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Summary of Consolidated Financial Results for the Three Months ended June 30, 2020 (Japanese GAAP)

August 7, 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. Consolidated financial results for the three months ended June 30, 2020 (April 1, 2020 through June 30, 2020)

(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	%
3 months ended June 30, 2020	229	—	△114	—	△93	—	△93	—
3 months ended June 30, 2019	—	—	—	—	—	—	—	—

Reference) Comprehensive income: △93 million yen as of June 30, 2020; - million yen as of June 30, 2019

	Net income per share	Net income per share-diluted
	yen	yen
3 months ended June 30, 2020	△29.95	—
3 months ended June 30, 2019	—	—

Since the quarterly consolidated financial statements have been prepared from the first quarter of the fiscal year ending March 2021, the figures for the first quarter of the fiscal year ended March 2020 and the rate of change year on year are not stated.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of June 30, 2020	3,684	3,449	93.6
As of March 31, 2020	—	—	—

Reference) Shareholders' equity: 3,449 million yen as of June 30, 2020; - million yen as of March 31, 2020

Since the quarterly consolidated financial statements have been prepared since the first quarter of the fiscal year ending March 2021, the figures as of March 31, 2020 are not stated.

2. Cash dividends

	Annual dividends per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	yen	yen	yen	yen	yen
Year ended March 2020	-	0.00	-	0.00	0.00
Year ending March 2021	-	-	-	-	-
Year ending March 2021 (Forecast)	-	0.00	-	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, 2020 through March 31, 2021)

Forecasts of consolidated operating results for the year ending March 31, 2021 are undecided because it is difficult to reasonably calculate the impact of the new coronavirus infection on such as gaming machine industry and customers' investments in development at this stage.

They will be disclosed as soon as reasonably predictable. For more details, please refer to "1. Qualitative information on quarterly financial results

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

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 June 30, 2020	3,131,700 shares	As of March 31, 2020	3,131,700 shares
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(2) Number of treasury shares at the end of the period

As of June 30, 2020	1,689 shares	As of March 31, 2020	1,069 shares
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(3) Average number of shares issued during the period

3 months ended June 30, 2020	3,130,148 shares	3 months ended June 30, 2019	2,934,077 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."

1. Quarterly financial results

(1) Operating results

Since the Company has prepared quarterly consolidated financial statements from the first quarter of the current consolidated fiscal year, it does not provide a year-on-year comparison of operating results and financial position.

During the first quarter of the current fiscal year, the Japanese economy was in a difficult situation in terms of corporate earnings and personal consumption due to the impact of the new coronavirus infection. In addition, the global economy was also in a difficult situation due to the global pandemic of a new coronavirus infection. As for the future, it is necessary to take extremely difficult steps to gradually raise the level of economic activity while taking measures to prevent the spread of infection.

Even in the semiconductor industry to which our group belongs, the impact of the economic downturn is unavoidable at present, but in the medium term, demand is expected to grow for IoT that connects everything to the Internet, artificial intelligence (AI), big data, next-generation high-speed communication standards, and autonomous driving.

In the AI/visual computing field, which is our group's business domain, the acceleration of innovation and the increasing role of AI in solving social issues, including current difficulties, and in realizing a safe and secure society are expected. In such an environment, our group will strive to become the world's leading "AI Computing Company" by contributing to solving social issues through providing AI solutions that leverage the strength of having a consistent development system of AI algorithms, software and hardware.

As concrete measures and results during the first quarter of the current consolidated cumulative period, we firstly established a subsidiary, Digital Media Professionals Vietnam Company Limited, which provides engineering services in Ho Chi Minh City, Vietnam, and started business on April 1. We will utilize high-quality human resources in Vietnam to strengthen and complement our development system, and in the future, aim to make it a bridgehead for our overseas business to cultivate AI-related markets in Southeast Asia, including Vietnam.

Meanwhile, in the area of AI products, we continued to expand our AI product lineup by releasing ZIA™ DV740, an upgraded version of the ZIA™ DV720 edge AI processor IP core, targeting at markets that require high-performance and high-accurate AI recognition processing, such as robotic vehicles, surveillance cameras, drones, and augmented reality (AR) / virtual reality (VR), and ZIA™ ISP, an image signal processor (ISP) IP core that contributes to higher image quality and performance of AI camera devices such as robotic vehicles, drones and security cameras. Both products have been offered to some customers in advance. In the area of safe driving assistance, we have acquired a new stock business (subscription model), which is expected to generate stable and continuous revenue from the second half of this fiscal year.

In addition, we have promoted collaborations and alliances in Japan and overseas to expand our business. Overseas, we have formed alliances with Prophesee in France for the development of embedded machine vision and artificial intelligence (AI) applications using Prophesee's event-based vision sensors, and with Basemark in Finland for the development of smart mirrors for commercial vehicles. In Japan, we have jointly developed vehicle AI evaluation kits with Silex Technology and PALTEK to support the development of AI-based safety, remote, and automation solutions. Furthermore, as businesses regarding the New Energy and Industrial Technology Development Organization (NEDO), we not only have continued to operate AI edge contests in the commissioned project of "Survey of issues for finding ideas regarding Technology Development for AI Chip and Next generation Computing for High-efficiency and High-speed Processing" but also have worked on subsidized projects of the development of "AI Platform for Artificial Intelligence (AI): An Energy Efficient AI Engine" and "Research and development of AI hardware for AI pathology imaging system for cancer companion diagnostics."

