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February 14, 2025

Consolidated Financial Results for the Fiscal Year Ended December 31, 2024 (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, 2025
Scheduled date of commencing dividend payments: March 28, 2025
Scheduled date of filing annual securities report: March 31, 2025
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, 2024 (from January 1, 2024 to December 31, 2024)

(1) Consolidated operating results

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Fiscal year ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
December 31, 2024	8,204	1.4	2,146	58.7	2,279	62.3	1,399	123.5
December 31, 2023	8,091	7.3	1,352	(7.7)	1,404	(12.5)	626	(40.2)

Note: Comprehensive income For the fiscal year ended December 31, 2024: ¥1,048 million [87.7%]
For the fiscal year ended December 31, 2023: ¥558 million [(48.9)%]

	Basic earnings per share	Diluted earnings per share	Return on equity (ROE)	Ordinary profit to total assets	Operating profit to net sales ratio
Fiscal year ended	Yen	Yen	%	%	%
December 31, 2024	44.26	—	23.6	26.8	26.2
December 31, 2023	18.46	—	8.5	15.0	16.7

Reference: Equity in earnings (losses) of affiliates For the fiscal year ended December 31, 2024: ¥— million
For the fiscal year ended December 31, 2023: ¥— million

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
December 31, 2024	8,431	5,418	63.4	173.19
December 31, 2023	8,551	6,660	76.1	200.60

Reference: Equity
As of December 31, 2024: ¥5,349 million
As of December 31, 2023: ¥6,508 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, 2024	3,732	(1,670)	(2,276)	5,348
December 31, 2023	2,344	(1,474)	(2,122)	5,561

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, 2023	—	0.00	—	12.00	12.00	389	65.0	5.5
Fiscal year ended December 31, 2024	—	12.00	—	12.00	24.00	745	54.2	12.8
Fiscal year ending December 31, 2025 (Forecast)	—	22.00	—	14.00	36.00			

Note: 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. Consolidated financial results forecast for the fiscal year ending December 31, 2025 (from January 1, 2025 to December 31, 2025)

Due to the absorption-type merger of &DC3, Inc., a consolidated subsidiary, on January 1, 2025, the Group will shift from consolidated to non-consolidated financial results beginning in the fiscal year ending December 31, 2025. As the consolidated results forecast for the fiscal year ending December 31, 2025 is not stated, please refer to the non-consolidated financial results forecast.

*** Notes**

(1) Significant changes in the scope of consolidation during the period: Yes

Newly included: – companies

Excluded: One company (CJ Inc.)

(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, 2024	36,271,180 shares
As of December 31, 2023	36,271,180 shares

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

As of December 31, 2024	5,385,381 shares
As of December 31, 2023	3,827,970 shares

(iii) Average number of shares outstanding during the period

Fiscal year ended December 31, 2024	31,623,179 shares
Fiscal year ended December 31, 2023	33,924,047 shares

(Reference) Summary of Non-Consolidated Financial Results

1. Non-consolidated financial results for the fiscal year ended December 31, 2024

(from January 1, 2024 to December 31, 2024)

(1) Non-consolidated operating results

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit	
Fiscal year ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
December 31, 2024	7,143	18.9	2,854	31.2	2,991	33.4	963	(28.0)
December 31, 2023	6,007	–	2,175	–	2,242	–	1,339	–

	Basic earnings per share	Diluted earnings per share
Fiscal year ended	Yen	Yen
December 31, 2024	30.47	–
December 31, 2023	39.47	–

(2) Non-consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
December 31, 2024	8,156	5,264	63.7	168.21
December 31, 2023	8,683	6,844	77.9	208.54

Reference: Equity

As of December 31, 2024: ¥5,195 million

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

2. 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)	22.30
Full year	9,079	10.7	2,555	19.0	2,514	10.3	1,744	24.6	48.08

Note: Due to the absorption-type merger of &DC3, Inc., a consolidated subsidiary, on January 1, 2025, the Group will shift from consolidated to non-consolidated financial results beginning in the fiscal year ending December 31, 2025. The year-on-year changes for the first half and full year are year-on-year changes from the consolidated results for the fiscal year ended December 31, 2024.

