VISUALIZE THE FUTURE

DMP
DIGITAL MEDIA PROFESSIONALS

3rd Quarter ended December 31, 2020

Financial Results Supplementary Information

Digital Media Professionals Inc.

February 9, 2021

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Group Business Description

Business	Description	Major Customers
IP Core[*1] License Business	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] a) License fee Compensation through offering IP core license in the process of developing products such as home appliances by customers b) Running royalty/Subscription fee Compensation received according to the number of products incorporating IP core shipped by customers / according to the number of times of access to and analysis with DMP's software on the cloud service c) Maintenance and service fee: Revenue from maintenance of IP based on maintenance contract, etc.	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.

Results Highlights: P/L

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)	3rd Quarter ended Dec. 31, 2019 (non-consolidated)	3rd Quarter ended Dec. 31, 2020 (consolidated)
Net sales	661	834
Operating income	△159	△294
Ordinary income	△166	△242
Net income	△167	△244

- 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, resulting in an increase in overall sales
- Incomes deteriorated due to the business mix (increased sales ratio in LSI product business)
- 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.

Results Highlights: Net Sales by Business

IP core license business Sales ¥101 million Same period last year (non-consolidated) ¥114 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/upgraded AI licenses for robotics, etc., Started recording running royalty for AI-based safe driving assistance

LSI product business Sales ¥600 million Same period last year (non-consolidated) ¥333 million

- ● Recorded sales of "RS1" for volume production and "ZIA™ C3" AI FPGA modules

Professional services business Sales ¥132 million Same period last year (non-consolidated) ¥214 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 90.9%

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 Dec. 2020 (Consolidated)	Major breakdown
	Current assets	3,077	2,946	Cash & deposits 2,005, Securities 442 Accounts receivable - trade 328
	Non-current assets	763	757	Investment securities 500 Software 118
Total assets		**3,841**	**3,704**	
	Current liabilities	279	318	Accounts payable - trade 238
	Non-current liabilities	18	18	Asset retirement obligation 17
Total liabilities		298	337	
Total net assets		**3,543**	**3,367**	Capital stock 1,838, Capital surplus 1,858 Retained earnings -319
Total liabilities and net assets		**3,841**	**3,704**	

Topics

- **Has continued implementing AI functions in products across land, sea and air in line with the product roadmap of Yamaha Motor, a business and capital partner**
- **Strengthen and accelerate initiatives such as product / service development, customer base expansion, and technical partnership in focus domains**

Robotics

- Joined "NVIDIA Partner Network" as a professional service partner

Accelerate and strengthen business in the robotics field by expanding customer base through NVIDIA's ecosystem and contributing to early development/launch of customers' robotics products

- Started offering ZIA™ SLAM

High accurate visual SLAM using a lower cost camera than LiDAR contributes to higher performance and cost reduction of customers' products

- Above measures are generating more businesses including PoC (Proof of Concept)

- Continue to strengthen solution development and provision for robotic vehicles and collaborative robot markets with high growth rate

Safe driving assistance

- Offer safe driving assistance service combining ZIA™ SAFE and ZIA™ Cloud SAFE

Offer the industry's first platform for realizing safe driving assistance system covering from edge AI to the cloud by combining ZIA™ SAFE with a proven track record as safe driving support system development platform and ZIA™ Cloud SAFE, a SaaS-type safe driving support cloud service using Amazon Web Services (AWS)

- JVCKENWOOD has adopted ZIA™ SAFE

Adopted by JVCKENWOOD for its dashcams for telematics service with communication capabilities (Model number: STZ-DR00)

- Continue to cultivate existing customer projects and develop new customers, and aim to expand the profit of the entire business including subscription-based model and royalty model

