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

November 8, 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: No

Briefing session on the quarterly financial results: Yes

1. Non-consolidated financial results for the six months ended September 30, 2019 (April 1, 2019 through September 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	%
6 months ended September 30, 2019	293	△16.5	△207	—	△231	—	△231	—
6 months ended September 30, 2018	351	△20.6	△17	—	△8	—	△8	—

	Net income per share	Net income per share-diluted
	yen	yen
6 months ended Sep. 30, 2019	△76.30	—
6 months ended Sep. 30, 2018	△3.14	—

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of September 30, 2019	3,462	3,249	93.8	1,038.02
As of March 31, 2019	2,383	1,998	83.8	710.70

Reference) Net assets: 3,249 million yen as of September 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	-	0.00	-	-	-
Year ending March 2020 (Forecast)	-	-	-	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
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

3. Number of shares issued

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

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

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

6 months ended June 30, 2019	3,032,891 shares	6 months ended June 30, 2018	2,798,621 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 second quarter cumulative period has been on a moderate recovery track backed by firm corporate profits and employment conditions despite rather weak production and exports, although there are smoldering concerns about economic slowdown and the downturn in corporate performance partly due to the consumption tax hike. 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 negative impacts in specific fields. However, businesses related to Internet of things (IoT), AI (artificial intelligence), 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, an aging population, and an accompanying 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.

During the second quarter, the Company has continued to focus on the AI field and started licensing "ZIA™ Plate" software incorporating AI and deep learning technology to identify vehicles' license plates with a high degree of accuracy. This product has been receiving many inquiries from customers. In addition, as an initiative in the medical field, "Research and development of AI hardware for AI pathology imaging system for cancer companion diagnostics" using image analysis hardware technology based on deep learning as the Company's strength has been adopted for the "Project for Accelerating Innovative AI Chip Development / Development towards the practical application of ideas for AI chips" as a problem-oriented industrial technology development subsidy project run by the New Energy and Industrial Technology Development Organization (NEDO).

In the second quarter, although the sales of the image processing semiconductor "RS1" were recorded in the LSI business, running royalties mainly from game consoles decreased and some projects shifted to the second half in the IP core license business. In the professional services business, although several projects went on for Yamaha Motor Co., Ltd., a business and capital alliance partner, NEDO commissioned revenue (100 million yen in the same period of the previous year) fell off and some projects shifted to the second half. Accordingly, over-all results were lower than expected.

As a result, net sales for the second quarter cumulative period were 293 million yen (down 16.5% year on year). Operating loss worsened to 207 million yen (operating loss of 17 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 subsidy income of 33 million yen as non-operating income regarding the above-mentioned NEDO project and "AI Platform for Artificial Intelligence (AI): An Energy Efficient AI Engine" run by NEDO, ordinary loss worsened to 231 million yen (ordinary loss of 8 million yen in the same period last year). Net loss was 231 million yen (net loss of 8 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 82 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 111 million yen attributable to the sales of RS1 and AI FPGA module "ZIA C3".

3) Professional service business

Net sales were 99 million yen attributable to the revenue of commissioned development mainly related to mobility.

(2) Financial position

(Assets)

Current assets at the end of the second quarter amounted to 2,563 million yen, up 500 million yen from the end of the previous fiscal year mainly attributable to an increase in cash and deposits (up 813 million yen) and a decrease in accounts receivable (down 344 million yen). Noncurrent assets amounted to 899 million yen, up 579 million yen from the end of the previous fiscal year mainly attributable to an increase in investment securities (up 602 million yen).

(Liabilities)

Current liabilities and noncurrent liabilities at the end of the second quarter totaled 213 million yen, down 172 million yen from the end of the previous fiscal year mainly attributable to decreases in accounts payable (down 136 million yen) and accrued consumption taxes (down 27 million yen).

(Net assets)

Net assets at the end of the second quarter amounted to 3,249 million yen, up 1,251 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 231 million yen).

