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February 9, 2024

Consolidated Financial Results for the Fiscal Year Ended December 31, 2023 (Under Japanese GAAP)

Company name: CELSYS, Inc.
 Listing: Tokyo Stock Exchange
 Securities code: 3663
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 Scheduled date of annual general meeting of shareholders: March 28, 2024
 Scheduled date of commencing dividend payments: March 29, 2024
 Scheduled date of filing annual securities report: March 29, 2024
 Preparation of supplementary material on financial results: Yes
 Holding of financial results briefing: None

(Yen amounts are rounded down to millions, unless otherwise noted.)

1. Consolidated financial results for the fiscal year ended December 31, 2023 (from January 1, 2023 to December 31, 2023)

(1) Consolidated operating results

(Percentages indicate year-on-year changes.)

Fiscal year ended	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
December 31, 2023	8,091	7.3	1,352	(7.7)	1,404	(12.5)	626	(40.2)
December 31, 2022	7,543	9.5	1,465	6.3	1,605	13.1	1,047	(14.3)

Note: Comprehensive income For the fiscal year ended December 31, 2023: ¥558 million [(48.9)%]
 For the fiscal year ended December 31, 2022: ¥1,092 million [(12.0)%]

Fiscal year ended	Basic earnings per share	Diluted earnings per share	Return on equity	Ordinary profit to total assets	Operating profit to net sales ratio
	Yen	Yen	%	%	%
December 31, 2023	18.46	–	8.5	15.0	16.7
December 31, 2022	29.83	29.49	14.3	17.4	19.4

Reference: Equity in earnings (losses) of affiliates For the fiscal year ended December 31, 2023: ¥– million
 For the fiscal year ended December 31, 2022: ¥– million

(2) Consolidated financial position

As of	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
December 31, 2023	8,551	6,660	76.1	200.60
December 31, 2022	10,156	8,224	80.3	233.27

Reference: Equity
 As of December 31, 2023: ¥6,508 million
 As of December 31, 2022: ¥8,152 million

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Ending balance of cash and cash equivalents
Fiscal year ended	Millions of yen	Millions of yen	Millions of yen	Millions of yen
December 31, 2023	2,344	(1,474)	(2,122)	5,561
December 31, 2022	1,548	(1,032)	490	6,744

2. Cash dividends

	Annual dividends per share					Total dividends (total)	Payout ratio (consolidated)	Dividends to net assets ratio (consolidated)
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Fiscal year ended December 31, 2022	–	0.00	–	8.00	8.00	279	26.6	3.8
Fiscal year ended December 31, 2023	–	0.00	–	12.00	12.00	389	65.0	5.5
Fiscal year ending December 31, 2024 (Forecast)	–	10.00	–	10.00	20.00		91.2	

- The Company conducted a share split at a rate of four shares per share of common shares on July 1, 2022. The dividend amounts stated for the fiscal year ended December 31, 2022 are after said share split.

3. Consolidated financial results forecast for the fiscal year ending December 31, 2024 (from January 1, 2024 to December 31, 2024)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
First half	3,816	(10.3)	664	(8.9)	641	(12.9)	254	-	7.00
Full year	7,723	(4.5)	1,655	22.3	1,611	14.7	744	18.8	20.51

* **Notes**

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): Yes

Newly included: – companies (–)

Excluded: One company (Candera GmbH)

(2) Changes in accounting policies, changes in accounting estimates, and restatement

(i) Changes in accounting policies due to revisions to accounting standards and other regulations: None

(ii) Changes in accounting policies due to reasons other than (i) above: None

(iii) Changes in accounting estimates: None

(iv) Restatement: None

(3) Number of issued shares (common shares)

(i) Total number of issued shares at the end of the period (including treasury shares)

As of December 31, 2023	36,271,180 shares
As of December 31, 2022	36,271,180 shares

(ii) Number of treasury shares at the end of the period

As of December 31, 2023	3,827,970 shares
As of December 31, 2022	1,323,608 shares

(iii) Average number of shares outstanding during the period

Fiscal year ended December 31, 2023	33,924,047 shares
Fiscal year ended December 31, 2022	35,126,090 shares

(Reference) Summary of Non-Consolidated Financial Results

1. Non-consolidated financial results for the fiscal year ended December 31, 2023

(from January 1, 2023 to December 31, 2023)

(1) Non-consolidated operating results

(Percentages indicate year-on-year changes.)

Fiscal year ended	Net sales		Operating profit		Ordinary profit		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
December 31, 2023	6,007	–	2,175	–	2,242	–	1,339	–
December 31, 2022	2,759	–	569	–	616	–	2,012	–

Fiscal year ended	Basic earnings per share	Diluted earnings per share
	Yen	Yen
December 31, 2023	39.47	–
December 31, 2022	57.28	56.53

(2) Non-consolidated financial position

As of	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
December 31, 2023	8,683	6,844	77.9	208.54
December 31, 2022	9,592	7,783	80.4	220.65

Reference: Equity

As of December 31, 2023: ¥6,766 million

As of December 31, 2022: ¥7,711 million

Note: Due to the absorption-type merger with the Company's specified subsidiary and wholly-owned subsidiary, CELSYS, Inc., as the disappearing company on September 1, 2022, the Company's Non-consolidated financial results have significantly fluctuated when compared to the previous fiscal year, resulting in no continuity. As such, statements for the year-on-year change have been omitted.

