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Summary of Consolidated Financial Results for the Three Months ended June 30, 2023 (Japanese GAAP)

August 9, 2023

Company name: Digital Media Professionals Inc.

Listing: Tokyo Stock Exchange

Code number: 3652

URL: <https://www.dmpref.com/en>

Representative: Tatsuo Yamamoto, Chairman, President and CEO

Contact person: Tsuyoshi Osawa, Senior Managing Director, General Manager of Corporate Planning Dept.

Tel. (03) 6454 - 0450

Scheduled date of filing Quarterly Securities Report: August 9, 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 three months ended June 30, 2023 (April 1, 2023 through June 30, 2023)

(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, 2023	699	80.3	30	—	32	—	26	—
3 months ended June 30, 2022	387	54.7	△89	—	△83	—	△84	—

Reference) Comprehensive income: 26 million yen as of June 30, 2023; △79 million yen as of June 30, 2022

	Net income per share	Net income per share-diluted
	yen	yen
3 months ended June 30, 2023	8.40	—
3 months ended June 30, 2022	△26.79	—

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of June 30, 2023	3,684	3,150	85.5
As of March 31, 2023	3,842	3,124	81.3

Reference) Shareholders' equity: 3,150 million yen as of June 30, 2023; 3,124 million yen as of March 31, 2023

2. Cash dividends

	Annual dividends per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	yen	yen	yen	yen	yen
Year ended March 2023	-	0.00	-	0.00	0.00
Year ending March 2024	-	-	-	-	-
Year ending March 2024 (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, 2024 (April 1, 2023 through March 31, 2024)

(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	2,600	12.0	150	454.3	150	420.6	120	431.7	38.15

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, 2023	3,152,400 shares	As of March 31, 2023	3,152,400 shares
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(2) Number of treasury shares at the end of the period

As of June 30, 2023	7,166 shares	As of March 31, 2023	7,166 shares
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(3) Average number of shares issued during the period

3 months ended June 30, 2023	3,145,234 shares	3 months ended June 30, 2022	3,147,278 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) Operating results

In the first quarter ended June 30, 2023, the Japanese economy experienced a moderate recovery supported by revitalized socioeconomic activities, partly due to the change in the classification of new coronavirus infections from category 2 to category 5 on May 8. However, the impact of the sharp depreciation of the yen and rising prices and energy costs on the economy and people's lives became apparent. The global economy also showed signs of recovery in general, but in addition to the effects of monetary tightening, downside risks to the economy from rising prices and other factors need to be kept in mind.

The semiconductor industry, to which our group belongs, is polarized with strong demand for automotive and industrial equipment and declining demand for consumer electronics equipment caused by the economic slowdown, and negative growth is forecasted mainly due to reduced demand for memory in the short term. In the medium term, however, 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 and climate change, and in realizing a safe and secure society.

In this environment, our group strives to create innovative products and services that drive value to our stakeholders and solve real-world problems through the power of image intelligence, under the Purpose of "Making the Image Intelligent." In the core fields of 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 safety field, we carried out professional services for existing customers for safe driving assistance (sales are scheduled to be recorded from the second quarter onwards) and earned recurring revenue from existing projects from the edge to the cloud. In addition, ZIA SAFE, our high-precision image recognition edge AI software, has been adopted for the driver monitoring function of DENSO TEN's corporate telematics service "Offseg".

In the robotics field, we carried out professional services for existing customers (sales are scheduled to be recorded from the second quarter onwards) and promoted activities to acquire new licenses for autonomous robots through the development of demonstration models. In the business of vision systems for picking robots by Cambrian Inc., a capital and business partner, we made progress in product shipments and business projects aimed at reducing labor and improving productivity for end customers in the manufacturing industry, particularly the automotive industry, and completed connection to major Japanese collaborative robots in addition to overseas robots already connected in order to expand the ecosystem. Furthermore, we realized picking of transparent objects for pharmaceuticals, cosmetics, and food industries using industrial robots with higher processing capacity compared to collaborative robots, taking advantage of the strengths of Cambrian products in recognition speed and accuracy and robustness against environmental changes such as ambient light.

