd Quarter ended September 30, 2020
- 2 Progresses of This Fiscal Year's Initiatives and Business
- 3 Fiscal Year Ending March 31, 2021, Full-Year Business Forecast and Blueprint for Future Growth
- 4 **Focus Areas and New Initiatives**

Unrivalled integrated development model that allows domain optimization

- Integrated development of algorithm, software, and hardware
- Flexible value proposition and monetization model by offering licenses, products, and professional services



Amusement



- 2D&3D integrated SoC
- High value-added modules

Robotics



- Automatic and autonomous driving technologies for robotic vehicles
- Low cost, high-precision SLAM
- Industrial equipment, Robot arm control

Safety / DMS



- Know-how accumulation of safe driving support domain
- State-of-art algorithms
- Edge and cloud computing

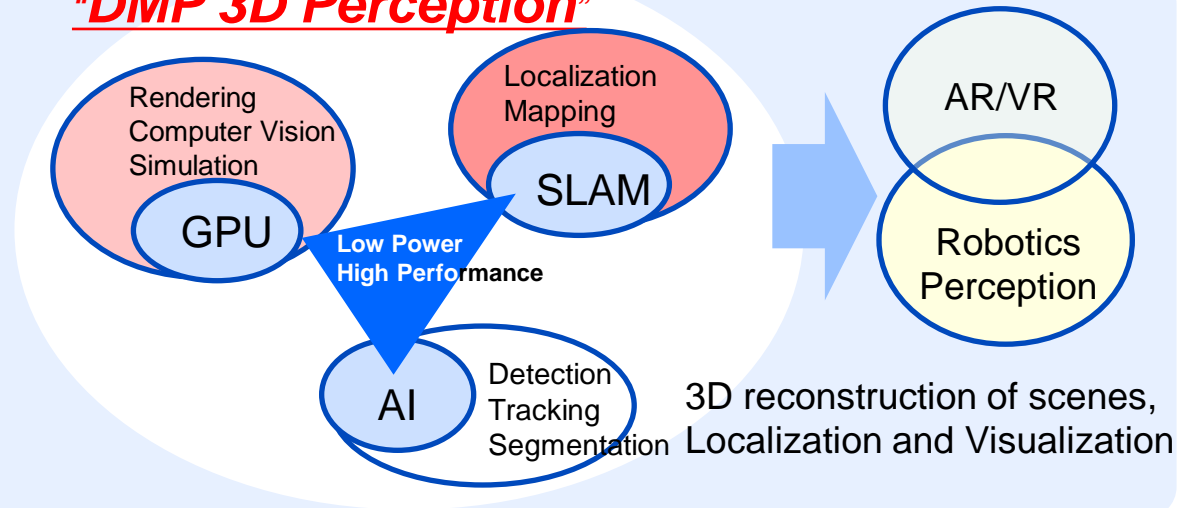


Creating new value leveraging DMP's unique technologies

Develop “**DMP 3D Perception**”, an advanced 3D recognition technology for the eyes of the next-generation robotic vehicles, by combining DMP's GPU, AI, and SLAM technologies

SLAM: Simultaneous Localization and Mapping

“DMP 3D Perception”



- Developing recognition and control technologies for development of intelligent robots (UGV, PPM, AGV, etc.)
- Developing low-cost, high-precision SLAM technology using a monocular camera
- Integrating into autonomous driving standard open platform (Autoware)
- Developing robot arm control technologies using AI image recognition
- Application to the safety and security field



Collaborative robot peripheral monitoring edge AI image recognition software (Ryosan, TSUTAYA ELECTRICS)

ZIA™ Cloud SAFE – Launch of SaaS-type Cloud Service (November 2020)

ZIA™ Cloud SAFE

DMP Solution for Safe Driving Support System



ZIA™ SAFE and ZIA™ Cloud SAFE work together to ensure driver safety

- **DMS** : Doze, Aside, Smartphone driving, etc.
- **Driving assistant** : Near miss, traffic violation, crash, lane departure, etc.
- **Other** : licenseplate recognition, gas price, parking lot vacancy, etc.

