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On **November 1, 2019**, ArtSpark Holdings Inc. announced earnings results for cumulative Q3 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	FY Est.
Sales	841	882	1,035	878	1,012	911	905	962	1,180	1,355	1,513			
YoY	-22.4%	-24.9%	31.1%	11.3%	20.4%	3.3%	-12.6%	9.5%	16.5%	48.8%	67.2%			
Gross profit	420	400	540	242	514	425	419	428	652	549	517			
YoY	-0.1%	-27.3%	85.5%	-20.1%	22.6%	6.3%	-22.4%	76.7%	26.7%	29.0%	23.4%			
GPM	49.9%	45.4%	52.2%	27.6%	50.8%	46.7%	46.3%	44.5%	55.3%	40.5%	34.2%			
SG&A expenses	279	287	278	334	301	337	293	481	396	559	486			
YoY	13.2%	7.9%	6.6%	15.3%	7.7%	17.2%	5.3%	43.9%	31.5%	66.0%	65.7%			
SG&A ratio	33.2%	32.6%	26.9%	38.0%	29.7%	37.0%	32.4%	50.0%	33.5%	41.2%	32.1%			
Operating profit	140	113	262	-92	214	89	126	-53	256	-10	31			
YoY	-18.9%	-60.1%	777.9%	-	52.0%	-21.6%	-52.0%	-	20.0%	-	-75.0%			
OPM	16.7%	12.9%	25.3%	-	21.1%	9.8%	13.9%	-	21.7%	-	2.1%			
Recurring profit	133	111	263	-96	201	89	127	-60	252	-16	29			
YoY	-18.7%	-58.6%	902.8%	-	51.1%	-19.6%	-51.6%	-	25.5%	-	-77.2%			
RPM	15.8%	12.6%	25.4%	-	19.9%	9.8%	14.1%	-	21.4%	-1.2%	1.9%			
Net income	127	94	215	-62	179	71	94	-9	202	-27	55			
YoY	-3.7%	-60.5%	1529.6%	-	40.3%	-24.2%	-56.4%	-	13.2%	-	-41.7%			
Net margin	15.2%	10.6%	20.8%	-	17.7%	7.8%	10.4%	-	17.2%	-2.0%	3.6%			
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	4,047		78.2%	5,174
YoY	-22.4%	-23.7%	-9.5%	-5.2%	20.4%	11.7%	2.5%	4.2%	16.5%	31.8%	43.1%			36.5%
Gross profit	420	820	1,360	1,602	514	940	1,359	1,787	652	1,201	1,718			
YoY	-0.1%	-15.5%	7.8%	2.4%	22.6%	14.6%	-0.1%	11.5%	26.7%	27.8%	26.4%			
GPM	49.9%	47.6%	49.3%	44.1%	50.8%	48.9%	48.1%	47.1%	55.3%	88.6%	113.6%			
SG&A expenses	279	567	845	1,179	301	637	931	1,412	396	954	1,440			
YoY	13.2%	10.5%	9.1%	10.8%	7.7%	12.5%	10.2%	19.7%	31.5%	49.7%	54.8%			
SG&A ratio	33.2%	32.9%	30.6%	32.4%	29.7%	33.2%	32.9%	37.2%	33.5%	70.4%	95.2%			
Operating profit	140	254	516	424	214	302	428	375	256	246	278		108.5%	256
YoY	-18.9%	-44.5%	5.9%	-15.3%	52.0%	19.1%	-17.0%	-11.5%	20.0%	-18.5%	-35.2%			-31.7%
OPM	16.7%	14.7%	18.7%	11.7%	21.1%	15.7%	15.1%	9.9%	21.7%	18.2%	18.4%			4.9%
Recurring profit	133	244	507	410	201	290	417	358	252	236	265		130.1%	204
YoY	-18.7%	-43.5%	10.8%	-14.0%	51.1%	19.0%	-17.6%	-12.9%	25.5%	-18.4%	-36.4%			-43.0%
RPM	15.8%	14.1%	18.4%	11.3%	19.9%	15.1%	14.8%	9.4%	21.4%	9.3%	6.6%			3.9%
Net income	127	221	436	375	179	250	344	334	202	176	230		329.3%	70
YoY	-3.7%	-40.1%	14.2%	11.2%	40.3%	13.0%	-21.3%	-10.8%	13.2%	-29.6%	-32.9%			-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	904		
UI/UX	248	288	456	298	344	174	170	198	287	473	608		
Subtotal	864	903	1,046	891	1,023	972	869	979	1,196	1,359	1,513		
Adjustments	-23	-22	-11	-12	-11	-11	-15	-16	-17	-4	0		
Total	841	882	1,035	878	1,012	911	905	962	1,180	1,355	1,513		
Operating profit													
Creator Support	135	104	72	-11	139	157	142	34	239	177	191		
UI/UX	-10	2	167	-103	52	-51	-56	-13	40	-179	-143		
Subtotal	125	106	239	-115	191	106	87	21	279	-2	49		
Adjustments	15	7	23	22	23	-17	39	-75	-23	-8	-17		
Total	140	113	262	-92	214	89	126	-53	256	-10	31		
OPM													
Creator Support	22.0%	16.9%	12.2%	-1.9%	20.4%	21.0%	19.0%	4.4%	26.3%	20.0%	21.2%		
UI/UX	-4.1%	0.7%	36.6%	-34.7%	15.2%	-29.2%	-32.9%	-6.7%	13.8%	-37.8%	-23.5%		
Total	16.7%	12.9%	25.3%	-10.5%	21.1%	9.8%	13.9%	-5.6%	21.7%	-0.7%	2.1%		
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	2,699		
UI/UX	248	536	992	1,291	344	519	688	886	287	760	1,369		
Subtotal	864	1,767	2,813	3,704	1,023	1,995	2,864	3,843	1,196	2,555	4,068		
Adjustments	-23	-45	-55	-68	-11	-22	-37	-53	-17	-21	-21		
Total	841	1,722	2,758	3,636	1,012	1,923	2,828	3,790	1,180	2,534	4,047		
Operating profit													
Creator Support	135	239	311	300	139	295	438	472	239	416	608		
UI/UX	-10	-8	159	56	52	2	-54	-67	40	-139	-282		
Subtotal	125	231	470	356	191	297	384	405	279	277	326		
Adjustments	15	23	46	68	23	5	45	-30	-23	-31	-48		
Total	140	254	516	424	214	302	428	375	256	246	278		
OPM													
Creator Support	22.0%	19.4%	17.1%	12.4%	20.4%	20.7%	20.1%	16.0%	26.3%	23.2%	22.5%		
UI/UX	-4.1%	-1.5%	16.0%	4.3%	15.2%	0.3%	-7.9%	-7.6%	13.8%	-18.3%	-20.6%		
Total	16.7%	14.7%	18.7%	11.7%	21.1%	15.7%	15.1%	9.9%	21.7%	9.7%	6.9%		

