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On **October 26, 2018**, ArtSpark Holdings Inc. announced earnings results for Q3 FY12/18.

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	905			
YoY	7.4%	2.2%	-18.9%	-23.1%	-22.4%	-24.9%	31.1%	11.3%	20.4%	3.3%	-12.6%			
Gross profit	420	550	291	303	420	400	540	242	514	425	419			
YoY	12.3%	81.6%	8.9%	-9.4%	-0.1%	-27.3%	85.5%	-20.1%	22.6%	6.3%	-22.4%			
GPM	38.8%	46.9%	36.9%	38.4%	49.9%	45.4%	52.2%	27.6%	50.8%	46.7%	46.3%			
SG&A expenses	247	266	261	290	279	287	278	334	301	337	293			
YoY	-24.4%	-18.7%	-10.3%	18.1%	13.2%	7.9%	6.6%	15.3%	7.7%	17.2%	5.3%			
SG&A ratio	22.8%	22.7%	33.1%	36.7%	33.2%	32.6%	26.9%	38.0%	29.7%	37.0%	32.4%			
Operating profit	173	284	30	13	140	113	262	-92	214	89	126			
YoY	262.2%	-	-	-85.1%	-18.9%	-60.1%	777.9%	-	52.0%	-21.6%	-52.0%			
OPM	16.0%	24.2%	3.8%	1.7%	16.7%	12.9%	25.3%	-	21.1%	9.8%	13.9%			
Recurring profit	164	267	26	20	133	111	263	-96	201	89	127			
YoY	359.1%	-	-	-76.9%	-18.7%	-58.6%	902.8%	-	51.1%	-19.6%	-51.6%			
RPM	15.1%	22.8%	3.3%	2.5%	15.8%	12.6%	25.4%	-	19.9%	9.8%	14.1%			
Net income	132	237	13	-45	127	94	215	-62	179	71	94			
YoY	669.2%	-	-	-	-3.7%	-60.5%	1529.6%	-	40.3%	-24.2%	-56.4%			
Net margin	12.2%	20.2%	1.7%	-	15.2%	10.6%	20.8%	-	17.7%	7.8%	10.4%			
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	2,828		78.1%	3,621
YoY	7.4%	4.6%	-2.7%	-7.7%	-22.4%	-23.7%	-9.5%	-5.2%	20.4%	11.7%	2.5%			-0.4%
Gross profit	420	970	1,261	1,565	420	820	1,360	1,602	514	940	1,359			
YoY	12.3%	43.3%	33.6%	22.3%	-0.1%	-15.5%	7.8%	2.4%	22.6%	14.6%	-0.1%			
GPM	38.8%	43.0%	41.4%	40.8%	49.9%	47.6%	49.3%	44.1%	50.8%	48.9%	48.1%			
SG&A expenses	247	513	774	1,064	279	567	845	1,179	301	637	931			
YoY	-24.4%	-21.5%	-18.1%	-10.6%	13.2%	10.5%	9.1%	10.8%	7.7%	12.5%	10.2%			
SG&A ratio	22.8%	22.7%	25.4%	27.7%	33.2%	32.9%	30.6%	32.4%	29.7%	33.2%	32.9%			
Operating profit	173	457	487	501	140	254	516	424	214	302	428		116.7%	367
YoY	-	-	-	-465.6%	-18.9%	-44.5%	5.9%	-15.3%	52.0%	19.1%	-17.0%			-13.4%
OPM	16.0%	20.3%	16.0%	13.0%	16.7%	14.7%	18.7%	11.7%	21.1%	15.7%	15.1%			10.1%
Recurring profit	164	431	457	477	133	244	507	410	201	290	417		121.7%	343
YoY	-	-	-	-666.6%	-18.7%	-43.5%	10.8%	-14.0%	51.1%	19.0%	-17.6%			-16.4%
RPM	15.1%	19.1%	15.0%	12.4%	15.8%	14.1%	18.4%	11.3%	19.9%	15.1%	14.8%			9.5%
Net income	132	369	382	337	127	221	436	375	179	250	344		136.9%	251
YoY	-	-	-	-869.1%	-3.7%	-40.1%	14.2%	11.2%	40.3%	13.0%	-21.3%			-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	750	
UI/UX	540	634	270	261	248	288	456	298	344	174	170	
Subtotal	1,088	1,179	796	803	864	903	1,046	891	1,023	972	869	
Adjustments	-5	-5	-7	-14	-23	-22	-11	-12	-11	-11	-15	
Total	1,083	1,174	790	789	841	882	1,035	878	1,012	911	905	
Operating profit												
Creator Support	80	69	24	23	135	104	72	-11	139	157	142	
UI/UX	84	217	-5	-15	-10	2	167	-103	52	-51	-56	
Subtotal	163	324	-19	8	125	106	239	-115	191	106	87	
Adjustments	10	-40	49	5	15	7	23	22	23	-17	39	
Total	173	284	30	13	140	113	262	-92	214	89	126	
OPM												
Creator Support	14.5%	12.6%	4.6%	4.3%	22.0%	16.9%	12.2%	-1.9%	20.4%	21.0%	19.0%	
UI/UX	15.5%	34.3%	-1.9%	-5.9%	-4.1%	0.7%	36.6%	-34.7%	15.2%	-29.2%	-32.9%	
Total	16.0%	24.2%	3.8%	1.7%	16.7%	12.9%	25.3%	-10.5%	21.1%	9.8%	13.9%	
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	2,176	
UI/UX	540	1,175	1,444	1,705	248	536	992	1,291	344	519	688	
Subtotal	1,088	2,267	3,064	3,867	864	1,767	2,813	3,704	1,023	1,995	2,864	
Adjustments	-5	-10	-17	-31	-23	-45	-55	-68	-11	-22	-37	
Total	1,083	2,257	3,047	3,836	841	1,722	2,758	3,636	1,012	1,923	2,828	
Operating profit												
Creator Support	80	148	172	196	135	239	311	300	139	295	438	
UI/UX	84	301	296	281	-10	-8	159	56	52	2	-54	
Subtotal	163	488	468	477	125	231	470	356	191	297	384	
Adjustments	10	-30	19	24	15	23	46	68	23	5	45	
Total	173	457	487	501	140	254	516	424	214	302	428	
OPM												
Creator Support	14.5%	13.6%	10.7%	9.1%	22.0%	19.4%	17.1%	12.4%	20.4%	20.7%	20.1%	
UI/UX	15.5%	25.6%	20.5%	16.5%	-4.1%	-1.5%	16.0%	4.3%	15.2%	0.3%	-7.9%	
Total	16.0%	20.3%	16.0%	13.0%	16.7%	14.7%	18.7%	11.7%	21.1%	15.7%	15.1%	

