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On **July 27, 2018**, ArtSpark Holdings Inc. announced earnings results for 1H FY12/18 and upward revisions to its full-year earnings forecasts.

Quarterly performance (JPYmn)	FY12/16				FY12/17				FY12/18				FY12/18	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of 1H	1H Est.
Sales	1,083	1,174	790	789	841	882	1,035	878	1,012	911			115.1%	1,671
YoY	7.4%	2.2%	-18.9%	-23.1%	-22.4%	-24.9%	31.1%	11.3%	20.4%	3.3%				-3.0%
Gross profit	420	550	291	303	420	400	540	242	514	425				
YoY	12.3%	81.6%	8.9%	-9.4%	-0.1%	-27.3%	85.5%	-20.1%	22.6%	6.3%				
GPM	38.8%	46.9%	36.9%	38.4%	49.9%	45.4%	52.2%	27.6%	50.8%	46.7%				
SG&A expenses	247	266	261	290	279	287	278	334	301	337				
YoY	-24.4%	-18.7%	-10.3%	18.1%	13.2%	7.9%	6.6%	15.3%	7.7%	17.2%				
SG&A ratio	22.8%	22.7%	33.1%	36.7%	33.2%	32.6%	26.9%	38.0%	29.7%	37.0%				
Operating profit	173	284	30	13	140	113	262	-92	214	89			2,326.4%	13
YoY	262.2%	-	-	-85.1%	-18.9%	-60.1%	777.9%	-	52.0%	-21.6%				-94.9%
OPM	16.0%	24.2%	3.8%	1.7%	16.7%	12.9%	25.3%	-	21.1%	9.8%				0.8%
Recurring profit	164	267	26	20	133	111	263	-96	201	89			9,664.8%	3
YoY	359.1%	-	-	-76.9%	-18.7%	-58.6%	902.8%	-	51.1%	-19.6%				-98.8%
RPM	15.1%	22.8%	3.3%	2.5%	15.8%	12.6%	25.4%	-	19.9%	9.8%				0.2%
Net income	132	237	13	-45	127	94	215	-62	179	71			-	-9
YoY	669.2%	-	-	-	-3.7%	-60.5%	1529.6%	-	40.3%	-24.2%				-
Net margin	12.2%	20.2%	1.7%	-	15.2%	10.6%	20.8%	-	17.7%	7.8%				-
Cumulative	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of FY	FY Est.
Sales	1,083	2,257	3,047	3,836	841	1,722	2,758	3,636	1,012	1,923			53.1%	3,621
YoY	7.4%	4.6%	-2.7%	-7.7%	-22.4%	-23.7%	-9.5%	-5.2%	20.4%	11.7%				-0.4%
Gross profit	420	970	1,261	1,565	420	820	1,360	1,602	514	940				
YoY	12.3%	43.3%	33.6%	22.3%	-0.1%	-15.5%	7.8%	2.4%	22.6%	14.6%				
GPM	38.8%	43.0%	41.4%	40.8%	49.9%	47.6%	49.3%	44.1%	50.8%	48.9%				
SG&A expenses	247	513	774	1,064	279	567	845	1,179	301	637				
YoY	-24.4%	-21.5%	-18.1%	-10.6%	13.2%	10.5%	9.1%	10.8%	7.7%	12.5%				
SG&A ratio	22.8%	22.7%	25.4%	27.7%	33.2%	32.9%	30.6%	32.4%	29.7%	33.2%				
Operating profit	173	457	487	501	140	254	516	424	214	302			58.2%	367
YoY	-	-	-	465.6%	-18.9%	-44.5%	5.9%	-15.3%	52.0%	19.1%				-13.4%
OPM	16.0%	20.3%	16.0%	13.0%	16.7%	14.7%	18.7%	11.7%	21.1%	15.7%				10.1%
Recurring profit	164	431	457	477	133	244	507	410	201	290			58.6%	343
YoY	-	-	-	666.6%	-18.7%	-43.5%	10.8%	-14.0%	51.1%	19.0%				-16.4%
RPM	15.1%	19.1%	15.0%	12.4%	15.8%	14.1%	18.4%	11.3%	19.9%	15.1%				9.5%
Net income	132	369	382	337	127	221	436	375	179	250			71.2%	251
YoY	-	-	-	869.1%	-3.7%	-40.1%	14.2%	11.2%	40.3%	13.0%				-33.0%

Source: Shared Research based on company data
Figures may differ from company materials due to differences in rounding methods.