* 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.

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1. Overview of Operating Results, etc.

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

The Group aims to provide an environment that can fully support the creation of digital content, covering each step from production to distribution, expanding its business in the two fields of 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 the content distribution platform solution DC3 and e-book distribution services. Furthermore, starting from the fiscal year ending December 31, 2025, we will formulate and implement the new “Medium-Term Management Plan 2025-2027” to drive our business forward. For details, please refer to “(4) Future outlook” below and the “Medium-Term Management Plan 2025-2027” disclosed today.

On September 25, 2024, the Company changed its stock listing from the Standard Market to the Prime Market of the Tokyo Stock Exchange. As disclosed in the “Notice Regarding Dividends for the Fiscal Year Ending December 31, 2025 (Next Fiscal Year) (Commemorative Dividend for the Change of the Stock Listing to the Prime Market of the Tokyo Stock Exchange)” on the same day, the Company has decided to pay a commemorative dividend for the change of the stock listing to the Prime Market of ¥10 per share in addition to the ordinary dividend in the interim dividend for the fiscal year ending December 31, 2025, as a commemoration of the change of the stock listing to the Prime Market of the Tokyo Stock Exchange.

As disclosed in “Notice Regarding Acquisition of Shares of a Consolidated Subsidiary to Make It a Wholly-Owned Subsidiary, Absorption-Type Merger (Simplified Merger and Short-Form Merger), Waiver of Claims, and Recording of Extraordinary Losses in the Non-Consolidated Financial Statements” on November 15, 2024, following the completion of the development of DC3 Solution, the Company conducted an absorption-type merger of &DC3, Inc., a consolidated subsidiary of the Company, effective January 1, 2025, to promote the utilization of DC3 within the Group and to streamline management. Due to the absorption-type merger the Group will shift from consolidated to non-consolidated financial results beginning in the three months ending March 31, 2025.

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 ended December 31, 2024, the Group’s net sales amounted to ¥8,204,959 thousand (up 1.4% year-on-year), and operating profit amounted to ¥2,146,236 thousand (up 58.7% year-on-year). Although the fiscal year ended December 31, 2023 includes ¥1,071,092 thousand in net sales from the UI/UX business, which was sold off on August 1, 2023, sales increased. Profit also increased year-on-year as higher costs associated with preparations for listing and listing on the Prime Market of the Tokyo Stock Exchange were offset by streamlining investment in development with an awareness of the balance of income and expenditures for the entire Group and by implementing cost review measures.

In addition, ordinary profit amounted to ¥2,279,315 thousand (up 62.3% year-on-year) due to factors such as ¥118,020 thousand in foreign exchange gains being recorded as non-operating income. Profit attributable to owners of parent amounted to ¥1,399,893 thousand (up 123.5% year-on-year) due to factors such as the recording of ¥888,777 thousand in income taxes.

Return on equity (ROE) was 23.6%, an improvement from 8.5% in the previous fiscal year.

The Company is planning for a total one-year spend worth ¥2,000,000 thousand for the acquisition of treasury shares starting from March 1, 2024 to emphasize shareholder returns. As part of this, as disclosed in “Notice Regarding the Status and Completion of Acquisition of Treasury Shares” on June 3, 2024 and December 20, 2024, the Company acquired ¥999,946 thousand of treasury shares (1,202,700 shares) from March to May 2024, and ¥499,875 thousand of treasury shares (363,900 shares) from November to December 2024. As disclosed in “Notice Regarding Determination of Matters Concerning Acquisition of Treasury Shares” on December 20, 2024, the Company intends to acquire the remaining treasury shares of ¥500,000 thousand by March 31, 2025. In parallel, as disclosed in the “Notice Regarding Revision to Interim Dividends Forecasts (Increased Dividends)” on June 7, 2024, the Company increased the interim dividend for the fiscal year ended December 31, 2024 (paid on September 30, 2024) by ¥2 per share. Furthermore, as disclosed in the “Notice Regarding Revision to Dividends Forecasts (Increased Dividends)” on August 2, 2024, the Company has decided to increase the year-end dividend by ¥2 per share. As a result, the Company paid an interim dividend of ¥12 and a year-end dividend of ¥12, for a total of ¥24 per share (an increase of ¥12 in dividends year-on-year) for the fiscal year ended December 31, 2024.

