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Summary of Non-consolidated Financial Results for the Nine Months ended December 31, 2019 (Japanese GAAP)

February 12, 2020

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 nine months ended December 31, 2019 (April 1, 2019 through December 31, 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	%
9 months ended December 31, 2019	661	34.1	△159	—	△166	—	△167	—
9 months ended December 31, 2018	493	△21.3	△53	—	△49	—	△49	—

	Net income per share	Net income per share-diluted
	yen	yen
9 months ended December 31, 2019	△54.62	—
9 months ended December 31, 2018	△17.77	—

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of December 31, 2019	3,545	3,312	93.4	1,057.99
As of March 31, 2019	2,383	1,998	83.8	710.70

Reference) Net assets: 3,312 million yen as of December 31, 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 December 31, 2019	3,131,700 shares	As of March 31, 2019	2,811,700 shares
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(2) Number of treasury shares at the end of the period

As of December 31, 2019	1,069 shares	As of March 31, 2019	369 shares
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(3) Average number of shares issued during the period

9 months ended December 31, 2019	3,065,590 shares	9 months ended December 31, 2018	2,800,182 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 4

"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 third quarter cumulative period has been on a moderate recovery track backed by firm corporate profits and employment conditions despite rather weak production and exports. However, there are smoldering concerns about economic slowdown and the downturn in corporate performance partly due to the consumption tax hike and frequent natural disasters. On the other hand, the world economy has remained in an uncertain situation with a concern of economic slowdown from the Brexit and effects of geopolitical risks in the Middle East in addition to trade issues and the prospects for the Chinese economy. Most recently in addition, the spread of the new type of pneumonia has increased the risk of the global recession.

In the semiconductor industry to which the Company belongs, the prolonged friction between the US and China over advanced technologies has given 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" that solves social problems such as a declining birthrate, an aging population, and an accompanying increase in medical expenses, and realizes 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 third quarter, the Company has continued to focus on the AI field and has been developing its business. Especially in the mobility field, the image recognition engine "ZIA™ Classifier" has been adopted for hiyari-hatto (near-miss) image analysis service of drive recorders of DENSO TEN Limited. In addition, the Company has launched "ZIA™ SAFE", an AI platform evolved from ZIA™ Classifier and systematized as a collection of necessary functions and modules to realize safe driving support systems and is accelerating the response to social issues such as tailgating and dangerous driving by the elderly. Moreover, with the aim of strengthening partnerships with leading autonomous driving companies and increasing the ability to provide solutions for autonomous driving technology by acquiring cutting-edge technology and participating in specification development, the Company joined "The Autoware Foundation", an international industry organization that aims at the industry standard for autonomous driving OS.

In areas other than mobility, the Company has promoted a technical tie-up with Computermind Corp. to jointly build AI and deep learning solutions that support labor-saving and automation of product visual inspection. In addition, in order to contribute to the development and enhancement of human resources related to edge AI technology and the discovery of ideas, the Company applied and was successfully adopted for the commissioned project "Survey of issues for finding ideas regarding Technology Development for AI Chip and Next-generation Computing for High-efficiency and High-speed Processing" led by the New Energy and Industrial Technology Development Organization (NEDO), and has started the operation of "AI Edge Contest". Furthermore, in areas other than the AI field, amusement machines equipped with imaging processor "RS1" have started operation, and it is expected that shipments of "RS1" will increase in line with an increase in released titles in the future.

In the third quarter cumulative period, mass production shipments of the image processor "RS1" have been steady in the LSI product business. On the other hand, running royalties mainly from game consoles decreased in the IP core license business. In the professional services business, there was an increase in mobility-related contract development

projects, including those from Yamaha Motor Co., Ltd., a business and capital partner, despite the fall-off of NEDO commissioned revenue (125 million yen in the same period of the previous year) related to "An Energy Efficient AI Engine and an Integrated Cloud of Heterogeneous AI engines".

As a result, net sales for the third quarter cumulative period were 661 million yen (up 34.1% year on year). Operating loss worsened to 159 million yen (operating loss of 53 million yen in the same period last year) due to an increase in expenses for strengthening the development system as well as a lower profitability due to the business mix. 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 47 million yen as non-operating income regarding the NEDO projects, ordinary loss worsened to 166 million yen (ordinary loss of 49 million yen in the same period last year). Net loss was 167 million yen (net loss of 49 million yen in the same period last year).

Although net sales were up but losses worsened year on year, the Company has set up a sustainable earnings-generating system by the stabilization of the management base due to the increase in sales of the amusement LSI RS1 and the expansion of AI business line.

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 114 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 333 million yen attributable to the sales of RS1 and AI FPGA module "ZIA C3".

