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On **May 10, 2019**, ArtSpark Holdings Inc. announced earnings results for Q1 FY12/19.

| Quarterly performance (JPYmn) | FY12/17 | | | | FY12/18 | | | | FY12/19 | | | | FY12/18 | |
|-------------------------------|---------|--------|---------|--------|---------|--------|--------|--------|---------|----|----|----|------------|---------|
| | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | % of FY 1H | 1H Est. |
| Sales | 841 | 882 | 1,035 | 878 | 1,012 | 911 | 905 | 962 | 1,180 | | | | 49.9% | 2,365 |
| YoY | -22.4% | -24.9% | 31.1% | 11.3% | 20.4% | 3.3% | -12.6% | 9.5% | 16.5% | | | | | 23.0% |
| Gross profit | 420 | 400 | 540 | 242 | 514 | 425 | 419 | 428 | 652 | | | | | |
| YoY | -0.1% | -27.3% | 85.5% | -20.1% | 22.6% | 6.3% | -22.4% | 76.7% | 26.7% | | | | | |
| GPM | 49.9% | 45.4% | 52.2% | 27.6% | 50.8% | 46.7% | 46.3% | 44.5% | 55.3% | | | | | |
| SG&A expenses | 279 | 287 | 278 | 334 | 301 | 337 | 293 | 481 | 396 | | | | | |
| YoY | 13.2% | 7.9% | 6.6% | 15.3% | 7.7% | 17.2% | 5.3% | 43.9% | 31.5% | | | | | |
| SG&A ratio | 33.2% | 32.6% | 26.9% | 38.0% | 29.7% | 37.0% | 32.4% | 50.0% | 33.5% | | | | | |
| Operating profit | 140 | 113 | 262 | -92 | 214 | 89 | 126 | -53 | 256 | | | | 218.9% | 117 |
| YoY | -18.9% | -60.1% | 777.9% | - | 52.0% | -21.6% | -52.0% | - | 20.0% | | | | | -61.3% |
| OPM | 16.7% | 12.9% | 25.3% | - | 21.1% | 9.8% | 13.9% | - | 21.7% | | | | | |
| Recurring profit | 133 | 111 | 263 | -96 | 201 | 89 | 127 | -60 | 252 | | | | 303.8% | 83 |
| YoY | -18.7% | -58.6% | 902.8% | - | 51.1% | -19.6% | -51.6% | - | 25.5% | | | | | -71.4% |
| RPM | 15.8% | 12.6% | 25.4% | - | 19.9% | 9.8% | 14.1% | - | 21.4% | | | | | |
| Net income | 127 | 94 | 215 | -62 | 179 | 71 | 94 | -9 | 202 | | | | 578.2% | 35 |
| YoY | -3.7% | -60.5% | 1529.6% | - | 40.3% | -24.2% | -56.4% | - | 13.2% | | | | | -86.0% |
| Net margin | 15.2% | 10.6% | 20.8% | - | 17.7% | 7.8% | 10.4% | - | 17.2% | | | | | |
| Cumulative | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | % of FY | FY Est. |
| Sales | 841 | 1,722 | 2,758 | 3,636 | 1,012 | 1,923 | 2,828 | 3,790 | 1,180 | | | | 22.8% | 5,174 |
| YoY | -22.4% | -23.7% | -9.5% | -5.2% | 20.4% | 11.7% | 2.5% | 4.2% | 16.5% | | | | | 36.5% |
| Gross profit | 420 | 820 | 1,360 | 1,602 | 514 | 940 | 1,359 | 1,787 | 652 | | | | | |
| YoY | -0.1% | -15.5% | 7.8% | 2.4% | 22.6% | 14.6% | -0.1% | 11.5% | 26.7% | | | | | |
| GPM | 49.9% | 47.6% | 49.3% | 44.1% | 50.8% | 48.9% | 48.1% | 47.1% | 55.3% | | | | | |
| SG&A expenses | 279 | 567 | 845 | 1,179 | 301 | 637 | 931 | 1,412 | 396 | | | | | |
| YoY | 13.2% | 10.5% | 9.1% | 10.8% | 7.7% | 12.5% | 10.2% | 19.7% | 31.5% | | | | | |
| SG&A ratio | 33.2% | 32.9% | 30.6% | 32.4% | 29.7% | 33.2% | 32.9% | 37.2% | 33.5% | | | | | |
| Operating profit | 140 | 254 | 516 | 424 | 214 | 302 | 428 | 375 | 256 | | | | 100.1% | 256 |
| YoY | -18.9% | -44.5% | 5.9% | -15.3% | 52.0% | 19.1% | -17.0% | -11.5% | 20.0% | | | | | -31.7% |
| OPM | 16.7% | 14.7% | 18.7% | 11.7% | 21.1% | 15.7% | 15.1% | 9.9% | 21.7% | | | | | 4.9% |
| Recurring profit | 133 | 244 | 507 | 410 | 201 | 290 | 417 | 358 | 252 | | | | 123.6% | 204 |
| YoY | -18.7% | -43.5% | 10.8% | -14.0% | 51.1% | 19.0% | -17.6% | -12.9% | 25.5% | | | | | -43.0% |
| RPM | 15.8% | 14.1% | 18.4% | 11.3% | 19.9% | 15.1% | 14.8% | 9.4% | 21.4% | | | | | 3.9% |
| Net income | 127 | 221 | 436 | 375 | 179 | 250 | 344 | 334 | 202 | | | | 289.1% | 70 |
| YoY | -3.7% | -40.1% | 14.2% | 11.2% | 40.3% | 13.0% | -21.3% | -10.8% | 13.2% | | | | | -79.1% |