As disclosed in “Notice Regarding Decreasing Amounts of Share Capital and Legal Capital Surplus” on February 9, 2024, share capital and legal capital surplus were scheduled to be reduced to prepare for agile and flexible capital policy in the future. As planned, this decision took effect on April 17, 2024, upon which share capital and legal capital surplus were reduced to ¥10,000 thousand and ¥2,500 thousand, respectively. The increased surplus from this capital reduction will be used in providing dividends, in addition to the

acquisition of treasury shares, enhancing the shareholder returns policy, and capital policy in the future.

In addition, in February 2024, the Company formed a capital and business alliance with Axell Corporation with an aim to strengthen collaborative relationships for AI and Web3 related technologies. Based on this alliance, the Company acquired 464,800 shares of Axell Corporation for ¥914,726 thousand. Meanwhile, Axell Corporation acquired 1,081,000 shares of the Company through an open market purchase.

Progress is being made on the capital and business alliance agreements with each company, as the Company is improving the efficiency of WEBTOON content production and advancing into the field of AI and promoting utilization, etc., of DC3 Solution, with WEBTOON Entertainment Inc. and LINE Digital Frontier Corp., working with Wacom Co., Ltd. through promotional activities in collaboration with Wacom products, which are essential for creative production, and is engaging in joint development of AI technology with Axell Corporation.

Operating results per section are as follows.

<Content Production Solutions business>

The Content Production Solutions business offers support for creators in the graphics industry and provides SaaS services for content creation worldwide through the illustration, manga, Webtoon and animation app as well as community sites that support creation. Beginning from the fiscal year ending December 31, 2025, we will revise our business segments in accordance with the newly formulated Medium-Term Management Plan.

In March 2024, we made a major update of CLIP STUDIO PAINT, a software product for producing illustrations, manga, Webtoon, and animation, with improved features resulting from ongoing investment in development, and Version 3.0 was released. Furthermore, prices for subscriptions to provide CLIP STUDIO PAINT as SaaS and outright purchase license versions were revised to increase profitability and to continuously provide the service. Prices will be revised in the future with the increased value of services.

Version 3.0 was released through a major update in March 2023, and customers that have purchased outright are now on an additional subscription contract or buy the new version on special offer to make use of all the latest functions available. Version 3.0 has been well received since it was released, and furthermore, global promotional campaigns were implemented to acquire new users in parallel with this release. CLIP STUDIO PAINT saw an increase in subscription contracts and improved sales from existing outright purchase users purchasing the new version, and a more stable and consistent revenue stream from service provision is able to be generated.

The major version update push helps to lift net sales and user numbers by raising its profile in the market, and is planned on a regular basis for the fiscal year ending December 31, 2025 onward.

CLIP STUDIO PAINT is offered in 11 languages and has reached approximately 80% for overseas shipments of non-Japanese versions, and particularly in mainland China, the number of subscription contracts is steadily increasing. Ranked as the 7th highest in terms of net sales by country on the App Store, growth is expected in the future.

Cumulative shipments of CLIP STUDIO PAINT exceeded 45.00 million units by October 2024, and reached 48.05 million units by January 2025. The Annual Recurring Revenue (ARR) for the SaaS service provided by the CLIP STUDIO PAINT subscription model was ¥4.34 billion in December 2024 (up 34.3% year-on-year), and ¥4.45 billion in January 2025, a record high.

