

(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 Six Months ended September 30, 2022 (Japanese GAAP)

November 10, 2022

Company name: Digital Media Professionals Inc.

Listing: Tokyo Stock Exchange

Code number: 3652

URL: <https://www.dmprom.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: November 11, 2022

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, 2022 (April 1, 2022 through September 30, 2022)

(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, 2022	925	34.0	△102	—	△94	—	△95	—
6 months ended September 30, 2021	690	29.5	△109	—	△109	—	△110	—

Reference) Comprehensive income: △90 million yen as of September 30, 2022; △108 million yen as of September 30, 2021

	Net income per share	Net income per share-diluted
	yen	yen
6 months ended September 30, 2022	△30.33	—
6 months ended September 30, 2021	△34.95	—

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of September 30, 2022	3,485	3,004	86.2
As of March 31, 2022	3,472	3,095	89.2

Reference) Shareholders' equity: 3,004 million yen as of September 30, 2022; 3,095 million yen as of March 31, 2022

2. Cash dividends

	Annual dividends per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	yen	yen	yen	yen	yen
Year ended March 2022	-	0.00	-	0.00	0.00
Year ending March 2023	-	0.00	-	-	-
Year ending March 2023 (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, 2023 (April 1, 2022 through March 31, 2023)

(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	2,370	42.1	25	-	25	-	20	-	6.35

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: None
 - (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, 2022	3,152,400 shares	As of March 31, 2022	3,152,400 shares
--------------------------	------------------	----------------------	------------------

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

As of September 30, 2022	5,122 shares	As of March 31, 2022	4,122 shares
--------------------------	--------------	----------------------	--------------

(3) Average number of shares issued during the period

6 months ended Sep 30, 2022	3,147,278 shares	6 months ended Sep 30, 2021	3,148,755 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."

1. Qualitative information on quarterly financial results

(1) Financial position and operating results

During the six-month period ended September 30, 2022, Japan saw an explosive infections and convergence of the seventh wave of COVID-19 following the convergence of the sixth wave, and the Japanese economy showed signs of gradual recovery due to efforts to ease restrictions on activities and revitalize socio-economic activities. Currently, however, there are concerns about the impact of the sharp depreciation of the yen, rising prices, and other factors on the economy. As for the future, it is essential to take the extremely difficult task of raising the level of socio-economic activities while taking countermeasures against infection with the possibility of the eighth wave being pointed out. In the world, the risk of economic recession has become apparent due to high raw material and food prices and supply-side constraints caused by the situation in Ukraine in addition to the effects of monetary tightening.

In the semiconductor industry to which our group belongs, 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 the 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 (safety) 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 safety field, we earned recurring revenue from existing projects from the edge to the cloud, as well as new licenses and professional services for new customers and new projects of existing customers. In addition, progress was made on PoC projects such as traffic volume surveys for safety in a broader sense.

In the robotics field, while we identified and promoted PoC projects for customers, we conducted R&D for specific use cases such as autonomous driving of electric wheelchairs and digital safety fences for human-robot collaboration, in addition to efforts to improve product robustness. In addition, the vision system for cooperative robots by Cambrian Inc., a capital and business partner, was highly evaluated for its recognition stability under ambient light conditions and compatibility with a wide range of picking items, and we made concrete progress in business projects aimed at reducing labor and improving productivity for end customers in the manufacturing industry, particularly the automobile industry. Furthermore, we exhibited at the "5th RoboDEX NAGOYA" (October 26 to 28), where we demonstrated an advanced AMR (Autonomous Mobile Robot), which is designed to automate delivery in factories, in combination of an AMR equipped with ZIA MOVE (SLAM) and robot picking using the Cambrian vision system.

In the amusement field, we continued shipping our image processing semiconductors, RS1, for mass production in response to the large-scale order, and aimed to expand our share in the market segment where we can demonstrate

the superiority of this unique 2D/3D integrated chip.

In addition, we started recording running royalty income for ZIA DV720, a high-definition edge AI processor for TVS REGZA's Regza series of TVs, from the second quarter.