(3) Forecasts information such as business forecast

Although the Company recorded the lower-than-expected results in the second quarter cumulative period mainly due to the shift of some projects to the second half, there are no changes in the forecasts of the full fiscal year. The Company expects good progress of RS1 shipment and recoveries of the performance in the IP core licensing business and AI-related professional services business in the second half. The business alliance with Yamaha Motor Co., Ltd is speeding up as well. 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 Q2 period (As of Sep 30, 2019)
Assets		
Current assets		
Cash and deposits	1,096,810	1,910,616
Accounts receivable - trade	566,997	222,557
Securities	345,372	344,445
Inventories	7,472	9,250
Other	46,387	76,345
Total current assets	2,063,041	2,563,215
Non-current assets		
Property, plant and equipment	27,750	40,720
Intangible assets		
Software	204,937	179,100
Other	25	25
Total intangible assets	204,963	179,126
Investments and other assets		
Investment securities	-	602,690
Other	87,604	77,195
Total investments and other assets	87,604	679,885
Total non-current assets	320,318	899,732
Total assets	2,383,359	3,463,947
Liabilities		
Current liabilities		
Accounts payable - trade	293,237	156,767
Income taxes payable	2,252	9,862
Other	71,271	28,085
Total current liabilities	366,761	194,715
Non-current liabilities		
Deferred tax liabilities	1,932	1,804
Asset retirement obligations	16,656	16,780
Total non-current liabilities	18,588	18,584
Total liabilities	385,350	213,299
Net assets		
Shareholders' equity		
Capital stock	1,062,032	1,804,592
Capital surplus	1,081,243	1,823,803
Retained earnings	△141,191	△372,596
Treasury shares	△1,482	△1,482
Total shareholders' equity	2,000,603	3,254,317
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	△2,594	△4,670
Total valuation and translation adjustments	△2,594	△4,670
Total net assets	1,998,008	3,249,647
Total liabilities and net assets	2,383,359	3,462,947

(2) Non-consolidated quarterly statements of income (6 months ended September 30, 2019)

	(Thousands of yen)	
	Previous Q2 period (YTD) (From Apr 1, 2018 To Sep 30, 2018)	Current Q2 period (YTD) (From Apr 1, 2019 To Sep 30, 2019)
Net sales	351,285	293,323
Cost of sales	176,563	180,482
Gross profit	174,721	112,840
Selling, general and administrative expenses	191,750	320,663
Operating loss (Δ)	Δ 17,029	Δ 207,822
Non-operating income		
Interest income	629	1,337
Foreign exchange gains	7,920	-
Subsidy income	-	33,600
Other	-	35
Total non-operating income	8,549	34,972
Non-operating expenses		
Share issuance cost	-	56,162
Foreign exchange losses	-	2,047
Commission for purchase of treasury shares	2	-
Total non-operating expenses	2	58,209
Ordinary loss (Δ)	Δ 8,481	Δ 231,058
Extraordinary income		
Gain on reversal of share acquisition rights	19	-
Total extraordinary income	19	-
Loss before income taxes	Δ 8,462	Δ 231,058
Income taxes - current	475	475
Income taxes - deferred	Δ 148	Δ 128
Total income taxes (Δ)	326	346
Net loss (Δ)	Δ 8,789	Δ 231,405

(3) Non-consolidated statements of cash flows (6 months ended September 30, 2019)

	(Yen thousand)	
	Previous Q2 period (YTD) (From Apr 1, 2018 To Sep 30, 2018)	Current Q2 period (YTD) (From Apr 1, 2019 To Sep 30, 2019)
Cash flows from operating activities		
Profit (loss) before income taxes	△8,462	△231,058
Depreciation	30,621	46,083
Interest income	△629	△1,337
Subsidy income	-	△33,600
Foreign exchange losses (gains)	△7,920	1,945
Share issuance cost	-	56,162
Decrease (increase) in notes and accounts receivable - trade	74,776	344,439
Decrease (increase) in inventories	△1,533	△1,778
Increase (decrease) in notes and accounts payable - trade	△109,596	△136,469
Increase (decrease) in accounts payable - other	△36,490	△9,536
Other, net	20,629	△13,555
Subtotal	△38,604	21,295
Interest income received	629	1,005
Income taxes paid	△9,045	-
Income taxes refund	-	2,939
Net cash provided by (used in) operating activities	△47,020	25,240
Cash flows from investing activities		
Purchase of securities	-	△300,000
Purchase of investment securities	-	△603,696
Purchase of property, plant and equipment	△403	△33,295
Purchase of intangible assets	△750	△500
Payments for lease deposits	△255	△987
Collection of lease deposits	-	351
Net cash provided by (used in) investing activities	△1,408	△938,127
Cash flows from financing activities		
Proceeds from issuance of shares resulting from exercise of share acquisition rights	34,200	-
Proceeds from issuance of common shares	-	1,428,957
Purchase of treasury shares	△710	-
Net cash provided by (used in) financing activities	33,489	1,428,957
Effect of exchange rate change on cash and cash equivalents	10,877	△3,192
Net increase (decrease) in cash and cash equivalents	△4,062	512,878
Cash and cash equivalents at beginning of period	1,504,674	1,442,183
Cash and cash equivalents at end of period	1,500,611	1,955,062

(4) 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 second quarter.

(Additional Information)

None

(Material subsequent events)

None