

This PDF document is an updated note on the company. A comprehensive version of the report on the company, including this latest update, is available on [our website](#) and various professional platforms.

On **August 2, 2019**, ArtSpark Holdings Inc. announced earnings results for 1H FY12/19.

Quarterly performance (JPYmn)	FY12/17				FY12/18				FY12/19				FY12/19	
	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	1,355			107.2%	2,365
YoY	-22.4%	-24.9%	31.1%	11.3%	20.4%	3.3%	-12.6%	9.5%	16.5%	48.8%				23.0%
Gross profit	420	400	540	242	514	425	419	428	652	549				
YoY	-0.1%	-27.3%	85.5%	-20.1%	22.6%	6.3%	-22.4%	76.7%	26.7%	29.0%				
GPM	49.9%	45.4%	52.2%	27.6%	50.8%	46.7%	46.3%	44.5%	55.3%	40.5%				
SG&A expenses	279	287	278	334	301	337	293	481	396	559				
YoY	13.2%	7.9%	6.6%	15.3%	7.7%	17.2%	5.3%	43.9%	31.5%	66.0%				
SG&A ratio	33.2%	32.6%	26.9%	38.0%	29.7%	37.0%	32.4%	50.0%	33.5%	41.2%				
Operating profit	140	113	262	-92	214	89	126	-53	256	-10			210.5%	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	-16			284.9%	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%	-1.2%				
Net income	127	94	215	-62	179	71	94	-9	202	-27			502.2%	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%	-2.0%				
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	2,534			49.0%	5,174
YoY	-22.4%	-23.7%	-9.5%	-5.2%	20.4%	11.7%	2.5%	4.2%	16.5%	31.8%				36.5%
Gross profit	420	820	1,360	1,602	514	940	1,359	1,787	652	1,201				
YoY	-0.1%	-15.5%	7.8%	2.4%	22.6%	14.6%	-0.1%	11.5%	26.7%	27.8%				
GPM	49.9%	47.6%	49.3%	44.1%	50.8%	48.9%	48.1%	47.1%	55.3%	88.6%				
SG&A expenses	279	567	845	1,179	301	637	931	1,412	396	954				
YoY	13.2%	10.5%	9.1%	10.8%	7.7%	12.5%	10.2%	19.7%	31.5%	49.7%				
SG&A ratio	33.2%	32.9%	30.6%	32.4%	29.7%	33.2%	32.9%	37.2%	33.5%	70.4%				
Operating profit	140	254	516	424	214	302	428	375	256	246			96.2%	256
YoY	-18.9%	-44.5%	5.9%	-15.3%	52.0%	19.1%	-17.0%	-11.5%	20.0%	-18.5%				-31.7%
OPM	16.7%	14.7%	18.7%	11.7%	21.1%	15.7%	15.1%	9.9%	21.7%	18.2%				4.9%
Recurring profit	133	244	507	410	201	290	417	358	252	236			115.9%	204
YoY	-18.7%	-43.5%	10.8%	-14.0%	51.1%	19.0%	-17.6%	-12.9%	25.5%	-18.4%				-43.0%
RPM	15.8%	14.1%	18.4%	11.3%	19.9%	15.1%	14.8%	9.4%	21.4%	9.3%				3.9%
Net income	127	221	436	375	179	250	344	334	202	176			251.1%	70
YoY	-3.7%	-40.1%	14.2%	11.2%	40.3%	13.0%	-21.3%	-10.8%	13.2%	-29.6%				-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	886			
UI/UX	248	288	456	298	344	174	170	198	287	473			
Subtotal	864	903	1,046	891	1,023	972	869	979	1,196	1,359			
Adjustments	-23	-22	-11	-12	-11	-11	-15	-16	-17	-4			
Total	841	882	1,035	878	1,012	911	905	962	1,180	1,355			
Operating profit													
Creator Support	135	104	72	-11	139	157	142	34	239	177			
UI/UX	-10	2	167	-103	52	-51	-56	-13	40	-179			
Subtotal	125	106	239	-115	191	106	87	21	279	-2			
Adjustments	15	7	23	22	23	-17	39	-75	-23	-8			
Total	140	113	262	-92	214	89	126	-53	256	-10			
OPM													
Creator Support	22.0%	16.9%	12.2%	-1.9%	20.4%	21.0%	19.0%	4.4%	26.3%	20.0%			
UI/UX	-4.1%	0.7%	36.6%	-34.7%	15.2%	-29.2%	-32.9%	-6.7%	13.8%	-37.8%			
Total	16.7%	12.9%	25.3%	-10.5%	21.1%	9.8%	13.9%	-5.6%	21.7%	-0.7%			
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	1,795			
UI/UX	248	536	992	1,291	344	519	688	886	287	760			
Subtotal	864	1,767	2,813	3,704	1,023	1,995	2,864	3,843	1,196	2,555			
Adjustments	-23	-45	-55	-68	-11	-22	-37	-53	-17	-21			
Total	841	1,722	2,758	3,636	1,012	1,923	2,828	3,790	1,180	2,534			
Operating profit													
Creator Support	135	239	311	300	139	295	438	472	239	416			
UI/UX	-10	-8	159	56	52	2	-54	-67	40	-139			
Subtotal	125	231	470	356	191	297	384	405	279	277			
Adjustments	15	23	46	68	23	5	45	-30	-23	-31			
Total	140	254	516	424	214	302	428	375	256	246			
OPM													
Creator Support	22.0%	19.4%	17.1%	12.4%	20.4%	20.7%	20.1%	16.0%	26.3%	23.2%			
UI/UX	-4.1%	-1.5%	16.0%	4.3%	15.2%	0.3%	-7.9%	-7.6%	13.8%	-18.3%			
Total	16.7%	14.7%	18.7%	11.7%	21.1%	15.7%	15.1%	9.9%	21.7%	9.7%			