The churn rate of CLIP STUDIO PAINT subscription contracts in December 2024 amounted to 4.8%. Worldwide membership of CLIP STUDIO Creator, a community for creators in the fields of illustrations, manga, Webtoon, and animation, reached 9.00 million people in July 2024, amounting to 9.65 million people in December 2024 (up 17.1% year-on-year).

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.

In March 2024, the Company launched sales of Clip Studio Tabmate 2, a wireless handheld shortcut device. CLIP STUDIO TABMATE 2 has strengthened the competitiveness of CLIP STUDIO PAINT for mobile environments against competing programs through improved operability and by being the first product that is compatible with iPads and iPhones. CLIP STUDIO TABMATE 2 has been well received since it was released, and the number of shipments is exceeding initial expectations.

In October 2024, CLIP STUDIO PAINT came bundled with Samsung's latest laptop, the Galaxy Book5, and was made available in North America and Europe. In addition, in December, CLIP STUDIO PAINT came preinstalled on the NEC LAVIE Tab T11. Bundled and preinstalled versions of CLIP STUDIO PAINT can continue to be used by transferring to a subscription contract after the free trial period runs out, and an

increase in subscription contracts is expected. Bundles with the Galaxy Book5 will be deployed globally, and an increase in overseas users is expected.

In December 2024, in cooperation with Honda Motor Co., Ltd., the Company started distributing a free 3D model of the “Honda Super Cub C125” that can be used for creation in CLIP STUDIO PAINT through the asset library CLIP STUDIO ASSETS.

In addition, as part of efforts to expand awareness of CLIP STUDIO PAINT and its user base overseas, the Company sponsored events overseas such as Mangafest, one of the largest comprehensive events for manga, games, and entertainment in Spain.

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

As a result of the above, net sales amounted to ¥7,143,207 thousand (up 18.9% year-on-year) and operating profit amounted to ¥2,848,718 thousand (up 30.8% year-on-year).

<Content Distribution Solutions business>

The Content Distribution Solutions business provides solutions related to content distribution through the development and provision of the content distribution platform DC3 and e-book Solution. Beginning from the fiscal year ending December 31, 2025, we will revise our business segments in accordance with the newly formulated Medium-Term Management Plan.

As for DC3, a platform to realize the distribution of digital content through treating all digital data as unique “things,” an update was released in November 2024, adding a 3D room model for DC3 My Room and seeking to improve the UI/UX by renewing the master content registration screen and providing the ability to log in with a Google or CLIP STUDIO account.

Furthermore, in December, the DC3 player Hive Ticket Player and the ticket content creation service Ticket-tier have been updated, enabling video and audio to be set on tickets.

In parallel, sales and promotional activities to facilitate use of DC3 Solution have been promoted and several service providers have adopted DC3 Solution. Sales functionality of DC3 content was released in January 2024 for the new monthly membership platform Creatia, which connects creators and fans of the Toranoana Group. In addition, the Company has been collaborating with IP users on such TV animations as “I Parry Everything: What Do You Mean I’m the Strongest? I’m Not Even an Adventurer Yet!” and “*Hokkai no Maju Azarashi-san* (Beast of the North Sea Azarashi-san),” which started broadcasting from July 2024, and the game “El Shaddai.”

The research and development initially planned for the DC3 Solution has been completed. Moving forward, we will transition into an improvement phase focused on enhancing stability and usability while curbing development investments. In addition to promoting integration with CLIP STUDIO PAINT and utilization within our own services, we will continue providing solutions to service providers.

In addition, &DC3, which serves as vice chair of the Technology Promotion Subcommittee of Japan Contents Blockchain Initiative, participated in the Content NFT Study Group, which conduct pilot experiments and hearings to formulate guidelines for content IP protection as part of the “Pilot Project for Building Digital Public Goods Using Web 3.0 & Blockchain” of the Ministry of Economy, Trade and Industry. Beginning from the fiscal year ending December 31, 2025, we will work in cooperation with member content-related companies as CELSYS.

