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May 9, 2025

Non-consolidated Financial Results for the Three Months Ended March 31, 2025 (Under Japanese GAAP)

Company name: CELSYS, Inc.
Listing: Tokyo Stock Exchange
Securities code: 3663
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Scheduled date of commencing dividend payments: —
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. Non-consolidated financial results for the three months ended March 31, 2025 (from January 1, 2025 to March 31, 2025)

(1) Non-consolidated operating results (cumulative) (Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit	
Three months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
March 31, 2025	2,401	—	759	—	750	—	684	—
March 31, 2024	—	—	—	—	—	—	—	—

	Basic earnings per share	Diluted earnings per share
Three months ended	Yen	Yen
March 31, 2025	22.26	22.24
March 31, 2024	—	—

(Note) The financial results for the fiscal year ended December 31, 2024 have been disclosed on a consolidated basis. However, beginning with the three months ended March 31, 2025, the financial results are disclosed on a non-consolidated basis. Accordingly, operating results (cumulative) for the three months ended March 31, 2024 and the year-on-year percentage changes are not presented.

(2) Non-consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
As of	Millions of yen	Millions of yen	%
March 31, 2025	7,456	4,967	65.7
December 31, 2024	8,156	5,264	63.7

Reference: Equity

As of March 31, 2025: ¥4,897 million
As of December 31, 2024: ¥5,195 million

2. Cash dividends

	Annual dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended December 31, 2024	—	12.00	—	12.00	24.00
Fiscal year ending December 31, 2025	—				
Fiscal year ending December 31, 2025 (Forecast)		22.00	—	14.00	36.00

Notes: 1. Revision to the forecast for dividends announced most recently: None
2. The second quarter-end dividend for the fiscal year ending December 31, 2025 (forecast) includes a commemorative dividend of 10 yen per share for listing on the Prime Market of the Tokyo Stock Exchange.

3. Non-consolidated financial results forecast for the fiscal year ending December 31, 2025 (from January 1, 2025 to December 31, 2025)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
First half	4,504	10.9	1,108	0.3	1,081	(12.0)	809	(14.3)	26.19
Full year	9,079	10.7	2,555	19.0	2,514	10.3	1,744	24.6	56.46

Notes: 1. Revision to the financial results forecast announced most recently: None
2. Due to the absorption-type merger of &DC3, Inc., a consolidated subsidiary, on January 1, 2025, the Group shifted from consolidated to non-consolidated financial results beginning with the fiscal year ending December 31, 2025. Accordingly, the percentage changes for the first half and full year are calculated based on comparisons with the consolidated financial results for the fiscal year ended December 31, 2024.

*** Notes**

(1) Adoption of accounting methods specific to the preparation of quarterly non-consolidated financial statements: Yes

(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 March 31, 2025	36,271,180 shares
As of December 31, 2024	36,271,180 shares

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

As of March 31, 2025	5,786,681 shares
As of December 31, 2024	5,385,381 shares

(iii) Average number of shares outstanding during the period

Three months ended March 31, 2025	30,752,897 shares
Three months ended March 31, 2024	32,443,202 shares

* Review of the Japanese-language originals of the attached quarterly non-consolidated financial statements by certified public accountants or an audit corporation: None

* 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. Qualitative Information on Quarterly Financial Results (3) Explanation of non-consolidated financial results forecast and other forward-looking information” on page 4 of the attached materials for conditions forming the basis for financial results forecasts, notes regarding the use of financial results forecasts, and other information.

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1. Qualitative Information on Quarterly Financial Results

(1) Explanation of operating results

The Company operates a business that develops and provides services and platforms in the globally expanding creator economy market. To achieve further growth, we are working to establish a stable revenue base and management structure.