- * Financial results reports are exempt from review by certified public accountants or an audit corporation.
- * Proper use of earnings forecasts, and other special matters

Financial results forecasts and other forward-looking statements provided in these materials are based on information available to the Company and certain other assumptions deemed reasonable as of the date of publication of this document, and do not represent any guarantee that the Company will achieve these results. Actual financial results and other aspects of business performance may differ significantly from these forecasts owing to various factors. Please refer to “1. Overview of Operating Results, etc. (4) Future outlook” on page 5 of the attached materials for conditions forming the basis for financial results forecasts, notes regarding the use of financial results forecasts, and other information.

○ Table of Contents of the Attached Materials

1. Overview of Operating Results, etc.....	2
(1) Overview of operating results for the fiscal year under review	2
(2) Overview of financial position for the fiscal year under review.....	4
(3) Overview of cash flows for the fiscal year under review.....	4
(4) Future outlook.....	5
2. Basic Policy on Selection of Accounting Standards.....	5
3. Consolidated Financial Statements and Major Notes	6
(1) Consolidated balance sheet.....	6
(2) Consolidated statements of income and comprehensive income	8
(3) Consolidated statement of changes in net assets.....	10
(4) Consolidated cash flow statements	12
(5) Notes to consolidated financial statements	14
(Note on entity's ability to continue as going concern).....	14
(Changes in accounting policies).....	14
(Segment information).....	14
(Per share information).....	18
(Significant subsequent events).....	19

1. Overview of Operating Results, etc.

(1) Overview of operating results for the fiscal year under review

The Company entered into a basic agreement with KAGA FEI Co., Ltd. regarding the transfer of the UI/UX business, established as a segment of the Group, on February 10, 2023. Then, at a Board of Directors meeting held on May 11, 2023, the Company resolved to transfer the business with an effective date of August 1, 2023, and the business transfer was completed. With the business transfer, the Group will focus on the content domain, and has prepared an environment that aims to expand business operations.

In addition, from the fiscal year under review, the Creator Support business was classified into two segments- the Content Production Solutions business, which focuses on providing CLIP STUDIO PAINT, a software product for producing illustrations, manga, Webtoon, and animation, and the Content Distribution Solutions business, which concentrates on developing and providing DC3 Solution and e-book distribution services.

The Group intends to operate its business under the corporate philosophy of providing an environment that can fully support content-related activities, from content production using digital technologies to content utilization.

In the fiscal year under review, focused on efforts to enhance corporate value, management focused on its software IP and strategic investment continued to be prioritized. As a result, for the fiscal year under review, the Group's net sales amounted to ¥8,091,099 thousand (up 7.3% year-on-year), and operating profit amounted to ¥1,352,788 thousand (down 7.7% year-on-year).

In addition, ordinary profit amounted to ¥1,404,526 thousand (down 12.5% year-on-year) due to factors such as ¥111,677 thousand in foreign exchange gains being recorded as non-operating income, and the recording of ¥52,559 thousand in fees related to acquisition of treasury shares as well as ¥6,259 thousand in costs related to a new share issuance due to a subsidiary's capital increase as non-operating expenses. Profit attributable to owners of parent amounted to ¥626,428 thousand (down 40.2% year-on-year) due to factors such as the recording of ¥914,589 thousand in extraordinary losses mainly due to extraordinary losses related to the aforementioned UI/UX business transfer, and ¥170,789 thousand in income taxes – deferred (gain).

Planning for a total two-year spend of ¥3.0 billion for the acquisition of treasury shares starting from August 2022, the Company acquired approximately ¥1.0 billion of treasury shares in the previous fiscal year, aiming to execute flexible capital policy that can respond to further enhancement of capital efficiency and the management environment, and to further improve shareholder returns. In the nine months ended September 30, 2023, 1,884,600 shares (5.40% of the total number of issued shares (excluding treasury shares)) were acquired for ¥1,499,960 thousand, and furthermore, an additional 619,600 shares of treasury shares (1.87% of the total number of issued shares (excluding treasury shares)) were acquired for ¥499,975 thousand in the fourth quarter under review as disclosed in “Decision to repurchase shares” on November 2, 2023. Furthermore, as described in “Notice regarding revision to dividend forecast” also disclosed on November 2, 2023, the dividend forecast for the fiscal year ended December 31, 2023 was increased ¥3 per share to ¥12, from the initial ¥9 per share. Shareholder returns will also be strengthened in the fiscal year ending December 31, 2024. For one year starting March 1, 2024, ¥2.0 billion worth of treasury shares will be acquired, and forecast for the fiscal year ending December 31, 2024, are an interim dividend of ¥10 and a year-end dividend of ¥10, for a total of ¥20 (an increase of ¥8 in dividends).

In addition, as disclosed in “Notice regarding preparations to apply to change listing to the Prime Market of the Tokyo Stock Exchange” on August 19, 2022, preparations are currently being made to apply to change the stock listing to the Prime Market of the TSE, and as of December 31, 2023, the main formal requirements for listing on the Prime Market as required by the TSE have been satisfied.

Furthermore, as disclosed in “(Progress of disclosed matters) Notice regarding entering into a capital and business alliance agreement and issuance of new shares through third-party allotment” on December 25, 2023, to continue strengthening corporate governance, one person from LINE Digital Frontier Corp. is scheduled to be appointed as an Outside Director based on the entering of the capital and business alliance agreement with WEBTOON Entertainment in December 2021.

As disclosed in “Notice regarding establishment of Nomination and Compensation Committee” and “Notice regarding establishment of Sustainability Committee” on January 19, 2024, a Nomination and Compensation Committee and a Sustainability Committee have been established.