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

Performance by quarter

| Quarterly (JPYmn) | FY12/17 | | | | FY12/18 | | | | FY12/19 | | | |
|-------------------------|--------------|--------------|--------------|---------------|--------------|--------------|--------------|--------------|--------------|----|----|----|
| | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 |
| Sales | | | | | | | | | | | | |
| Creator Support | 616 | 615 | 589 | 593 | 679 | 748 | 750 | 781 | 909 | | | |
| UI/UX | 248 | 288 | 456 | 298 | 344 | 174 | 170 | 198 | 287 | | | |
| Subtotal | 864 | 903 | 1,046 | 891 | 1,023 | 972 | 869 | 979 | 1,196 | | | |
| Adjustments | -23 | -22 | -11 | -12 | -11 | -11 | -15 | -16 | -17 | | | |
| Total | 841 | 882 | 1,035 | 878 | 1,012 | 911 | 905 | 962 | 1,180 | | | |
| Operating profit | | | | | | | | | | | | |
| Creator Support | 135 | 104 | 72 | -11 | 139 | 157 | 142 | 34 | 239 | | | |
| UI/UX | -10 | 2 | 167 | -103 | 52 | -51 | -56 | -13 | 40 | | | |
| Subtotal | 125 | 106 | 239 | -115 | 191 | 106 | 87 | 21 | 279 | | | |
| Adjustments | 15 | 7 | 23 | 22 | 23 | -17 | 39 | -75 | -23 | | | |
| Total | 140 | 113 | 262 | -92 | 214 | 89 | 126 | -53 | 256 | | | |
| OPM | | | | | | | | | | | | |
| Creator Support | 22.0% | 16.9% | 12.2% | -1.9% | 20.4% | 21.0% | 19.0% | 4.4% | 26.3% | | | |
| UI/UX | -4.1% | 0.7% | 36.6% | -34.7% | 15.2% | -29.2% | -32.9% | -6.7% | 13.8% | | | |
| Total | 16.7% | 12.9% | 25.3% | -10.5% | 21.1% | 9.8% | 13.9% | -5.6% | 21.7% | | | |
| Cumulative (JPYmn) | FY12/17 | | | | FY12/18 | | | | FY12/19 | | | |
| | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 |
| Sales | | | | | | | | | | | | |
| Creator Support | 616 | 1,231 | 1,820 | 2,413 | 679 | 1,426 | 2,176 | 2,957 | 909 | | | |
| UI/UX | 248 | 536 | 992 | 1,291 | 344 | 519 | 688 | 886 | 287 | | | |
| Subtotal | 864 | 1,767 | 2,813 | 3,704 | 1,023 | 1,995 | 2,864 | 3,843 | 1,196 | | | |
| Adjustments | -23 | -45 | -55 | -68 | -11 | -22 | -37 | -53 | -17 | | | |
| Total | 841 | 1,722 | 2,758 | 3,636 | 1,012 | 1,923 | 2,828 | 3,790 | 1,180 | | | |
| Operating profit | | | | | | | | | | | | |
| Creator Support | 135 | 239 | 311 | 300 | 139 | 295 | 438 | 472 | 239 | | | |
| UI/UX | -10 | -8 | 159 | 56 | 52 | 2 | -54 | -67 | 40 | | | |
| Subtotal | 125 | 231 | 470 | 356 | 191 | 297 | 384 | 405 | 279 | | | |
| Adjustments | 15 | 23 | 46 | 68 | 23 | 5 | 45 | -30 | -23 | | | |
| Total | 140 | 254 | 516 | 424 | 214 | 302 | 428 | 375 | 256 | | | |
| OPM | | | | | | | | | | | | |
| Creator Support | 22.0% | 19.4% | 17.1% | 12.4% | 20.4% | 20.7% | 20.1% | 16.0% | 26.3% | | | |
| UI/UX | -4.1% | -1.5% | 16.0% | 4.3% | 15.2% | 0.3% | -7.9% | -7.6% | 13.8% | | | |
| Total | 16.7% | 14.7% | 18.7% | 11.7% | 21.1% | 15.7% | 15.1% | 9.9% | 21.7% | | | |

