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On **February 15, 2019**, ArtSpark Holdings Inc. announced earnings results for full-year FY12/18 and a new medium-term plan through FY12/23.

Quarterly performance (JPYmn)	FY12/16				FY12/17				FY12/18				FY12/18	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of FY	FY Est.
Sales	1,083	1,174	790	789	841	882	1,035	878	1,012	911	905	962		
YoY	7.4%	2.2%	-18.9%	-23.1%	-22.4%	-24.9%	31.1%	11.3%	20.4%	3.3%	-12.6%	9.5%		
Gross profit	420	550	291	303	420	400	540	242	514	425	419	428		
YoY	12.3%	81.6%	8.9%	-9.4%	-0.1%	-27.3%	85.5%	-20.1%	22.6%	6.3%	-22.4%	76.7%		
GPM	38.8%	46.9%	36.9%	38.4%	49.9%	45.4%	52.2%	27.6%	50.8%	46.7%	46.3%	44.5%		
SG&A expenses	247	266	261	290	279	287	278	334	301	337	293	481		
YoY	-24.4%	-18.7%	-10.3%	18.1%	13.2%	7.9%	6.6%	15.3%	7.7%	17.2%	5.3%	43.9%		
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%	50.0%		
Operating profit	173	284	30	13	140	113	262	-92	214	89	126	-53		
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	-60		
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	-9		
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	3,790	104.7%	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%	4.2%		-0.4%
Gross profit	420	970	1,261	1,565	420	820	1,360	1,602	514	940	1,359	1,787		
YoY	12.3%	43.3%	33.6%	22.3%	-0.1%	-15.5%	7.8%	2.4%	22.6%	14.6%	-0.1%	11.5%		
GPM	38.8%	43.0%	41.4%	40.8%	49.9%	47.6%	49.3%	44.1%	50.8%	48.9%	48.1%	47.1%		
SG&A expenses	247	513	774	1,064	279	567	845	1,179	301	637	931	1,412		
YoY	-24.4%	-21.5%	-18.1%	-10.6%	13.2%	10.5%	9.1%	10.8%	7.7%	12.5%	10.2%	19.7%		
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%	37.2%		
Operating profit	173	457	487	501	140	254	516	424	214	302	428	375	102.1%	367
YoY	-	-	-	-465.6%	-18.9%	-44.5%	5.9%	-15.3%	52.0%	19.1%	-17.0%	-11.5%		-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%	9.9%		10.1%
Recurring profit	164	431	457	477	133	244	507	410	201	290	417	358	104.3%	343
YoY	-	-	-	-666.6%	-18.7%	-43.5%	10.8%	-14.0%	51.1%	19.0%	-17.6%	-12.9%		-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%	9.4%		9.5%
Net income	132	369	382	337	127	221	436	375	179	250	344	334	133.1%	251
YoY	-	-	-	-869.1%	-3.7%	-40.1%	14.2%	11.2%	40.3%	13.0%	-21.3%	-10.8%		-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	781
UI/UX	540	634	270	261	248	288	456	298	344	174	170	198
Subtotal	1,088	1,179	796	803	864	903	1,046	891	1,023	972	869	979
Adjustments	-5	-5	-7	-14	-23	-22	-11	-12	-11	-11	-15	-16
Total	1,083	1,174	790	789	841	882	1,035	878	1,012	911	905	962
Operating profit												
Creator Support	80	69	24	23	135	104	72	-11	139	157	142	34
UI/UX	84	217	-5	-15	-10	2	167	-103	52	-51	-56	-13
Subtotal	163	324	-19	8	125	106	239	-115	191	106	87	21
Adjustments	10	-40	49	5	15	7	23	22	23	-17	39	-75
Total	173	284	30	13	140	113	262	-92	214	89	126	-53
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%	4.4%
UI/UX	15.5%	34.3%	-1.9%	-5.9%	-4.1%	0.7%	36.6%	-34.7%	15.2%	-29.2%	-32.9%	-6.7%
Total	16.0%	24.2%	3.8%	1.7%	16.7%	12.9%	25.3%	-10.5%	21.1%	9.8%	13.9%	-5.6%
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	2,957
UI/UX	540	1,175	1,444	1,705	248	536	992	1,291	344	519	688	886
Subtotal	1,088	2,267	3,064	3,867	864	1,767	2,813	3,704	1,023	1,995	2,864	3,843
Adjustments	-5	-10	-17	-31	-23	-45	-55	-68	-11	-22	-37	-53
Total	1,083	2,257	3,047	3,836	841	1,722	2,758	3,636	1,012	1,923	2,828	3,790
Operating profit												
Creator Support	80	148	172	196	135	239	311	300	139	295	438	472
UI/UX	84	301	296	281	-10	-8	159	56	52	2	-54	-67
Subtotal	163	488	468	477	125	231	470	356	191	297	384	405
Adjustments	10	-30	19	24	15	23	46	68	23	5	45	-30
Total	173	457	487	501	140	254	516	424	214	302	428	375
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%	16.0%
UI/UX	15.5%	25.6%	20.5%	16.5%	-4.1%	-1.5%	16.0%	4.3%	15.2%	0.3%	-7.9%	-7.6%
Total	16.0%	20.3%	16.0%	13.0%	16.7%	14.7%	18.7%	11.7%	21.1%	15.7%	15.1%	9.9%