Others

- Partnership with GrAI Matter Labs (GML) in France

Co-developed a novel virtual AI Sports Coaching Application with GML, a pioneer of brain-inspired ultra-low latency computing and showcased it at docomo Open House 2021 held online from February 4 to 7, 2021. DMP and GML will strive to realize virtual AI assistants using real-time pose estimation analysis and develop business for various applications such as sports analysis, assisted living, industrial automation, and surveillance
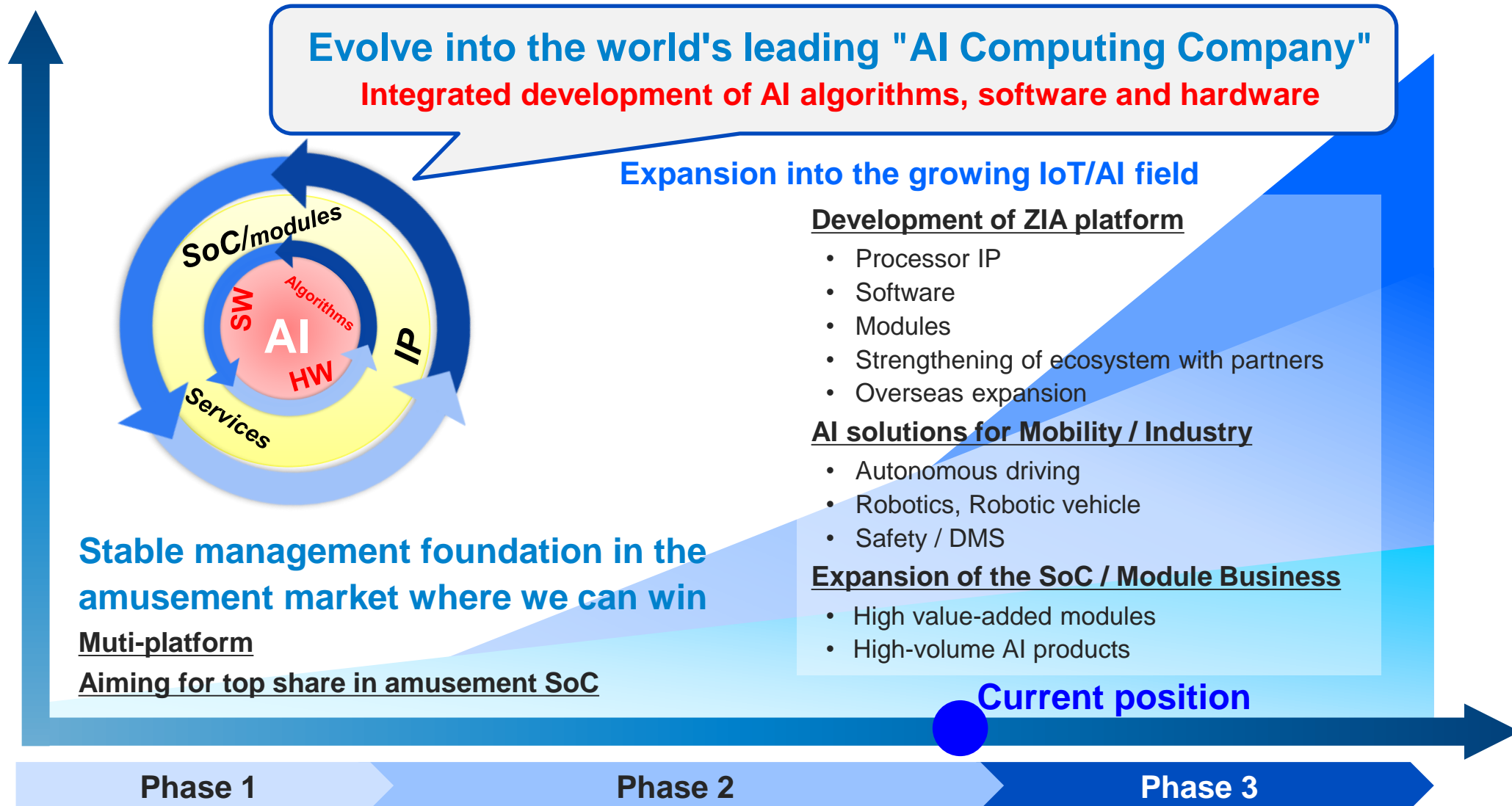
- Edge AI processor IP core "ZIA™ DV720" has been adopted by amnimo, a subsidiary of Yokogawa Electric, for its industrial IoT devices

