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Summary of Consolidated Financial Results for the Nine Months ended December 31, 2020 (Japanese GAAP)

February 9, 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: February 10, 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, 2020 (April 1, 2020 through December 31, 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	%
9 months ended Dec 30, 2020	834	—	△294	—	△242	—	△244	—
9 months ended Dec 30, 2019	—	—	—	—	—	—	—	—

Reference) Comprehensive income: △244 million yen as of Dec 31, 2020; - million yen as of Dec 31, 2019

	Net income per share	Net income per share-diluted
	yen	yen
9 months ended Dec 30, 2020	△77.75	—
9 months ended Dec 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 December 31, 2020	3,704	3,367	90.9
As of March 31, 2020	—	—	—

Reference) Shareholders' equity: 3,367 million yen as of Dec 31, 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	-	0.00	-		
Year ending March 2021 (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, 2020 through March 31, 2021)

(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	1,500	-	△150	-	△100	-	△100	-	△31.82

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, 2020	3,152,400 shares	As of March 31, 2020	3,131,700 shares

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

As of Dec 31, 2020	2,889 shares	As of March 31, 2020	1,069 shares

(3) Average number of shares issued during the period

9 months ended Dec 31, 2020	3,140,149 shares	9 months ended Dec 31, 2019	3,065,590 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 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 nine months of the current fiscal year, the Japanese economy was in a difficult situation in terms of corporate earnings and capital investment due to the impact of the new coronavirus infection. The global economy was also in a severe situation due to the impact of the global outbreak of the new coronavirus infection. In Japan, a state of emergency was declared in 11 prefectures in January and lockdowns have been imposed in major overseas countries, which raises the risk of a downturn in the economy. 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.

In the semiconductor industry to which our group belongs, shortages in the supply of semiconductors are becoming more significant due to insufficient production capacity at 8-inch foundries and strong stay-at-home demand. 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 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 third quarter are as follows.

1) Robotics field

・Participation in the NVIDIA Partner Network, a partner program of NVIDIA Corporation (NVIDIA), as a professional services partner

By proactively conducting marketing activities through NVIDIA's ecosystem, we are building close relationships with many companies that are working on the social implementation of automation and autonomy in the field of robotics, in order to further accelerate and strengthen AI business in this field.

・Launch of ZIA™ SLAM

ZIA™ SLAM is a software product based on Visual SLAM (Simultaneous Localization and Mapping) technology that simultaneously performs self-localization and environmental mapping using camera images and sensor information. The software is based on Visual SLAM technology using a camera, which is less expensive than SLAM technology using LiDAR (an abbreviation for Light Detection and Ranging, a type of sensor that uses laser light), and operates with high accuracy and speed, thus contributes to higher performance and lower costs of equipment. As a result, it can contribute to the development though mass production of customers' applications.

・In response to the above and other initiatives, we have received inquiries from customers, including orders for Proof of Concept (PoC). We believe that this, combined with the growth potential of the robotic vehicle and collaborative robot markets, will contribute to future business growth.

2) safe driving assistance field

・Provision of safe driving assistance service by seamless linkage of ZIA™ SAFE and ZIA™ Cloud SAFE

By linking ZIA™ SAFE, which has a proven track record as a platform for developing safe driving assistance system, and ZIA™ Cloud SAFE, a SaaS-type safe driving assistance cloud service using Amazon Web Services (AWS), we

are providing the industry's first platform for building safe driving assistance system from edge AI to the cloud.

・Adoption by JVCKENWOOD

ZIA™ SAFE has been adopted by JVCKENWOOD Corporation for its dashcams for telematics service with communication capabilities (Model number: STZ-DR00) and is utilized for functions such as driving assistance and driver monitoring.

・Launch of recurring business

As for the recurring business, we started recording royalty income in the second quarter and subscription income in the fourth quarter. In this field, we are continuing to cultivate projects with existing customers and develop new customers. In this area, we are continuing to cultivate projects with existing customers and develop new customers for expanding the overall revenue of the business including the stock businesses such as royalty model and subscription model.

3) Collaboration with Yamaha Motor, a business and capital partner

We have continued to work on AI implementation in line with each product roadmap across various product lines for land, sea and air.

4) Collaborations and alliances for business expansion

We have co-developed a new virtual AI sports coach application with GrAI Matter Labs, a French pioneer in ultra-low latency computing inspired by the human brain, and demonstrated it at docomo Open House 2021, held online February 4-7, 2021. In the future, we will work together to realize a new class of virtual assistants using real-time posture and motion estimation and develop business in various applications such as sports analysis, life support, industrial automation, and surveillance.

5) NEDO businesses

As businesses regarding the New Energy and Industrial Technology Development Organization (NEDO) following the previous fiscal year, 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."

