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Summary of Consolidated Financial Results for the Nine Months ended December 31, 2023 (Japanese GAAP)

February 14, 2024

Company name: Digital Media Professionals Inc.

Listing: Tokyo Stock Exchange

Code number: 3652

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

Representative: Tatsuo Yamamoto, Chairman, President and CEO

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

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Scheduled date of filing Quarterly Securities Report: February 14, 2024

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, 2023 (April 1, 2023 through December 31, 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	%
9 months ended Dec 31, 2023	2,292	45.1	261	—	264	—	221	—
9 months ended Dec 31, 2022	1,579	23.5	-60	—	-58	—	-60	—

Reference) Comprehensive income: 219 million yen as of Dec 31, 2023; -55 million yen as of Dec 31, 2022

	Net income per share	Net income per share-diluted
	yen	yen
9 months ended Dec 31, 2023	70.58	—
9 months ended Dec 31, 2022	-19.13	—

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of December 31, 2023	3,893	3,343	85.9
As of March 31, 2023	3,842	3,124	81.3

Reference) Shareholders' equity: 3,343 million yen as of Dec 31, 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
Year ended March 2023	yen	yen	yen	yen	yen
Year ending March 2024	-	0.00	-	0.00	0.00
Year ending March 2024 (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, 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	2,950	27.0	240	786.9	240	732.9	200	786.2	63.59

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, 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 Dec 31, 2023	7,240 shares	As of March 31, 2023	7,166 shares
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(3) Average number of shares issued during the period

9 months ended Dec 31, 2023	3,145,193 shares	9 months ended Dec 31, 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) Financial position and operating results

During the nine-month period ended December 31, 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 impacts of the continued weak 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 such as concerns about the future of the Chinese economy and the current increase in geopolitical risks need to be kept in mind.

The semiconductor industry, to which our group belongs, saw a negative market growth mainly due to reduced demand for memory in 2023. In 2024 and 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 third quarter of the current fiscal year, firstly, in the safety field, we carried out professional services for existing customers for safe driving assistance and earned recurring revenue from existing projects from the edge to the cloud. In addition, PoC projects in the broader safety field are underway for car license plate recognition, human attributes/line of flow recognition, headcount counting, etc., utilizing DMP's high AI image recognition capabilities.

In the robotics field, in addition to carrying out professional services for existing customers, we have promoted activities to acquire new licenses for autonomous robots through the development of demonstration models and have achieved positive results. 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 by taking advantage of the strengths in recognition accuracy for transparent and glossy parts and robustness against environmental changes, such as ambient light. We also saw active business progress with customers in the pharmaceuticals, cosmetics, and food industries such as installation in the Dynamic Cell Production System at the Odawara Plant (Kao Cosmetic Products Odawara) of Kao Corporation. We acquired a portion of Cambrian's Series Seed Plus Preferred Stock (amount paid: about 480 thousand US dollars) on November 29, 2023, in order to financially contribute to enhancing Cambrian's development capabilities and the competitiveness of products and technologies, and to further strengthen the strategic partnership.

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. We continue to aim to

expand our share in the market segment where we can demonstrate the superiority of this unique 2D/3D integrated chip.

We also participated in various exhibitions to demonstrate our products, services, and technologies, mainly in the fields of safety and robotics, and focused on attracting new customers.

With regard to business results for the nine-month period ended December 31, 2023, in the product business, we continued mass production shipments of the RS1 image processing semiconductor and shipped Cambrian Vision Systems and camera modules for drone mass production. 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 nine-month ended December 31, 2023 of 2,292 million yen (up 45.1% from the same period of the previous year), operating income of 261 million yen (operating loss of 60 million yen for the same period of the previous year), ordinary income of 264 million yen (ordinary loss of 58 million yen for the same period of the previous year) and net income attributable to owners of the parent of 221 million yen (net loss of 60 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 135 million yen (158 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 AI/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 2,105 million yen (1,343 million yen in the same period of the previous fiscal year) due to sales from Cambrian Vision Systems and camera modules for drone mass production in addition to the strong mass production shipments of the RS1.

c) Professional service business

Net sales amounted to 51 million yen (78 million yen in the same period of the previous fiscal year) for providing AI contracted development services in the safety and robotics fields and GPU contracted development services.

A summary of results by field is as follows.

a) Safety field

Net sales amounted to 41 million yen (117 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 and providing professional services.

b) Robotics field

Net sales amounted to 115 million yen (86 million yen in the same period of the previous fiscal year) mainly due to the recording of sales of Cambrian Vision Systems and camera modules for drone mass production in the product business and providing professional services.

c) Amusement field

Net sales amounted to 2,018 million yen (1,291 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 117 million yen (83 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

Overview of assets, liabilities and net assets

(Assets)

Current assets at the end of the third quarter amounted to 3,391 million yen, down 292 million yen from the end of the previous fiscal year mainly attributable to a decrease in accounts receivable and contract assets (down 549 million yen) and an increase in merchandise and finished goods (up 95 million yen). Noncurrent assets amounted to 502 million yen, up 344 million yen from the end of the previous fiscal year mainly attributable to an increase in investment securities (up 370 million yen) included in the investments and other assets.

(Liabilities)

Current liabilities and noncurrent liabilities at the end of the third quarter amounted to 550 million yen, down 167 million yen from the end of the previous fiscal year mainly attributable to a decrease in accounts payable (down 204 million yen).