As disclosed today in “Notice regarding decreasing amounts of share capital and legal capital surplus,” share capital and legal capital surplus are scheduled to be reduced to prepare for agile and flexible capital policy in the future.

Operating results per section are as follows.

<Content Production Solutions business>

In the fiscal year under review, on March 14, 2023, Version 2.0 of CLIP STUDIO PAINT, a software product for producing illustrations, manga, Webtoon, and animation, with improved features resulting from

ongoing investment in development, was released. Free functional updates of Windows/macOS outright purchase license versions of CLIP STUDIO PAINT have been continuously provided for the ten years since its launch. Given that CLIP STUDIO PAINT Version 2.0 is the product's first major update, the arrangement has been revised where customers that have purchased outright must switch to an annual subscription contract or buy the new version on special offer to make use of all the latest functions available. An increase in subscription contracts and improved sales from existing outright purchase users purchasing the new version, which were unable to be captured to date, are expected. Therefore, a more stable and consistent revenue stream from service provision is able to be generated.

In addition to CLIP STUDIO PAINT Version 2.0 being well received since it was released on March 14, 2023, the number of shipments of CLIP STUDIO PAINT in the fourth quarter under review was the highest ever, thanks to global promotional campaigns implemented to acquire new users. The major version update helped to lift net sales and user numbers by raising its profile in the market, and going forward, regular major version updates are planned, with a major update planned in March during the fiscal year ending December 31, 2024.

In addition to the previous seven languages offered, Japanese, English, Chinese (Traditional), Korean, French, Spanish, and German, and the new addition of a total of four languages, with Chinese (simplified) from December 2022, and Portuguese, Thai, and Indonesian with the release of Version 2.0 on March 14, 2023, CLIP STUDIO PAINT is offered in 11 languages, and an increase in overseas users is expected. Particularly in mainland China, the number of subscription contracts is steadily increasing as various promotions have worked effectively. Ranked within the top ten in terms of net sales by country on the App Store, significant growth is expected in the future.

Also, global promotions to boost the number of overseas users and subscription contracts have been held.

Cumulative shipments of CLIP STUDIO PAINT exceeded 35.00 million units by November 2023, and reached 36.49 million units (up 42.4% year-on-year) by December 2023. In addition to reaching approximately 80% for overseas shipments of non-Japanese versions, reflecting an increasing trend, the Annual Recurring Revenue (ARR) for the SaaS service provided by the CLIP STUDIO PAINT subscription model in December 2023 was ¥3.236 billion (up 27.2% year-on-year), a record high.

The churn rate of CLIP STUDIO PAINT in December 2023 amounted to 9.5%. The payment system used for subscription fees for Windows and macOS was changed in May 2023 in order to strengthen security, and although the churn rate temporarily increased, the number of new contracts continued to steadily increase, and from July 2023, was approximately 10%. Even with the temporary decrease in the number of subscription contracts in December 2023 due to the above change to the payment system, contracts increased again to 0.945 million (up 30.9% year-on-year), and worldwide membership of CLIP STUDIO Creator, a support site for creators in the fields of illustrations, manga, Webtoon, and animation, reached 8.24 million people (up 20.6% year-on-year). For trends of ARR and churn rate, please refer to the "Monthly progress report" disclosed each month.

For the provision of a license to use CLIP STUDIO PAINT via a subscription model, the Company's focus, subscription plans may lower the barriers to using the software by offering the software at a low price, but the short-term sales effectiveness is lower compared with the one-time purchase versions that collect license fees in lump-sum, one-time payments. That being said, the aim of increasing subscription model contracts will continue, as stable earnings in the medium to long term are expected to be generated with continued use.

Subscription pricing to provide CLIP STUDIO PAINT as a SaaS was revised in November 2023 to increase profitability and to continuously provide the service. Prices will be revised in the future with the increased value of services.

The Company, recognizing the potential of AI technologies ten or more years ago, has conducted research and development. To strengthen and further deepen investment in the AI field, the Company signed a capital participation and strategic partnership agreement with ax Inc., an industry leader in the practical application of AI technology, in September 2023 and enhanced its development capabilities.

As a result of the above, net sales amounted to ¥6,007,631 thousand (up 11.4% year-on-year) and operating profit amounted to ¥2,177,177 thousand (up 9.3% year-on-year).

<Content Distribution Solutions business>

The Content Distribution Solutions business is centered on &DC3, Inc.

In regard to the DC3 Solution announced in December 2022, official versions of the content distribution platform solution, DC3, the DC3 content management service, DC3 My Room, and the DC3 Module for SaaS and program to interface with Shopify, DC3fy, were released in December 2023.

Furthermore, investments to continue enhancing the quality of solutions, including improving the quality of the core program, DC3 Module, enhancing the 3D display in DC3 My Room, and strengthening functions to allow service providers to conduct business smoothly on DC3.

In parallel, proposal-based sales activities to help service providers understand the DC3 Solution have

been promoted and use contracts with several companies that plan to use the DC3 Solution have been signed. Kanematsu Granks Corp., strong in agency sales of digital content such as e-books and videos, released the “mitekore” marketplace that handles DC3 content in December 2023. Sales functionality of DC3 content was released on January 18, 2024 for the new monthly membership platform Creatia, which connects creators and fans of the Toranoana Group. In the future, several services that utilize the DC3 Solution are expected to be launched. New development possibilities in the digital content business continue to be promoted.

The DC3 Solution was provided free of charge in the fiscal year under review to facilitate its use.

