

(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 Three Months ended June 30, 2021 (Japanese GAAP)

August 11, 2021

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: August 12, 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 three months ended June 30, 2021 (April 1, 2021 through June 30, 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	%
3 months ended June 30, 2021	250	9.2	△95	—	△95	—	△96	—
3 months ended June 30, 2020	229	—	△114	—	△93	—	△93	—

Reference) Comprehensive income: △95 million yen as of June 30, 2021; △93 million yen as of June 30, 2020

	Net income per share	Net income per share-diluted
	yen	yen
3 months ended June 30, 2021	△30.60	—
3 months ended June 30, 2020	△29.95	—

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of June 30, 2021	3,399	3,154	92.8
As of March 31, 2021	3,477	3,250	93.5

Reference) Shareholders' equity: 3,154 million yen as of June 30, 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	-	-	-	-	-
Year ending March 2022 (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, 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	1,500	48.5	△250	-	△250	-	△252	-	△80.02

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 June 30, 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 June 30, 2021	3,589 shares	As of March 31, 2021	3,189 shares
---------------------	--------------	----------------------	--------------

(3) Average number of shares issued during the period

3 months ended June 30, 2021	3,148,921 shares	3 months ended June 30, 2020	3,130,148 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 first quarter of the fiscal year ending March 31, 2022, the Japanese economy continued to face a difficult situation overall due to the prolonged spread of COVID-19 and the resulting state of emergency declaration and focused anti-infection measures, despite a sign of recovery in corporate earnings. In the world, full-scale economic activities have resumed with the increase in vaccination rates, mainly in Europe and the United States. However, in areas where vaccination rates are low, economic activities are greatly restricted due to the rapid increase in the number of infected people, and it will still take time for the economy to recover from the damage caused by the new coronavirus infection. As for the future, it is imperative to steer an extremely difficult course to raise the level of economic activities while taking measures to prevent the spread of the infection and to prevent serious illnesses by accelerating vaccination and the spread of therapeutic drugs.

In the semiconductor industry, to which our group belongs, shortages in the supply of semiconductors due to insufficient production capacity at 8-inch foundries and strong stay-at-home demand continued, which affected the production of some electronic equipment. 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 in solving social issues, including current difficulties, and in realizing a safe and secure society are expected.

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 support 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 focus fields during the first quarter of the current fiscal year, firstly, in the safe driving assistance field, we unveiled ZIA™ Showcase, a platform for demonstrating and benchmarking our latest edge AI recognition models. By accessing AI recognition models supported by ZIA™ Showcase and multiple hardware, customers can easily evaluate and verify the optimal combination of AI recognition models and hardware using their own data sets online and in real time, which is expected to improve the efficiency of product development. In addition to earning recurring revenue from existing projects, our products and services have been adopted by new customers and new projects of existing customers. Furthermore, ZIA™ C3 module has been adopted in mass production for perimeter monitoring of commercial vehicles following the previous fiscal year.

In the robotics field, we have enhanced our "ZIA™ series" portfolio by developing ZIA™ MOVE, an integrated software platform that encompasses ZIA™ SLAM, a high-precision SLAM software, and extends its functions to perception, judgment, and operation required for automatic and autonomous driving of robotic vehicles, and ZIA™ Wire, an AI recognition model for detecting power lines, fences, and other wires for drones and unmanned robots, as well as an upgraded version of ZIA™ ISP, an image signal processor (ISP) core that supports the high dynamic range (HDR) function of image sensors. In addition, PoC projects for several customers are in progress. Furthermore, we started the marketing of vision systems for collaborative robots from Cambrian, our capital and business partner.

With regard to business results for the current first quarter, in the product business, we continued mass production shipments of the RS1 image processing semiconductor. In the IP core license business, we acquired new licenses for the robotics field and recorded recurring revenue in the safe driving assistance field. In the professional service business, contracted AI development services, mainly for the robotics field, became more active, although contracted income from the NEDO project was lost.

As a result, we recorded net sales for the first quarter of the current fiscal year of 250 million yen (up 9.2% from the same period of the previous year), operating loss of 95 million yen (operating loss of 114 million yen for the same period of the previous year), ordinary loss of 95 million yen (ordinary loss of 93 million yen for the same period of the previous year) due to the absence of 21 million yen in subsidy income from the NEDO project, which was recorded as non-operating income in the same period of the previous year, and net loss attributable to owners of parent of 95 million yen (net loss of 93 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 GPU running royalty income for digital equipment such as digital still cameras and office automation equipment, new license income in the robotics field and recurring income in the safe driving assistance field were recorded. However, due to a decrease in GPU-related maintenance and support income, net sales decreased to 25 million yen (28 million yen in the same period of the previous fiscal year).

b) Product business

Net sales amounted to 171 million yen (166 million yen in the same period of the previous fiscal year) due to sales from mass production shipments of the RS1 and sales of camera modules for drones. As for this business, from the fiscal year ending March 31, 2022, the name "LSI product business" has been changed to "product business."

c) Professional service business

Net sales amounted to 53 million yen (34 million yen in the same period of the previous fiscal year), mainly due to the increased activities in AI contracted development projects for 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 3 million yen (3 million yen in the same period of the previous year), mainly due to recurring income (2 million yen, 0 in the same period of the previous year).

b) Robotics field

Net sales amounted to 57 million yen (31 million yen in the same period of the previous fiscal year) due to new license incomes and increased activities in AI contract development projects.

c) Amusement field

Net sales amounted to 171 million yen (166 million yen in the same period of the previous year) due to mass production shipment of RS1.

d) Other

Net sales amounted to 18 million yen (28 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 GPU running royalty income for digital equipment.