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 FY12/19 consolidated results (out August 2, 2019)

Overview

- ▷ 1H FY12/19 results: The company reported sales of JPY2.5bn (+31.8% YoY), operating profit of JPY246mn (-18.5% YoY), recurring profit of JPY236mn (-18.4% YoY), and net income attributable to parent company shareholders of JPY176mn (+29.6% YoY).
- ▷ Difference between 1H FY12/19 forecast and results: ArtSpark delivered above-forecast performance at every level, beating targets by 7.2% for sales, 110.5% for operating profit, 184.9% for recurring profit, and 402.2% for net income.
- ▷ Sales growth of 31.8% YoY: The company reported 1H FY12/19 sales of JPY2.5bn compared to 1H target of JPY2.4bn, beating its sales target by JPY169mn (+7.2%). Overseas service expansion for the Creator Support business was the key contributing factor, increasing overseas sales as a result. Language support for CLIP STUDIO TIPS, a website geared for creators operated by subsidiary Celsys, Inc., was expanded to include English, Chinese, Korean, French, German, and Spanish.
- ▷ Operating profit decline of 18.5% YoY: The company reported 1H FY12/19 operating profit of JPY246mn (-18.5% YoY) compared to 1H target of JPY117mn, beating its target by JPY129mn (+110.5%). The YoY drop was largely due to posting JPY100mn in goodwill amortization associated with an acquisition. The above-forecast performance was largely a result of better-than-expected high margin monthly subscription sales. The company focused on building a software IP-centric business, and worked to improve business efficiency through strategic allocation of its development resources among other measures.
- ▷ Full-year FY12/19 forecasts: No changes. Although the company recorded above-forecast results in 1H FY12/19, it tends to have seasonal variations in business performance. Additionally, ArtSpark is expecting to record further goodwill amortization expenses, and accordingly decided to maintain initial forecasts. It plans to promptly announce any changes when it sees the need to revise the results outlook.
- ▷ Creator Support business: Sales to external customers grew 26.3% YoY and operating profit grew 40.9% due to higher shipments of CLIP STUDIO.
- ▷ UI/UX business: Sales up 46.6% with operating losses of JPY139mn (compared to operating profit of JPY2mn in 1H FY12/18). Recorded goodwill amortization of JPY100mn.
- ▷ Progress: In 1H, sales reached 49.0% of the FY12/19 plan (compared to 50.7% of the full-year result in FY12/18) operating profit reached 96.2% (80.7%), recurring profit reached 115.9% (81.1%), and net income attributable to parent company shareholders reached 251.1% (74.7%).

