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On **February 14, 2020**, ArtSpark Holdings Inc. announced earnings results for full-year 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		
Sales	841	882	1,035	878	1,012	911	905	962	1,180	1,355	1,513	1,334		
YoY	-22.4%	-24.9%	31.1%	11.3%	20.4%	3.3%	-12.6%	9.5%	16.5%	48.8%	67.2%	38.7%		
Gross profit	420	400	540	242	514	425	419	428	652	549	517	585		
YoY	-0.1%	-27.3%	85.5%	-20.1%	22.6%	6.3%	-22.4%	76.7%	26.7%	29.0%	23.4%	36.7%		
GPM	49.9%	45.4%	52.2%	27.6%	50.8%	46.7%	46.3%	44.5%	55.3%	40.5%	34.2%	43.8%		
SG&A expenses	279	287	278	334	301	337	293	481	396	559	486	620		
YoY	13.2%	7.9%	6.6%	15.3%	7.7%	17.2%	5.3%	43.9%	31.5%	66.0%	65.7%	29.0%		
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%	46.5%		
Operating profit	140	113	262	-92	214	89	126	-53	256	-10	31	-36		
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	-35		
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%	0		
Net income	127	94	215	-62	179	71	94	-9	202	-27	55	11		
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%	0.8%		
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	5,381	100.0%	5,381
YoY	-22.4%	-23.7%	-9.5%	-5.2%	20.4%	11.7%	2.5%	4.2%	16.5%	31.8%	43.1%	42.0%		42.0%
Gross profit	420	820	1,360	1,602	514	940	1,359	1,787	652	1,201	1,718	2,302		
YoY	-0.1%	-15.5%	7.8%	2.4%	22.6%	14.6%	-0.1%	11.5%	26.7%	27.8%	26.4%	28.9%		
GPM	49.9%	47.6%	49.3%	44.1%	50.8%	48.9%	48.1%	47.1%	55.3%	47.4%	42.4%	42.8%		
SG&A expenses	279	567	845	1,179	301	637	931	1,412	396	954	1,440	2,060		
YoY	13.2%	10.5%	9.1%	10.8%	7.7%	12.5%	10.2%	19.7%	31.5%	49.7%	54.8%	46.0%		
SG&A ratio	33.2%	32.9%	30.6%	32.4%	29.7%	33.2%	32.9%	37.2%	33.5%	37.7%	35.6%	38.3%		
Operating profit	140	254	516	424	214	302	428	375	256	246	278	242	100.4%	241
YoY	-18.9%	-44.5%	5.9%	-15.3%	52.0%	19.1%	-17.0%	-11.5%	20.0%	-18.5%	-35.2%	-35.5%		-35.7%
OPM	16.7%	14.7%	18.7%	11.7%	21.1%	15.7%	15.1%	9.9%	21.7%	9.7%	6.9%	4.5%		4.5%
Recurring profit	133	244	507	410	201	290	417	358	252	236	265	230	100.1%	230
YoY	-18.7%	-43.5%	10.8%	-14.0%	51.1%	19.0%	-17.6%	-12.9%	25.5%	-18.4%	-36.4%	-35.6%		-35.7%
RPM	15.8%	14.1%	18.4%	11.3%	19.9%	15.1%	14.8%	9.4%	21.4%	9.3%	6.6%	4.3%		4.3%
Net income	127	221	436	375	179	250	344	334	202	176	230	241	100.2%	241
YoY	-3.7%	-40.1%	14.2%	11.2%	40.3%	13.0%	-21.3%	-10.8%	13.2%	-29.6%	-32.9%	-27.7%		-27.9%

