

(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, 2022 (Japanese GAAP)

February 9, 2023

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 10, 2023

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, 2022 (April 1, 2022 through December 31, 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	%
9 months ended Dec 31, 2022	1,579	23.5	△60	—	△58	—	△60	—
9 months ended Dec 31, 2021	1,279	53.4	△91	—	△90	—	△91	—

Reference) Comprehensive income: △55 million yen as of Dec 31, 2022; △87 million yen as of Dec 31, 2021

	Net income per share	Net income per share-diluted
	yen	yen
9 months ended Dec 31, 2022	△19.13	—
9 months ended Dec 31, 2021	△29.12	—

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of December 31, 2022	3,557	3,039	85.5
As of March 31, 2022	3,472	3,095	89.2

Reference) Shareholders' equity: 3,039 million yen as of Dec 31, 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 Dec 31, 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 Dec 31, 2022	5,122 shares	As of March 31, 2022	4,122 shares
--------------------	--------------	----------------------	--------------

(3) Average number of shares issued during the period

9 months ended Dec 31, 2022	3,147,278 shares	9 months ended Dec 31, 2021	3,148,662 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 nine-month period ended December 31, 2022, the Japanese economy showed signs of a gradual recovery due to efforts to ease behavioral restrictions and revitalize socioeconomic activities amid the eighth wave of the outbreak of the new coronavirus infection. At present, however, the impact of the rapid depreciation of the yen and the sharp rise in prices and energy costs on the economy and people's lives has become apparent, and economic measures have been budgeted by the government. Looking ahead, with the scheduled transition of the new coronavirus infection from category 2 equivalent to category 5 under the Infectious Diseases Control Law this spring, Japan will take a major step toward normalizing socioeconomic activities, but challenges remain, such as managing the risk of periodic outbreaks. 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, demand is also expected to grow for IoT, where everything is connected to the Internet, artificial intelligence (AI), big data, next-generation high-speed communication standards, and automated 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 third 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. The recurring business included an OTA (Over the Air) project to wirelessly implement our software in dashcams already installed in end-user vehicles. In addition, several PoC projects for safety in a broader sense have progressed.

In the robotics field, while identifying and promoting PoC projects for customers, we launched "ZIA SV," a stereo vision IP for AMD Xilinx adaptive computing devices. This IP enables high-speed, high-precision distance measurement in applications such as autonomous and collaborative robots. In addition, with regard to the business of the vision system for cooperative robots by Cambrian Inc., a capital and business partner, we have made progress in business projects aimed at reducing labor and improving productivity for end customers in the manufacturing industry, particularly the automobile industry. Furthermore, to expand the ecosystem, we have made the Cambrian vision system compatible with collaborative robots manufactured by Doosan Robotics of South Korea, which Sumitomo Shoji Machinex Co., Ltd. handles as the sole distributor in Japan.

In the amusement field, we continued shipping our image processing semiconductors, "RS1," for mass production in response to the large-scale order, and the sales of chassis of ZEEG Corporation, a joint venture between Sammy Corporation and Universal Entertainment Corporation, equipped with "RS1" exceeded 100,000 units for 10 models. We continue to seek to expand our market share in market segments where we can leverage the advantages of this unique 2D/3D integrated chip.

Other initiatives include the development of an AI IP processor that significantly outperforms current products.

With regard to business results for the nine-month period ended December 31, 2022, in the product business, we continued mass production shipments of the RS1 image processing semiconductor and shipped ZIA C3 kits for volume production, camera modules for drone mass production, and Cambrian vision systems. In the IP core license business, we recorded recurring revenue in the fields 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 nine-month ended December 31, 2022 of 1,579 million yen (up 23.5% from the same period of the previous year), operating loss of 60 million yen (operating loss of 91 million yen for the same period of the previous year), ordinary loss of 58 million yen (ordinary loss of 90 million yen for the same period of the previous year) and net loss attributable to owners of the parent of 60 million yen (net loss of 91 million yen for the same period of the previous year). We turned into the black with net sales of 654 million yen and operating income of 41 million yen in the third quarter from October through December 2022.

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 158 million yen (132 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 including OTA, 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 1,343 million yen (955 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, camera modules for drone mass production, and Cambrian vision systems.

c) Professional service business

Net sales amounted to 78 million yen (191 million yen in the same period of the previous fiscal year) due to a decrease in customers' development projects.

A summary of results by field is as follows.

a) Safety field

Net sales amounted to 117 million yen (78 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 including OTA.

b) Robotics field

Net sales amounted to 86 million yen (196 million yen in the same period of the previous fiscal year) due to a decrease

in customers' development projects in the professional service business, despite the recording of revenue mainly from the IP core license business, Cambrian vision systems, and camera modules for drone mass production.

c) Amusement field

Net sales amounted to 1,291 million yen (919 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 83 million yen (85 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

Overview of assets, liabilities and net assets

(Assets)

Current assets at the end of the third quarter amounted to 3,097 million yen, up 313 million yen from the end of the previous fiscal year mainly attributable to increases in accounts receivable and contract assets (up 279 million yen), and cash and deposits (up 37 million yen). Noncurrent assets amounted to 459 million yen, down 228 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 software (down 15 million yen).