For e-book distribution solutions, a range of solutions for e-book production, distribution, and reading that is compatible with multiple devices and platforms, such as the e-book viewer, CLIP STUDIO READER, and e-book authoring software, are provided.

In the fourth quarter under review, the e-book viewer CLIP STUDIO READER was used in the electronic reference book system of MobileBook.jp Inc. and official site of the Webtoon label of Drecom, DRE STUDIOS.

As a result of the above, net sales amounted to ¥1,012,375 thousand (up 5.3% year-on-year) and operating loss amounted to ¥744,687 thousand (operating loss of ¥26,334 thousand in the previous fiscal year).

<UI/UX business>

The UI/UX business completed its transfer to KAGA FEI Co., Ltd. as of August 1, 2023, as stated above.

As all shares in Candera GmbH, which was a consolidated subsidiary of the Company, were transferred to KAGA FEI Co., Ltd., it is excluded from the scope of consolidation.

Net sales amounted to ¥1,071,092 thousand (down 9.8% year-on-year) and operating loss amounted to ¥79,701 thousand (operating loss of ¥545,628 thousand in the previous fiscal year).

(2) Overview of financial position for the fiscal year under review

Total assets at the end of the fiscal year under review amounted to ¥8,551,524 thousand, down ¥1,605,438 thousand from the end of the previous fiscal year. The main factors include increases of ¥68,288 thousand in software in progress and ¥167,636 thousand in deferred tax assets, and decreases of ¥1,179,458 thousand in cash and deposits, and ¥185,576 thousand in accounts receivable - other due to share buybacks, and ¥308,032 thousand in software and ¥127,889 thousand in technological assets due to transferring the UI/UX business.

Liabilities at the end of the fiscal year under review amounted to ¥1,891,407 thousand, down ¥40,760 thousand from the end of the previous fiscal year. The main factors include increases of ¥122,851 thousand in advances received and ¥42,475 thousand in provision for retirement benefits for directors (and other officers), and decreases of ¥46,999 thousand in accounts payable - other, ¥110,676 thousand in accrued expenses, and ¥32,033 thousand in income taxes payable.

Total net assets at the end of the fiscal year under review amounted to ¥6,660,116 thousand, down ¥1,564,677 thousand from the end of the previous fiscal year. The main factors include an increase of ¥2,000,055 thousand in treasury shares due to share buybacks. The equity-to-asset ratio was 76.1%.

(3) Overview of cash flows for the fiscal year under review

Cash and cash equivalents (the “funds”) at the end of the fiscal year under review amounted to ¥5,561,782 thousand, down ¥1,183,058 thousand from the end of the previous fiscal year. Cash flows from each activity for the fiscal year under review and their factors are as follows.

(Cash flows from operating activities)

Net cash provided by operating activities amounted to ¥2,344,617 thousand (¥1,548,469 thousand provided during the previous fiscal year). This was mainly due to factors that decreased funds, such as ¥112,502 thousand in increase in trade receivables, and factors that increased funds, such as recording ¥489,937 thousand in pre-tax net profit, recording ¥781,761 thousand in depreciation, ¥502,646 thousand in loss on transfer of subsidiaries and associates, and ¥386,742 thousand in loss on valuation of software.

(Cash flows from investing activities)

Net cash used in investing activities amounted to ¥1,474,161 thousand (¥1,032,758 thousand used during the previous fiscal year). This was mainly due to factors such as ¥773,937 thousand in purchase of property, plant and equipment and intangible assets such as software, ¥63,421 thousand in purchase of property, plant and equipment, and a decrease of ¥603,210 thousand in payments for sale of shares of subsidiaries resulting in change in scope of consolidation.

(Cash flows from financing activities)

Net cash used in financing activities amounted to ¥2,122,989 thousand (¥490,542 thousand provided during the previous fiscal year). This was mainly due to factors such as ¥143,670 thousand in proceeds from

issuance of shares, ¥266,603 thousand in dividends paid, and ¥2,000,055 thousand in purchase of treasury shares. As a result, the balance of cash and cash equivalents at the end of the fiscal year under review amounted to ¥5,561,782 thousand.

(4) Future outlook

As a part of the Company's business, the Content Production Solutions business, centered on the development and sales of the CLIP STUDIO PAINT, a software product for producing illustrations, manga, Webtoon, and animation, will improve service continuity and profitability through continued global expansion, development investment in CLIP STUDIO PAINT, and implementing measures to increase subscription contracts.

As for the Company's initiatives in the Content Distribution Solutions business, development of the basic functionality necessary to provide the DC3 Solution service was completed in December 2023, and new revenue streams will be nurtured to expand the use of the DC3 Solution through continuing initiatives toward strengthening CLIP STUDIO PAINT compatibility and strengthening sales activities.

Although the sales plan for the fiscal year ending December 31, 2024 for the DC3 Solution, transitioning from the initial development investment phase upon establishing the business to the operational phase, is forecast at a conservative level that is certain to be expected, significant changes may occur from 2025 onward depending on the financial results of the fiscal year ending December 31, 2024. Investments in DC3 development will be made being conscious of the proceeds and expenditures of the whole Group.

Taking the above into account, consolidated net sales are expected to amount to ¥7,723 million, and operating profit amount to ¥1,655 million for the fiscal year ending December 31, 2024. Ordinary profit is expected to amount to ¥1,611 million, and profit attributable to owners of parent to amount to ¥744 million. Forecast for the fiscal year ending December 31, 2024, are an interim dividend of ¥10 and a year-end dividend of ¥10, for an annual total of ¥20.

