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

November 13, 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.

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Scheduled date of filing Quarterly Securities Report: November 14, 2023

Scheduled date of payment of cash dividends: -

Supplementary materials for the quarterly financial results: No

Briefing session on the quarterly financial results: Yes

1. Consolidated financial results for the three months ended September 30, 2023 (April 1, 2023 through September 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	%
6 months ended September 30, 2023	1,442	55.8	134	—	140	—	121	—
6 months ended September 30, 2022	925	34.0	△102	—	△94	—	△95	—

Reference) Comprehensive income: 121 million yen as of September 30, 2023; △90 million yen as of September 30, 2022

	Net income per share	Net income per share-diluted
	yen	yen
6 months ended September 30, 2023	38.48	—
6 months ended September 30, 2022	△30.33	—

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of September 30, 2023	3,691	3,245	87.9
As of March 31, 2023	3,842	3,124	81.3

Reference) Shareholders' equity: 3,245 million yen as of September 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	-	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, 2023 (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: Yes

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 September 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 September 30, 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

6 months ended Sep 30, 2023	3,145,209 shares	6 months ended Sep 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) Financial position and operating results

During the six-month period ended September 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 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, 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 second 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, we have started collaboration with THine Electronics Inc. to realize an edge AI camera solution. By combining the THine's EdgeAI-Link™ edge AI solution with our high-precision image recognition AI software, we aim to contribute to next-generation smart BEMS (Building Energy Management Systems), labor and manpower saving in office/facility monitoring and infrastructure inspections, and DXing of industrial processes such as factories through superior scene 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.

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.

With regard to business results for the six-month period ended September 30, 2023, 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 six-month ended September 30, 2023 of 1,442 million yen (up 55.8% from the same period of the previous year), operating income of 134 million yen (operating loss of 102 million yen for the same period of the previous year), ordinary income of 140 million yen (ordinary loss of 94 million yen for the same period of the previous year) and net income attributable to owners of the parent of 121 million yen (net loss of 95 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 94 million yen (67 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 1,301 million yen (798 million yen in the same period of the previous fiscal year) due to sales from Cambrian Vision Systems in addition to the strong mass production shipments of the RS1.

c) Professional service business

Net sales amounted to 46 million yen (59 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 34 million yen (49 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 69 million yen (31 million yen in the same period of the previous fiscal year) mainly due to the recording of sales of Cambrian Vision Systems in the product business and providing professional services.

c) Amusement field

Net sales amounted to 1,257 million yen (789 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 80 million yen (55 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

1) Overview of assets, liabilities and net assets

(Assets)

Current assets at the end of the second quarter amounted to 3,347 million yen, down 336 million yen from the end of the previous fiscal year mainly attributable to a decrease in accounts receivable and contract assets (down 429 million yen) and an increase in cash and deposits (up 108 million yen). Noncurrent assets amounted to 344 million yen, up 186 million yen from the end of the previous fiscal year mainly attributable to an increase in investment securities (up 199 million yen) included in the investments and other assets.

(Liabilities)

Current liabilities and noncurrent liabilities at the end of the second quarter amounted to 446 million yen, down 271 million yen from the end of the previous fiscal year mainly attributable to a decrease in accounts payable (down 291 million yen).

(Net assets)

Net assets at the end of the second quarter amounted to 3,245 million yen, up 121 million yen from the end of the previous fiscal year mainly attributable to an increase in retained earnings (up 121 million yen).

As a result, the equity ratio was 87.9%.

2) Overview of Cash Flows

The balance of cash and cash equivalents at the end of the second quarter of the current consolidated fiscal year was 2,544 million yen.

Net cash provided by operating activities was 320 million yen mainly attributable to positive factors such as a decrease in accounts receivable and contract assets of 429 million yen and income before income taxes of 140 million yen, and negative factors such as a decrease in accounts payable - trade of 291 million yen.

Net cash used in investing activities was 218 million yen mainly attributable to the purchase of investment securities of 202 million yen.

Net cash used in financing activities was 0 million yen mainly attributable to the purchase of treasury shares of 0 million yen.

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

With regard to the consolidated financial forecasts for the fiscal year ending March 31, 2024, we have revised the consolidated financial forecast announced in the "Summary of Consolidated Financial Results for the Fiscal Year Ended March 31, 2023" dated May 12, 2023. Please refer to the "Notice of Revision of Forecast of Financial Results (Upward Revision)" separately announced today for details of the revision and the reasons for the revision.

2. Consolidated quarterly financial statements and major notes

(1) Consolidated quarterly balance sheets

	(Yen thousand)	
	Previous year (As of Mar 31, 2023)	Current Q2 period (As of Sep 30, 2023)
Assets		
Current assets		
Cash and deposits	2,435,996	2,544,459
Accounts receivable - trade and contract assets	833,518	403,707
Securities	300,000	300,000
Merchandise and finished goods	22,874	37,187
Work in process	408	-
Raw materials and supplies	42,583	26,736
Other	48,427	34,947
Total current assets	3,683,809	3,347,038
Non-current assets		
Property, plant and equipment	65,837	57,018
Intangible assets	24,119	16,801
Investments and other assets	68,342	270,606
Total non-current assets	158,299	344,426
Total assets	3,842,109	3,691,464
Liabilities		
Current liabilities		
Accounts payable - trade	553,241	262,234
Income taxes payable	23,737	33,052
Provision for product warranties	17,351	11,533
Other	105,702	121,357
Total current liabilities	700,031	428,176
Non-current liabilities		
Asset retirement obligations	17,926	18,058
Total non-current liabilities	17,926	18,058
Total liabilities	717,957	446,234
Net assets		
Shareholders' equity		
Capital stock	1,838,882	1,838,882
Capital surplus	1,858,093	1,858,093
Retained earnings	-575,090	-454,064
Treasury shares	-1,724	-2,016
Total shareholders' equity	3,120,161	3,240,895
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	645	1,576
Foreign currency translation adjustment	3,344	2,757
Total accumulated other comprehensive income	3,990	4,334
Total net assets	3,124,151	3,245,229
Total liabilities and net assets	3,842,109	3,691,464