With regard to business results for the six-month period ended September 30, 2022, in the product business, we continued mass production shipments of the RS1 image processing semiconductor and shipped ZIA C3 kits for volume production and Cambrian vision systems. In the IP core license business, we recorded recurring revenue in the areas of safety and robotics in addition to AI/GPU running royalty income. In the professional service business, we provided contracted AI/GPU contracted development services.

As a result, we recorded net sales for the six-month ended September 30, 2022 of 925 million yen (up 34.0% from the same period of the previous year), operating loss of 102 million yen (operating loss of 109 million yen for the same period of the previous year), ordinary loss of 94 million yen (ordinary loss of 109 million yen for the same period of the previous year) and net loss attributable to owners of the parent of 95 million yen (net loss of 110 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

Net sales amounted to 67 million yen (67 million yen in the same period of the previous fiscal year), mainly due to the recording of new IP licenses and recurring revenue in the fields of safety and robotics in addition to AI/GPU running royalty income for digital equipment such as digital still cameras, 4K TVs and office automation equipment.

b) Product business

Net sales amounted to 798 million yen (502 million yen in the same period of the previous fiscal year) due to sales from mass production shipments of the RS1, volume shipments of the ZIA C3 kit for peripheral monitoring of commercial vehicles and Cambrian vision systems.

c) Professional service business

Net sales amounted to 59 million yen (120 million yen in the same period of the previous fiscal year) due to a temporary decrease in customers' development projects.

A summary of results by field is as follows.

a) Safety field

Net sales amounted to 49 million yen (45 million yen in the same period of the previous year), mainly due to sales from volume shipments of the ZIA C3 kit for peripheral monitoring of commercial vehicles, professional services income, and recurring income.

b) Robotics field

Net sales amounted to 31 million yen (106 million yen in the same period of the previous fiscal year) due to a temporary decrease in customers' development projects in the professional service business, despite the recording of revenue mainly from the IP core license business and Cambrian vision systems.

c) Amusement field

Net sales amounted to 789 million yen (499 million yen in the same period of the previous year), mainly due to the mass production shipments of RS1.

d) Other

Net sales amounted to 55 million yen (38 million yen in the same period of the previous fiscal year), mainly due to the recording of AI/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 3,033 million yen, up 249 million yen from the end of the previous fiscal year mainly attributable to increases in accounts receivable and contract assets (up 198 million yen), and raw materials and supplies (up 48 million yen). Noncurrent assets amounted to 452 million yen, down 235 million yen from the end of the previous fiscal year mainly attributable to decreases in investment securities (down 199 million yen) due to early redemption and other intangible assets (down 23 million yen).

(Liabilities)

Current liabilities and noncurrent liabilities at the end of the second quarter amounted to 480 million yen, up 104 million yen from the end of the previous fiscal year mainly attributable to an increase in accounts payable (up 122 million yen).

(Net assets)

Net assets at the end of the second quarter amounted to 3,004 million yen, down 90 million yen from the end of the previous fiscal year mainly attributable to a decrease in retained earnings (down 95 million yen).

As a result, the equity ratio was 86.2%.

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 2,008 million yen.

Net cash used by operating activities was 199 million yen mainly attributable to positive factors such as an increase in accounts payable - trade of 122 million yen and depreciation of 35 million yen, and negative factors such as an increase in accounts receivable and contract assets of 198 million yen and loss before income taxes of 94 million yen.

Net cash provided by investing activities was 194 million yen mainly attributable to proceeds from redemption of investment securities of 200 million yen.

There were no cash flows in financing activities.

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

There is no change to the full-year consolidated earnings forecast for the fiscal year ending March 31, 2023, announced on May 13, 2022.

In the six-month period ended September 30, 2022, net sales grew mainly due to higher sales in the amusement field, and the losses improved from the same period of the previous fiscal year.

From the third quarter onward, we expect to expand license revenue including which comes from OTA (Over the Air) and professional service revenue in the safety field, and product business including Cambrian vision systems and camera modules for mass-production drones and professional service business in the robotics field, in addition to the continued volume shipments of "RS1" image processing semiconductors for the amusement market.