(Net assets)

Net assets at the end of the third quarter amounted to 3,343 million yen, up 219 million yen from the end of the previous fiscal year mainly attributable to an increase in retained earnings (up 221 million yen).

As a result, the equity ratio was 85.9%.

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

We achieved record-high net sales in the nine-month period ended December 31, 2023, mainly due to brisk sales in the product business and the amusement field. Operating income, ordinary income, and net income attributable to owners of the parent have already exceeded the full-year forecast we had upwardly revised on November 13, 2023.

In the fourth quarter, we expect continued strong volume shipments of "RS1" image processing semiconductors for the amusement market, as well as license and professional service revenues in the safety field, product sales and professional service revenues in the robotics field, and steady GPU-related license revenues.

We are closely examining the outlook for future business performance, so the full-year forecast announced on November 13, 2023 remains unchanged at this stage.

we will promptly announce revisions to the forecast if such revisions become necessary.

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 Q3 period (As of Dec 31, 2023)
<b>Assets</b>		
Current assets		
Cash and deposits	2,435,996	2,609,160
Accounts receivable - trade and contract assets	833,518	284,067
Securities	300,000	300,000
Merchandise and finished goods	22,874	117,985
Work in process	408	2,545
Raw materials and supplies	42,583	39,582
Other	48,427	37,901
<b>Total current assets</b>	<b>3,683,809</b>	<b>3,391,243</b>
Non-current assets		
Property, plant and equipment	65,837	52,275
Intangible assets	24,119	12,753
Investments and other assets	68,342	437,562
<b>Total non-current assets</b>	<b>158,299</b>	<b>502,591</b>
<b>Total assets</b>	<b>3,842,109</b>	<b>3,893,835</b>
<b>Liabilities</b>		
Current liabilities		
Accounts payable - trade	553,241	348,700
Income taxes payable	23,737	45,350
Provision for product warranties	17,351	10,184
Other	105,702	127,990
<b>Total current liabilities</b>	<b>700,031</b>	<b>532,225</b>
Non-current liabilities		
Asset retirement obligations	17,926	18,124
<b>Total non-current liabilities</b>	<b>17,926</b>	<b>18,124</b>
<b>Total liabilities</b>	<b>717,957</b>	<b>550,349</b>
<b>Net assets</b>		
Shareholders' equity		
Capital stock	1,838,882	1,838,882
Capital surplus	1,858,093	1,858,093
Retained earnings	-575,090	-353,091
Treasury shares	-1,724	-2,016
<b>Total shareholders' equity</b>	<b>3,120,161</b>	<b>3,341,868</b>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	645	-1,427
Foreign currency translation adjustment	3,344	3,044
<b>Total accumulated other comprehensive income</b>	<b>3,990</b>	<b>1,617</b>
<b>Total net assets</b>	<b>3,124,151</b>	<b>3,343,485</b>
<b>Total liabilities and net assets</b>	<b>3,842,109</b>	<b>3,893,835</b>

## (2) Consolidated quarterly statements of income and comprehensive income (nine months ended December 30, 2023)

## Consolidated quarterly statements of income

(Yen thousand)

	Previous Q3 period (YTD) (From Apr 1, 2022 To Dec 31, 2022)	Current Q3 period (YTD) (From Apr 1, 2023 To Dec 31, 2023)
Net sales	1,579,826	2,292,669
Cost of sales	1,011,726	1,338,752
Gross profit	568,099	953,917
Selling, general and administrative expenses	629,052	692,552
Operating income/loss (-)	-60,953	261,364
Non-operating income		
Interest income	1,048	475
Foreign exchange gains	1,969	2,376
Total non-operating income	3,018	2,852
Non-operating expenses		
Loss on redemption of securities	548	-
Miscellaneous loss	9	1
Total non-operating expenses	557	1
Ordinary income/loss (-)	-58,493	264,215
Income/Loss (-) before income taxes	-58,493	264,215
Income taxes - current	1,717	42,217
Total income taxes	1,717	42,217
Income/Loss (-)	-60,210	221,998
Income/Loss (-) attributable to owners of parent	-60,210	221,998

## Consolidated quarterly statements of comprehensive income

(Yen thousand)

	Previous Q3 period (YTD) (From Apr 1, 2022 To Dec 31, 2022)	Current Q3 period (YTD) (From Apr 1, 2023 To Dec 31, 2023)
Income / Loss(-)	-60,210	221,998
Other comprehensive income		
Valuation difference on available-for-sale securities	1,000	-2,073
Foreign currency translation adjustment	3,615	-299
Total other comprehensive income	4,615	-2,372
Comprehensive income	-55,594	219,625
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	-55,594	219,625
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.)

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.



### 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	742,931	850,573	-
Gross profit	256,344	342,473	351,584	-
Operating income	30,196	104,590	126,578	-
Ordinary income	32,833	107,336	124,045	-
Income before income taxes	32,833	107,336	124,045	-
Net income	26,411	94,614	100,972	-
Net income attributable to owners of the parent	26,411	94,614	100,972	-
Comprehensive income	26,658	94,710	98,255	-
Net income per share	8.40 yen	30.08 yen	32.10 yen	-
	End of 1st Quarter	End of 2nd Quarter	End of 3rd Quarter	End of 4th Quarter
Total assets	3,684,722	3,691,464	3,893,835	-
Net assets	3,150,810	3,245,229	3,343,485	-
Net assets per share	1,001.77 yen	1,031.82 yen	1,063.06 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