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

November 12, 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: November 13, 2024

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, 2024 (April 1, 2024 through September 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	%
6 months ended September 30, 2024	1,535	6.5	144	7.3	143	2.2	121	0.3
6 months ended September 30, 2023	1,442	55.8	134	—	140	—	121	—

Reference) Comprehensive income: 117 million yen for 6 months ended September 30, 2024; 121 million yen for 6 months ended September 30, 2023

	Net income per share	Net income per share-diluted
	yen	yen
6 months ended September 30, 2024	38.60	—
6 months ended September 30, 2023	38.48	—

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of September 30, 2024	4,022	3,574	88.9
As of March 31, 2024	3,919	3,457	88.2

Reference) Shareholders' equity: 3,574 million yen as of September 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	-	0.00	-	-	-
Year ending March 2025 (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, 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 September 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 September 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

6 months ended Sep 30, 2024	3,145,160 shares	6 months ended Sep 30, 2023	3,145,209 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 interim financial results (3) Consolidated financial forecasts and other forward-looking statements."

1. Qualitative information on interim financial results

(1) Operating results

During the six-month period ended September 30, 2024, the Japanese economy recovered gradually, supported by moderate improvements in employment, increases in nominal wages, and favorable corporate sector performance. 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 downside risks need to be kept in mind such as the effects of monetary tightening, concerns about the future of the Chinese economy, and increasing geopolitical risks.

In 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, which has been our strength since our founding, under the Purpose of "Making the Image Intelligent." With a solid business foundation of stable growth in the amusement and IP fields, we support the entire development lifecycle of customer products and services, from planning to mass production, in the robotics and safety fields and their applied areas, such as video inspection and semiconductor manufacturing equipment. We are striving to maximize LTV (customer lifetime value) by providing added value, 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.

As for specific initiatives and achievements in our focused fields during the six months of the current fiscal year, firstly, in the safety field, we secured recurring revenue from existing projects from the edge to the cloud and provided professional services for a broader safety field.

In the robotics field, we provided professional services for semiconductor manufacturing equipment area and RTMaps-related construction machinery area. 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, and aimed to expand our share in the market segment where we can demonstrate the superiority of this unique 2D/3D integrated chip.

Additionally, in the rapidly growing edge AI field, we concluded a strategic partnership with Taiwan's iCatch Technology to combine cutting-edge technologies. We started offering a one-stop service that combines our AI recognition models with iCatch's imaging SoCs, providing hardware and software solutions to developers of Edge AI camera systems. Furthermore, we released the next-generation neural processing unit IP (NPU IP) "ZIA A3000 V2," which boasts scalable, high performance, low power consumption, and a compact size optimized for edge AI semiconductors, with availability starting from November 2024.

With regard to business results for the current interim period, 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 current interim period of 1,535 million yen (up 6.5% from the same period of the previous year), operating income of 144 million yen (up 7.3% from the same period of the previous year), ordinary income of 143 million yen (up 2.2% from the same period of the previous year) and net income attributable to owners of the parent of 121 million yen (up 0.3% 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 48 million yen (94 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 1,431 million yen (1,301 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 55 million yen (46 million yen in the same period of the previous fiscal year) for providing AI contracted development services in the safety and robotics fields and contracted development services in the amusement field.

A summary of results by field is as follows.

a) Safety field

Net sales amounted to 20 million yen (34 million yen in the same period of the previous year), mainly due to the recording of recurring income in the IP core license business and professional service revenues in the broader safety field.

b) Robotics field

Net sales amounted to 62 million yen (69 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 services including those for the semiconductor manufacturing equipment area.

c) Amusement field

Net sales amounted to 1,420 million yen (1,257 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 30 million yen (80 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 current interim period amounted to 3,291 million yen, up 18 million yen from the end of the previous fiscal year mainly attributable to increases in accounts receivable and contract assets (up 63 million yen), merchandise and finished goods (up 27 million yen) and raw materials and supplies (up 23 million yen), and a decrease in securities (down 100 million yen). Noncurrent assets amounted to 730 million yen, up 83 million yen from the end of the previous fiscal year mainly attributable to an increase in investment securities (up 95 million yen).

