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Summary of Consolidated Financial Results for the Three Months ended June 30, 2022 (Japanese GAAP)

August 9, 2022

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: August 10, 2022

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, 2022 (April 1, 2022 through June 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	%
3 months ended June 30, 2022	387	54.7	△89	—	△83	—	△84	—
3 months ended June 30, 2021	250	9.2	△95	—	△95	—	△96	—

Reference) Comprehensive income: △79 million yen as of June 30, 2022; △95 million yen as of June 30, 2021

	Net income per share	Net income per share-diluted
	yen	yen
3 months ended June 30, 2022	△26.79	—
3 months ended June 30, 2021	△30.60	—

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of June 30, 2022	3,463	3,015	87.1
As of March 31, 2022	3,472	3,095	89.2

Reference) Shareholders' equity: 3,015 million yen as of June 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	-	-	-	-	-
Year ending March 2023 (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, 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 June 30, 2022	3,152,400 shares	As of March 31, 2022	3,152,400 shares
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(2) Number of treasury shares at the end of the period

As of June 30, 2022	5,122 shares	As of March 31, 2022	4,122 shares
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(3) Average number of shares issued during the period

3 months ended June 30, 2022	3,147,278 shares	3 months ended June 30, 2021	3,148,921 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. Qualitative information on quarterly financial results

(1) Financial position and operating results

During the first quarter ended June 30, 2022, the Japanese economy showed signs of recovery due to efforts to ease restrictions on activities and revitalize socio-economic activities as the spread of COVID-19 relatively settled down. Currently, however, there are concerns about the impact on the economy of the rapid increase in the number of new infections, the continued depreciation of the yen, and rising prices. 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. In the world, while more active socio-economic activities have been implemented in some areas, recession risks are emerging due to high raw material and food prices and supply-side constraints caused by the situation in Ukraine, and the prolonged zero-corona policy in China.

In the semiconductor industry to which our group belongs, although the stay-at-home demand due to the COVID-19 pandemic has peaked out, 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 first quarter of the current fiscal year, firstly, in the safe driving assistance (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, we shipped ZIA C3 kits for volume production for peripheral monitoring of commercial vehicles.

In the robotics field, we identified and promoted PoC projects for customers. In the business of vision systems for cooperative robots by Cambrian Inc., a capital and business partner, we made progress in several specific projects aimed at reducing manpower and improving productivity for end customers, such as introducing systems to production lines in the automobile industry.

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, ZIA DV720, high-definition edge AI processor, has been adopted in two new series of TVS REGZA's "REGZA" TVs due to its real-time processing and customizability, and running royalty income is expected from this fiscal year.

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 and shipped ZIA C3 kits for volume production. In the IP core license business, we recorded recurring revenue in the areas of safe driving assistance and robotics in addition to 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 first quarter of the current fiscal year of 387 million yen (up 54.7% from the same period of the previous year), operating loss of 89 million yen (operating loss of 95 million yen for the same period of the previous year), ordinary loss of 83 million yen (ordinary loss of 95 million yen for the same period of the previous year) and net loss attributable to owners of the parent of 84 million yen (net loss of 96 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 32 million yen (25 million yen in the same period of the previous fiscal year), mainly due to the recording of recurring revenue in the fields of safety and robotics in addition to GPU running royalty income for digital equipment such as digital still cameras and office automation equipment.

b) Product business

Net sales amounted to 343 million yen (171 million yen in the same period of the previous fiscal year) due to sales from mass production shipments of the RS1 and volume shipments of the ZIA C3 kit for peripheral monitoring of commercial vehicles.

c) Professional service business

Net sales amounted to 11 million yen (53 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 26 million yen (3 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. As for this field, from the fiscal year ending March 31, 2023, the name "safe driving assistance filed" has been changed to "safety field."

b) Robotics field

Net sales amounted to 4 million yen (57 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.

c) Amusement field

Net sales amounted to 332 million yen (171 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 24 million yen (18 million yen in the same period of the previous fiscal year), mainly due to 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 2,992 million yen, up 208 million yen from the end of the previous fiscal year mainly attributable to increases in cash and deposits (up 105 million yen), accounts receivable and contract assets (up 61 million yen), and raw materials and supplies (up 38 million yen). Noncurrent assets amounted to 471 million yen, down 216 million yen from the end of the previous fiscal year mainly attributable to decreases in investment securities (down 199 million yen) due to redemption and software (down 13 million yen).

(Liabilities)

Current liabilities and noncurrent liabilities at the end of the first quarter amounted to 448 million yen, up 71 million yen from the end of the previous fiscal year mainly attributable to an increase in accounts payable (up 94 million yen).