As sales of the Content Distribution Solutions business is forecast at a conservative level, the medium-term management plan formulated in May 2023 was reviewed, and as the stage where it is possible to conduct a thorough investigation centered on the DC3 Solution has been reached, the medium-term management plan is scheduled to be reformulated. The Group's profit plan for the fiscal year ending December 31, 2024 plans for ¥1.65 billion, as planned in the existing medium-term management plan, and there are no plans to significantly change activities of the Content Production Solutions business.

Furthermore, the medium-term work of preparations to apply to change listing to the Prime Market of the Tokyo Stock Exchange will continue to progress in the current period. If, in the future, matters concerning this should arise which require disclosure, they shall be announced promptly.

2. Basic Policy on Selection of Accounting Standards

The Group intends to continue preparing its consolidated financial statements using Japanese GAAP for the foreseeable future, taking into consideration the comparability of consolidated financial statements by term and comparability between companies. Furthermore, the policy for the future will be to make considerations taking into account the trends in the foreign shareholder ratio and the state of domestic and international affairs.

3. Consolidated Financial Statements and Major Notes

(1) Consolidated balance sheet

	Previous consolidated fiscal year (December 31, 2022)	Consolidated fiscal year under review (December 31, 2023)
(Unit: thousands of yen)		
Assets		
Current assets		
Cash and deposits	6,780,553	5,601,095
Accounts receivable - trade	350,178	339,623
Finished goods	8,118	3,481
Work in process	10,431	-
Raw materials and supplies	70,780	78,533
Accounts receivable - other	711,741	526,165
Other	331,682	381,021
Allowance for doubtful accounts	(156)	(144)
Total current assets	8,263,329	6,929,776
Non-current assets		
Property, plant and equipment		
Buildings	179,045	185,650
Accumulated depreciation	(60,840)	(74,671)
Buildings (net)	118,205	110,979
Tools, furniture and fixtures	360,092	270,961
Accumulated depreciation	(266,672)	(204,942)
Tools, furniture and fixtures (net)	93,420	66,019
Total property, plant and equipment	211,626	176,998
Intangible assets		
Software	1,201,448	893,415
Software in progress	-	68,288
Customer-related intangible assets	34,512	-
Technological assets	127,889	-
Other	90,119	90,494
Total intangible assets	1,453,968	1,052,197
Investments and other assets		
Investment securities	34,124	32,050
Leasehold and guarantee deposits	130,415	129,364
Deferred tax assets	63,500	231,136
Other	16,711	-
Allowance for doubtful accounts	(16,711)	-
Total investments and other assets	228,039	392,551
Total non-current assets	1,893,634	1,621,748
Total assets	10,156,963	8,551,524

(Unit: thousands of yen)

	Previous consolidated fiscal year (December 31, 2022)	Consolidated fiscal year under review (December 31, 2023)
Liabilities		
Current liabilities		
Accounts payable - trade	130,489	130,321
Accounts payable - other	169,534	122,535
Advances received	707,123	829,975
Accrued expenses	198,148	87,472
Income taxes payable	67,202	35,168
Provision for bonuses	74,818	61,600
Other	171,603	165,371
Total current liabilities	1,518,920	1,432,444
Non-current liabilities		
Provision for retirement benefits for directors (and other officers)	116,552	159,027
Retirement benefit liability	264,604	278,983
Other	32,091	20,953
Total non-current liabilities	413,247	458,963
Total liabilities	1,932,168	1,891,407
Net assets		
Shareholders' equity		
Share capital	3,076,576	3,076,576
Capital surplus	2,555,703	2,627,828
Retained earnings	3,630,802	3,977,650
Treasury shares	(1,186,569)	(3,186,624)
Total shareholders' equity	8,076,513	6,495,431
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	17,675	12,796
Foreign currency translation adjustment	58,299	-
Total accumulated other comprehensive income	75,974	12,796
Share acquisition rights	72,306	78,880
Non-controlling interests	-	73,009
Total net assets	8,224,794	6,660,116
Total liabilities and net assets	10,156,963	8,551,524

(2) Consolidated statements of income and comprehensive income
(Consolidated statement of income)

(Unit: thousands of yen)

	Previous consolidated fiscal year (from January 1, 2022 to December 31, 2022)	Consolidated fiscal year under review (from January 1, 2023 to December 31, 2023)
Net sales	7,543,175	8,091,099
Cost of sales	3,385,612	4,182,262
Gross profit	4,157,563	3,908,837
Selling, general and administrative expenses	2,691,781	2,556,048
Operating profit	1,465,781	1,352,788
Non-operating income		
Interest income	54	565
Dividend income	159	212
Foreign exchange gains	130,540	111,677
Subsidy income	45,269	-
Other	2	4
Total non-operating income	176,026	112,459
Non-operating expenses		
Commission expenses	17,742	52,559
Share issuance costs	7,790	6,259
Provision of allowance for doubtful accounts	8,355	-
Loss on patents	2,216	1,637
Other	350	266
Total non-operating expenses	36,456	60,722
Ordinary profit	1,605,351	1,404,526
Extraordinary income		
Gain on reversal of share acquisition rights	2,830	-
Total extraordinary income	2,830	-
Extraordinary losses		
Loss on transfer of shares of subsidiaries and associates	-	502,646
Loss on valuation of software	-	386,742
Loss on retirement of non-current assets	11,267	170
Loss on valuation of investment securities	-	25,029
Loss on cancellation of rental contracts	48,947	-
Loss on valuation of shares of subsidiaries and associates	6,432	-
Total extraordinary losses	66,647	914,589
Pre-tax net profit	1,541,533	489,937
Income taxes – current	482,561	39,093
Income taxes – deferred	11,061	(170,789)
Total income taxes	493,622	(131,696)
Profit	1,047,911	621,633
Profit attributable to non-controlling interests	-	(4,795)
Profit attributable to owners of parent	1,047,911	626,428