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	874	948	
UI/UX	248	288	456	298	344	174	170	198	287	473	608	422	
Subtotal	864	903	1,046	891	1,023	972	869	979	1,196	1,359	1,513	1,340	
Adjustments	-23	-22	-11	-12	-11	-11	-15	-16	-17	-4	0	-5	
Total	841	882	1,035	878	1,012	911	905	962	1,180	1,355	1,513	1,334	
Operating profit													
Creator Support	135	104	72	-11	139	157	142	34	239	177	191	85	
UI/UX	-10	2	167	-103	52	-51	-56	-13	40	-179	-143	-154	
Subtotal	125	106	239	-115	191	106	87	21	279	-2	49	-69	
Adjustments	15	7	23	22	23	-17	39	-75	-23	-8	-17	33	
Total	140	113	262	-92	214	89	126	-53	256	-10	31	-36	
OPM													
Creator Support	22.0%	16.9%	12.2%	-1.9%	20.4%	21.0%	19.0%	4.4%	26.3%	20.0%	21.9%	9.0%	
UI/UX	-4.1%	0.7%	36.6%	-34.7%	15.2%	-29.2%	-32.9%	-6.7%	13.8%	-37.8%	-23.5%	-36.5%	
Total	16.7%	12.9%	25.3%	-10.5%	21.1%	9.8%	13.9%	-5.6%	21.7%	-0.7%	2.1%	-2.7%	
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	2,669	3,617	
UI/UX	248	536	992	1,291	344	519	688	886	287	760	1,369	1,790	
Subtotal	864	1,767	2,813	3,704	1,023	1,995	2,864	3,843	1,196	2,555	4,068	5,408	
Adjustments	-23	-45	-55	-68	-11	-22	-37	-53	-17	-21	-21	-26	
Total	841	1,722	2,758	3,636	1,012	1,923	2,828	3,790	1,180	2,534	4,047	5,381	
Operating profit													
Creator Support	135	239	311	300	139	295	438	472	239	416	608	693	
UI/UX	-10	-8	159	56	52	2	-54	-67	40	-139	-282	-436	
Subtotal	125	231	470	356	191	297	384	405	279	277	326	256	
Adjustments	15	23	46	68	23	5	45	-30	-23	-31	-48	-14	
Total	140	254	516	424	214	302	428	375	256	246	278	242	
OPM													
Creator Support	22.0%	19.4%	17.1%	12.4%	20.4%	20.7%	20.1%	16.0%	26.3%	23.2%	22.8%	19.1%	
UI/UX	-4.1%	-1.5%	16.0%	4.3%	15.2%	0.3%	-7.9%	-7.6%	13.8%	-18.3%	-20.6%	-24.4%	
Total	16.7%	14.7%	18.7%	11.7%	21.1%	15.7%	15.1%	9.9%	21.7%	9.7%	6.9%	4.5%	

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 FY12/19 consolidated results (out February 14, 2020)

Overview

- ▷ Full-year FY12/19 results: The company reported sales of JPY5.4bn (+42.0% YoY), operating profit of JPY242mn (-35.5% YoY), recurring profit of JPY230mn (-35.6% YoY), and net income attributable to owners of the parent of JPY241mn (-27.7% YoY). The 35.5% (JPY133mn) YoY decrease to operating profit is due primarily to the booking of goodwill amortization of JPY351mn in relation to subsidiary Candera GmbH, acquired in FY12/18.
- ▷ Versus company forecasts: Results ended in line with the revised forecasts* announced on February 12, 2020.
- ▷ Sales growth of 42.0% YoY: Sales rose by 22.3% YoY in the Creator Support business (sales to external customers), and by 102.1% YoY in the UI/UX business (sales to external customers).
- ▷ Operating profit decline of 35.5% YoY: The YoY drop was primarily due to posting JPY351mn in goodwill amortization associated with the acquisition of subsidiary Candera GmbH the previous year. If this effect is excluded, FY12/19 operating profit increased by 58.2% YoY. Operating profit in the Creator Support business increased by 46.7% YoY, and the UI/UX business recorded an operating loss of JPY436mn (versus an operating loss of JPY67mn in 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.

Revision to FY12/19 full-year consolidated forecast

- ▷ Sales: JPY5.4bn (previously JPY5.2bn)
- ▷ Operating profit: JPY241mn (previously JPY256mn)
- ▷ Recurring profit: JPY230mn (previously JPY204mn)
- ▷ Net income*: JPY241mn (previously JPY70mn)

*Net income attributable to owners of the parent

Reason for revision

- ▷ The sales forecast was revised upward to JPY5.4bn as sales in the Creator Support business exceeded initial forecast.
- ▷ Operating profit was revised down to JPY241mn as the company completed the accounting treatment of goodwill, confirming a JPY205mn increase in goodwill from the Candera acquisition. Goodwill amortization accordingly increased by JPY31mn to JPY350mn.
- ▷ Recurring profit was revised up to JPY230mn as interest payments and forex losses were less than initially forecast.
- ▷ Net income attributable to owners of the parent was revised upward to JPY241mn as tax effects, explained below, were applied.

Regarding booking of income taxes—deferred

- ▷ With the completion of the accounting treatment of goodwill (noted above), the company reviewed the asset allocation pertaining to subject goodwill, and after applying the statutory tax rate to the difference that resulted, it posted in its consolidated financial statements JPY94mn as deferred tax liabilities and income taxes—deferred.
- ▷ Further, revaluation of tax effects for the overall group including overseas subsidiaries resulted in bottom-line increase of JPY76mn versus initial forecast.

Creator Support

- ▷ **Segment sales:** JPY3.6bn (+22.3% YoY)
- ▷ **Operating profit:** JPY693mn (+46.7% YoY)
- ▷ Since its launch in 2012, the CLIP STUDIO PAINT series topped 6mn units shipped across the world. Furthermore, 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.
- ▷ The company promoted the enhancement of overseas services and began providing 400 types of how-to guides in six languages, English, Chinese (traditional), Korean, French, German, and Spanish.
- ▷ There was a total of 1,400 entries and 639 participating schools in 67 countries or regions in the International Comic/Manga School Contest.