(2) Consolidated quarterly statements of income and comprehensive income (six months ended September 30, 2023)

Consolidated quarterly statements of income

(Yen thousand)

	Previous Q2 period (YTD) (From Apr 1, 2022 To Sep 30, 2022)	Current Q2 period (YTD) (From Apr 1, 2023 To Sep 30, 2023)
Net sales	925,354	1,442,096
Cost of sales	616,076	843,278
Gross profit	309,278	598,817
Selling, general and administrative expenses	412,119	464,031
Operating income/loss (-)	-102,840	134,786
Non-operating income		
Interest income	786	172
Foreign exchange gains	8,305	5,213
Total non-operating income	9,092	5,385
Non-operating expenses		
Loss on redemption of securities	548	-
Miscellaneous loss	9	1
Total non-operating expenses	557	1
Ordinary income/loss (-)	-94,306	140,170
Income/Loss (-) before income taxes	-94,306	140,170
Income taxes - current	1,145	19,145
Total income taxes	1,145	19,145
Income/Loss (-)	-95,451	121,025
Income/Loss (-) attributable to owners of parent	-95,451	121,025

Consolidated quarterly statements of comprehensive income

(Yen thousand)

	Previous Q2 period (YTD) (From Apr 1, 2022 To Sep 30, 2022)	Current Q2 period (YTD) (From Apr 1, 2023 To Sep 30, 2023)
Income/Loss (-)	-95,451	121,025
Other comprehensive income		
Valuation difference on available-for-sale securities	1,631	930
Foreign currency translation adjustment	3,167	-586
Total other comprehensive income	4,798	343
Comprehensive income	-90,652	121,369
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	-90,652	121,369
Comprehensive income attributable to non-controlling interests	-	-

(3) Quarterly consolidated statements of cash flows

(Yen thousand)

	Previous Q2 period (YTD) (From Apr 1, 2022 To Sep 30, 2022)	Current Q2 period (YTD) (From Apr 1, 2023 To Sep 30, 2023)
Cash flows from operating activities		
Income/Loss (-) before income taxes	-94,306	140,170
Depreciation	34,655	19,791
Share-based remuneration expenses	11,945	6,504
Increase/decrease (-) in provision for product warranties	4,179	-5,818
Interest income	-786	-172
Foreign exchange losses/gains (-)	-10,483	-7,031
Decrease/Increase (-) in Accounts receivable-trade and contract assets	-198,035	429,811
Decrease/Increase (-) in inventories	-46,208	1,942
Increase/Decrease (-) in trade payables	122,391	-291,006
Increase/Decrease (-) in accounts payable - other	3,077	28,568
Other, net	-24,926	7,283
Subtotal	-198,497	330,043
Interest received	1,039	126
Income taxes paid	-2,156	-10,114
Net cash provided by (used in) operating activities	-199,615	320,055
Cash flows from investing activities		
Purchase of securities	-300,000	-300,000
Proceeds from redemption of securities	300,000	300,000
Purchase of investment securities	-	-202,122
Proceeds from redemption of investment securities	200,711	-
Purchase of property, plant and equipment	-4,871	-14,970
Purchase of intangible assets	-580	-1,240
Other, net	-307	-
Net cash provided by (used in) investing activities	194,952	-218,332
Cash flows from financing activities		
Purchase of treasury shares	-	-291
Net cash provided by (used in) financing activities	-	-291
Effect of exchange rate change on cash and cash equivalents	10,483	7,031
Net increase/decrease (-) in cash and cash equivalents	5,820	108,463
Cash and cash equivalents at beginning of period	2,002,540	2,435,996
Cash and cash equivalents at end of period	2,008,361	2,544,459

(4) 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.

(Important subsequent events)

At the Board of Directors meeting held on November 13, 2023, the Company resolved to make an additional investment in Cambrian Inc. of Delaware, USA (hereinafter referred to as "Cambrian") as described below.

1) Reason for additional investment

The Company entered into an exclusive distributorship agreement (April 29, 2021) and a business alliance agreement (May 3, 2021) with Cambrian and acquired its Series Seed Preferred stock (paid-in amount of US\$370,000) in June 2021.

In connection with Cambrian's recent issuance of Series Seed Plus Preferred Stock, the Company has decided to additionally acquire a portion of the Preferred Stock in order to financially contribute to improving Cambrian's development capabilities and strengthening the competitiveness of its products and technologies and to further strengthen the strategic partnership with Cambrian.

2) Acquisition price, etc. of the other party's shares to be additionally acquired

The Company has decided to acquire a portion of the Series Seed Plus Preferred Stock issued by Cambrian as follows. The acquisition price was calculated and determined in consideration of Cambrian's business plan and other factors.

Amount to be paid: US\$480,000

Scheduled acquisition date: End of November 2023

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	-	-
Gross profit	256,344	342,473	-	-
Operating income	30,196	104,590	-	-
Ordinary income	32,833	107,336	-	-
Income before income taxes	32,833	107,336	-	-
Net income	26,411	94,614	-	-
Net income attributable to owners of the parent	26,411	94,614	-	-
Comprehensive income	26,658	94,710	-	-
Net income per share	8.40 yen	30.08 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	-	-
Net assets	3,150,810	3,245,229	-	-
Net assets per share	1,001.77 yen	1,031.82 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