(Consolidated statement of comprehensive income)

(Unit: thousands of yen)

	Previous consolidated fiscal year (from January 1, 2022 to December 31, 2022)	Consolidated fiscal year under review (from January 1, 2023 to December 31, 2023)
Profit	1,047,911	621,633
Other comprehensive income		
Valuation difference on available-for-sale securities	5,561	(4,878)
Foreign currency translation adjustment	39,046	(58,299)
Total other comprehensive income	44,607	(63,178)
Comprehensive income	1,092,518	558,455
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	1,092,518	563,250
Comprehensive income attributable to non-controlling interests	-	(4,795)

(3) Consolidated statement of changes in net assets
 Previous consolidated fiscal year (from January 1, 2022 to December 31, 2022)

(Unit: thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Opening balance	2,275,761	1,754,888	2,676,615	(186,550)	6,520,715
Cumulative effects of changes in accounting policies			8,938		8,938
Restated balance	2,275,761	1,754,888	2,685,554	(186,550)	6,529,654
Changes during period					
Issuance of new shares	800,660	800,660			1,601,320
Issuance of new shares - exercise of share acquisition rights	154	154			308
Dividends of surplus			(102,662)		(102,662)
Profit attributable to owners of parent			1,047,911		1,047,911
Purchase of treasury shares				(1,000,018)	(1,000,018)
Change in ownership interest of parent due to transactions with non-controlling interests					
Net changes in items other than shareholders' equity					
Total changes during period	800,814	800,814	945,248	(1,000,018)	1,546,858
Ending balance	3,076,576	2,555,703	3,630,802	(1,186,569)	8,076,513

	Accumulated other comprehensive income			Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income			
Opening balance	12,113	19,253	31,366	24,103	-	6,576,186
Cumulative effects of changes in accounting policies						8,938
Restated balance	12,113	19,253	31,366	24,103		6,585,125
Changes during period						
Issuance of new shares						1,601,320
Issuance of new shares - exercise of share acquisition rights						308
Dividends of surplus						(102,662)
Profit attributable to owners of parent						1,047,911
Purchase of treasury shares						(1,000,018)
Change in ownership interest of parent due to transactions with non-controlling interests						
Net changes in items other than shareholders' equity	5,561	39,046	44,607	48,203		92,810
Total changes during period	5,561	39,046	44,607	48,203	-	1,639,669
Ending balance	17,675	58,299	75,974	72,306	-	8,224,794

Consolidated fiscal year under review (from January 1, 2023 to December 31, 2023)

(Unit: thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Opening balance	3,076,576	2,555,703	3,630,802	(1,186,569)	8,076,513
Cumulative effects of changes in accounting policies					
Restated balance	3,076,576	2,555,703	3,630,802	(1,186,569)	8,076,513
Changes during period					
Issuance of new shares					
Issuance of new shares - exercise of share acquisition rights					
Dividends of surplus			(279,580)		(279,580)
Profit attributable to owners of parent			626,428		626,428
Purchase of treasury shares				(2,000,055)	(2,000,055)
Change in ownership interest of parent due to transactions with non-controlling interests		72,125			72,125
Net changes in items other than shareholders' equity					
Total changes during period	0	72,125	346,848	(2,000,055)	(1,581,081)
Ending balance	3,076,576	2,627,828	3,977,650	(3,186,624)	6,495,431

	Accumulated other comprehensive income			Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income			
Opening balance	17,675	58,299	75,974	72,306	-	8,224,794
Cumulative effects of changes in accounting policies						
Restated balance	17,675	58,299	75,974	72,306		
Changes during period						
Issuance of new shares						
Issuance of new shares - exercise of share acquisition rights						
Dividends of surplus						(279,580)
Profit attributable to owners of parent						626,428
Purchase of treasury shares						(2,000,055)
Change in ownership interest of parent due to transactions with non-controlling interests						72,125
Net changes in items other than shareholders' equity	(4,878)	(58,299)	(63,178)	6,573	73,009	16,404
Total changes during period	(4,878)	(58,299)	(63,178)	6,573	73,009	(1,564,677)
Ending balance	12,796	0	12,796	78,880	73,009	6,660,116

(4) Consolidated cash flow statements

(Unit: thousands of yen)