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.

Q1 FY12/19 consolidated results

Overview

- ▷ Q1 FY12/19 results: The company reported sales of JPY1.2bn (+16.5% YoY), operating profit of JPY256mn (+20.0% YoY), recurring profit of JPY252mn (+25.5% YoY), and net income attributable to parent company shareholders of JPY202mn (+13.2% YoY).
- ▷ Progress: In Q1, sales reached 49.9% of the H1 FY12/19 plan (compared with 52.6% in Q1 FY12/18 of H1 FY12/18 result), operating profit reached 218.9% (70.6%), recurring profit reached 303.8% (69.2%), and net income attributable to parent company shareholders reached 578.2% (71.6%). In Q1, sales reached 22.8% of FY12/19 full-year company forecasts (sales in Q1 FY12/18 was 26.7% of FY12/18 result), operating profit reached 100.1% (57.0%), recurring profit reached 123.6% (56.2%), and net income attributable to parent company shareholders reached 289.1% (53.5%).
- ▷ Creator Support business: Sales grew 34.0% YoY and operating profit 72.8% due to higher shipments of CLIP STUDIO and the introduction of new versions.
- ▷ UI/UX business: Sales down 16.7% and operating profit down JPY24.3%.

Creator Support

- ▷ Sales: JPY909mn (+34.0% YoY)
- ▷ Operating profit: JPY239mn (+72.8% YoY)

Since its launch in 2012, CLIP STUDIO PAINT (software for producing manga, illustration, and animation) has sold more than 5mn 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).
- ▷ Celsys, the subsidiary company specializing in software applications, was recognized as the No. 1 vendor in the BCN AWARD 2019 graphics software category, for the first time in two years. Celsys has now received this award four times in total.
- ▷ CLIP STUDIO PAINT: The latest version incorporates a "pose scanner" that utilizes AI technology. The pose scanner can be used to scan the pose of a person in a photo and apply it to a 3D drawing figure or character. The company is committed to utilizing machine learning technology to further enhance CLIP STUDIO functions in future.
- ▷ ArtSpark co-sponsored the Animation Creative Technology Forum (ACTF) for the animation industry. It conducted "CLIP STUDIO PAINT" digital drawing seminars at the company's exhibition booth.
- ▷ ASUS JAPAN has concluded the performance tests and launched a new PC that is recommended for use with "CLIP STUDIO PAINT."

UI/UX

- ▷ Sales: JPY287mn (-16.7% YoY)
- ▷ Operating profit: JPY40mn (-24.3% YoY)

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 January 2019, in order to strengthen development and sales capabilities in the UI/UX business, ArtSpark acquired the shares of Candera and made it a consolidated subsidiary. Candera's HMI and GUI design software, "CGI Studio," is supplied to OEM customers, mainly in Germany, and to other major European car manufacturers. This acquisition will improve the competitiveness of the company's IP products as well as creating synergies. Since the acquisition date is assumed to be March 31, Candera is consolidated in the balance sheet only, and not in the income statement for Q1.
- ▷ In the printer field, exbeans UI Conductor has been installed in over 5mn 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 3mn units (mainly to the North American market).

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