3) Professional service business

Net sales were 214 million yen attributable to the revenue of commissioned development mainly related to mobility.

(2) Financial position

(Assets)

Current assets at the end of the third quarter amounted to 2,667 million yen, up 604 million yen from the end of the previous fiscal year mainly attributable to an increase in cash and deposits (up 902 million yen) and a decrease in accounts receivable (down 335 million yen). Noncurrent assets amounted to 879 million yen, up 559 million yen from the end of the previous fiscal year mainly attributable to an increase in investment securities (up 600 million yen).

(Liabilities)

Current liabilities and noncurrent liabilities at the end of the third quarter amounted to 235 million yen, down 149 million yen from the end of the previous fiscal year mainly attributable to decreases in accounts payable (down 136 million yen) and other current liabilities (down 21 million yen).

(Net assets)

Net assets at the end of the third quarter amounted to 3,312 million yen, up 1,314 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 payment for the third-party allotment of new shares from Yamaha Motor Co., Ltd. on May 27, 2019 as well as a decrease in retained earnings due to net loss (down 167 million yen).

(3) Forecasts information such as business forecast

There are no changes in the forecasts of the full fiscal year. For the fourth quarter, the Company expects good progress of RS1 shipment as well as large projects in the IP core licensing business. As for AI-related professional services, revenues from Yamaha Motor, drive recorder-related customers, license plate-related customers and industrial customers are expected to grow in addition to the revenue from contracted operation of NEDO's AI Edge Contest. 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 Q3 period (As of Dec 31, 2019)
<b>Assets</b>		
Current assets		
Cash and deposits	1,096,810	1,998,979
Accounts receivable - trade	566,997	231,938
Securities	345,372	345,216
Inventories	7,472	30,694
Other	46,387	61,144
Total current assets	2,063,041	2,667,973
Non-current assets		
Property, plant and equipment	27,750	37,551
Intangible assets		
Software	204,937	165,956
Other	25	25
Total intangible assets	204,963	165,982
Investments and other assets		
Investment securities	-	600,460
Other	87,604	75,911
Total investments and other assets	87,604	676,371
Total non-current assets	320,318	879,905
Total assets	2,383,359	3,547,878
<b>Liabilities</b>		
Current liabilities		
Accounts payable - trade	293,237	156,498
Income taxes payable	2,252	9,843
Other	71,271	50,774
Total current liabilities	366,761	217,116
Non-current liabilities		
Deferred tax liabilities	1,932	1,739
Asset retirement obligations	16,656	16,842
Total non-current liabilities	18,588	18,582
Total liabilities	385,350	235,699
<b>Net assets</b>		
Shareholders' equity		
Capital stock	1,062,032	1,804,592
Capital surplus	1,081,243	1,823,803
Retained earnings	△141,191	△308,643
Treasury shares	△1,482	△1,482
Total shareholders' equity	2,000,603	3,318,270
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	△2,594	△6,091
Total valuation and translation adjustments	△2,594	△6,091
Total net assets	1,998,008	3,312,179
Total liabilities and net assets	2,383,359	3,547,878

## (2) Non-consolidated quarterly statements of income (nine months ended December 31, 2019)

	(Thousands of yen)	
	Previous Q3 period (YTD) (From Apr 1, 2018 To Dec 31, 2018)	Current Q3 period (YTD) (From Apr 1, 2019 To Dec 31, 2019)
Net sales	493,314	661,522
Cost of sales	239,145	366,915
Gross profit	254,168	294,607
Selling, general and administrative expenses	307,563	453,610
Operating loss ( $\Delta$ )	$\Delta$ 53,394	$\Delta$ 159,003
Non-operating income		
Interest income	834	2,083
Foreign exchange gains	4,868	-
Subsidy income	-	47,200
Other	-	36
Total non-operating income	5,702	49,320
Non-operating expenses		
Share issuance cost	1,592	-
New share issuance cost	-	56,162
Foreign exchange losses	-	907
Commission for purchase of treasury shares	2	-
Total non-operating expenses	1,595	57,069
Ordinary loss ( $\Delta$ )	$\Delta$ 49,287	$\Delta$ 166,752
Extraordinary income		
Gain on reversal of share acquisition rights	19	-
Total extraordinary income	19	-
Extraordinary loss		
Loss on retirement of non-current assets	-	180
Total extraordinary loss ( $\Delta$ )	-	180
Loss before income taxes	$\Delta$ 49,268	$\Delta$ 166,932
Income taxes - current	712	712
Income taxes - deferred	$\Delta$ 222	$\Delta$ 192
Total income taxes ( $\Delta$ )	490	519
Net loss ( $\Delta$ )	$\Delta$ 49,758	$\Delta$ 167,452



(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 payment for 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 third quarter.