(Liabilities)

Current liabilities and noncurrent liabilities at the end of the third quarter amounted to 517 million yen, up 140 million yen from the end of the previous fiscal year mainly attributable to an increase in accounts payable (up 151 million yen).

(Net assets)

Net assets at the end of the third quarter amounted to 3,039 million yen, down 55 million yen from the end of the previous fiscal year mainly attributable to a decrease in retained earnings (down 60 million yen).

As a result, the equity ratio was 85.5%.

(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 nine-month period ended December 31, 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. We turned into the black with operating income of 41 million yen in the third quarter from October through December 2022.

In the fourth quarter, we expect license and professional service revenues in the safety field, revenue growth from Cambrian vision systems and other products that contribute to manpower and labor savings in the robotics field, and high-margin revenues in other field, such as GPU IP license business acquisition and AI/GPU IP running royalty income 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 Q3 period (As of Dec 31, 2022)
<b>Assets</b>		
Current assets		
Cash and deposits	2,002,540	2,040,396
Accounts receivable - trade and contract assets	388,772	668,687
Securities	300,000	300,000
Merchandise and finished goods	11,501	13,860
Work in process	1,029	2,371
Raw materials and supplies	26,756	27,120
Other	53,449	45,353
Total current assets	2,784,051	3,097,789
Non-current assets		
Property, plant and equipment	39,519	57,280
Intangible assets		
Software	50,383	34,954
Other	23,025	25
Total intangible assets	73,408	34,979
Investments and other assets		
Investment securities	507,481	307,698
Other	67,727	59,525
Total investments and other assets	575,209	367,224
Total non-current assets	688,137	459,485
Total assets	3,472,189	3,557,274
<b>Liabilities</b>		
Current liabilities		
Accounts payable - trade	260,342	411,808
Income taxes payable	15,146	5,533
Provision for product warranties	17,081	21,260
Other	66,056	60,508
Total current liabilities	358,626	499,110
Non-current liabilities		
Deferred tax liabilities	414	414
Asset retirement obligations	17,665	17,860
Total non-current liabilities	18,079	18,275
Total liabilities	376,706	517,386
<b>Net assets</b>		
Shareholders' equity		
Capital stock	1,838,882	1,838,882
Capital surplus	1,858,093	1,858,093
Retained earnings	-597,659	-657,870
Treasury shares	-1,615	-1,615
Total shareholders' equity	3,097,700	3,037,490
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	-1,835	-835
Foreign currency translation adjustment	-381	3,233
Total accumulated other comprehensive income	-2,217	2,398
Total net assets	3,095,483	3,039,888
Total liabilities and net assets	3,472,189	3,557,274

## (2) Consolidated quarterly statements of income and comprehensive income (nine months ended December 31, 2022)

## Consolidated quarterly statements of income

(Yen thousand)

	Previous Q3 period (YTD) (From Apr 1, 2021 To Dec 31, 2021)	Current Q3 period (YTD) (From Apr 1, 2022 To Dec 31, 2022)
Net sales	1,279,593	1,579,826
Cost of sales	835,747	1,011,726
Gross profit	443,845	568,099
Selling, general and administrative expenses	535,767	629,052
Operating loss	-91,921	-60,953
Non-operating income		
Interest income	1,514	1,048
Subsidy income	-	1,969
Miscellaneous income	241	-
Total non-operating income	1,755	3,018
Non-operating expenses		
Foreign exchange losses	215	-
Loss on redemption of securities	-	548
Miscellaneous loss	57	9
Total non-operating expenses	272	557
Ordinary loss	-90,437	-58,493
Extraordinary income		
Gain on liquidation of subsidiaries	328	-
Total extraordinary income	328	-
Loss before income taxes	-90,109	-58,493
Income taxes - current	1,717	1,717
Income taxes - deferred	-155	-
Total income taxes	1,561	1,717
Loss	-91,670	-60,210
Loss attributable to owners of parent	-91,670	-60,210

## Consolidated quarterly statements of comprehensive income

(Yen thousand)

	Previous Q3 period (YTD) (From Apr 1, 2021 To Dec 31, 2021)	Current Q3 period (YTD) (From Apr 1, 2022 To Dec 31, 2022)
Loss	-91,670	-60,210
Other comprehensive income		
Valuation difference on available-for-sale securities	4,062	1,000
Foreign currency translation adjustment	-9	3,615
Total other comprehensive income	4,052	4,615
Comprehensive income	-87,617	-55,594
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	-87,617	-55,594
Comprehensive income attributable to non-controlling interests	-	-

(3) 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 ending 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	654,471	-
Gross profit	119,257	189,660	258,820	-
Operating income/loss (-)	-89,267	-13,573	41,887	-
Ordinary income/loss (-)	-83,735	-10,570	35,813	-
Income/loss (-) before income taxes	-83,735	-10,570	35,813	-
Net income/loss (-)	-84,308	-11,143	35,240	-
Net income/loss (-) attributable to owners of the parent	-84,308	-11,143	35,240	-
Comprehensive income	-79,661	-10,990	35,057	-
Net income/loss (-) per share	-26.79 yen	-3.54 yen	11.20 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	3,557,274	-
Net assets	3,015,821	3,004,830	3,039,888	-
Net assets per share	958.23 yen	954.74 yen	965.88 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