Creator Support

- ▷ **Segment sales:** JPY1.8bn (+25.9% YoY)
- ▷ **Operating profit:** JPY416mn (+40.9% YoY)
- ▷ Amateur manga sharing service CLIP STUDIO SHARE partnered with Comike Web Catalog, an online comic market operated by Comic Market Preparation Committee and fan portal site Circle.ms. Additionally, CLIP STUDIO SHARE partnered with NAVIO, an e-catalog for manga event related information, allowing CLIP STUDIO users to publish manga samples on NAVIO.
- ▷ E-comic distribution service Mecha Comic (operated by Amutus Corporation) started distributing WEBTOONS (manga created with a portrait-page orientation for viewing on smartphone and PC) using CLIP STUDIO READER, an e-book reader solution.
- ▷ Kodansha Ltd. started distributing e-comics using CLIP STUDIO READER's vertical scrolling and traditional panel display features.

UI/UX

- ▷ **Segment sales:** JPY760mn (-46.6% YoY)
- ▷ **Operating loss:** JPY139mn (operating profit of JPY2mn in 1H FY12/18)

- ▷ The operating loss is largely driven by the posting of JPY100mn in goodwill amortization associated with an acquisition.
- ▷ ArtSpark is focusing on development and sale of self-developed IP products such as scalable and non-hardware-dependent HMI and GUI design software, CGI Studio, and UI-authoring-software products, exbeans UI Conductor (a foundation of HMI).
- ▷ 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 was assumed to be March 31, Candera was consolidated only in the balance sheet for Q1, and its results were not reflected in the company's consolidated income statement for Q1 FY12/19. Candera was consolidated in the income statement starting in Q2.
- ▷ In the printer field, exbeans UI Conductor has been installed in over 5.6mn 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 3.5mn units (mainly to the North American market).

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

We offer corporate clients comprehensive report coverage, a service that allows them to better inform investors and other stakeholders by presenting a continuously updated third-party view of business fundamentals, independent of investment biases. Shared Research can be found on the web at <http://www.sharedresearch.jp>.

Disclaimer

This document is provided for informational purposes only. No investment opinion or advice is provided, intended, or solicited. Shared Research Inc. offers no warranty, either expressed or implied, regarding the veracity of data or interpretations of data included in this report. We shall not be held responsible for any damage caused by the use of this report.

The copyright of this report and the rights regarding the creation and exploitation of the derivative work of this and other Shared Research Reports belong to Shared Research. This report may be reproduced or modified for personal use; distribution, transfer, or other uses of this report are strictly prohibited and a violation of the copyright of this report. Our officers and employees may currently, or in the future, have a position in securities of the companies mentioned in this report, which may affect this report's objectivity.

Japanese Financial Instruments and Exchange Law (FIEL) Disclaimer

The report has been prepared by Shared Research under a contract with the company described in this report ("the company"). Opinions and views presented are ours where so stated. Such opinions and views attributed to the company are interpretations made by Shared Research. We represent that if this report is deemed to include an opinion by us that could influence investment decisions in the company, such opinion may be in exchange for consideration or promise of consideration from the company to Shared Research.

Contact Details

Shared Research Inc.

3-31-12 Sendagi Bunkyo-ku Tokyo, Japan

<https://sharedresearch.jp>

Phone: +81 (0)3 5834-8787

Email: info@sharedresearch.jp