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.

Cumulative Q3 FY12/19 consolidated results (out November 1, 2019)

Overview

- ▷ Cumulative Q3 FY12/19 results: The company reported sales of JPY4.0bn (+43.1% YoY), operating profit of JPY278mn (-35.2% YoY), recurring profit of JPY265mn (-36.4% YoY), and net income attributable to owners of the parent of JPY230mn (-32.9% YoY). The 35.2% (JPY151mn) YoY decrease to operating profit is due primarily to the booking of goodwill amortization of JPY200mn in relation to subsidiary Canderá GmbH, acquired in FY12/18.
- ▷ Sales growth of 43.1% YoY: The company reported cumulative Q3 FY12/19 sales of JPY4.0bn (+43.1% YoY). Sales rose by 24.1% YoY in the Creator Support business, and by 98.9% YoY in the UI/UX business.
- ▷ Operating profit decline of 35.2% YoY: The company reported cumulative Q3 FY12/19 operating profit of JPY278mn (-35.2% YoY). The YoY drop was primarily due to posting JPY200mn in goodwill amortization associated with an acquisition (in the UI/UX business). If this effect is excluded, cumulative Q3 FY12/19 operating profit increased by 11.5% YoY. Operating profit in the Creator Support business increased by 38.8% YoY, and the UI/UX business recorded an operating loss of JPY282mn (versus an operating loss of JPY54mn in cumulative Q3 FY12/18). 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.
- ▷ Progress: In cumulative Q3, sales reached 78.2% of the FY12/19 plan (compared to 74.6% of the full-year result in Q3 FY12/18) operating profit reached 108.5% (114.3%), recurring profit reached 130.1% (116.7%), and net income attributable to owners of the parent reached 329.3% (102.8%).
- ▷ Full-year FY12/19 forecasts: No changes.

Creator Support

- ▷ **Segment sales:** JPY2.7bn (+24.1% YoY)
- ▷ **Operating profit:** JPY608mn (+38.8% YoY)
- ▷ CLIP STUDIO PAINT (software for creators producing manga, illustration, and animation) was equipped with a Smart Smoothing feature, which uses AI (deep learning) technology, reducing distortion arising when altering image resolution or enlarging images, and allowing conversion into clear images.
- ▷ Manga Navi, a manga-award/sharing portal site that introduces a wide range of opportunities in the industry for creators with ambitions of becoming manga artists, was officially launched, commencing collaboration with CLIP STUDIO PAINT.
- ▷ Company subsidiary Celsys, Inc. was the No. 1 manufacturer in the BCN Ranking's graphic software category (announced by BCN Inc.) by unit sales volume in 1H 2019.

UI/UX

- ▷ **Segment sales:** JPY1.4bn (+98.9% YoY)
- ▷ **Operating loss:** JPY282mn (operating loss of JPY54mn in cumulative Q3 FY12/18)
- ▷ The operating loss is largely driven by the posting of JPY200mn in goodwill amortization associated with an acquisition.
- ▷ ArtSpark is focusing on development and sale of self-developed IP products such as software development platform for in-vehicle equipment, 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 Canderá and made it a consolidated subsidiary. Canderá'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.

- ▷ Candera released the latest version (3.8) of CGI Studio, its software development platform for in-vehicle equipment. Candera offers its own products developed with its technology. It supports customers developing products around vehicle meter clusters, such as in-vehicle infotainment (IVI) systems (e.g., head-up displays and navigation systems) with its CGI Studio tool environment, and provides software services in the field of HMI development and embedded software.
- ▷ Candera Japan Co., Ltd., established in June 2019, began providing sales, development, and support functions in Japan and Asia.

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