Following structural reforms including the sale of the UI/UX business in 2023, the listing on the Prime Market of the Tokyo Stock Exchange in 2024, and the absorption-type merger with our subsidiary, &DC3, Inc., in January 2025, the Company established a stable management structure. In light of this, we have formulated a new “Medium-Term Management Plan 2025–2027”. Under this Medium-Term Management Plan, we have set forth our mission as “Creating a More Passionate World,” aiming to contribute to creators and audiences in the creator economy market. Through providing services that support every stage of their journey—the “CREATOR JOURNEY”—we strive to create “a world that is more vibrant when everyone’s passions are connected.” As part of this Medium-Term Management Plan, we have designated a return on equity (ROE) of 30% or higher during the period as an important KPI. (Medium-Term Management Plan 2025–2027: https://www.celsys.com/files/user/pdf/ir/info/2025/info_2025-0214a.pdf)

In line with the formulation of the Medium-Term Management Plan, we reviewed our previous business segments and consolidated them into a single segment. Previously, our operations were divided into two segments: the “Content Production Solutions business,” which focused on development and sales of CLIP STUDIO PAINT, a software product for producing illustrations, manga, Webtoon, and animation; and the “Content Distribution Solutions business,” which included DC3 Solution and e-book Solution. As a result of the integration, the former has been redefined as the “Creator Support field” and the latter as the “Creator Platform field.”

The Company has supported specific areas of the creator economy market by providing solutions such as production support through “CLIP STUDIO PAINT” and content distribution support via e-books and DC3. Moving forward, while further enhancing the profitability of “CLIP STUDIO PAINT,” the Company will expand its business domain to encompass the entire creator economy market. By leveraging the trust and strengths earned from creators through its production solutions, as well as the assets accumulated through its distribution solutions, the Company aims to develop and provide new services in the Creator Platform field, thereby driving business expansion.

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 three months ended March 31, 2025, the Company’s net sales amounted to ¥2,401,549 thousand (up 19.4% year-on-year), and operating profit amounted to ¥759,159 thousand (up 34.2% year-on-year). It should be noted that the financial results for the three months ended March 31, 2024 were on a consolidated basis, reflecting the performance of CELSYS, Inc. and its subsidiary, &DC3, Inc.

Ordinary profit amounted to ¥750,567 thousand (up 24.1% year-on-year) due to factors such as recording of ¥2,598 thousand in interest income as non-operating income, while ¥8,505 thousand in commission expenses for purchase of treasury shares and ¥2,593 thousand in foreign exchange losses were recorded as non-operating expenses. Profit amounted to ¥684,628 thousand (up 23.8% year-on-year) due to factors such as the recording of ¥153,875 thousand in gain on extinguishment of tie-in shares as extraordinary income resulting from the simplified absorption-type merger of &DC3, Inc., and the recording of ¥219,814 thousand in income taxes. The progress rates on the full-year financial results forecast announced on February 14, 2025 are 26.5% for net sales and 29.7% for operating profit.

The Company emphasizes shareholder returns, and with regard to the acquisition of treasury shares, a cumulative total of ¥5,000,000 thousand was executed, including ¥1,000,000 thousand in the fiscal year ended December 31, 2022, ¥2,000,000 thousand in the fiscal year ended December 31, 2023, ¥1,500,000 thousand in the fiscal year ended December 31, 2024, and ¥500,000 thousand in the three months ended on March 31, 2025. In addition, for the fiscal year ending December 31, 2025, the Company plans to pay an annual dividend of ¥36 per share (an increase of ¥12 from the previous year), comprising an interim dividend of ¥22, which includes a commemorative dividend of ¥10 per share for the listing on the Prime Market of the Tokyo Stock Exchange, and a year-end dividend of ¥14.

Net sales by field are as follows.

	(Consolidated) Three months ended March 31, 2024 Amount (thousands of yen)	(Non-consolidated) Three months ended March 31, 2025 Amount (thousands of yen)	Year-on- year change (%)
Creator Support	1,671,834	2,056,705	23.0
Creator Platform	339,637	344,843	1.5
Total	2,011,471	2,401,549	19.4

<Creator Support field>

The Creator Support field provides services related to content production worldwide through CLIP STUDIO PAINT, the illustration, manga, Webtoon and animation app, which supports the creative activities of creators active in the graphics industry.