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.

Full-year FY12/18 consolidated results

Overview

- ▷ For FY12/18, the company reported sales of JPY3.8bn (+4.2% YoY), operating profit of JPY375mn (-11.5% YoY), recurring profit of JPY358mn (+12.9% YoY), and net income attributable to parent company shareholders of JPY334mn (-10.8% YoY)
- ▷ Sales reached 104.7% of FY12/18 full-year company forecasts, operating profit reached 102.1%, recurring profit reached 104.3%, and net income attributable to parent company shareholders reached 133.1%. Net income varied from forecast as the company booked JPY57mn in income tax adjustments. It considered the recoverability of deferred tax assets in light of future earnings trends and booked additional deferred tax assets relating to the recoverable portion
- ▷ Creator Support business: Sales grew 22.5% YoY and operating profit 57.3% due to strengthened collaborations with CLIP STUDIO SOLUTION
- ▷ UI/UX business: Sales down 31.4% and operating loss of JPY67mn
- ▷ Dividend: FY12/18 dividend per share of JPY5 in line with initial forecast. FY12/19 DPS forecast of JPY6

Creator Support

- ▷ Sales: JPY3.0bn (+22.5% YoY)
- ▷ Operating profit: JPY472mn (+57.3% YoY)

Since its launch in 2012, CLIP STUDIO PAINT (software for producing manga, illustration, and animation) has sold more than 4.53mn 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 SOLUTION.

- ▷ CLIP STUDIO PAINT EX: First animation production tool certified by METI under its program to support the introduction of productivity-enhancing IT tools in services (IT introduction subsidy)
- ▷ CLIP STUDIO PAINT: Latest version has functions that enable erasing and separation of tone (dots) using AI technology. This facilitates efficient coloring of electronic manga
- ▷ Company concluded an agreement with Shueisha Inc. to support digital submissions by digital manga artists. Under the agreement, CLIP STUDIO PAINT provides standard Shueisha manuscript settings and enables online application for manga prizes and online submissions to the editorial department. This enhances the benefits of creating in a digital environment
- ▷ CLIP STUDIO PAINT PRO: This is supplied worldwide, bundled with Wacom Intuos, a pen tablet sold by Wacom Co., Ltd. The company also began offering the CLIP STUDIO PAINT EX Volume License Subscription version, ideal for large-scale introduction to businesses and educational institutions, in English, French, Spanish, German, Korean, and Chinese (traditional Chinese)
- ▷ ibisPaint (a popular painting app from ibis mobile inc.): Originally offered only in Japanese. The company increased convenience of the function by enabling it to link up with CLIP STUDIO PAINT in all available languages
- ▷ CLIP STUDIO PAINT for iPad for creating manga, illustrations, and anime on the iPad: A new Pro version and annual payment plan launched simultaneously worldwide
- ▷ European Comic Schools Contest: Held a contest for manga and illustration targeting students at European art schools that teach manga, digital art, and illustration
- ▷ The company 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

