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Summary of Consolidated Financial Results for the Six Months ended September 30, 2021 (Japanese GAAP)

November 10, 2021

Company name: Digital Media Professionals Inc.

Listing: Tokyo Stock Exchange

Code number: 3652

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

Representative: Tsuyoshi Osawa, President and COO

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Scheduled date of filing Quarterly Securities Report: November 12, 2021

Scheduled date of payment of cash dividends: -

Supplementary materials for the quarterly financial results: No

Briefing session on the quarterly financial results: Yes

1. Consolidated financial results for the three months ended June 30, 2021 (April 1, 2021 through September 30, 2021)

(1) Consolidated operating results

(Percentages indicate year-on-year changes)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
6 months ended September 30, 2021	690	29.5	△109	—	△109	—	△110	—
6 months ended September 30, 2020	533	—	△191	—	△155	—	△156	—

Reference) Comprehensive income: 6 months ended Sep 30, 2021 △108 million yen; 6 months ended Sep 30, 2020 △156 million yen

	Net income per share	Net income per share-diluted
	yen	yen
6 months ended September 30, 2021	△34.95	—
6 months ended September 30, 2020	△49.84	—

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of September 30, 2021	3,432	3,141	91.5
As of March 31, 2021	3,477	3,250	93.5

Reference) Shareholders' equity: 3,141 million yen as of September 30, 2021; 3,250 million yen as of March 31, 2021

2. Cash dividends

	Annual dividends per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	yen	yen	yen	yen	yen
Year ended March 2021	-	0.00	-	0.00	0.00
Year ending March 2022	-	0.00	-	-	-
Year ending March 2022 (Forecast)	-	-	-	0.00	0.00

Note) Revision of dividends forecast during the period: None

3. Forecasts of consolidated operating results for the year ending March 31, 2021 (April 1, 2021 through March 31, 2022)

(Percentages indicate year-on-year changes.)

	Net Sales		Operating income		Ordinary income		Net income attributable to owners of parent		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	1,650	63.4	△200	-	△200	-	△202	-	△64.16

Note) Revision of forecasts during the period: Yes

Notes:

1. Changes in significant subsidiaries during the current consolidated cumulative period (changes in specified subsidiaries accompanying changes in the scope of consolidation): None

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

3. Changes in accounting policies

(1) Changes in accounting policies resulting from revisions of accounting standards: Yes

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

(3) Changes in accounting estimation: None

(4) Restatement: None

4. Number of shares issued

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

As of September 30, 2021	3,152,400 shares	As of March 31, 2021	3,152,400 shares
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(2) Number of treasury shares at the end of the period

As of September 30, 2021	3,922 shares	As of March 31, 2021	3,189 shares
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(3) Average number of shares issued during the period

6 months ended Sep. 30, 2021	3,148,755 shares	6 months ended Sep. 30, 2020	3,135,280 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

"1. Qualitative information on quarterly financial results (3) Consolidated financial forecasts and other forward-looking statements."

Qualitative information on quarterly financial results

(1) Operating results

During the six-month period ended September 30, 2021, the Japanese economy continued to face a difficult situation overall due to the prolonged spread of COVID-19 and the resulting state of emergency declaration and focused anti-infection measures. At present, with the fifth wave of COVID-19 subsiding, the state of emergency declaration and focused anti-infection measures have been lifted, and the resumption of economic activities has become more active. As for the future, it is essential to take the extremely difficult task of raising the level of economic activities while taking measures to prevent the spread of the infection and to prevent serious illnesses by increasing vaccination rates, starting booster vaccinations, and spreading therapeutic drugs. In the world, full-scale economic activities have resumed with the increase in vaccination rates, mainly in Europe and the United States. However, in areas where vaccination rates are low, economic activities are greatly restricted due to the rapid increase in the number of infected people. Thus it will still take time for the economy to recover from the damages caused by the COVID-19 pandemic.

In the semiconductor industry to which our group belongs, although the stay-at-home demand due to the COVID-19 pandemic has peaked out, the continued shortage of semiconductor supplies due to strong demand in various industries is affecting the production of equipment including automobiles that uses semiconductors. In the medium term as well, demand is expected to grow for IoT where all things are connected to the Internet, artificial intelligence (AI), big data, next-generation high-speed communication standards, and automatic driving.

