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Summary of Consolidated Financial Results for the Three Months ended June 30, 2024 (Japanese GAAP)

August 8, 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 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, 2024 (April 1, 2024 through June 30, 2024)

(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, 2024	740	5.9	64	114.4	63	93.4	59	124.0
3 months ended June 30, 2023	699	80.3	30	-	32	-	26	-

Reference) Comprehensive income: 64 million yen as of June 30, 2024 (140.5%); 26 million yen as of June 30, 2023 (-%)

	Net income per share	Net income per share-diluted
	yen	yen
3 months ended June 30, 2024	18.81	-
3 months ended June 30, 2023	8.40	-

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of June 30, 2024	3,929	3,521	89.6
As of March 31, 2024	3,919	3,457	88.2

Reference) Shareholders' equity: 3,521 million yen as of June 30, 2024; 3,457 million yen as of March 31, 2024

2. Cash dividends

	Annual dividends per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	yen	yen	yen	yen	yen
Year ended March 2024	-	0.00	-	0.00	0.00
Year ending March 2025	-	-	-	-	-
Year ending March 2025 (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, 2025 (April 1, 2024 through March 31, 2025)

(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	3,200	6.1	350	6.5	350	5.9	290	-12.5	89.03

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, 2024	3,152,400 shares	As of March 31, 2024	3,152,400 shares
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(2) Number of treasury shares at the end of the period

As of June 30, 2024	7,240 shares	As of March 31, 2024	7,240 shares
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(3) Average number of shares issued during the period

3 months ended June 30, 2024	3,145,160 shares	3 months ended June 30, 2023	3,145,234 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, 2024, the Japanese economy experienced a moderate recovery supported by revitalized socioeconomic activities. 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 due to rising prices, etc. need to be kept in mind.

The semiconductor industry, to which our group belongs, demand for generative AI (Artificial Intelligence) is driving the market, which bottomed out in 2023. In the medium term, demand is also 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." Based on a solid business foundation of stable growth in the amusement and IP fields, we are striving to maximize LTV (customer lifetime value) by providing added value in the robotics and safety fields and their application areas, such as video inspection and semiconductor manufacturing equipment, through deploying IP core license business, product business, and professional service business with our integrated development system from algorithm and software to hardware, which is our strength, throughout the entire development lifecycle of customer products and services from planning 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 a broader safety field (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 the robotics field, we have started collaboration with dSPACE Japan to expand its products and services for model-based development (MBD) and provided professional service related to an autonomous driving project for a construction equipment manufacturer. In addition, we carried out professional services in the semiconductor manufacturing equipment area (sales are scheduled to be recorded from the second quarter onwards). In the business of vision systems for picking robots by Cambrian Inc., a capital and business partner, our competitive advantage in recognition accuracy of transparent and shiny parts and robustness against environmental changes such as ambient light was highly evaluated, resulting in progress in product shipments and business projects. In addition, we have promoted the acquisition of leads by exhibiting at various trade shows.

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.

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 contracted development services.

As a result, we recorded net sales for the first quarter of the current fiscal year of 740 million yen (up 5.9% from the same period of the previous year), operating income of 64 million yen (up 114.4% from the same period of the previous year), ordinary income of 63 million yen (up 93.4% from the same period of the previous year) and net income attributable to owners of the parent of 59 million yen (up 124.0% from 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 21 million yen (43 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 711 million yen (652 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 7 million yen (3 million yen in the same period of the previous fiscal year) for providing AI contracted development services related to RTMaps in the robotics field and contracted development services in the amusement field.

A summary of results by field is as follows.

a) Safety field

Net sales amounted to 5 million yen (6 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 9 million yen (23 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 710 million yen (630 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 15 million yen (38 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 3,284 million yen, up 11 million yen from the end of the previous fiscal year mainly attributable to an increase in merchandise and finished goods (up 33 million yen) and a decrease in accounts receivable and contract assets (down 24 million yen). Noncurrent assets amounted to 645 million yen, down 1 million yen from the end of the previous fiscal year mainly attributable to a decrease in property, plant, and equipment (down 3 million yen).