Cumulative shipments of CLIP STUDIO PAINT, the Company's core service, reached a total of 49.80 million units by March 2025 (up 28.0% year-on-year), and exceeded 50.00 million units by April 2025. In addition, the Annual Recurring Revenue (ARR) for the SaaS service provided under a subscription model of the same application was ¥4.63 billion in March 2025 (up 34.9% year-on-year), marking a record high.

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 profitability is limited compared with the one-time purchase versions. 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.

The monthly churn rate of CLIP STUDIO PAINT subscription contracts in the three months ended March 31, 2025, was 4.5% at the end of January, 4.4% at the end of February, and 5.1% at the end of March.

CLIP STUDIO PAINT is offered in 11 languages and has reached approximately 80% for overseas shipments of non-Japanese versions. To further increase sales and the number of users, the Company will continue to strengthen localization efforts, including marketing for the languages, not only for widely used languages such as English, Spanish, German, and Korean, but also for languages with high growth potential, such as simplified Chinese, Thai, Indonesian, and Brazilian Portuguese, as well as enhancing payment options.

In the first quarter under review, we made a major update of CLIP STUDIO PAINT in March 2025, with the aim of boosting both sales and the number of users of CLIP STUDIO PAINT, and Version 4.0 was released. Version 4.0, which was released globally, received a strong response, and the accompanying promotional campaign achieved results exceeding the initial plan.

The Company has implemented an offering model under which customers who have purchased outright are required to sign an additional subscription contract or buy the new version on special offer to make use of all the latest functions available in Version 4.0. This offering model has led to an increase in subscription contracts and improved sales from existing outright purchase users purchasing the new version. As a result, CELSYS's monthly sales exceeded ¥1.0 billion for the first time in March 2025.

In conjunction with the major version update, the Company also revised the price of the one-time purchase version with the aim of improving profitability and ensuring the continued provision of services, implementing a price increase of up to 8%. The price will be revised to match the increased value of services with the regular release of major updates in the future.

In January 2025, the Company began offering a paid add-on subscription that provides expanded cloud storage capacity, with the aim of enhancing user convenience and increasing revenue opportunities within the subscription model.

In February 2025, CLIP STUDIO PAINT began to be provided globally as a bundled offering with Wacom's new product, the "Wacom Intuos Pro." The bundled version of CLIP STUDIO PAINT adopts a model in which, after the free usage period ends, users transition to a subscription contract. This initiative is expected to contribute to an increase in new contracts and the acquisition of users in overseas markets.

In March 2025, the CLIP STUDIO PAINT Volume License for enterprises and educational institutions was adopted in the curriculum of ZEN University, an online university newly established by the Educational Institute of The Nippon Foundation and DWANGO. Twenty courses taught by popular professional creators have been launched, contributing to increased recognition and a broader user base among younger generations. CLIP STUDIO PAINT has already been introduced at N High School, S High School, and N Middle School, which are affiliated schools of ZEN University and operated by KADOKAWA DWANGO Educational Institute.

<Creator Platform field>

In the Creator Platform field, the Company aims to expand its business and stimulate creative activities by developing and providing services that leverage the trust and strengths cultivated through its content production solution in the Creator Support field, as well as the assets accumulated through its distribution solutions.

In the first quarter under review, the Company promoted the planning and development of new platform services. While conducting research on the ecosystem and key existing services in the creator economy market, the Company has been considering the concept of a new platform service for creators, with the aim of launching the official service in 2026. At the same time, efforts have been made to strengthen the organizational structure, including securing personnel, to support the development of new services.

In addition, the Company continued to operate its existing community services that support the use of CLIP STUDIO PAINT, while implementing continuous functional improvements to enhance user retention among subscription users. The Company also worked to increase the number of users of its platform services through initiatives such as operating Mochikomi online, a service that supports matching aspiring manga artists and manga editors seeking new talent, as well as implementing functional updates.

In the area of distribution solutions, the Company has been optimizing the performance and improving the UI/UX of its DC3 Solution and e-book Solution, while also exploring potential applications for these solutions in new platform services.