(2) Financial position

(Assets)

Current assets at the end of the first quarter amounted to 2,636 million yen, down 100 million yen from the end of the previous fiscal year mainly attributable to decreases in accounts receivable and contract assets (down 77 million yen) and other current assets (down 46 million yen). Noncurrent assets amounted to 763 million yen, up 22 million yen from the end of the previous fiscal year mainly attributable to an increase in investment securities (up 41 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 of 13 million yen in software.

(Liabilities)

Current liabilities and noncurrent liabilities at the end of the first quarter amounted to 245 million yen, up 18 million yen from the end of the previous fiscal year mainly attributable to an increase in accounts payable (up 33 million yen).

(Net assets)

Net assets at the end of the first quarter amounted to 3,154 million yen, down 95 million yen from the end of the previous fiscal year mainly attributable to a decrease in retained earnings (down 96 million yen).

As a result, the equity ratio was 92.8%.

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

In the first quarter of the current fiscal year, net sales grew mainly due to the revitalization of the robotics field, and the loss level was almost the same as the same period of the previous year.

From the second quarter onward, as described in the "Notice of Large-scale Order" disclosed today, we have received a large-scale order of 979 million yen for "RS1" image processing semiconductor for the amusement market, which will be delivered to the customer from the second to the fourth quarter of the current fiscal year. This order amount plus the sales of 171 million yen for RS1 in the first quarter totals 1,150 million yen, exceeding the sales of 840 million yen for RS1, which was included in the consolidated business forecast for the fiscal year ending March 31, 2022 announced on May 14, 2021. In addition, revenues from licenses and professional services for new projects in the safe driving assistance field, and AI-related revenue in the robotics field are expected to increase.

At this moment, there is no change to the full-year consolidated earnings forecast for the fiscal year ending March 31, 2022 announced on May 14, 2021. The impact of the order of RS1 on the consolidated earnings forecast for the current fiscal year will be closely examined, and if there is anything that needs to be disclosed, it will be announced promptly. 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 Q1 period (As of Jun 30, 2021)
Assets		
Current assets		
Cash and deposits	2,066,483	2,075,091
Accounts receivable - trade	157,606	-
Accounts receivable - trade and contract assets	-	79,980
Securities	345,870	345,831
Work in process	7,630	4,173
Raw materials and supplies	44,437	63,291
Consumption taxes receivable	11,798	11,799
Other	102,832	56,378
Total current assets	<u>2,736,659</u>	<u>2,636,547</u>
Non-current assets		
Property, plant and equipment	42,652	44,319
Intangible assets		
Software	104,545	91,004
Other	25	25
Total intangible assets	<u>104,570</u>	<u>91,030</u>
Investments and other assets		
Investment securities	500,630	541,665
Other	92,789	86,284
Total investments and other assets	<u>593,419</u>	<u>627,950</u>
Total non-current assets	<u>740,643</u>	<u>763,300</u>
Total assets	<u>3,477,303</u>	<u>3,399,847</u>
Liabilities		
Current liabilities		
Accounts payable - trade	132,333	165,658
Income taxes payable	11,834	5,880
Other	64,065	54,786
Total current liabilities	<u>208,233</u>	<u>226,324</u>
Non-current liabilities		
Deferred tax liabilities	1,452	1,400
Asset retirement obligations	17,408	17,472
Total non-current liabilities	<u>18,860</u>	<u>18,873</u>
Total liabilities	<u>227,094</u>	<u>245,198</u>
Net assets		
Shareholders' equity		
Capital stock	1,838,882	1,838,882
Capital surplus	1,858,093	1,858,093
Retained earnings	-440,462	-536,563
Treasury shares	-1,525	-1,525
Total shareholders' equity	<u>3,254,988</u>	<u>3,158,886</u>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	-4,677	-4,333
Foreign currency translation adjustment	-102	96
Total accumulated other comprehensive income	<u>-4,779</u>	<u>-4,237</u>
Total net assets	<u>3,250,208</u>	<u>3,154,649</u>
Total liabilities and net assets	<u>3,477,303</u>	<u>3,399,847</u>

(2) Consolidated quarterly statements of income and comprehensive income (three months ended June 30, 2021)

Consolidated quarterly statements of income

(Yen thousand)

	Previous Q1 period (YTD) (From Apr 1, 2020 To Jun 30, 2020)	Current Q1 period (YTD) (From Apr 1, 2021 To Jun 30, 2021)
Net sales	229,456	250,518
Cost of sales	158,998	180,933
Gross profit	70,458	69,584
Selling, general and administrative expenses	185,166	165,449
Operating loss	-114,708	-95,864
Non-operating income		
Interest income	570	451
Subsidy income	21,600	-
Miscellaneous income	4	162
Total non-operating income	22,174	614
Non-operating expenses		
Foreign exchange losses	706	642
Miscellaneous loss	0	56
Total non-operating expenses	707	598
Ordinary loss	-93,240	-95,848
Loss before income taxes	-93,240	-95,848
Income taxes - current	572	572
Income taxes - deferred	-55	-51
Total income taxes	516	520
Loss	-93,757	-96,369
Loss attributable to owners of parent	-93,757	-96,369

Consolidated quarterly statements of comprehensive income

(Yen thousand)

	Previous Q1 period (YTD) (From Apr 1, 2020 To Jun 30, 2020)	Current Q1 period (YTD) (From Apr 1, 2021 To Jun 30, 2021)
Loss	-93,757	-96,369
Other comprehensive income		
Valuation difference on available-for-sale securities	90	344
Foreign currency translation adjustment	-	198
Total other comprehensive income	90	542
Comprehensive income	-93,666	-95,826
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	-93,666	-95,826
Comprehensive income attributable to non-controlling interests	-	-