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Summary of Non-consolidated Financial Results for the Three Months ended June 30, 2019 (Japanese GAAP)

August 7, 2019

Company name: Digital Media Professionals Inc.

Listing: Tokyo Stock Exchange

Code number: 3652

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Scheduled date of payment of cash dividends: -

Supplementary materials for the quarterly financial results: Yes

Briefing session on the quarterly financial results: No

1. Non-consolidated financial results for the three months ended June 30, 2019 (April 1, 2019 through June 30, 2019)

(1) Non-consolidated operating results

(Percentages indicate year-on-year changes)

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
3 months ended June 30, 2019	61	△55.6	△154	—	△195	—	△195	—
3 months ended June 30, 2018	137	△2.2	△52	—	△47	—	△47	—

	Net income per share	Net income per share-diluted
	yen	yen
3 months ended June 30, 2019	△66.67	—
3 months ended June 30, 2018	△16.96	—

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of June 30, 2019	3,437	3,284	95.5	1049.11
As of March 31, 2019	2,383	1,998	83.8	710.70

Reference) Net assets: 3,284 million yen as of June 30, 2019; 1,998 million yen as of March 31, 2019

2. Cash dividends

	Annual dividends per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	yen	yen	yen	yen	yen
Year ended March 2019	-	0.00	-	0.00	0.00
Year ending March 2020	-	-	-	-	-
Year ending March 2020 (Forecast)	-	0.00	-	0.00	0.00

Note) Revision of dividends forecast during the period: None

3. Forecasts of non-consolidated operating results for the year ending March 31, 2020 (April 1, 2019 through March 31, 2020)

(Percentages indicate year-on-year changes.)

	Net Sales		Operating income		Ordinary income		Net income		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
6 months ending September 2019	400	13.9	△115	-	△135	-	△135	-	△44.51
Full year	1,300	19.6	30	3.6	30	△9.9	20	△43.1	6.49

Note) Revision of forecasts during the period: None

Notes:

1. Application of accounting treatments specific to the preparation of quarterly financial statements: None

2. Changes in accounting policies

(1) Changes in accounting policies resulting from revisions of accounting standards: None

(2) Changes in accounting policies except (1): None

(3) Changes in accounting estimation: None

(4) Restatement: None

2. Number of shares issued

(1) Number of shares issued at the end of the period (including treasury shares)

As of June 30, 2019	3,131,700 shares	As of June 30, 2018	2,811,700 shares
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(2) Number of treasury shares at the end of the period

As of June 30, 2019	1,069 shares	As of June 30, 2018	369 shares
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(3) Average number of shares issued during the period

3 months ended June 30, 2019	2,934,077 shares	3 months ended June 30, 2018	2,795,837 shares
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Note: Explanation regarding the appropriate use of business forecasts and other special notes

The forward-looking statements such as business forecast in this document are based on information currently available to the Company and on certain assumptions deemed to be reasonable. The Company does not guarantee the achievement of the forecasts. Actual results may differ significantly for a number of reasons.

For the conditions and notes on the use of business forecast, please refer to the attached document page 3

"1. Quarterly financial results (3) Forecasts information such as business forecast".

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1. Quarterly financial results

(1) Business results

The Japanese economy during the first quarter has been on a moderate recovery track backed by firm corporate profits and employment conditions, although production and exports were rather weak. On the other hand, the world economy has remained in an uncertain situation with a concern of economic slowdown from the effects of geopolitical risks in the Middle East and East Asia in addition to trade issues and the prospects for the Chinese economy.

In the semiconductor industry to which the Company belongs, the friction between the US and China over advanced technologies has become apparent with serious impacts in specific fields. However, businesses related to IoT, artificial intelligence (AI), big data, next generation high-speed communication standard, and autonomous driving are steadily expanding, and are booming due to strong demand in these fields.

In the AI / visual computing field, which is the business area of the Company, there has been a competitive environment where entries from different industries and the movement of existing players to strengthen the business are remarkable due to the expansion of the AI-related market. In this business environment, it is required to develop products and services that accurately capture market needs and to bring them to market quickly.