In the field of AI/visual computing, which is the business domain of our group, the acceleration of innovation and the increasing roles of AI in solving social issues, including current difficulties, and in realizing a safe and secure society are expected.

In this environment, the basic policy of our group's medium-term business plan is to achieve Creating Shared Value (CSV) management that will enhance corporate value by contributing to the resolution of social and environmental issues and earning revenue and profits at the same time. In the core fields of safe driving assistance and robotics, we will maximize customer lifetime value (LTV) by providing added value through the development of IP core license business, product business, and professional service business, based on our integrated development system from algorithms and software to our strength, hardware, throughout the development lifecycle of customer products and services from the planning stage to mass production.

As for specific initiatives and achievements in our focused fields during the second quarter of the current fiscal year, firstly, in the safe driving assistance field, we have earned recurring revenue from existing projects and provided professional services to new projects of new and existing customers.

In the robotics field, we have made progress in PoC and commercialization projects for customers in various industries including projects to implement AI in the land, sea, and air products of Yamaha Motor, a business and capital partner, and collaborative projects that combine the event-based sensors of Prophesee in France with our edge AI software and hardware technologies. In addition, as for marketing vision systems for collaborative robots of Cambrian, Inc., a capital and business partner, in order to meet end customers' demand for labor-saving and productivity improvement, we have built and deepened relationships with manufacturers of collaborative robots and robot Slers and have made progress in such as collaborations on specific customers' projects.

In the amusement field, we have won a large-scale order for our image processing semiconductor, RS1, and will continue to aim to expand our share in the market segment where we can demonstrate the superiority of this unique 2D/3D integrated chip.

Furthermore, in the field of automatic/autonomous driving and safe driving assistance, DMP and MACNICA, Inc. have

started to collaborate to solve Japan's social issues such as declining birthrate, aging population, and declining population by combining technologies, sales capabilities, and know-hows of both companies.

With regard to business results for the six-month period ended September 30, 2021, in the product business, we continued mass production shipments of the RS1 image processing semiconductor. In the IP core license business, we acquired new licenses for the safe driving assistance field and the robotics field and recorded recurring revenue in the safe driving assistance field. In the professional service business, contracted AI development services for the safe driving assistance field and the robotics field, became more active, although contracted income from the NEDO project was lost.

As a result, we recorded net sales for the six-month period ended September 30, 2021 of 690 million yen (up 29.5% from the same period of the previous year), operating loss of 109 million yen (operating loss of 191 million yen for the same period of the previous year), ordinary loss of 109 million yen (ordinary loss of 155 million yen for the same period of the previous year), and net loss attributable to owners of parent of 110 million yen (net loss of 156 million yen for the same period of the previous year).

As our group operates in a single segment, segment information is not provided, but a summary of results by business is as follows.

a) IP core license business

In addition to GPU running royalty income for digital equipment such as digital still cameras and office automation equipment, new license income in the safe driving assistance field and the robotics field and recurring income in the safe driving assistance field were recorded. As a result, net sales amounted to 67 million yen (61 million yen in the same period of the previous fiscal year).

b) Product business

Net sales amounted to 502 million yen (383 million yen in the same period of the previous fiscal year) due to sales from mass production shipments of the RS1 and sales of camera modules for drones.

c) Professional service business

Net sales amounted to 120 million yen (87 million yen in the same period of the previous fiscal year), due to the increased activities in AI contracted development projects for the safe driving assistance field and the robotics field, despite the absence of contracted income from NEDO that was recorded in the same period of the previous fiscal year.

A summary of results by field is as follows.

a) Safe driving assistance field

Net sales amounted to 45 million yen (10 million yen in the same period of the previous year), mainly by recording revenues from new license and recurring business in the IP core license business, and professional services for projects of new and existing customers.

b) Robotics field

Net sales amounted to 106million yen (61 million yen in the same period of the previous fiscal year) due to an increase in incomes in the IP core license business and increased activities in AI contract development projects.

c) Amusement field

Net sales amounted to 499 million yen (382 million yen in the same period of the previous year) due to mass production shipment of RS1.

d) Other

Net sales amounted to 38 million yen (77 million yen in the same period of the previous fiscal year) due to the absence of contracted income from the NEDO, which was recorded in the same period of the previous fiscal year, despite the recording of GPU running royalty income for digital equipment.