(Liabilities)

Current liabilities and noncurrent liabilities at the end of the first quarter amounted to 407 million yen, down 54 million yen from the end of the previous fiscal year mainly attributable to an increase in accounts payable (up 58 million yen) and decreases in income taxes payable (down 39 million yen), accrued expenses (down 45 million yen), and accrued consumption taxes (down 30 million yen).

(Net assets)

Net assets at the end of the first quarter amounted to 3,521 million yen, up 64 million yen from the end of the previous fiscal year mainly attributable to an increase in retained earnings (up 59 million yen).

As a result, the equity ratio was 89.6%.

(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, 2025, announced on May 14, 2024.

In the first quarter of the current fiscal year, net sales, operating income, ordinary income, and net income attributable to owners of the parent reached new records since listing, driven primarily by steady 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, 2024)	Current Q1 period (As of Jun 30, 2024)
Assets		
Current assets		
Cash and deposits	2,603,750	2,593,414
Accounts receivable - trade and contract assets	246,332	221,585
Securities	300,000	300,000
Merchandise and finished goods	35,585	69,163
Work in process	2,817	7,221
Raw materials and supplies	44,266	54,736
Other	40,032	38,298
Total current assets	3,272,786	3,284,420
Non-current assets		
Property, plant and equipment	54,063	50,601
Intangible assets	9,324	5,874
Investments and other assets		
Investment securities	483,227	488,309
Other	100,395	100,665
Total investments and other assets	583,623	588,974
Total non-current assets	647,010	645,450
Total assets	3,919,796	3,929,870
Liabilities		
Current liabilities		
Accounts payable - trade	196,241	254,682
Income taxes payable	51,667	12,095
Provision for product warranties	8,540	7,148
Other	187,311	115,727
Total current liabilities	443,761	389,653
Non-current liabilities		
Asset retirement obligations	18,191	18,258
Total non-current liabilities	18,191	18,258
Total liabilities	461,952	407,912
Net assets		
Shareholders' equity		
Capital stock	1,838,882	1,838,882
Capital surplus	1,858,093	1,858,093
Retained earnings	-243,821	-184,648
Treasury shares	-2,016	-2,016
Total shareholders' equity	3,451,138	3,510,311
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,726	8,966
Foreign currency translation adjustment	2,978	2,680
Total accumulated other comprehensive income	6,705	11,647
Total net assets	3,457,844	3,521,958
Total liabilities and net assets	3,919,796	3,929,870

(2) Consolidated quarterly statements of income and comprehensive income (three months ended June 30, 2024)

Consolidated quarterly statements of income

(Yen thousand)

	Previous Q1 period (YTD) (From Apr 1, 2023 To Jun 30, 2023)	Current Q1 period (YTD) (From Apr 1, 2024 To Jun 30, 2024)
Net sales	699,165	740,262
Cost of sales	442,820	421,903
Gross profit	256,344	318,359
Selling, general and administrative expenses	226,147	253,616
Operating income	30,196	64,742
Non-operating income		
Interest income	2	1,307
Foreign exchange gains	2,635	-
Total non-operating income	2,637	1,307
Non-operating expenses		
Foreign exchange losses	-	2,547
Miscellaneous loss	-	9
Total non-operating expenses	-	2,557
Ordinary income	32,833	63,493
Income before income taxes	32,833	63,493
Income taxes - current	6,422	4,372
Income taxes - deferred	-	-51
Total income taxes	6,422	4,320
Income	26,411	59,172
Income attributable to owners of parent	26,411	59,172

Consolidated quarterly statements of comprehensive income

(Yen thousand)

	Previous Q1 period (YTD) (From Apr 1, 2023 To Jun 30, 2023)	Current Q1 period (YTD) (From Apr 1, 2024 To Jun 30, 2024)
Income	26,411	59,172
Other comprehensive income		
Valuation difference on available-for-sale securities	664	5,240
Foreign currency translation adjustment	-416	-298
Total other comprehensive income	247	4,941
Comprehensive income	26,658	64,114
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	26,658	64,114
Comprehensive income attributable to non-controlling interests	-	-