In the amusement field, we continued mass production shipments of our image processing semiconductor, RS1, for pachislot machines, including smart pachislots with strong utilization and pachinko machines, and aimed to expand our share in the market segment where we can demonstrate the superiority of this unique 2D/3D integrated chip.

Other initiatives and achievements include the development and performance verification of ZIA A3000, an AI IP processor that significantly exceeds the performance of current products.

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 Cambrian Vision Systems. In the IP core license business, we recorded AI/GPU running royalty income, recurring revenue in the safety and robotics fields, and maintenance/support revenues. In the professional service business, we provided AI/GPU contracted development services.

As a result, we recorded net sales for the first quarter of the current fiscal year of 699 million yen (up 80.3% from the same period of the previous year), operating income of 30 million yen (operating loss of 89 million yen for the same period of the previous year), ordinary income of 32 million yen (ordinary loss of 83 million yen for the same period of the previous year) and net income attributable to owners of the parent of 26 million yen (net loss of 84 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 43 million yen (32 million yen in the same period of the previous fiscal year), mainly due to the recording of recurring revenue in the safety and robotics fields and maintenance/support revenues in addition to 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 652 million yen (343 million yen in the same period of the previous fiscal year) due to sales from mass production shipments of the RS1 and Cambrian Vision Systems.

c) Professional service business

Net sales amounted to 3 million yen (11 million yen in the same period of the previous fiscal year) for providing AI contracted development services in the robotics field and GPU contracted development services.

A summary of results by field is as follows.

a) Safety field

Net sales amounted to 6 million yen (26 million yen in the same period of the previous year), mainly due to the recording of recurring income and maintenance/support revenues in the IP core license business.

b) Robotics field

Net sales amounted to 23 million yen (4 million yen in the same period of the previous fiscal year) due to the recording of sales of Cambrian Vision Systems in the product business and providing professional service business.

c) Amusement field

Net sales amounted to 630 million yen (332 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 38 million yen (24 million yen in the same period of the previous fiscal year), mainly due to the recording of GPU running royalty income for digital equipment and maintenance/support revenues.

(2) Financial position

(Assets)

Current assets at the end of the first quarter amounted to 3,533 million yen, down 150 million yen from the end of the previous fiscal year mainly attributable to an increase in cash and deposits (up 195 million yen) and a decrease in accounts receivable and contract assets (down 354 million yen). Noncurrent assets amounted to 151 million yen, down 6 million yen from the end of the previous fiscal year mainly attributable to decreases in property, plant, and equipment (down 3 million yen) and intangible assets (down 3 million yen).

(Liabilities)

Current liabilities and noncurrent liabilities at the end of the first quarter amounted to 533 million yen, down 184 million yen from the end of the previous fiscal year mainly attributable to a decrease in accounts payable (down 175 million yen).

(Net assets)

Net assets at the end of the first quarter amounted to 3,150 million yen, up 26 million yen from the end of the previous fiscal year mainly attributable to an increase in retained earnings (up 26 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, 2024, announced on May 12, 2023.

In the first quarter of the current fiscal year, net sales reached a record high, and earnings were positive primarily driven by strong sales in the amusement field.

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, 2023)	Current Q1 period (As of Jun 30, 2023)
Assets		
Current assets		
Cash and deposits	2,435,996	2,631,722
Accounts receivable - trade and contract assets	833,518	479,240
Securities	300,000	300,000
Merchandise and finished goods	22,874	44,905
Work in process	408	5,055
Raw materials and supplies	42,583	36,249
Other	48,427	36,126
Total current assets	3,683,809	3,533,300
Non-current assets		
Property, plant and equipment	65,837	62,755
Intangible assets	24,119	20,221
Investments and other assets	68,342	68,445
Total non-current assets	158,299	151,422
Total assets	3,842,109	3,684,722
Liabilities		
Current liabilities		
Accounts payable - trade	553,241	377,631
Income taxes payable	23,737	13,248
Provision for product warranties	17,351	16,269
Other	105,702	108,772
Total current liabilities	700,031	515,920
Non-current liabilities		
Asset retirement obligations	17,926	17,992
Total non-current liabilities	17,926	17,992
Total liabilities	717,957	533,912
Net assets		
Shareholders' equity		
Capital stock	1,838,882	1,838,882
Capital surplus	1,858,093	1,858,093
Retained earnings	-575,090	-548,678
Treasury shares	-1,724	-1,724
Total shareholders' equity	3,120,161	3,146,572
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	645	1,310
Foreign currency translation adjustment	3,344	2,927
Total accumulated other comprehensive income	3,990	4,237
Total net assets	3,124,151	3,150,810
Total liabilities and net assets	3,842,109	3,684,722