(2) Financial position

1) Overview of assets, liabilities and net assets

(Assets)

Current assets at the end of the second quarter amounted to 2,690 million yen, down 46 million yen from the end of the previous fiscal year mainly attributable to decreases in cash and deposits (down 162 million yen) and other current assets (down 53 million yen), and an increase in accounts receivable and contract assets (up 191 million yen). Noncurrent assets amounted to 741 million yen, up 1 million yen from the end of the previous fiscal year mainly attributable to an increase in investment securities (up 41 million yen) mainly due to the acquisition of a portion of the preferred stock issued by Cambrian Inc. in Delaware, U.S., on June 14, 2021 and a decrease of 27 million yen in software.

(Liabilities)

Current liabilities and noncurrent liabilities at the end of the second quarter amounted to 290 million yen, up 63 million yen from the end of the previous fiscal year mainly attributable to an increase in accounts payable (up 79 million yen).

(Net assets)

Net assets at the end of the second quarter amounted to 3,141 million yen, down 108 million yen from the end of the previous fiscal year mainly attributable to a decrease in retained earnings (down 110 million yen).

As a result, the equity ratio was 91.5%.

2) Overview of Cash Flows

The balance of cash and cash equivalents at the end of the second quarter of the current consolidated fiscal year was 1,950 million yen.

Net cash used by operating activities was 114 million yen mainly attributable to positive factors such as an increase in accounts payable - trade of 79 million yen and depreciation of 35 million yen, and negative factors such as an increase in accounts receivable - trade and contract assets of 191 million yen and loss before income taxes of 109 million yen.

Net cash used in investing activities was 48 million yen mainly attributable to purchase of investment securities of 40 million yen and purchase of property, plant and equipment of 7 million yen.

Net cash used by financing activities was 0 million yen attributable to purchase of treasury shares.

(3) Consolidated financial forecasts and other forward-looking statements

In light of recent business performance trends and the business environment, we have revised the forecast of consolidated financial results for the fiscal year ending March 31, 2022 announced on May 14, 2021 as follows.

Net sales: 1,650 million yen (previous forecast: 1,500 million yen)

Operating income: -200 million yen (previous forecast: -250 million yen)

Ordinary income: -200 million yen (previous forecast: -250 million yen)

Net income attributable to owners of parent: -202 million yen (previous forecast: -252 million yen)

For details, please refer to the "Notice of Revision of Forecast of Financial Results" disclosed today.

Actual performance may differ significantly from the forecast figures due to various factors.

2. Consolidated quarterly financial statements

(1) Consolidated quarterly balance sheets

	(Yen thousand)	
	Previous year (As of Mar 31, 2021)	Current Q2 period (As of Sep 30, 2021)
Assets		
Current assets		
Cash and deposits	2,066,483	1,904,180
Accounts receivable - trade	157,606	-
Accounts receivable - trade and contract assets	-	348,716
Securities	345,870	346,392
Merchandise and finished goods		1,680
Work in process	7,630	4,641
Raw materials and supplies	44,437	35,786
Income taxes receivable	11,798	-
Other	102,832	49,162
Total current assets	2,736,659	2,690,559
Non-current assets		
Property, plant and equipment	42,652	42,260
Intangible assets		
Software	104,545	77,464
Other	25	25
Total intangible assets	104,570	77,489
Investments and other assets		
Investment securities	500,630	542,361
Other	92,789	79,781
Total investments and other assets	593,419	622,143
Total non-current assets	740,643	741,893
Total assets	3,477,303	3,432,453
Liabilities		
Current liabilities		
Accounts payable - trade	132,333	212,211
Income taxes payable	11,834	12,136
Other	64,065	47,347
Total current liabilities	208,233	271,695
Non-current liabilities		
Deferred tax liabilities	1,452	1,348
Asset retirement obligations	17,408	17,537
Total non-current liabilities	18,860	18,885
Total liabilities	227,094	290,581
Net assets		
Shareholders' equity		
Capital stock	1,838,882	1,838,882
Capital surplus	1,858,093	1,858,093
Retained earnings	-440,462	-550,507
Treasury shares	-1,525	-1,615
Total shareholders' equity	3,254,988	3,144,852
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	-4,677	-2,983
Foreign currency translation adjustment	-102	2
Total accumulated other comprehensive income	-4,779	-2,980
Total net assets	3,250,208	3,141,872
Total liabilities and net assets	3,477,303	3,432,453