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. Starting in October 2024, these solutions can be compatible with the latest OS released by Google, Android 15 for Android.

As a result of the above, net sales amounted to ¥1,061,751 thousand (up 4.9% year-on-year) and operating loss amounted to ¥681,995 thousand (operating loss of ¥744,687 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 ¥8,431,270 thousand, down ¥120,254 thousand from the end of the previous fiscal year. The main factors include increases of ¥20,323 thousand in accounts receivable - trade, ¥63,949 thousand in raw materials and supplies, and ¥631,435 thousand in investment securities, and decreases of ¥210,121 thousand in cash and deposits, ¥218,714 thousand in accounts receivable - other, ¥153,373 thousand in deferred tax assets, and ¥239,755 thousand in other current assets due to share buybacks.

Liabilities at the end of the fiscal year under review amounted to ¥3,012,475 thousand, up ¥1,121,067 thousand from the end of the previous fiscal year. The main factors include increases of ¥688,716 thousand in income taxes payable, ¥270,804 thousand in advances received, ¥42,534 thousand in accounts payable - other, and ¥45,950 thousand in retirement benefits for directors (and other officers).

Total net assets at the end of the fiscal year under review amounted to ¥5,418,795 thousand, down

¥1,241,321 thousand from the end of the previous fiscal year. The main factors include an increase of ¥1,492,169 thousand in treasury shares due to share buybacks. The equity-to-asset ratio was 63.4%.

(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 ¥5,348,060 thousand, down ¥213,721 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 ¥3,732,848 thousand (¥2,344,617 thousand provided during the previous fiscal year). This was mainly due to factors that increased funds, such as recording ¥2,215,661 thousand in pre-tax net profit, recording ¥657,896 thousand in depreciation, and ¥214,434 thousand in income taxes refund.

(Cash flows from investing activities)

Net cash used in investing activities amounted to ¥1,670,385 thousand (¥1,474,161 thousand used during the previous fiscal year). This was mainly due to factors such as ¥687,369 thousand in purchase of intangible assets such as software and ¥915,926 thousand in purchase of investment securities.

(Cash flows from financing activities)

Net cash used in financing activities amounted to ¥2,276,184 thousand (¥2,122,989 thousand used during the previous fiscal year). This was mainly due to factors such as ¥776,250 thousand in dividends paid and ¥1,499,934 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 ¥5,348,060 thousand.

(4) Future outlook

While engaging in business that offers total support for content, from production to distribution, the Company has been building a stable revenue base and management structure, aiming for further growth.

Having ensured a strong and stable management structure due to structural reforms through the transfer of the UI/UX business in 2023 and listing on the Prime Market of the Tokyo Stock Exchange in 2024 in addition to merging with the subsidiary &DC3 in an absorption-type merger, the Company has formulated the new “Medium-Term Management Plan 2025-2027,” and while strengthening the profitability of CLIP STUDIO PAINT in the creator economy market, will expand its business domains and aim for growth through the development of new services that provide places for the activities of creators. (“Medium-Term Management Plan 2025-2027” URL: [~~~~~](#))

Based on the formulated medium-term management plan, the Company changed its businesses as defined by the two business segments of the Content Production Solutions business, centered on the development and sales of the CLIP STUDIO PAINT, and the Contents Distribution Solutions business, consisting of DC3 Solution and e-book Solutions, up to the previous fiscal year to now be represented by a single business segment, making the existing Content Production Solutions business into the Creator Support field and the Content Distribution Solutions business into the Creator Platform field.

As a part of the Company’s business, the Creator Support field, centered on the development and sales of the CLIP STUDIO PAINT, a software product for producing illustrations, manga, Webtoon, and animation, will aim to acquire new users by strengthening the continued global expansion, expand the user base by engaging with young and light users, and increase the rate of continued use by strengthening the user community, while ensuring development investment in CLIP STUDIO PAINT and implementing measures to increase subscription contracts, aiming to increase the number of users on subscription contracts and continue ARR growth.

