

(This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this document and the Japanese original, the latter shall prevail.)

Summary of Consolidated Financial Results for the Nine Months ended December 31, 2021 (Japanese GAAP)

February 10, 2022

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

Contact person: Tomoyuki Ietaka, Executive Officer, CFO, General Manager of Accounting/Corporate Planning Dept. Tel. (03) 6454 - 0450

Scheduled date of filing Quarterly Securities Report: February 14, 2021

Scheduled date of payment of cash dividends: -

Supplementary materials for the quarterly financial results: Yes

Briefing session on the quarterly financial results: No

1. Consolidated financial results for the nine months ended December 31, 2021 (April 1, 2021 through December 31, 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	%
9 months ended Dec 30, 2021	1,279	53.4	△91	—	△90	—	△91	—
9 months ended Dec 30, 2020	834	—	△294	—	△242	—	△244	—

Reference) Comprehensive income: △87 million yen as of Dec 31, 2021; △244 million yen as of Dec 31, 2020

	Net income per share	Net income per share-diluted
	yen	yen
9 months ended Dec 30, 2021	△29.12	—
9 months ended Dec 30, 2020	△77.75	—

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of December 31, 2020	3,634	3,162	87.0
As of March 31, 2020	3,477	3,250	93.5

Reference) Shareholders' equity: 3,162 million yen as of Dec 31, 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, 2022 (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	-	△200	-	△200	-	△202	-	△64.16

Note) Revision of forecasts during the period: None

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 Dec 31, 2021	3,152,400 shares	As of March 31, 2021	3,152,400 shares
--------------------	------------------	----------------------	------------------

(2) Number of treasury shares at the end of the period

As of Dec 31, 2021	3,922 shares	As of March 31, 2021	3,189 shares
--------------------	--------------	----------------------	--------------

(3) Average number of shares issued during the period

9 months ended Dec 31, 2021	3,148,662 shares	9 months ended Dec 31, 2020	3,140,149 shares
-----------------------------	------------------	-----------------------------	------------------

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 nine-month period ended December 31, 2021, the Japanese economy continued to face a difficult situation overall due to the prolonged spread of COVID-19. During the third quarter (October to December 2021), although the resumption of economic activities was activated following the subsidence of the fifth wave of COVID-19, the situation remained severe as Omicron is rampant at present and focused anti-infection measures have been applied nationwide. 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 serious illnesses by accelerating booster vaccinations, and spreading therapeutic drugs. In the world, some countries have been prioritizing more aggressive economic activities even though the number of newly infected people remains high, but overall, the economy still needs more time to recover from the damage 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 electronic 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 are expected in solving social and environmental issues, including a decrease in working population due to declining birthrate and aging population, COVID-19 pandemic and climate change, and in realizing a safe and secure society.

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 third 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, in the business of Cambrian vision systems for collaborative robots, a capital and business partner, we made progresses in the development of applications such as the joint development of an automatic mail sorting system with Takashima Robot Marketing, which provides rental, sales, and installation support services for collaborative robots, as well as in specific projects aimed at reducing labor and improving productivity for end customers.

In the amusement field, we have acquired a large-scale order of 1,308 million yen scheduled to be delivered to the customer from April 2022 onward 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.

With regard to business results for the nine-month period ended December 31, 2021, in the product business, we continued mass production shipments of the RS1 image processing semiconductor and recorded revenue of camera modules for drone mass production. 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 nine-month period ended December 31, 2021 of 1,279 million yen (up 53.4% from the same period of the previous year), operating loss of 91 million yen (operating loss of 294 million yen for the same period of the previous year), ordinary loss of 90 million yen (ordinary loss of 242 million yen for the same period of the previous year), and net loss attributable to owners of parent of 91 million yen (net loss of 244 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 recording incomes from GPU new license and running royalties 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 132 million yen (101 million yen in the same period of the previous fiscal year).

b) Product business

Net sales amounted to 955 million yen (600 million yen in the same period of the previous fiscal year) due to sales from mass production shipments of the RS1, camera modules for drone mass production and Cambrian vision systems.

c) Professional service business

Net sales amounted to 191 million yen (132 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 78 million yen (14 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 196 million yen (102 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 919 million yen (598 million yen in the same period of the previous year) due to mass production shipment of RS1.

d) Other

Net sales amounted to 85 million yen (119 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 incomes from GPU new license and running royalties for digital equipment.

## (2) Financial position

Overview of assets, liabilities and net assets

### (Assets)

Current assets at the end of the third quarter amounted to 2,911 million yen, up 174 million yen from the end of the previous fiscal year mainly attributable to decreases in cash and deposits (down 98 million yen) and other current assets (down 49 million yen), and an increase in accounts receivable and contract assets (up 364 million yen). Noncurrent assets amounted to 723 million yen, down 17 million yen from the end of the previous fiscal year mainly attributable to an increase in investment securities (up 42 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 in software (down 40 million yen).