(3) Notes to quarterly consolidated financial statements

(Change in accounting policy)

(Application of Accounting Standard for Current Income Taxes)

The “Accounting Standard for Current Income Taxes” (ASBJ Statement No. 27, October 28, 2022; hereinafter referred to as “Revised Accounting Standard 2022”), etc. has been applied since the beginning of the first quarter of the fiscal year ending March 31, 2025.

Revisions concerning the categories in which current income taxes should be recorded (taxes on other comprehensive income) are subject to the transitional treatment outlined in the proviso of paragraph 20-3 of the Revised Accounting Standard 2022 and the transitional treatment outlined in the proviso of paragraph 65-2 (2) of the Guidance on Accounting Standard for Tax Effect Accounting (ASBJ Guidance No. 28, October 28, 2022; hereinafter referred to as “Revised Guidance 2022”). The change in accounting policies had no impact on the consolidated financial statements for the first quarter under review.

In addition, the Company has applied the Revised Guidance 2022 from the beginning of the first quarter of the fiscal year ending March 31, 2025, regarding the revision related to the treatment in the consolidated financial statements of the deferral for tax purposes of gains or losses arising from the sale of shares of subsidiaries and other securities among consolidated companies. Although the change in accounting policies was applied retrospectively to the consolidated financial statements for the first quarter of the previous fiscal year and the entire previous fiscal year, there were no applicable events and the change in the accounting policies had no impact on the consolidated financial statements for the first quarter of the previous fiscal year or the entire previous fiscal year.

(Notes on significant changes in the amount of shareholders' equity)

Not applicable

(Notes on going-concern assumption)

Not applicable

(Notes to Quarterly Consolidated Statements of Cash Flows)

Quarterly consolidated statements of cash flows for the first quarter of the current fiscal year have not been prepared. Depreciation (including amortization related to intangible fixed assets excluding goodwill) for the first quarter of the current fiscal year is as follows.

	(Yen thousand)	
	Previous Q1 period (YTD) (From Apr 1, 2023 To Jun 30, 2023)	Current Q1 period (YTD) (From Apr 1, 2024 To Jun 30, 2024)
Depreciation	10,052	9,179

(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, 2025

(thousand yen)	First Quarter Apr 2024 - Jun 2024	Second Quarter Jul 2024 - Sep 2024	Third Quarter Oct 2024 - Dec 2024	Fourth Quarter Jan 2025 - Mar 2025
Net sales	740,262	-	-	-
Gross profit	318,359	-	-	-
Operating income	64,742	-	-	-
Ordinary income	63,493	-	-	-
Income before income taxes	63,493	-	-	-
Net income	59,172	-	-	-
Net income attributable to owners of the parent	59,172	-	-	-
Comprehensive income	64,114	-	-	-
Net income per share	18.81 yen	-	-	-
	End of 1st Quarter	End of 2nd Quarter	End of 3rd Quarter	End of 4th Quarter
Total assets	3,929,870	-	-	-
Net assets	3,521,958	-	-	-
Net assets per share	1,119.80 yen	-	-	-

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	723,392
Gross profit	256,344	342,473	351,584	319,932
Operating income	30,196	104,590	126,578	67,207
Ordinary income	32,833	107,336	124,045	66,262
Income before income taxes	32,833	107,336	124,045	66,262
Net income	26,411	94,614	100,972	109,271
Net income attributable to owners of the parent	26,411	94,614	100,972	109,271
Comprehensive income	26,658	94,710	98,255	114,358
Net income per share	8.40 yen	30.08 yen	32.10 yen	34.74 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	3,919,796
Net assets	3,150,810	3,245,229	3,343,485	3,457,844
Net assets per share	1,001.77 yen	1,031.82 yen	1,063.06 yen	1,099.42 yen