Under such circumstances, the Company aims to evolve into the world's leading "AI Computing Company" to solve social problems such as a declining birthrate and an aging population accompanying an increase in medical expenses, and to realize a safe and secure society by providing AI solutions backed by the Company's strength of the integrated development system of AI algorithm, software and hardware.

Specific measures in the first quarter are as follows.

Firstly, the Company entered into a business and capital alliance agreement with Yamaha Motor Co., Ltd. on May 10 with a view to establishing a system that can provide products with higher added value in the AI-related business and securing long-term stable fund for the acquisition of talented engineers. The Company has started concrete discussions and initiatives in the fields of business alliance such as collaboration in the process of product development from algorithm development to product installation by applying AI technologies, and development of automatic and autonomous driving systems in low-speed areas.

Secondly in the area of AI products, the Company expanded the ZIA series lineup by upgrading and enhancing performance of the edge AI processor IP cores and FPGA AI modules.

Thirdly, the image processing semiconductor "RS1" has been evaluated for coexistence of its beautiful image expression with full of realism and the effect of reducing the chassis cost, and was adopted by ZEEG Co. Ltd., a joint venture company of Sammy Corporation and Universal Entertainment Corporation as its game machine units/parts.

Lastly, with regard to the development of the "AI Platform for Artificial Intelligence (AI): An Energy Efficient AI Engine and an Integrated Cloud of Heterogeneous AI engines" commissioned from the New Energy and Industrial Technology Development Organization (NEDO), two-year extension from this fiscal year has been determined and the Company continues the development with the subsidy for "AI Platform for Artificial Intelligence (AI): An Energy Efficient AI Engine" from the first quarter.

As a result, net sales for the first quarter were 61 million yen (down 55.6% year on year) mainly with the sales of new IP license fee, running royalty income and revenue of commissioned development for professional service. The decline was mainly attributable to the falloff of commissioned revenue from NEDO (47 million yen in the same period last year) and a decrease in running royalty of game consoles. In terms of profits, operating loss worsened to 154 million yen (operating loss of 52 million yen in the same period last year) due to an increase in expenses for strengthening the development system in addition to the influence of sales decline. As a result of recording share issuance cost of 56 million yen as non-operating expenses regarding the business and capital alliance with and the implementation of the

third-party allotment to Yamaha Motor Co., Ltd. and recording quarterly subsidy income of 17 million yen as non-operating income regarding the above-mentioned NEDO project "AI Platform for Artificial Intelligence (AI): An Energy Efficient AI Engine", ordinary loss worsened to 195 million yen (ordinary loss of 47 million yen in the same period last year). Net loss was 195 million yen (net loss of 47 million yen in the same period last year).

Although the Company has a single business segment, each business result is shown below in order to show business trends.

1) IP core license business

Net sales were 34 million yen attributable to new AI IP license fee, running royalty income from existing customers and revenue from maintenance support.

2) LSI product business

Net sales were 0 million yen attributable to the sales of AI FPGA module "ZIA C3".

3) Professional service business

Net sales were 26 million yen attributable to the revenue of commissioned development related to mobility.

(2) Financial position

(Assets)

Current assets at the end of the first quarter amounted to 2,511 million yen, up 448 million yen from the end of the previous fiscal year mainly attributable to an increase in cash and deposits (up 943 million yen) and a decrease in accounts receivable (down 515 million yen). Noncurrent assets amounted to 926 million yen, up 605 million yen from the end of the previous fiscal year mainly attributable to an increase in investment securities (up 601 million yen).

(Liabilities)

Current liabilities and noncurrent liabilities at the end of the first quarter totaled 153 million yen, down 232 million yen from the previous fiscal year mainly attributable to decreases in accounts payable (down 207 million yen) and accrued consumption taxes (down 27 million yen).