### (Liabilities)

Current liabilities and noncurrent liabilities at the end of the third quarter amounted to 472 million yen, up 245 million yen from the end of the previous fiscal year mainly attributable to an increase in accounts payable (up 236 million yen).

### (Net assets)

Net assets at the end of the third quarter amounted to 3,162 million yen, down 87 million yen from the end of the previous fiscal year mainly attributable to a decrease in retained earnings (down 91 million yen).

As a result, the equity ratio was 87.0%.

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

Consolidated financial results for the third quarter (October to December 2021) have turned profitable, but at this point, there is no change to the full-year consolidated financial forecast for the fiscal year ending March 31, 2022, which was announced on November 10, 2021.

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 Q3 period (As of Dec 31, 2021)
<b>Assets</b>		
Current assets		
Cash and deposits	2,066,483	1,967,925
Accounts receivable - trade	157,606	-
Accounts receivable - trade and contract assets	-	522,260
Securities	345,870	347,671
Merchandise and finished goods	-	4,957
Work in process	7,630	10,245
Raw materials and supplies	44,437	5,382
Income taxes receivable	11,798	-
Other	102,832	53,207
Total current assets	2,736,659	2,911,651
Non-current assets		
Property, plant and equipment	42,652	39,268
Intangible assets		
Software	104,545	63,923
Other	25	5,025
Total intangible assets	104,570	68,949
Investments and other assets		
Investment securities	500,630	543,357
Other	92,789	71,558
Total investments and other assets	593,419	614,915
Total non-current assets	740,643	723,133
Total assets	3,477,303	3,634,784
<b>Liabilities</b>		
Current liabilities		
Accounts payable - trade	132,333	368,564
Income taxes payable	11,834	8,249
Other	64,065	76,571
Total current liabilities	208,233	453,385
Non-current liabilities		
Deferred tax liabilities	1,452	1,296
Asset retirement obligations	17,408	17,601
Total non-current liabilities	18,860	18,898
Total liabilities	227,094	472,283
<b>Net assets</b>		
Shareholders' equity		
Capital stock	1,838,882	1,838,882
Capital surplus	1,858,093	1,858,093
Retained earnings	-440,462	-532,133
Treasury shares	-1,525	-1,615
Total shareholders' equity	3,254,988	3,163,227
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	-4,677	-615
Foreign currency translation adjustment	-102	-111
Total accumulated other comprehensive income	-4,779	-726
Total net assets	3,250,208	3,162,500
Total liabilities and net assets	3,477,303	3,634,784

## (2) Consolidated quarterly statements of income and comprehensive income (nine months ended Dec 31, 2021)

## Consolidated quarterly statements of income

(Yen thousand)

	Previous Q3 period (YTD) (From Apr 1, 2020 To Dec 31, 2020)	Current Q3 period (YTD) (From Apr 1, 2021 To Dec 31, 2021)
Net sales	834,239	1,279,593
Cost of sales	567,840	835,747
Gross profit	266,398	443,845
Selling, general and administrative expenses	560,777	535,767
Operating loss	-294,379	-91,921
Non-operating income		
Interest income	1,739	1,514
Subsidy income	53,500	-
Miscellaneous income	4	241
Total non-operating income	55,244	1,755
Non-operating expenses		
Foreign exchange losses	2,882	215
Share issuance costs	584	-
Miscellaneous loss	0	57
Total non-operating expenses	3,467	272
Ordinary loss	-242,602	-90,437
Extraordinary income		
Gain on liquidation of subsidiaries	-	328
Total extraordinary income	-	328
Loss before income taxes	-242,602	-90,109
Income taxes - current	1,717	1,717
Income taxes - deferred	-167	-155
Total income taxes	1,550	1,561
Loss	-244,152	-91,670
Loss attributable to owners of parent	-244,152	-91,670

## Consolidated quarterly statements of comprehensive income

(Yen thousand)

	Previous Q3 period (YTD) (From Apr 1, 2020 To Dec 31, 2020)	Current Q3 period (YTD) (From Apr 1, 2021 To Dec 31, 2021)
Loss	-244,152	-91,670
Other comprehensive income		
Valuation difference on available-for-sale securities	-520	4,062
Foreign currency translation adjustment	-102	-9
Total other comprehensive income	-622	4,052
Comprehensive income	-244,774	-87,617
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	-244,774	-87,617
Comprehensive income attributable to non-controlling interests	-	-