As of March 2025, the number of users worldwide of the Company's creator platform services exceeded 10 million (up 17.0% year-on-year).

(2) Explanation of financial position

Total assets at the end of the first quarter under review amounted to ¥7,456,863 thousand, down ¥699,794 thousand from the end of the previous fiscal year. The main factors include increases of ¥179,199 thousand in accounts receivable - trade, ¥122,897 thousand in prepaid expenses, and decreases of ¥717,793 thousand in cash and deposits due to the acquisition of treasury shares and payment of dividends, ¥111,508 thousand in investment securities, and ¥44,915 thousand in shares of subsidiaries and associates.

Liabilities at the end of the first quarter under review amounted to ¥2,489,400 thousand, down ¥402,337 thousand from the end of the previous fiscal year. The main factors include increases of ¥64,347 thousand in accounts payable - trade, ¥67,659 thousand in provision for bonuses, and a decrease of ¥503,938 thousand in income taxes payable.

Total net assets at the end of the first quarter under review amounted to ¥4,967,463 thousand, down ¥297,456 thousand from the end of the previous fiscal year. The main factors include an increase of ¥313,998 thousand in retained earnings, an increase of ¥499,947 thousand in treasury shares due to share buybacks, and a decrease of ¥111,508 thousand in valuation difference on available-for-sale securities. The equity-to-asset ratio was 65.7%.

(3) Explanation of non-consolidated financial results forecast and other forward-looking information

The full-year financial results forecast for the fiscal year ending December 31, 2025 remains unchanged from the forecast announced on February 14, 2025.

Regarding the recent U.S. tariff measures, the Company is not directly affected, as the majority of its business consists of digital services that do not involve the import or export of physical products and are therefore not subject to tariffs. Accordingly, the Company expects no impact on the full-year financial results forecast.

In the Company's overseas operations, sales of CLIP STUDIO PAINT are settled in currencies other than Japanese yen, and server usage fees and advertising expenses are also invoiced in foreign currencies. As such, fluctuations in sales and expenses tend to offset each other. Consequently, the impact of exchange rate fluctuations on profit is considered to be minor, and the impact on the full-year financial results forecast is deemed to be negligible. Additionally, the Company's international transactions are conducted in a variety of currencies, including not only the U.S. dollar but also the euro, Korean won, and others. Therefore, fluctuations in any single currency are also expected to have only a limited impact on the full-year financial results forecast.

2. Quarterly Non-consolidated Financial Statements and Major Notes

(1) Quarterly non-consolidated balance sheet

	(Unit: thousands of yen)	
	Previous non-consolidated fiscal year (December 31, 2024)	Three months under review (March 31, 2025)
Assets		
Current assets		
Cash and deposits	5,188,846	4,471,053
Accounts receivable - trade	220,827	400,027
Finished goods	18,837	11,861
Raw materials and supplies	142,483	142,623
Accounts receivable - other	323,374	299,976
Prepaid expenses	111,979	234,876
Other	45,704	-
Allowance for doubtful accounts	(154)	(85,762)
Total current assets	6,051,898	5,474,655
Non-current assets		
Property, plant and equipment		
Buildings	97,094	93,648
Tools, furniture and fixtures	48,563	50,948
Total property, plant and equipment	145,657	144,596
Intangible assets		
Trademark right	33,632	32,417
Patent right	24,273	23,910
Software	905,316	918,849
Software in progress	46,552	68,937
Other	31,796	32,390
Total intangible assets	1,041,571	1,076,504
Investments and other assets		
Investment securities	663,486	551,978
Shares of subsidiaries and associates	44,915	-
Leasehold and guarantee deposits	131,364	131,364
Deferred tax assets	77,763	77,763
Total investments and other assets	917,529	761,106
Total non-current assets	2,104,759	1,982,207
Total assets	8,156,658	7,456,863

(Unit: thousands of yen)