(Net assets)

Net assets at the end of the first quarter amounted to 3,284 million yen, up 1,286 million yen from the end of the previous fiscal year mainly attributable to increases in capital stock (up 742 million yen) and capital surplus (up 742 million yen) as a result of receiving the third-party allotment from Yamaha Motor Co., Ltd. on May 27, 2019 as well as a decrease in retained earnings due to net loss (down 195 million yen).

(3) Forecasts information such as business forecast

There are no changes in the forecasts of the second quarter cumulative period and the full fiscal year disclosed on May 10, 2019. RS1 sales are expected in each quarter from the second quarter. Actual performance may differ significantly from the forecast figures due to various factors.

2. Non-consolidated quarterly financial statements

(1) Non-consolidated quarterly balance sheets

	(Thousands of yen)	
	Previous year (As of Mar 31, 2019)	Current Q1 period (As of Jun 30, 2019)
Assets		
Current assets		
Cash and deposits	1,096,810	2,039,850
Accounts receivable - trade	566,997	51,774
Securities	345,372	344,206
Inventories	7,472	15,300
Consumption taxes receivable	-	6,370
Other	46,387	53,800
Total current assets	2,063,041	2,511,303
Non-current assets		
Property, plant and equipment	27,750	50,124
Intangible assets		
Software	204,937	192,244
Other	25	25
Total intangible assets	204,963	192,270
Investments and other assets		
Investment securities	-	601,860
Other	87,604	81,972
Total investments and other assets	87,604	683,832
Total non-current assets	320,318	926,227
Total assets	2,383,359	3,437,530
Liabilities		
Current liabilities		
Accounts payable - trade	293,237	85,343
Income taxes payable	2,252	752
Accrued consumption taxes	27,728	-
Other	43,542	48,472
Total current liabilities	366,761	134,568
Non-current liabilities		
Deferred tax liabilities	1,932	1,868
Asset retirement obligations	16,656	16,718
Total non-current liabilities	18,588	18,586
Total liabilities	385,350	153,154
Net assets		
Shareholders' equity		
Capital stock	1,062,032	1,804,592
Capital surplus	1,081,243	1,823,803
Retained earnings	△141,191	△336,797
Treasury shares	△1,482	△1,482
Total shareholders' equity	2,000,603	3,290,116
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	△2,594	△5,740
Total valuation and translation adjustments	△2,594	△5,740
Total net assets	1,998,008	3,284,376
Total liabilities and net assets	2,383,359	3,437,530

(2) Non-consolidated quarterly statements of income (3 months ended June 30, 2019)

	(Thousands of yen)	
	Previous Q1 period (YTD) (From Apr 1, 2018 To Jun 30, 2018)	Current Q1 period (YTD) (From Apr 1, 2019 To Jun 30, 2019)
Net sales	137,941	61,181
Cost of sales	87,705	33,584
Gross profit	50,236	27,597
Selling, general and administrative expenses	102,414	181,915
Operating loss (Δ)	Δ 52,178	Δ 154,317
Non-operating income		
Interest income	270	396
Subsidy income	-	17,000
Foreign exchange gains	4,663	-
Total non-operating income	4,933	17,396
Non-operating expenses		
Share issuance cost	-	56,162
Foreign exchange losses	-	2,350
Commission for purchase of treasury shares	0	-
Total non-operating expenses	0	58,512
Ordinary loss (Δ)	Δ 47,244	Δ 195,433
Loss before income taxes	Δ 47,244	Δ 195,433
Income taxes - current	237	237
Income taxes - deferred	Δ 74	Δ 64
Total income taxes (Δ)	163	173
Net loss (Δ)	Δ 47,408	Δ 195,606

(3) Notes on non-consolidated quarterly financial statements

(Note on the premise of a going concern)

Not applicable.

(Note on significant changes in the amount of shareholders' equity)

As of May 27, 2019, the Company received a third-party allotment of new shares from Yamaha Motor Co., Ltd. As a result, the capital stock is 1,804,592 thousand yen, up 742,560 thousand yen and the capital surplus is 1,823,803 thousand yen, up 742,560 thousand yen at the end of the first quarter period.

(Additional Information)

None