Achieve ultra-low power consumption, low cost, and high AI inference processing performance for industrial IoT devices required to operate for a long time in harsh environments. Continue to develop business in the industrial IoT market with steady growth rate

Business Forecast

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

(Unit: million yen)	FY 03/2020 (Actual) (Non-consolidated)	3rd Quarter FY 03/2021 (Actual) (Consolidated)	FY 03/2021 (Forecast) (Consolidated)
Net sales	1,328	834	**1,500**
Operating income	82	△294	△ **150**
Ordinary income	85	△242	△ **100**
Net income	65	△244	△ **100**

- The full-year consolidated earnings forecast for the fiscal year ending March 2021 remains unchanged from the forecast announced on November 10, 2020.

- Achieve medium-term growth and contribute to solving social issues by aiming for business development and monetization in fields where market growth can be expected and DMP's technologies and strengths fit
  - Robotics field: The markets of robotic vehicle and collaborative robot have huge growth potential of about 40% per year from the perspectives of solving labor shortages, improving productivity and quality of life in a wide range of fields such as manufacturing, logistics, agriculture and daily life, and preventing new coronavirus infections
  - Safe driving assistance field: The market of dashcam with communication capabilities is expanding steadily backed by the growing demand for real-time detection of dangerous driving events and post-education for safe driving

Blueprint for Future Growth

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, Robotic vehicle
- Safety / DMS

Expansion of the SoC / Module Business

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

SoC/modules

SW

Algorithms

AI

HW

IP

Services

Stable management foundation in the amusement market where we can win

Muti-platform

Aiming for top share in amusement SoC

Current position

Phase 1	Phase 2	Phase 3

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

Date of Announcement/Event	Details
April 1, 2020	Establishment and business start of subsidiary in Vietnam (Japanese)
May 11, 2020	Hold 3rd AI Edge Contest with METI, NEDO, and SIGNATE (Japanese)
May 14, 2020	Prophesee, DMP partner to accelerate development of embedded machine vision and artificial intelligence (AI) applications using Event-Based Vision approach
June 8, 2020	DMP, Silex Technology, and PALTEK jointly developed vehicle AI evaluation kit to support development of safe, remote, and automated AI solutions (Japanese)
July 1, 2020	Hold 4th AI Edge Contest with METI, NEDO, and SIGNATE (Japanese)
July 1, 2020	Basemark and DMP Partner to Develop Smart Mirrors for commercial vehicles
July 13, 2020	DMP releases IP Core "ZIA™ ISP"
July 13, 2020	DMP releases IP Core "ZIA™ DV740"
July 15, 2020	Website renewal
September 7, 2020	DMP's edge AI image recognition software supports Ryosan's demonstration of collaborative robot at TSUTAYA ELECTRICS + (PLUS)
October 28, 2020	DMP's edge AI processor IP core "ZIA™ DV720" has been adopted for amnimo's industrial IoT devices
November 10, 2020	DMP launches Amazon Web Services based safe driving support cloud service "ZIA™ Cloud SAFE" (Japanese)
November 30, 2020	DMP joins NVIDIA Partner Network to accelerate AI business for automation and autonomy in the robotics field
January 18, 2021	DMP releases SLAM Software "ZIA™ SLAM" (Japanese)
February 1, 2021	GML and DMP Partner to Showcase Virtual AI Sports Coach at docomo Open House
February 9, 2021	DMP's AI platform "ZIA™ SAFE" for safe driving field has been adopted by JVCKENWOOD for its dashcams (Japanese)

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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.