	Previous non-consolidated fiscal year (December 31, 2024)	Three months under review (March 31, 2025)
Liabilities		
Current liabilities		
Accounts payable - trade	67,966	132,313
Accounts payable - other	162,976	118,177
Advances received	1,091,638	1,140,019
Accrued expenses	74,199	42,616
Income taxes payable	723,354	219,416
Provision for bonuses	64,064	131,723
Other	196,201	159,997
Total current liabilities	2,380,401	1,944,264
Non-current liabilities		
Provision for retirement benefits	297,741	312,116
Provision for retirement benefits for directors (and other officers)	192,642	199,972
Other	20,953	33,048
Total non-current liabilities	511,336	545,136
Total liabilities	2,891,738	2,489,400
Net assets		
Shareholders' equity		
Share capital	10,000	10,000
Capital surplus		
Legal capital surplus	2,500	2,500
Other capital surplus	6,386,067	6,386,067
Total capital surplus	6,388,567	6,388,567
Retained earnings		
Other retained earnings		
Retained earnings brought forward	3,741,289	4,055,288
Total retained earnings	3,741,289	4,055,288
Treasury shares	(4,678,793)	(5,178,741)
Total shareholders' equity	5,461,063	5,275,115
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	(265,744)	(377,252)
Total valuation and translation adjustments	(265,744)	(377,252)
Share acquisition rights	69,600	69,600
Total net assets	5,264,919	4,967,463
Total liabilities and net assets	8,156,658	7,456,863

(2) Quarterly non-consolidated statements of income
Three months ended March 31, 2025

(Unit: thousands of yen)

	Three months under review (From January 1, 2025 to March 31, 2025)
Net sales	2,401,549
Cost of sales	980,271
Gross profit	1,421,277
Selling, general and administrative expenses	662,118
Operating profit	759,159
Non-operating income	
Interest income	2,598
Other	82
Total non-operating income	2,680
Non-operating expenses	
Commission expenses	8,505
Foreign exchange losses	2,593
Other	172
Total non-operating expenses	11,272
Ordinary profit	750,567
Extraordinary income	
Gain on extinguishment of tie-in shares	153,875
Total extraordinary income	153,875
Pre-tax net profit	904,442
Income taxes - current	219,814
Total income taxes	219,814
Profit	684,628

(3) Notes to quarterly non-consolidated financial statements

(Note on entity's ability to continue as going concern)

Not applicable.

(Notes in case of significant changes in shareholders' equity)

The Company acquired 401,300 shares of treasury shares upon the resolution of the Board of Directors meeting held on December 20, 2024.

As a result, treasury shares increased by ¥499,947 thousand to ¥5,178,741 thousand at the end of the first quarter under review.

(Adoption of accounting methods specific to the preparation of quarterly non-consolidated financial statements)

Calculation of tax expenses

The Company calculates tax expenses by multiplying profit before income taxes by a reasonably estimated effective tax rate for profit before income taxes for the fiscal year under review after the application of tax effect accounting.

(Segment information)

[Segment information]

Three months ended March 31, 2024 (from January 1, 2024 to March 31, 2024)

This is as stated in “Three months ended March 31, 2025 (Information on changes in reportable segments).”

Three months ended March 31, 2025 (from January 1, 2025 to March 31, 2025)

Segment information is omitted as the Company operates a single reportable segment.

(Information on changes in reportable segments)

The Company has previously reported two businesses as reportable segments: the “Content Production Solutions business” and the “Content Distribution Solutions business.” However, beginning with the first quarter of the current fiscal year, these have been consolidated into a single reportable segment. The “Content Production Solutions business” is redefined as the “Creator Support field” and the “Content Distribution Solutions business” is redefined as the “Creator Platform field.” As a result of the change, the Company now operates a single segment, and therefore, segment information for both three months ended March 31, 2024 and the three months ended March 31, 2025 has been omitted.

(Notes to quarterly non-consolidated cash flow statements)

The Company has not prepared the quarterly non-consolidated cash flow statements for the three months ended March 31, 2025. Depreciation (including amortization related to intangible assets) for the three months ended March 31, 2025 is as follows.

	Three months under review (from January 1, 2025 to March 31, 2025)
Depreciation	¥173,016 thousand