	Previous consolidated fiscal year (from January 1, 2022 to December 31, 2022)	Consolidated fiscal year under review (from January 1, 2023 to December 31, 2023)
Cash flows from operating activities		
Pre-tax net profit	1,541,533	489,937
Depreciation	851,928	781,761
Share-based payment expenses	51,039	6,573
Share issuance costs	7,790	6,259
Gain on reversal of share acquisition rights	(2,830)	-
Increase (decrease) in allowance for doubtful accounts	8,381	(12)
Increase (decrease) in provision for bonuses	6,418	(14,406)
Increase (decrease) in provision for sales returns	-	-
Increase (decrease) in retirement benefit liability	42,906	14,379
Increase (decrease) in provision for retirement benefits for directors (and other officers)	(24,428)	42,475
Increase (decrease) in provision for loss on transfer of shares of subsidiaries and associates	-	502,646
Interest and dividend income	(213)	(778)
Subsidy income	(45,269)	-
Loss on retirement of non-current assets	11,267	170
Loss on valuation of software	-	386,742
Loss (gain) on valuation of investment securities	-	25,029
Loss on cancellation of rental contracts	48,947	-
Loss on valuation of shares of subsidiaries and associates	6,432	-
Loss (gain) on sale of shares of subsidiaries and associates	-	-
Decrease (increase) in trade receivables	25,194	(112,502)
Decrease (increase) in inventories	(32,931)	(3,116)
Increase (decrease) in trade payables	9,051	305
Other	(204,671)	440,395
Subtotal	2,300,548	2,565,858
Interest and dividends received	66	745
Subsidies received	29,623	-
Payments for cancellation of rental contracts	(48,947)	-
Income taxes refund	-	61,268
Income taxes paid	(732,820)	(283,255)
Net cash provided by (used in) operating activities	1,548,469	2,344,617
Cash flows from investing activities		
Payments into time deposits	(2,402)	(3,600)
Purchase of property, plant and equipment	(86,356)	(63,421)
Purchase of property, plant and equipment and intangible assets	(960,622)	(773,937)
Payments for sale of shares of subsidiaries resulting in change in scope of consolidation	-	(603,210)
Purchase of investment securities	-	(29,988)
Payments of guarantee deposits	(9,196)	(1,785)
Proceeds from refund of leasehold deposits	25,819	1,781
Net cash provided by (used in) investing activities	(1,032,758)	(1,474,161)
Cash flows from financing activities		
Repayments of lease liabilities	(608)	-
Proceeds from issuance of shares	1,593,832	-
Proceeds from payments from controlled shareholders	-	143,670

(Unit: thousands of yen)

	Previous consolidated fiscal year (from January 1, 2022 to December 31, 2022)	Consolidated fiscal year under review (from January 1, 2023 to December 31, 2023)
Dividends paid	(102,662)	(266,603)
Purchase of treasury shares	(1,000,018)	(2,000,055)
Net cash provided by (used in) financing activities	490,542	(2,122,989)
Effect of exchange rate change on cash and cash equivalents	45,308	69,474
Net increase (decrease) in cash and cash equivalents	1,051,561	(1,183,058)
Opening balance of cash and cash equivalents	5,693,279	6,744,840
Ending balance of cash and cash equivalents	6,744,840	5,561,782

(5) Notes to consolidated financial statements
(Note on entity's ability to continue as going concern)
Not applicable.

(Changes in accounting policies)
Not applicable.

(Segment information)
[Segment information]

1. Description of reportable segments

The Group's reportable segments are constituent units of the Group for which separate financial information is available and which are subject to periodic review by the Board of Directors for the purpose of determining the allocation of management resources and evaluating business performance.

The Content Production Solutions business promotes research and development and the practical application of graphics technologies, and expands its product lineup in response to new content creation techniques and new devices. From the planning and development of the CLIP STUDIO PAINT series, a software product for producing illustrations, manga, Webtoon, and animation, it is all done internally at Celsys. The CLIP STUDIO PAINT series, a software product for producing illustrations, manga, Webtoon, and animation, mainly provides graphic content production software used in illustrations, manga, animation, and novels through Internet websites operated by Celsys, and the website CLIP STUDIO, which supports the creative activities of creators, is provided through sales via downloads, sales through PC distributors and retailers, and licensing.

The Content Distribution Solutions business provides software and know-how as solutions based on research and development outcomes of graphics technologies.

The DC3 Solution business is a digital content distribution platform that treats all digital data as unique "things." Content distributed on DC3 exists as a unique "thing," which enables individuals to own it. Although existing digital content runs into problems such as disappearing when the service from which a purchase had been made ends, duplication, difficulty in authentication, and not being able to be used collaboratively or across services, with DC3, these issues are solved. With the possibility of integrating the Company's unique program, DC3 Module, with service providers' web services using DC3, overall reliability and safety is ensured with compatibility between the DC3 Module which has been integrated into the services and Common DC3, which has the functionality of handling content across services and managing the block chain. Furthermore, the My Room service, which functions to centrally manage content held by users across services, and functionality to partially display content held in 3D, are provided.

Also provided are CLIP STUDIO READER, an e-book distribution solution for various platforms such as PCs, tablets, and smartphones, and a range of solutions for graphic content production, distribution, and reading that is compatible with multiple devices and platforms.

Information on the UI/UX business as of the date this document has been submitted is omitted as all shares of Candera GmbH have been transferred to KAGA FEI Co., Ltd., and business of Candera Japan Inc. has also been transferred, with August 1, 2023 as the effective date.

2. Explanation of measurements of net sales, profit (loss), assets, liabilities, and other items for each reportable segment

The accounting method for the reportable business segments is generally the same as described in "Material particulars that serve as the basis for preparing consolidated financial statements." Profit of reportable segments are based on operating profit. Inter-segment net sales and transfers are based on prevailing market prices.

3. Information concerning changes, etc. in reportable segments

In the fiscal year under review, in addition to separating the existing Creator Support business into two segments- the Content Production Solutions business, centered on sales of CLIP STUDIO PAINT, a software

product for producing illustrations, manga, Webtoon, and animation, and the Content Distribution Solutions business, centered on sales of e-book distribution solutions, e-book distribution solutions were transferred to the wholly-owned subsidiary, &DC3, Inc., established in June 2022, and the new DC3 Solution business was included in the Content Distribution Solutions business. This was a result of reviewing management decision-making and financial results classifications, and judgement made that it would be more appropriate for existing segments to separate and be reclassified. Segment information for the previous fiscal year are disclosed based on classifications of reportable segments after the change. Furthermore, as a result of the Company conducting an absorption-type merger with a subsidiary on September 1, 2022, changes have been made to the measurements of net sales, profit (loss), assets, liabilities, and other items for each reportable segment because the Group is composed only of operating companies. Adjustments to increases in segment profits, depreciation, Property, plant and equipment, and intangible assets are calculated based on the amounts related to the holding company prior to the absorption-type merger.