Regarding the business results for the first quarter of the current consolidated cumulative period, mass production shipments of the image processing semiconductor "RS1" continued in the LSI product business. In the IP core license business, we acquired new license business for robotic vehicles, despite a decline in running royalties for digital equipment. In the professional service business, in addition to the commissioned revenue in NEDO's AI edge contest operation, we got orders for contracted development services for robotic vehicles.

As a result, for the first quarter of the current consolidated cumulative period, we recorded net sales of 229 million yen, operating loss of 114 million yen, ordinary loss of 93 million yen mainly due to the recording of 21 million yen in subsidy income from NEDO as non-operating income, and net loss attributable to owners of parent of 93 million yen.

Although our group 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 28 million yen attributable to new licenses of GPU and AI, running royalties from existing customers and revenue from maintenance support.

2) LSI product business

Net sales were 166 million yen attributable to the sales of the "RS1" mass production and AI FPGA module "ZIA™ C3."

3) Professional service business

Net sales were 34 million yen due to the booking of AI-related contracted development sales and NEDO contracted development sales.

(2) Financial position

(Asset)

Current assets at the end of the first quarter of the current consolidated fiscal year were 2,939 million yen, mainly consisting of cash and deposits of 2,182 million yen, securities of 444 million yen and accounts receivable of 187 million yen. Fixed assets amounted to 745 million yen, mainly consisting of software of 140 million yen and investment securities of 499 million yen.

(liabilities)

Current liabilities and non-current liabilities at the end of the first quarter of the current consolidated fiscal year totaled 234 million yen, mainly consisting of accounts payable of 171 million yen.

(Net assets)

Total net assets at the end of the first quarter of the current consolidated fiscal year were 3,449 million yen, mainly consisting of capital stock of 1,804 million yen, capital surplus of 1,823 million yen and retained earnings of -169 million yen.

As a result, the equity ratio was 93.6%.

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

Regarding the new coronavirus infectious disease, although the state of emergency declaration has been lifted and economic activities are being resumed, the number of people infected with the new coronavirus is on the rise nationwide, and the situation remains unpredictable.

In the amusement market, which is one of the Group's main markets, it is assumed that the old regulation game machines will be removed and replaced with the new regulation game machines systematically at the request of the

National Police Agency and the efforts of industry groups. However, the occupancy rate of halls, gaming machine purchasing policies, and product plans of gaming machine manufacturers remain uncertain. In addition, there is a tendency for some AI-related customers to restrain development investment.

Based on the above, the consolidated financial forecast for the fiscal year ending March 2021 remains undecided because it is difficult to reasonably calculate the impact of the new coronavirus infection at this stage. We will announce the earnings forecast as soon as it becomes possible to calculate it.

2. Consolidated quarterly financial statements

(1) Consolidated quarterly balance sheets

	(Yen thousand)
	Current Q1 period (As of Jun 30, 2020)
Assets	
Current assets	
Cash and deposits	2,182,955
Accounts receivable - trade	187,639
Securities	444,584
Finished goods	4,186
Work in process	10,250
Raw materials and supplies	47,355
Other	62,330
Total current assets	2,939,302
Non-current assets	
Property, plant and equipment	38,012
Intangible assets	
Software	140,091
Other	25
Total intangible assets	140,117
Investments and other assets	
Investment securities	499,540
Other	67,572
Total investments and other assets	567,112
Total non-current assets	745,242
Total assets	3,684,545
Liabilities	
Current liabilities	
Accounts payable - trade	171,144
Income taxes payable	5,381
Other	39,634
Total current liabilities	216,160
Non-current liabilities	
Deferred tax liabilities	1,619
Asset retirement obligations	16,968
Total non-current liabilities	18,587
Total liabilities	234,748
Net assets	
Shareholders' equity	
Capital stock	1,804,592
Capital surplus	1,823,803
Retained earnings	-169,597
Treasury shares	-1,525
Total shareholders' equity	3,457,272
Accumulated other comprehensive income	
Valuation difference on available-for-sale securities	-7,475
Total accumulated other comprehensive income	-7,475
Total net assets	3,449,796
Total liabilities and net assets	3,684,545

(2) Quarterly consolidated statements of income and comprehensive income

Consolidated quarterly statements of income

	(Yen thousand)
	Current Q1 period (YTD) (From Apr 1, 2020 To Jun 30, 2020)
Net sales	229,456
Cost of sales	158,998
Gross profit	70,458
Selling, general and administrative expenses	185,166
Operating loss	-114,708
Non-operating income	
Interest income	570
Subsidy income	21,600
Miscellaneous income	4
Total non-operating income	22,174
Non-operating expenses	
Foreign exchange losses	706
Miscellaneous loss	0
Total non-operating expenses	707
Ordinary loss	-93,240
Loss before income taxes	-93,240
Income taxes - current	572
Income taxes - deferred	-55
Total income taxes	516
Loss	-93,757
Loss attributable to owners of parent	-93,757

Consolidated quarterly statements of comprehensive income

	(Yen thousand)
	Current Q1 period (YTD) (From Apr 1, 2020 To Jun 30, 2020)
Loss	-93,757
Other comprehensive income	
Valuation difference on available-for-sale securities	90
Total other comprehensive income	90
Comprehensive income	-93,666
Comprehensive income attributable to	
Comprehensive income attributable to owners of parent	-93,666
Comprehensive income attributable to non-controlling interests	-