(Net assets)

Net assets at the end of the first quarter amounted to 3,015 million yen, down 79 million yen from the end of the previous fiscal year mainly attributable to a decrease in retained earnings (down 84 million yen).

As a result, the equity ratio was 87.1%.

(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 first quarter of the current fiscal year, net sales grew mainly due to higher sales in the amusement field, and the loss level improved from the same period of the previous fiscal year. A temporary decrease in sales in the professional service business in the robotics field was factored in at the time of the forecast.

From the second quarter onward, we expect to expand license and professional service revenues in the safety field, and product and professional service businesses 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 Q1 period (As of Jun 30, 2022)
Assets		
Current assets		
Cash and deposits	2,002,540	2,017,828
Accounts receivable - trade and contract assets	388,772	450,027
Securities	300,000	300,000
Merchandise and finished goods	11,501	11,409
Work in process	1,029	2,618
Raw materials and supplies	26,756	65,297
Other	53,449	54,877
Total current assets	2,784,051	2,992,058
Non-current assets		
Property, plant and equipment	39,519	41,144
Intangible assets		
Software	50,383	36,842
Other	23,025	23,025
Total intangible assets	73,408	59,868
Investments and other assets		
Investment securities	507,481	308,020
Other	67,727	62,906
Total investments and other assets	575,209	370,926
Total non-current assets	688,137	471,939
Total assets	3,472,189	3,463,998
Liabilities		
Current liabilities		
Accounts payable - trade	260,342	354,711
Income taxes payable	15,146	5,532
Provision for product warranties	17,081	19,079
Other	66,056	50,708
Total current liabilities	358,626	430,031
Non-current liabilities		
Deferred tax liabilities	414	414
Asset retirement obligations	17,665	17,730
Total non-current liabilities	18,079	18,145
Total liabilities	376,706	448,177
Net assets		
Shareholders' equity		
Capital stock	1,838,882	1,838,882
Capital surplus	1,858,093	1,858,093
Retained earnings	-597,659	-681,967
Treasury shares	-1,615	-1,615
Total shareholders' equity	3,097,700	3,013,392
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	-1,835	-657
Foreign currency translation adjustment	-381	3,086
Total accumulated other comprehensive income	-2,217	2,428
Total net assets	3,095,483	3,015,821
Total liabilities and net assets	3,472,189	3,463,998

(2) Consolidated quarterly statements of income and comprehensive income (three months ended June 30, 2022)

Consolidated quarterly statements of income

(Yen thousand)

	Previous Q1 period (YTD) (From Apr 1, 2021 To Jun 30, 2021)	Current Q1 period (YTD) (From Apr 1, 2022 To Jun 30, 2022)
Net sales	250,518	387,671
Cost of sales	180,933	268,413
Gross profit	69,584	119,257
Selling, general and administrative expenses	165,449	208,524
Operating loss	-95,864	-89,267
Non-operating income		
Interest income	451	399
Foreign exchange gains	-	5,689
Miscellaneous income	162	-
Total non-operating income	614	6,089
Non-operating expenses		
Foreign exchange losses	542	-
Loss on redemption of securities	-	548
Miscellaneous loss	56	9
Total non-operating expenses	598	557
Ordinary loss	-95,848	-83,735
Loss before income taxes	-95,848	-83,735
Income taxes - current	572	572
Income taxes - deferred	-51	-
Total income taxes	520	572
Loss	-96,369	-84,308
Loss attributable to owners of parent	-96,369	-84,308

Consolidated quarterly statements of comprehensive income

(Yen thousand)

	Previous Q1 period (YTD) (From Apr 1, 2021 To Jun 30, 2021)	Current Q1 period (YTD) (From Apr 1, 2022 To Jun 30, 2022)
Loss	-96,369	-84,308
Other comprehensive income		
Valuation difference on available-for-sale securities	344	1,178
Foreign currency translation adjustment	198	3,467
Total other comprehensive income	542	4,646
Comprehensive income	-95,826	-79,661
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	-95,826	-79,661
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.

(Significant subsequent events)

Not applicable

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	-	-	-
Gross profit	119,257	-	-	-
Operating loss (-)	-89,267	-	-	-
Ordinary loss (-)	-83,735	-	-	-
Loss (-) before income taxes	-83,735	-	-	-
Net loss (-)	-84,308	-	-	-
Net loss (-) attributable to owners of the parent	-84,308	-	-	-
Comprehensive income	-79,661	-	-	-
Net income/loss (-) per share	-26.79 yen	-	-	-
	End of 1st Quarter	End of 2nd Quarter	End of 3rd Quarter	End of 4th Quarter
Total assets	3,463,998	-	-	-
Net assets	3,015,821	-	-	-
Net assets per share	958.23 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