- ▷ New CLIP STUDIO TABMATE: An input device to make working with pen tablets more comfortable. Nationwide sales launched at distributors and online stores

CLIP STUDIO, a website providing total support for creators, had 1.46mn registered users as of the end of December 2018 (vs. 1.34mn at the end of September 2018).

UI/UX

- ▷ Sales: JPY886mn (-31.4% YoY)
- ▷ Operating loss: JPY67mn (JPY56mn operating profit in 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.

- ▷ exbeans UI Conductor: New version incorporates “view model” and “view state editor” functions. Through the release of a new version, v1.9.0, with enhanced 3D capabilities, there is further separation of embedded apps and UI. Parallel development improves productivity. UI expression and 3D performance enhanced
- ▷ exbeans UI Conductor: ArtSpark is developing joint solutions with hardware and software vendors to improve market value through improved convenience
 - Developing joint solutions with CANTOOL, an ECU development support tool, with iTEC Hankyu Hanshin Co., Ltd. The company exhibited a demonstration model for an human machine interface (HMI) development solution in collaboration with iTEC Hankyu Hanshin at the Automotive Engineering Exposition 2018, an exhibition specializing in automotive technologies for engineers and researchers, in Yokohama and Nagoya
 - For users of Atmark Techno, Inc.’s “Armadillo-640” power-saving embedded platform, the company is offering an evaluation version for three months free of charge of exbeans UI Conductor SDK, an HMI/GUI integrated development tool for embedded devices used in developing graphic user interfaces (GUIs)
- ▷ In the printer field, exbeans UI Conductor has been installed in over 4.10mn total printers produced by Seiko Epson Corp. (TSE1: 6724)
- ▷ 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 2.97mn units (mainly to the North American market)

Full-year company forecasts

(JPYmm)	FY12/17			FY12/18			FY12/19		
	1H Act.	2H Act.	FY Act.	1H Act.	2H Act.	FY Act.	1H Est.	2H Est.	FY Est.
Sales	1,722	1,914	3,636	1,923	1,867	3,790	2,365	2,809	5,174
YoY	-23.7%	21.2%	-5.2%	11.7%	-2.5%	4.2%	23.0%	50.5%	36.5%
Cost of sales	902	1,131	2,034	983	1,020	2,003			
Gross profit	820	783	1,603	940	847	1,787			
GPM	47.6%	40.9%	44.1%	48.9%	45.4%	47.1%			
SG&A expenses	567	613	1,179	637	774	1,412			
SG&A ratio	32.9%	32.0%	32.4%	33.2%	41.5%	37.2%			
Operating profit	254	170	424	302	72	375	117	139	256
YoY	-44.5%	294.5%	-15.3%	19.1%	-57.4%	-11.5%	-61.3%	91.8%	-31.7%
OPM	14.7%	8.9%	11.7%	15.7%	3.9%	9.9%	4.9%	4.9%	4.9%
Recurring profit	244	167	410	290	68	358	83	121	204
YoY	-43.5%	261.9%	-14.0%	19.0%	-59.4%	-12.9%	-71.4%	78.6%	-43.0%
RPM	14.1%	8.7%	11.3%	15.1%	3.6%	9.4%	3.5%	4.3%	3.9%
Net income	221	154	375	250	85	334	36	34	70
YoY	-40.1%	-585.3%	11.2%	13.0%	-45.1%	-10.8%	-85.6%	-59.8%	-79.1%
Net margin	12.8%	8.0%	10.3%	13.0%	4.5%	8.8%	1.5%	1.2%	1.4%

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.