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

2. Consolidated quarterly financial statements and major notes

(1) Consolidated quarterly balance sheets

	(Yen thousand)	
	Previous year (As of Mar 31, 2022)	Current Q2 period (As of Sep 30, 2022)
Assets		
Current assets		
Cash and deposits	2,002,540	2,008,361
Accounts receivable - trade and contract assets	388,772	586,808
Securities	300,000	300,000
Merchandise and finished goods	11,501	10,005
Work in process	1,029	430
Raw materials and supplies	26,756	75,059
Other	53,449	52,698
Total current assets	2,784,051	3,033,365
Non-current assets		
Property, plant and equipment	39,519	38,464
Intangible assets		
Software	50,383	45,234
Other	23,025	25
Total intangible assets	73,408	45,259
Investments and other assets		
Investment securities	507,481	308,401
Other	67,727	60,089
Total investments and other assets	575,209	368,490
Total non-current assets	688,137	452,215
Total assets	3,472,189	3,485,580
Liabilities		
Current liabilities		
Accounts payable - trade	260,342	382,733
Income taxes payable	15,146	11,338
Provision for product warranties	17,081	21,260
Other	66,056	47,206
Total current liabilities	358,626	462,539
Non-current liabilities		
Deferred tax liabilities	414	414
Asset retirement obligations	17,665	17,795
Total non-current liabilities	18,079	18,210
Total liabilities	376,706	480,749
Net assets		
Shareholders' equity		
Capital stock	1,838,882	1,838,882
Capital surplus	1,858,093	1,858,093
Retained earnings	-597,659	-693,111
Treasury shares	-1,615	-1,615
Total shareholders' equity	3,097,700	3,002,249
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	-1,835	-204
Foreign currency translation adjustment	-381	2,785
Total accumulated other comprehensive income	-2,217	2,581
Total net assets	3,095,483	3,004,830
Total liabilities and net assets	3,472,189	3,485,580

(2) Consolidated quarterly statements of income and comprehensive income (six months ended September 30, 2022)

Consolidated quarterly statements of income

(Yen thousand)

	Previous Q2 period (YTD) (From Apr 1, 2021 To Sep 30, 2021)	Current Q2 period (YTD) (From Apr 1, 2022 To Sep 30, 2022)
Net sales	690,532	925,354
Cost of sales	452,625	616,076
Gross profit	237,907	309,278
Selling, general and administrative expenses	347,851	412,119
Operating loss	-109,944	-102,840
Non-operating income		
Interest income	1,154	786
Foreign exchange gains	-	8,305
Miscellaneous income	241	-
Total non-operating income	1,396	9,092
Non-operating expenses		
Foreign exchange losses	399	-
Loss on redemption of securities	-	548
Miscellaneous loss	56	9
Total non-operating expenses	456	557
Ordinary loss	-109,004	-94,306
Loss before income taxes	-109,004	-94,306
Income taxes - current	1,145	1,145
Income taxes - deferred	-103	-
Total income taxes	1,041	1,145
Loss	-110,045	-95,451
Loss attributable to owners of parent	-100,045	-95,451

Consolidated quarterly statements of comprehensive income

(Yen thousand)

	Previous Q2 period (YTD) (From Apr 1, 2021 To Sep 30, 2021)	Current Q2 period (YTD) (From Apr 1, 2022 To Sep 30, 2022)
Loss	-110,045	-95,451
Other comprehensive income		
Valuation difference on available-for-sale securities	1,694	1,631
Foreign currency translation adjustment	104	3,167
Total other comprehensive income	1,799	4,798
Comprehensive income	-108,246	-90,652
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	-108,246	-90,652
Comprehensive income attributable to non-controlling interests	-	-

(3) Quarterly consolidated statements of cash flows

(Yen thousand)