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.

Q3 FY12/18 consolidated results

Overview

For cumulative Q3 FY12/18, the company reported sales of JPY2.8bn (+2.5% YoY) and operating profit of JPY428mn (-17.0% YoY). The company reported recurring profit of JPY417mn (-17.6% YoY) due to booking JPY1mn in paid interest and JPY7mn in forex losses and net income attributable to parent company shareholders of JPY344mn (-21.3% YoY) due to deducting JPY82mn in tax expenses. The company focused on software IP-centered businesses, strategic realignment of development resources, and improvement of operational efficiency.

Sales reached 78.1% of FY12/18 full-year company forecasts (FY12/17 cumulative Q3 sales reached 75.8% of full-year FY12/17 results), operating profit reached 116.7% (121.8%), recurring profit reached 121.7% (123.4%) and net income attributable to parent company shareholders reached 136.9% (116.4%).

Creator Support

- ▷ **Sales:** JPY2.2bn (+19.5% YoY)
- ▷ **Operating profit:** JPY438mn (+40.6% YoY)

Since its launch in 2012, CLIP STUDIO PAINT (software for producing manga, illustration, and animation) has sold more than four million units worldwide. The company changed its e-book solutions brand name from BS Reader to CLIP STUDIO READER in an

effort to strengthen the link with CLIP STUDIO solutions. The company also sponsored a modern Ashura exhibit held by Nara Newspaper Company Inc. and provided CLIP STUDIO PAINT for an illustration contest based on the theme of a new, modern image of Ashura.

CLIP STUDIO, a website providing total support for creators, had approximately 1.3mn registered users as of the end of September 2018 (vs. approximately 1.2mn at the end of June 2018).

UI/UX

- ▷ **Sales:** JPY688mn (-30.6% YoY)
- ▷ **Operating loss:** JPY54mn (JPY159mn operating profit in cumulative Q3 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.

In the printer field, exbeans UI Conductor has been installed in over three million total printers produced by Seiko Epson Corp. (TSE1 6724). The company will continue to strengthen the features of this product so that it is adopted by Tier-1 companies (primary suppliers), and promote business creation through exhibits at events and fairs.

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 2.7mn units (mainly to the North American market).

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

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