(Liabilities)

Current liabilities and noncurrent liabilities at the end of the current interim period amounted to 447 million yen, down 14 million yen from the end of the previous fiscal year mainly attributable to an increase in accounts payable - trade (up 95 million yen) and a decrease in accounts payable - other (down 47 million yen).

(Net assets)

Net assets at the end of the current interim period amounted to 3,574 million yen, up 117 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 88.9%.

2) Overview of Cash Flows

The balance of cash and cash equivalents at the end of the current interim period was 2,612 million yen.

Net cash provided by operating activities was 12 million yen mainly attributable to positive factors such as income before income taxes of 143 million yen and an increase in accounts payable - trade of 95 million yen, and negative factors such as increases in accounts receivable and contract assets of 63 million yen and inventories of 51 million yen. Net cash used in investing activities was 4 million yen mainly attributable to a positive factor of proceeds from redemption of 100 million yen, and negative factors such as purchase of investment securities of 100 million yen and purchase of fixed assets of 4 million yen.

(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 current interim period, net sales reached a new record, and operating income, ordinary income, and net income attributable to owners of the parent grew compared to the same period of the previous fiscal year, driven primarily by steady sales in the amusement field.

From the third 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 interim financial statements and major notes

(1) Consolidated interim balance sheets

	(Yen thousand)	
	Previous year (As of Mar 31, 2024)	Current Q2 period (As of Sep 30, 2024)
Assets		
Current assets		
Cash and deposits	2,603,750	2,612,254
Accounts receivable - trade and contract assets	246,332	310,020
Securities	300,000	200,000
Merchandise and finished goods	35,585	63,471
Work in process	2,817	3,551
Raw materials and supplies	44,266	67,642
Other	40,032	34,507
Total current assets	3,272,786	3,291,449
Non-current assets		
Property, plant and equipment	54,063	46,866
Intangible assets	9,324	5,025
Investments and other assets	583,622	678,896
Total non-current assets	647,010	730,788
Total assets	3,919,796	4,022,238
Liabilities		
Current liabilities		
Accounts payable - trade	196,241	291,603
Income taxes payable	51,667	36,792
Provision for product warranties	8,540	5,756
Other	187,311	94,763
Total current liabilities	443,761	428,915
Non-current liabilities		
Asset retirement obligations	18,191	18,325
Total non-current liabilities	18,191	18,325
Total liabilities	461,952	447,240
Net assets		
Shareholders' equity		
Capital stock	1,838,882	1,838,882
Capital surplus	1,858,093	1,858,093
Retained earnings	-243,821	-122,431
Treasury shares	-2,016	-2,016
Total shareholders' equity	3,451,138	3,572,528
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,726	-889
Foreign currency translation adjustment	2,978	3,358
Total accumulated other comprehensive income	6,705	2,468
Total net assets	3,457,844	3,574,997
Total liabilities and net assets	3,919,796	4,022,238

(2) Consolidated interim statements of income and comprehensive income (six months ended September 30, 2024)

Consolidated interim statements of income

	(Yen thousand)	
	Previous Q2 period (YTD) (From Apr 1, 2023 To Sep 30, 2023)	Current Q2 period (YTD) (From Apr 1, 2024 To Sep 30, 2024)
Net sales	1,442,096	1,535,239
Cost of sales	843,278	884,558
Gross profit	598,817	650,680
Selling, general and administrative expenses	464,031	506,111
Operating income	134,786	144,569
Non-operating income		
Interest income	172	3,286
Foreign exchange gains	5,213	-
Total non-operating income	5,385	3,286
Non-operating expenses		
Foreign exchange losses	-	4,545
Miscellaneous loss	1	24
Total non-operating expenses	1	4,569
Ordinary income	140,170	143,286
Income before income taxes	140,170	143,286
Income taxes - current	19,145	22,000
Income taxes - deferred	-	-103
Total income taxes	19,145	21,896
Income	121,025	121,390
Income attributable to owners of parent	121,025	121,390