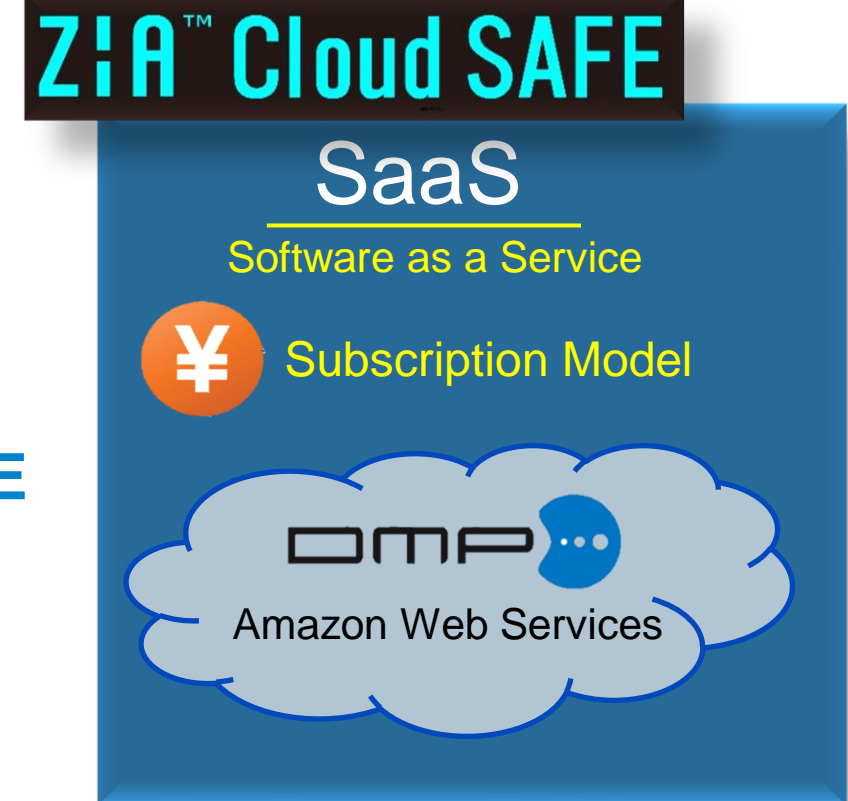
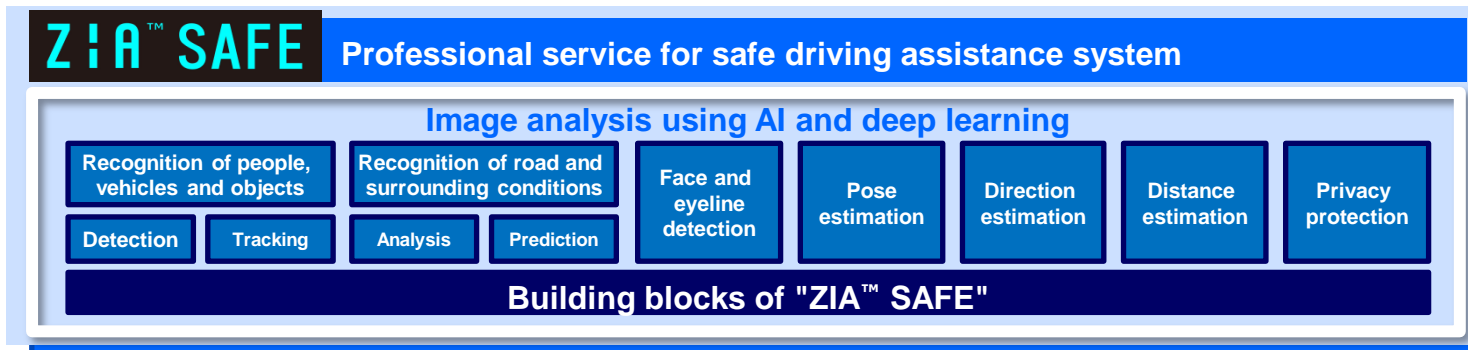


● DMP's first SaaS-type cloud AI service

- Offering various API for safe driving support system
- Seamless collaboration with edge AI (ZIA SAFE)
- Improvements of accuracy and functions by continuous learning
- Amazon Web Services base
- Monetization by subscription model

● Common technology foundation with ZIA™ SAFE

- Total system optimization considering immediacy, recognition accuracy, and load
- Securing scalability and upgradability



<Inquiries>

Digital Media Professionals Inc. Corporate Planning Department

Tel. +81-3-6454-0450

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

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.

Appendix

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.

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>
September 7, 2020	<u>DMP's edge AI image recognition software supports Ryosan's demonstration of collaborative robot at TSUTAYA ELECTRICS + (PLUS)</u>
October 28, 2020	<u>DMP's edge AI processor IP core "ZIA™ DV720" has been adopted for amnimo's industrial IoT devices</u>
November 10, 2020	<u>DMP launches Amazon Web Services based safe driving support cloud service "ZIA™ Cloud SAFE"</u>