Earnings forecasts for FY12/19

- ▷ Sales: JPY5.2bn (+36.5% YoY)
- ▷ Operating profit: JPY256mn (-31.7% YoY)
- ▷ Recurring profit: JPY204mn (-43.0% YoY)
- ▷ Net income*: JPY70mn (-79.1% YoY)

* Net income refers to net income attributable to parent company shareholders.

The YoY decline in operating profit is due to the booking of roughly JPY270mn in goodwill amortization relating to the Candra acquisition.

Key initiatives for FY12/19

- ▷ Management focus on software IP
- ▷ Focus on improved management efficiency with strategic allocation of development resources, launch of new group synergy generation projects
- ▷ Accelerating global rollout of CLIP STUDIO by strengthening development and service offerings
- ▷ Develop services related to content creation, distribution, and reproduction leveraging CLIP STUDIO platform
- ▷ Make strong push on business focusing on expertise in embedded devices, especially automobiles
- ▷ Focus on developments that strengthen capabilities of company's proprietary IP products (UI Conductor, CGI Studio)

Consolidation of Socionext Embedded Software Austria GmbH (currently Candra GmbH)

- ▷ In December 2018, the company purchased Candra GmbH (former Socionext Embedded Software Austria GmbH) with the aim of strengthening its development and sales capabilities in the UI/UX business
- ▷ Candra GmbH supplies scalable and hardware independent HMI and GUI design software, including CGI Studio, to offer ideal HMI solutions in the automotive market and home appliances sector. It operates as an OEM supplier for major automobile manufactures, primarily in Europe

New medium-term plan (refer to Outlook)

- ▷ The company announced a new medium-term plan through FY12/23. This comes against a backdrop of expected major business expansion for the group now that Candera GmbH is a subsidiary
- ▷ The company aims to make major strides in strengthening the competitiveness of its software IP to meet the group's new medium-term targets

Outlook

Along with its FY12/18 full-year results, the company announced a new medium-term plan (FY12/19–FY12/23). FY12/23 targets include sales of JPY8.5bn (2.2x FY12/18 levels) and operating profit of JPY2.2bn (5.9x). Assumptions are stable growth for the Creator Support business and accelerated growth for the UI/UX business due to the Candera acquisition.

Along with its announcement of FY12/17 results on February 9, 2018, ArtSpark noted the need to update the medium-term business plan it released back in July 2015, due to changes in the market environment. Saying changes in market environment had increased the uncertainty about the future and made it necessary to step up R&D efforts in order to reinforce the competitiveness of its software IP. Regarding performance targets, the company said that, for now, it was limiting revisions to its sales and earnings targets for FY12/18, but that it planned to put together a new business plan and, once that was ready, it would be released at the appropriate time.

Medium-term plan

(JPYmn)	FY12/19	FY12/20	FY12/21	FY12/22	FY12/23
Sales	5,170	6,050	6,660	7,440	8,520
Operating profit (OPM)	260 (4.9%)	380 (6.2%)	1,000 (15.0%)	1,580 (21.2%)	2,190 (25.8%)
Operating profit before goodwill amortization (OPM)	530 (10.2%)	800 (13.3%)	1,420 (21.3%)	2,000 (26.9%)	2,620 (30.7%)

Source: Shared Research based on company data

The following growth initiatives take place under the company's corporate philosophy: to provide an environment that offers total support of all activities—from digital content creation through use and application.

Initiatives aimed at future growth

Creator Support business

Further accelerate global development through strengthening development and service offerings while maintaining stable growth.

UI/UX business

Following the Candera acquisition, grow business by exploiting synergies through expanded customer base and sharing expertise. The company aims to double sales partly due to impact of acquisition.

Group synergy project

Create new IP by synergies among three businesses: Candera, HI, and Celsys. Aim at move to the black from FY12/22.

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

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