(2) Consolidated quarterly statements of income and comprehensive income (three months ended June 30, 2023)

Consolidated quarterly statements of income

(Yen thousand)

	Previous Q1 period (YTD) (From Apr 1, 2022 To Jun 30, 2022)	Current Q1 period (YTD) (From Apr 1, 2023 To Jun 30, 2023)
Net sales	387,671	699,165
Cost of sales	268,413	442,820
Gross profit	119,257	256,344
Selling, general and administrative expenses	208,524	226,147
Operating income (loss)	-89,267	30,196
Non-operating income		
Interest income	399	2
Foreign exchange gains	5,689	2,635
Total non-operating income	6,089	2,637
Non-operating expenses		
Loss on redemption of securities	548	-
Miscellaneous loss	9	-
Total non-operating expenses	557	-
Ordinary income (loss)	-83,735	32,833
Income (Loss) before income taxes	-83,735	32,833
Income taxes - current	572	6,422
Income taxes - deferred	-	-
Total income taxes	572	6,422
Income (Loss)	-84,308	26,411
Income (Loss) attributable to owners of parent	-84,308	26,411

Consolidated quarterly statements of comprehensive income

(Yen thousand)

	Previous Q1 period (YTD) (From Apr 1, 2022 To Jun 30, 2022)	Current Q1 period (YTD) (From Apr 1, 2023 To Jun 30, 2023)
Income (Loss)	-84,308	26,411
Other comprehensive income		
Valuation difference on available-for-sale securities	1,178	664
Foreign currency translation adjustment	3,467	-416
Total other comprehensive income	4,646	247
Comprehensive income	-79,661	26,658
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	-79,661	26,658
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, 2024

(thousand yen)	First Quarter Apr 2023 - Jun 2023	Second Quarter Jul 2023 - Sep 2023	Third Quarter Oct 2023 - Dec 2023	Fourth Quarter Jan 2024 - Mar 2024
Net sales	699,165	-	-	-
Gross profit	256,344	-	-	-
Operating income	30,196	-	-	-
Ordinary income	32,833	-	-	-
Income before income taxes	32,833	-	-	-
Net income	26,411	-	-	-
Net income attributable to owners of the parent	26,411	-	-	-
Comprehensive income	26,658	-	-	-
Net income per share	8.40 yen	-	-	-
	End of 1st Quarter	End of 2nd Quarter	End of 3rd Quarter	End of 4th Quarter
Total assets	3,684,722	-	-	-
Net assets	3,015,810	-	-	-
Net assets per share	1,001.77 yen	-	-	-

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	537,683	654,471	742,286
Gross profit	119,257	189,660	258,820	292,576
Operating income/loss (-)	-89,267	-13,573	41,887	88,012
Ordinary income/loss (-)	-83,735	-10,570	35,813	87,307
Income/loss (-) before income taxes	-83,735	-10,570	35,813	87,307
Net income/loss (-)	-84,308	-11,143	35,240	82,780
Net income/loss (-) attributable to owners of the parent	-84,308	-11,143	35,240	82,780
Comprehensive income	-79,661	-10,990	35,057	84,372
Net income/loss (-) per share	-26.79 yen	-3.54 yen	11.20 yen	26.32 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	3,842,109
Net assets	3,015,821	3,004,830	3,039,888	3,124,151
Net assets per share	958.23 yen	954.74 yen	965.88 yen	993.30 yen