- ▷ The company strengthened its global partnership with Wacom Co., Ltd., which is known in the pen tablet field for creators across the world.
- ▷ CLIP STUDIO PAINT (software for creators producing manga, illustration, and animation) was equipped with a “pose scanner” that utilizes AI (deep learning) technology. The pose scanner can be used to read the pose of a person in a photo and apply it to a 3D drawing figure or character.
- ▷ The company conducted a global simultaneous release of an iPhone version of CLIP STUDIO PAINT that installs all of the features of CLIP STUDIO PAINT so that the user can use the same features as the Windows/macOS/iPad versions.
- ▷ The e-book solution CLIP STUDIO READER supports the distribution of WEBTOONS (content created with a portrait-page orientation for viewing on smartphone and PC), which is growing in presence in recent years. The solution was adopted by the service of Amutus Corporation, the operator of the e-comic distribution service Mecha Comic, which boasts one of the largest number of users in the domestic e-book market.
- ▷ Kodansha Ltd. started distributing e-comics using CLIP STUDIO READER’s vertical scrolling and traditional panel display.

UI/UX

- ▷ **Segment sales:** JPY1.8bn (+102.1% YoY)
- ▷ **Operating loss:** JPY436mn (operating loss of JPY67mn in 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 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.
- ▷ Candera released the latest version (3.8) of CGI Studio, its software development platform for in-vehicle equipment. German major truck manufacturer MAN CiTE Truck of MAN Group chose Candera as a project partner and its CGI Studio was included in MAN Truck’s full-digital main control panel.
- ▷ The company held exhibitions at events for manufacturers and technology providers that use applications in the automotive-related industry in various countries. There, the company showcased leading technologies in automotive and embedded human machine interface (HMI) design.
- ▷ The company held an exhibition at the 12th Automotive World (Tokyo), where it gave the first public demonstration of Candera Link, an in-house developed product.
- ▷ The number of exbeans UI Conductors installed in printers produced by Seiko Epson Corp. has surpassed 6mn units.
- ▷ Accumulated shipment of its in-vehicle mobile information transmission software—adopted as the default software for in-vehicle equipment by major OEMs—has also topped 4.3mn units, primarily in the North American market.

Full-year company forecasts

(JPYmn)	FY12/18			FY12/19			FY12/20		
	1H Act.	2H Act.	FY Act.	1H Act.	2H Act.	FY Act.	1H Est.	2H Est.	FY Est.
Sales	1,923	1,867	3,790	2,534	2,847	5,381	2,762	3,064	5,826
YoY	11.7%	-2.5%	4.2%	31.8%	52.5%	42.0%	9.0%	7.6%	8.3%
Cost of sales	983	1,020	2,003	1,332	1,746	3,078			
Gross profit	940	847	1,787	1,201	1,102	2,303			
GPM	48.9%	45.4%	47.1%	47.4%	38.7%	42.8%			
SG&A expenses	637	774	1,412	954	1,106	2,060			
SG&A ratio	33.2%	41.5%	37.2%	37.7%	38.9%	38.3%			
Operating profit	302	72	375	246	-4	242	13	291	304
YoY	19.1%	-57.4%	-11.5%	-18.5%	-	-35.5%	-94.7%	-6740.8%	25.6%
OPM	15.7%	3.9%	9.9%	9.7%	-	4.5%	0.5%	9.5%	5.2%
Recurring profit	290	68	358	236	-6	230	1	270	271
YoY	19.0%	-59.4%	-12.9%	-18.4%	-	-35.6%	-99.6%	-4389.1%	17.7%
RPM	15.1%	3.6%	9.4%	9.3%	-	4.3%	0.0%	8.8%	4.7%
Net income	250	85	334	176	66	241	9	247	256
YoY	13.0%	-45.1%	-10.8%	-29.6%	-22.2%	-27.7%	-94.9%	275.9%	6.0%
Net margin	13.0%	4.5%	8.8%	6.9%	2.3%	4.5%	0.3%	8.1%	4.4%

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 FY12/20

Sales:	JPY5.8bn (+8.3% YoY)
Operating profit:	JPY304mn (+25.6% YoY)
Recurring profit:	JPY271mn (+17.7% YoY)
Net income*:	JPY256mn (+6.0% YoY)

* Net income refers to net income attributable to owners of the parent.

Key initiatives for FY12/20

- Continue management focus on software IP
- Maximize development capabilities inside Group and accelerate R&D investment for new products and services
- Strengthen marketing and promotion activities to expand user base of CLIP STUDIO PAINT
- Promote further overseas deployment of services currently limited to Japan
- Strengthen functions of e-book solutions to expand output services for creators
- In each region (Japan, Asia, Europe and the US), secure customers through proactive promotion of company's proprietary IP products and promote businesses aimed at various embedded equipment, primarily in automobiles
- Accelerate approach toward automobile manufacturers and Tier-1 manufacturers by promoting sales and marketing

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

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