	Previous Q2 period (YTD) (From Apr 1, 2021 To Sep 30, 2021)	Current Q2 period (YTD) (From Apr 1, 2022 To Sep 30, 2022)
Cash flows from operating activities		
Loss before income taxes	-109,004	-94,306
Depreciation	35,162	34,655
Share-based remuneration expenses	19,256	11,945
Increase (decrease) in provision for product warranties	-	4,179
Interest income	-1,152	-786
Foreign exchange losses (gains)	-421	-10,483
Decrease (increase) in Accounts receivable-trade and contract assets	-191,109	-198,035
Decrease (increase) in inventories	9,960	-46,208
Increase (decrease) in trade payables	79,877	122,391
Increase (decrease) in accounts payable - other	-25,837	3,077
Other, net	50,179	-24,926
Subtotal	-133,088	-198,497
Interest received	1,246	1,039
Income taxes paid	-	-2,156
Income taxes refund	10,955	-
Subsidies received	6,699	-
Net cash provided by (used in) operating activities	-114,187	-199,615
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	-
Proceeds from redemption of investment securities	-	200,711
Purchase of property, plant and equipment	-7,689	-4,871
Purchase of intangible assets	-	-580
Other, net	-	-307
Net cash provided by (used in) investing activities	-48,433	194,952
Cash flows from financing activities		
Purchase of treasury shares	-90	-
Net cash provided by (used in) financing activities	-90	-
Effect of exchange rate change on cash and cash equivalents	931	10,483
Net increase (decrease) in cash and cash equivalents	-161,780	5,820
Cash and cash equivalents at beginning of period	2,112,353	2,002,540
Cash and cash equivalents at end of period	1,950,573	2,008,361

(4) Notes to quarterly consolidated financial statements

(Notes on going-concern assumption)

Not applicable

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

Not applicable

(Change in accounting policy)

Not applicable

(Segment information, etc.)

[Segment information]

The Group's business is comprised of a single segment, the development, manufacture, and sale of IP cores and other products, as well as related operations. Therefore, this information is omitted from this report.

3. Other

(1) Significant events on going-concern assumption

Not applicable

(2) Recent quarterly business performance

Fiscal year ended March 31, 2023

(thousand yen)	First Quarter Apr 2022 - Jun 2022	Second Quarter Jul 2022 - Sep 2022	Third Quarter Oct 2022 - Dec 2022	Fourth Quarter Jan 2023 - Mar 2023
Net sales	387,671	537,683	-	-
Gross profit	119,257	189,660	-	-
Operating loss (-)	-89,267	-13,573	-	-
Ordinary loss (-)	-83,735	-10,570	-	-
Loss (-) before income taxes	-83,735	-10,570	-	-
Net loss (-)	-84,308	-11,143	-	-
Net loss (-) attributable to owners of the parent	-84,308	-11,143	-	-
Comprehensive income	-79,661	-10,990	-	-
Net income/loss (-) per share	-26.79 yen	-3.54 yen	-	-
	End of 1st Quarter	End of 2nd Quarter	End of 3rd Quarter	End of 4th Quarter
Total assets	3,463,998	3,485,580	-	-
Net assets	3,015,821	3,004,830	-	-
Net assets per share	958.23 yen	954.74 yen	-	-

Fiscal year ended March 31, 2022

(thousand yen)	First Quarter Apr 2021 - Jun 2021	Second Quarter Jul 2021 - Sep 2021	Third Quarter Oct 2021 - Dec 2021	Fourth Quarter Jan 2022 - Mar 2022
Net sales	250,518	440,014	589,060	388,398
Gross profit	69,584	168,322	205,938	160,616
Operating income/loss (-)	-95,864	-14,080	18,023	-34,699
Ordinary income/loss (-)	-95,848	-13,155	18,566	-32,193
Income/loss (-) before income taxes	-95,848	-13,155	18,895	-65,836
Net income/loss (-)	-96,369	-13,675	18,374	-65,526
Net income/loss (-) attributable to owners of the parent	-96,369	-13,675	18,374	-65,526
Comprehensive income	-95,826	-12,419	20,628	-67,017
Net income/loss (-) per share	-30.60 yen	-4.34 yen	5.83 yen	-20.81 yen
	End of 1st Quarter	End of 2nd Quarter	End of 3rd Quarter	End of 4th Quarter
Total assets	3,399,847	3,432,453	3,634,784	3,472,189
Net assets	3,154,649	3,141,872	3,162,500	3,095,483
Net assets per share	1,001.85 yen	997.90 yen	1,004.45 yen	983.23 yen