(2) Consolidated quarterly statements of income and comprehensive income (three months ended June 30, 2021)

Consolidated quarterly statements of income

(Yen thousand)

	Previous Q2 period (YTD) (From Apr 1, 2020 To Sep 30, 2020)	Current Q2 period (YTD) (From Apr 1, 2021 To Sep 30, 2021)
Net sales	533,321	690,532
Cost of sales	371,532	452,625
Gross profit	161,788	237,907
Selling, general and administrative expenses	353,754	347,851
Operating loss	-191,966	-109,944
Non-operating income		
Interest income	1,222	1,154
Subsidy income	37,900	-
Miscellaneous income	4	241
Total non-operating income	39,126	1,396
Non-operating expenses		
Foreign exchange losses	1,804	399
Share issuance costs	584	-
Miscellaneous loss	0	56
Total non-operating expenses	2,390	456
Ordinary loss	-155,229	-109,004
Loss before income taxes	-155,229	-109,004
Income taxes - current	1,145	1,145
Income taxes - deferred	-111	-103
Total income taxes	1,033	1,041
Loss	-156,263	-110,045
Loss attributable to owners of parent	-156,263	-110,045

Consolidated quarterly statements of comprehensive income

(Yen thousand)

	Previous Q2 period (YTD) (From Apr 1, 2020 To Sep 30, 2020)	Current Q2 period (YTD) (From Apr 1, 2021 To Sep 30, 2021)
Loss	-156,263	-110,045
Other comprehensive income		
Valuation difference on available-for-sale securities	25	1,694
Foreign currency translation adjustment	-102	104
Total other comprehensive income	-77	1,799
Comprehensive income	-156,340	-108,246
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	-156,340	-108,246
Comprehensive income attributable to non-controlling interests	-	-

(3) Quarterly consolidated statements of cash flows

(Yen thousand)

	Previous Q2 period (YTD) (From Apr 1, 2020 To Sep 30, 2020)	Current Q2 period (YTD) (From Apr 1, 2021 To Sep 30, 2021)
Cash flows from operating activities		
Loss before income taxes	-155,229	-109,004
Depreciation	29,757	35,162
Share-based remuneration expenses	14,907	19,256
Interest income	-1,218	-1,152
Foreign exchange losses (gains)	2,088	-421
Subsidy income	-37,900	-
Share issuance costs	584	-
Decrease (increase) in trade receivables	317,104	-
Decrease (increase) in Accounts receivable-trade and contract assets	-	-191,109
Decrease (increase) in inventories	-58,619	9,960
Increase (decrease) in trade payables	69,546	79,877
Increase (decrease) in accounts payable - other	-44,395	-25,837
Other, net	-39,654	50,179
Subtotal	96,971	-133,088
Interest received	1,518	1,246
Income taxes paid	-19,512	-
Income taxes refund	-	10,955
Subsidies received	30,242	6,699
Net cash provided by (used in) operating activities	109,218	-114,187
Cash flows from investing activities		
Purchase of securities	-300,000	-300,000
Proceeds from redemption of securities	300,000	300,000
Purchase of investment securities	-	-40,744
Purchase of property, plant and equipment	-11,650	-7,689
Purchase of intangible assets	-5,725	-
Net cash provided by (used in) investing activities	-17,375	-48,433
Cash flows from financing activities		
Payments for issuance of shares	-584	-
Purchase of treasury shares	-43	-90
Net cash provided by (used in) financing activities	-628	-90
Effect of exchange rate change on cash and cash equivalents	-3,338	931
Net increase (decrease) in cash and cash equivalents	87,875	-161,780
Cash and cash equivalents at beginning of period	2,006,673	2,112,353
Cash and cash equivalents at end of period	2,094,549	1,950,573