Performance by quarter

Quarterly (JPYmn)	FY12/16				FY12/17				FY12/18			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Sales												
Creator Support	548	545	527	542	616	615	589	593	679	748		
UI/UX	540	634	270	261	248	288	456	298	344	174		
Subtotal	1,088	1,179	796	803	864	903	1,046	891	1,023	972		
Adjustments	-5	-5	-7	-14	-23	-22	-11	-12	-11	-11		
Total	1,083	1,174	790	789	841	882	1,035	878	1,012	911		
Operating profit												
Creator Support	80	69	24	23	135	104	72	-11	139	157		
UI/UX	84	217	-5	-15	-10	2	167	-103	52	-51		
Subtotal	163	324	-19	8	125	106	239	-115	191	106		
Adjustments	10	-40	49	5	15	7	23	22	23	-17		
Total	173	284	30	13	140	113	262	-92	214	89		
OPM												
Creator Support	14.5%	12.6%	4.6%	4.3%	22.0%	16.9%	12.2%	-1.9%	20.4%	21.0%		
UI/UX	15.5%	34.3%	-1.9%	-5.9%	-4.1%	0.7%	36.6%	-34.7%	15.2%	-29.2%		
Total	16.0%	24.2%	3.8%	1.7%	16.7%	12.9%	25.3%	-10.5%	21.1%	9.8%		
Cumulative (JPYmn)	FY12/16				FY12/17				FY12/18			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Sales												
Creator Support	548	1,093	1,619	2,161	616	1,231	1,820	2,413	679	1,426		
UI/UX	540	1,175	1,444	1,705	248	536	992	1,291	344	519		
Subtotal	1,088	2,267	3,064	3,867	864	1,767	2,813	3,704	1,023	1,995		
Adjustments	-5	-10	-17	-31	-23	-45	-55	-68	-11	-22		
Total	1,083	2,257	3,047	3,836	841	1,722	2,758	3,636	1,012	1,923		
Operating profit												
Creator Support	80	148	172	196	135	239	311	300	139	295		
UI/UX	84	301	296	281	-10	-8	159	56	52	2		
Subtotal	163	488	468	477	125	231	470	356	191	297		
Adjustments	10	-30	19	24	15	23	46	68	23	5		
Total	173	457	487	501	140	254	516	424	214	302		
OPM												
Creator Support	14.5%	13.6%	10.7%	9.1%	22.0%	19.4%	17.1%	12.4%	20.4%	20.7%		
UI/UX	15.5%	25.6%	20.5%	16.5%	-4.1%	-1.5%	16.0%	4.3%	15.2%	0.3%		
Total	16.0%	20.3%	16.0%	13.0%	16.7%	14.7%	18.7%	11.7%	21.1%	15.7%		

Source: Shared Research based on company data

Figures may differ from company materials due to differences in rounding methods.

Figures are before eliminations.

From Q1 FY12/16, the company revised its business performance management categories, integrating the Applications business with the UI/UX business (figures for the businesses are shown under the UI/UX business). Figures for periods prior to Q1 FY12/16 are also retroactively adjusted in the table above.

From Q1 FY12/17, the company revised its business performance management categories, integrating the Content Solutions business with the Creator Support business (figures for the businesses are shown under the Creator Support business). Figures for periods prior to Q1 FY12/17 are also retroactively adjusted in the table above.

1H FY12/18 consolidated results

Overview

For 1H FY12/18, the company reported sales of JPY1.9bn (+11.7% YoY), operating profit of JPY302mn (+19.1% YoY), recurring profit of JPY290mn (+19.0%), and net income attributable to parent company shareholders of JPY250mn (+13.0%). The company focused on software IP-centered businesses, strategic realignment of development resources, and improvement of operational efficiency.

Results exceeded the company's forecasts for 1H FY12/18 (sales of JPY1.7bn, operating profit of JPY13mn, recurring profit of JPY3mn, and net loss of JPY9mn) by wide margins.