Consolidated interim statements of comprehensive income

	(Yen thousand)	
	Previous Q2 period (YTD) (From Apr 1, 2023 To Sep 30, 2023)	Current Q2 period (YTD) (From Apr 1, 2024 To Sep 30, 2024)
Income	121,025	121,390
Other comprehensive income		
Valuation difference on available-for-sale securities	930	-4,616
Foreign currency translation adjustment	-586	379
Total other comprehensive income	343	-4,236
Comprehensive income	121,369	117,153
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	121,369	117,153
Comprehensive income attributable to non-controlling interests	-	-

(3) Consolidated interim statements of cash flows

(Yen thousand)

	Previous Q2 period (YTD) (From Apr 1, 2023 To Sep 30, 2023)	Current Q2 period (YTD) (From Apr 1, 2024 To Sep 30, 2024)
Cash flows from operating activities		
Income before income taxes	140,170	143,286
Depreciation	19,791	15,556
Share-based remuneration expenses	6,504	-
Increase/decrease (-) in provision for product warranties	-5,818	-2,784
Interest income	-172	-3,286
Foreign exchange losses/gains (-)	-7,031	555
Decrease/Increase (-) in Accounts receivable-trade and contract assets	429,811	-63,687
Decrease/Increase (-) in inventories	1,942	-51,995
Increase/Decrease (-) in trade payables	-291,006	95,361
Increase/Decrease (-) in accounts payable - other	28,568	-47,210
Other, net	7,283	-41,070
Subtotal	330,043	44,724
Interest received	126	3,340
Income taxes paid	-10,114	-35,496
Net cash provided by (used in) operating activities	320,055	12,568
Cash flows from investing activities		
Purchase of securities	-300,000	-200,000
Proceeds from redemption of securities	300,000	300,000
Purchase of investment securities	-202,122	-100,000
Purchase of property, plant and equipment	-14,970	-3,660
Purchase of intangible assets	-1,240	-400
Net cash provided by (used in) investing activities	-218,332	-4,060
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	7,031	-3
Net increase/decrease (-) in cash and cash equivalents	108,463	8,504
Cash and cash equivalents at beginning of period	2,435,996	2,603,750
Cash and cash equivalents at end of period	2,544,459	2,612,254

(4) Notes to interim consolidated financial statements

(Change in accounting policy)

(Application of "Accounting Standard for Current Income Taxes" etc.)

The "Accounting Standard for Current Income Taxes" (Accounting Standards Board of Japan ("ASBJ") Statement No. 27, October 28, 2022; hereinafter referred to as the "Revised Accounting Standard 2022"), etc. have been applied from the beginning of the six months ended September 30, 2024. The amendment to categories in which current income taxes should be recorded (taxes on other comprehensive income) follows the transitional treatment prescribed in the proviso of paragraph 20-3 of the Revised Accounting Standard 2022 and the transitional treatment prescribed 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 the "Revised Guidance 2022"). This change in accounting policies has no impact on the semi-annual consolidated financial statements.

For the amendment related to the revised accounting treatment for consolidated financial statements when gains or losses on the sale of shares in subsidiaries resulting from transactions between consolidated companies were deferred for tax purposes, the Revised Guidance 2022 has been applied from the beginning of the six months ended September 30, 2024. Although this change in the accounting policies is applied retrospectively, there were no applicable events, hence there is no impact on the semi-annual consolidated financial statements for the same period in the previous fiscal year and on the consolidated financial statements for the previous fiscal year.

(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.

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

Not applicable

(Notes on going-concern assumption)

Not applicable

3. Other

(1) Recent quarterly business performance

Fiscal year ending 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	794,976	-	-
Gross profit	318,359	332,321	-	-
Operating income	64,742	79,826	-	-
Ordinary income	63,493	79,793	-	-
Income before income taxes	63,493	79,793	-	-
Net income	59,172	62,217	-	-
Net income attributable to owners of the parent	59,172	62,217	-	-
Comprehensive income	64,114	53,038	-	-
Net income per share	18.81 yen	19.78 yen	-	-
	End of 1st Quarter	End of 2nd Quarter	End of 3rd Quarter	End of 4th Quarter
Total assets	3,929,870	4,022,238	-	-
Net assets	3,521,958	3,574,997	-	-
Net assets per share	1,119.80 yen	1,136.67 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