In the robotics field, according to data from research companies and other sources, both the market for robotic vehicles and that of collaborative robots are expected to grow at an annual rate of about 40% from the perspectives of alleviating the shortage of manpower in a wide range of fields such as manufacturing, logistics, agriculture and daily life, improving productivity and quality of life, and preventing COVID-19 infection. In the safe driving assistance field, demand for real-time detection of dangerous driving events and post-event safe driving education is growing, and we expect the market for communication-type dashcams with AI functions to expand steadily.

We will strive to achieve medium-term growth and contribute to solving social issues by accelerating business development and monetization in the above-mentioned fields where market growth is expected and where our technologies and strengths fit.

Regarding the business results for the nine months of the current fiscal year, mass production shipments of the image processing semiconductor "RS1" continued in the LSI product business. In the IP core license business, we acquired

new AI-related licenses and recorded running royalties related to AI-based safe driving assistance system, despite a decline in running royalties for conventional digital equipment. In the professional service business, in addition to the contracted revenue in NEDO's AI edge contest operation, we got orders for contracted development services for robotic vehicles.

As a result, for the current consolidated fiscal year, we recorded net sales of 834 million yen, operating loss of 294 million yen, ordinary loss of 242 million yen mainly due to the recording of 53 million yen in subsidy income from NEDO as non-operating income, and net loss attributable to owners of parent of 244 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 101 million yen attributable to new licenses of GPU and AI, running royalties, and revenue from maintenance support.

2) LSI product business

Net sales were 600 million yen attributable to the sales of the "RS1" for mass production and AI FPGA module "ZIA™ C3."

3) Professional service business

Net sales were 132 million yen due to the booking of AI-related contracted development sales and NEDO contracted development sales.

(2) Financial position

Overview of assets, liabilities and net assets

Current assets at the end of the third quarter of the current consolidated fiscal year were 2,946 million yen, mainly consisting of cash and deposits of 2,005 million yen, securities of 442 million yen and accounts receivable of 328 million yen. Fixed assets amounted to 757 million yen, mainly consisting of software of 118 million yen and investment securities of 500 million yen.

Current liabilities and non-current liabilities at the end of the third quarter of the current consolidated fiscal year totaled 337 million yen, mainly consisting of accounts payable of 238 million yen.

Total net assets at the end of the third quarter of the current consolidated fiscal year were 3,367 million yen, mainly consisting of capital stock of 1,838 million yen, capital surplus of 1,858 million yen and retained earnings of -319 million yen.

As a result, the equity ratio was 90.9%.

(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, 2021 announced on November 10, 2020.

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

2. Consolidated financial statements

(1) Consolidated balance sheets

	(Yen thousand)
	Current Q3 period (As of Dec 31, 2020)
Assets	
Current assets	
Cash and deposits	2,005,183
Accounts receivable - trade	328,898
Securities	442,848
Finished goods	4,082
Work in process	5,217
Raw materials and supplies	48,477
Income taxes receivable	11,673
Other	100,190
Total current assets	2,946,574
Non-current assets	
Property, plant and equipment	41,951
Intangible assets	
Software	118,248
Other	25
Total intangible assets	118,248
Investments and other assets	
Investment securities	500,380
Other	97,174
Total investments and other assets	597,554
Total non-current assets	757,753
Total assets	3,704,327
Liabilities	
Current liabilities	
Accounts payable - trade	238,372
Income taxes payable	6,261
Other	73,821
Total current liabilities	318,456
Non-current liabilities	
Deferred tax liabilities	1,508
Asset retirement obligations	17,094
Total non-current liabilities	18,602
Total liabilities	337,058
Net assets	
Shareholders' equity	
Capital stock	1,838,882
Capital surplus	1,858,093
Retained earnings	-3,199,992
Treasury shares	-1,525
Total shareholders' equity	3,375,457
Accumulated other comprehensive income	
Valuation difference on available-for-sale securities	-8,087
Foreign currency translation adjustment	-102
Total accumulated other comprehensive income	-8,189
Total net assets	3,367,268
Total liabilities and net assets	3,704,327

(2) Consolidated statements of income

Consolidated quarterly statements of income

(Yen thousand)

	Current Q3 period (YTD) (From Apr 1, 2020 To Dec 31, 2020)
Net sales	834,239
Cost of sales	567,840
Gross profit	266,398
Selling, general and administrative expenses	560,777
Operating loss	-294,379
Non-operating income	
Interest income	1,739
Subsidy income	53,500
Miscellaneous income	4
Total non-operating income	55,244
Non-operating expenses	
Foreign exchange losses	2,882
Share issuance costs	584
Miscellaneous loss	0
Total non-operating expenses	3,467
Ordinary loss	-242,602
Loss before income taxes	-242,602
Income taxes - current	1,717
Income taxes - deferred	-167
Total income taxes	1,550
Loss	-244,152
Loss attributable to owners of parent	-244,152

Consolidated quarterly statements of comprehensive income

(Yen thousand)

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