1H sales exceeded the company's initial forecasts due to robust sales overseas in the Creator Support business. Profits also exceeded initial forecasts by a large margin due to the recording of highly profitable sales. Because 1H results surpassed initial forecasts by a wide margin, the company revised its full-year forecasts as set out below:

- ▷ Sales forecast: JPY3.6bn (initial forecast JPY3.3bn)
- ▷ Operating profit forecast: JPY367mn (JPY63mn)
- ▷ Recurring profit forecast: JPY343mn (JPY42mn)
- ▷ Net income forecast: JPY251mn (JPY7mn)

Creator Support

- ▶ **Sales:** JPY1.4bnmn (+15.9% YoY)
- ▶ **Operating profit:** JPY295mn (+23.4%)

The company released a Pro version and an annual membership plan for CLIP STUDIO PAINT for iPad (software for producing manga, illustration, and animation on an iPad) simultaneously worldwide. The company also released the new CLIP STUDIO TABMATE, an input device enabling more comfortable use of pen tablets, at dealers and online stores nationwide. In addition, the company increased convenience of the function allowing compatibility between ibisPaint (a painting app initially from ibis mobile inc.) and CLIP STUDIO PAINT, by making it available in all languages (having originally been offered only in the Japanese version).

CLIP STUDIO, a website providing total support for creators, had approximately 1.2mn registered users as of the end of June 2018 (vs. approximately 1.1mn at the end of March 2018).

UI/UX

- ▶ **Sales:** JPY519mn (-3.2% YoY)
- ▶ **Operating profit:** JPY1.6mn (JPY8.1mn operating loss in 1H FY12/17)

ArtSpark is focusing on development and sales of self-developed IP products such as UI authoring software products exbeans UI Conductor, a foundation of HMI, targeting the automotive (cars and motorcycles) market and commercial- and consumer-use printers.

Regarding exbeans UI Conductor, the company has been collaborating with various hardware and software vendors to develop joint solutions to increase convenience and raise market value. In 1H the company showed a demo machine for the HMI development solution developed in collaboration with ITEC Hankyu Hanshin Co., Ltd at the Automotive Engineering Exposition, an exhibition specializing in automotive technologies for engineers and researchers.

The company's products have been adopted as the default software for in-vehicle equipment by major OEMs since August 2015 and the company has shipped over 2.4mn units (mainly to the North American market).

Full-year company forecasts

(JPYmn)	FY12/16			FY12/17			FY12/18		
	1H Act.	2H Act.	FY Act.	1H Act.	2H Act.	FY Act.	1H Act.	2H Est.	FY Est.
Sales	2,257	1,579	3,836	1,722	1,914	3,636	1,923	1,698	3,621
YoY	4.6%	-21.0%	-7.7%	-23.7%	21.2%	-5.2%	11.7%	-11.3%	-0.4%
Cost of sales	1,286	985	2,271	902	1,131	2,034	983		
Gross profit	970	594	1,565	820	783	1,603	940		
GPM	43.0%	37.6%	40.8%	47.6%	40.9%	44.1%	48.9%		
SG&A expenses	513	551	1,064	567	613	1,179	637		
SG&A ratio	22.7%	34.9%	27.7%	32.9%	32.0%	32.4%	33.2%		
Operating profit	457	43	501	254	170	424	302	65	367
YoY	-	-33.8%	465.6%	-44.5%	294.5%	-15.3%	19.1%	-62.0%	-13.4%
OPM	20.3%	2.7%	13.0%	14.7%	8.9%	11.7%	15.7%	3.8%	10.1%
Recurring profit	431	46	477	244	167	410	290	53	343
YoY	-	-20.8%	666.6%	-43.5%	261.9%	-14.0%	19.0%	-68.2%	-16.4%
RPM	19.1%	2.9%	12.4%	14.1%	8.7%	11.3%	15.1%	3.1%	9.5%
Net income	369	-32	337	221	154	375	250	1	251
YoY	-	-	869.1%	-40.1%	-585.3%	11.2%	13.0%	-99.1%	-33.0%
Net margin	16.3%	-2.0%	8.8%	12.8%	8.0%	10.3%	13.0%	0.1%	6.9%

Source: Shared Research based on company data
 Figures may differ from company materials due to differences in rounding methods.
 Forecast based on most recently released figures.

On July 27, 2018, the company announced upward revisions to its full-year FY12/18 earnings forecasts, alongside its 1H results announcement. Details are given below.

Because 1H results surpassed initial forecasts by a wide margin, the company revised its full-year forecasts as set out below:

- ▷ Sales forecast: JPY3.6bn (initial forecast JPY3.3bn)
- ▷ Operating profit forecast: JPY367mn (JPY63mn)
- ▷ Recurring profit forecast: JPY343mn (JPY42mn)
- ▷ Net income forecast: JPY251mn (JPY7mn)

Below are comments before the upward revision. Shared Research plans to update details following company interview.

This note is the most recent addition to the [full report](#).

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