4. Disclosure of net sales, profit (loss), assets, liabilities, and other items for each reportable segment
 Previous consolidated fiscal year (from January 1, 2022 to December 31, 2022)

(Unit: thousands of yen)

	Reportable segment				Adjustments (Note) 1	Per consolidated financial statements (Note) 2
	Content Production Solutions business	Content Distribution Solutions business	UI/UX business	Total		
Net sales						
Net sales to external customers	5,394,339	961,392	1,187,443	7,543,175	—	7,543,175
Inter-segment net sales and transfers	—	—	—	—	—	—
Total	5,394,339	961,392	1,187,443	7,543,175	—	7,543,175
Segment profit (loss)	1,991,986	(26,334)	(545,628)	1,420,023	45,758	1,465,781
Segment assets	8,260,059	288,331	1,608,571	10,156,963	—	10,156,963
Other items						
Depreciation	378,665	58,470	391,886	829,023	22,904	851,928
Increase in property, plant and equipment and intangible assets	701,410	—	310,454	1,011,864	26,704	1,038,569

Notes: 1. Adjustments are as follows.

(1) The adjustment of ¥45,758 thousand in segment profit (loss) is mainly the net amount of company-wide earnings and company-wide expenses not allocated to each business segment. Company-wide earnings are business management guidance fees from Group subsidiaries to the submitting company, and company-wide expenses are mainly expenses related to Group management of the Company.

(2) The adjustment of ¥26,704 thousand in increase in property, plant and equipment and intangible assets is mainly the purchase of company-wide assets that do not belong to any reportable segment.

2. Segment profit (loss) is adjusted with operating profit in the consolidated financial statements.

Consolidated fiscal year under review (from January 1, 2023 to December 31, 2023)

(Unit: thousands of yen)

	Reportable segment				Adjustments	Per consolidated financial statements (Note)
	Content Production Solutions business	Content Distribution Solutions business	UI/UX business	Total		
Net sales						
Net sales to external customers	6,007,631	1,012,375	1,071,092	8,091,099	—	8,091,099
Inter-segment net sales and transfers	—	26,500	—	26,500	(26,500)	—
Total	6,007,631	1,038,875	1,071,092	8,117,599	(26,500)	8,091,099
Segment profit (loss)	2,177,177	(744,687)	(79,701)	1,352,788	—	1,352,788
Segment assets	7,790,494	667,049	93,980	8,551,524	—	8,551,524
Other items						
Depreciation	434,700	134,902	205,706	775,309	—	775,309
Increase in property, plant and equipment and intangible assets	693,857	301,003	—	994,861	—	994,861

Note: Segment profit (loss) is adjusted with operating profit in the consolidated statement of income.

(Per share information)

	Previous consolidated fiscal year (from January 1, 2022 to December 31, 2022)	Consolidated fiscal year under review (from January 1, 2023 to December 31, 2023)
Net assets per share	233.27 yen	200.60 yen
Basic earnings per share	29.83 yen	18.46 yen
Diluted earnings per share	29.49 yen	— yen

Notes: 1. Diluted earnings per share for the fiscal year under review are not stated as there are no potential common shares that have a dilution effect.

2. The basis for calculating net assets per share, basic earnings per share, and diluted earnings per share is as follows.

Item	Previous consolidated fiscal year (from January 1, 2022 to December 31, 2022)	Consolidated fiscal year under review (from January 1, 2023 to December 31, 2023)
Basic earnings per share		
Profit attributable to owners of parent (Thousands of yen)	1,047,911	626,428
Amount not attributable to shareholders of common shares (Thousands of yen)	—	—
Profit attributable to owners of parent attributable to common shares (Thousands of yen)	1,047,911	626,428
Average number of common shares during the period (Shares)	35,126,090	33,924,047
Diluted earnings per share		
Adjustment of profit attributable to owners of parent (Thousands of yen)	—	—
[of which interest expenses (after deduction of taxes)]	—	—
Increase in number of common shares (Shares)	405,743	—
[of which share acquisition rights (Shares)]	(405,743)	—
Outline of potential common shares not used to calculate diluted earnings per share because they do not have dilution effect	12th Share Acquisition Rights by resolution of the Board of Directors meeting held on August 6, 2021 Number of share acquisition rights: 2,200 (Common shares: 220,000 shares)	12th Share Acquisition Rights by resolution of the Board of Directors meeting held on August 6, 2021 Number of share acquisition rights: 1,700 (Common shares: 170,000 shares)

3. The basis for calculating net assets per share is as follows.

Item	Previous consolidated fiscal year (December 31, 2022)	Consolidated fiscal year under review (December 31, 2023)
Total net assets (Thousands of yen)	8,224,794	6,660,116
Amount deducted from total of net assets (Thousands of yen)	72,306	151,889
[of which share acquisition rights (Thousands of yen)]	(72,306)	(78,880)
Net assets at the end of the period for common shares (Thousands of yen)	8,152,488	6,508,227
Number of common shares at the end of the period used to calculate net assets per share (Shares)	34,947,572	32,443,210

(Significant subsequent events)
Not applicable.