In the Creator Platform field, the Company will leverage the competitiveness of CLIP STUDIO PAINT in the market, and in the creator economy market, will develop services and platforms that are able to serve as new places for the activities of creators in order to provide further value to creators in a wider range of areas that extend beyond content production. In addition, distribution solutions including DC3 Solution and e-book Solutions will be integrated into the Creator Platform field as the technological infrastructure for supporting the above platforms and utilized in new services.

Taking the above into account, net sales are expected to amount to ¥9,079 million, and operating profit amount to ¥2,555 million for the fiscal year ending December 31, 2025. Ordinary profit is expected to amount to ¥2,514 million, and profit to amount to ¥1,744 million. Return on equity (ROE) is expected to be 30%. Forecast for the fiscal year ending December 31, 2025, in addition to the ordinary dividends of an interim dividend of ¥12 and a year-end dividend of ¥14, as disclosed in the “Notice Regarding Dividends for the Fiscal Year Ending December 31, 2025 (Next Fiscal Year) (Commemorative Dividend for the Change of the Stock Listing to the Prime Market of the Tokyo Stock Exchange)” on September 25, 2024, the Company has decided to pay a commemorative dividend for the change of the stock listing to the Prime Market of ¥10

per share for the fiscal year ending December 31, 2025, as a commemoration of the change of the stock listing to the Prime Market of the Tokyo Stock Exchange, for an annual total of ¥36, including the interim dividend.

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

	(Unit: thousands of yen)	
	Previous consolidated fiscal year (December 31, 2023)	Consolidated fiscal year under review (December 31, 2024)
Assets		
Current assets		
Cash and deposits	5,601,095	5,390,973
Accounts receivable - trade	339,623	359,947
Finished goods	3,481	18,837
Raw materials and supplies	78,533	142,483
Accounts receivable - other	526,165	307,451
Other	381,021	141,246
Allowance for doubtful accounts	(144)	(154)
Total current assets	6,929,776	6,360,784
Non-current assets		
Property, plant and equipment		
Buildings	185,650	185,650
Accumulated depreciation	(74,671)	(88,556)
Buildings (net)	110,979	97,094
Tools, furniture and fixtures	270,961	274,717
Accumulated depreciation	(204,942)	(226,154)
Tools, furniture and fixtures (net)	66,019	48,563
Total property, plant and equipment	176,998	145,657
Intangible assets		
Software	893,415	915,957
Software in progress	68,288	46,552
Other	90,494	89,703
Total intangible assets	1,052,197	1,052,213
Investments and other assets		
Investment securities	32,050	663,486
Leasehold and guarantee deposits	129,364	131,364
Deferred tax assets	231,136	77,763
Total investments and other assets	392,551	872,614
Total non-current assets	1,621,748	2,070,485
Total assets	8,551,524	8,431,270

(Unit: thousands of yen)

	Previous consolidated fiscal year (December 31, 2023)	Consolidated fiscal year under review (December 31, 2024)
Liabilities		
Current liabilities		
Accounts payable - trade	130,321	164,108
Accounts payable - other	122,535	165,069
Advances received	829,975	1,100,779
Accrued expenses	87,472	74,678
Income taxes payable	35,168	723,884
Provision for bonuses	61,600	64,064
Other	165,371	196,217
Total current liabilities	1,432,444	2,488,803
Non-current liabilities		
Provision for retirement benefits for directors (and other officers)	159,027	204,977
Retirement benefit liability	278,983	297,741
Other	20,953	20,953
Total non-current liabilities	458,963	523,671
Total liabilities	1,891,407	3,012,475
Net assets		
Shareholders' equity		
Share capital	3,076,576	10,000
Capital surplus	2,627,828	5,670,504
Retained earnings	3,977,650	4,613,228
Treasury shares	(3,186,624)	(4,678,793)
Total shareholders' equity	6,495,431	5,614,939
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	12,796	(265,744)
Total accumulated other comprehensive income	12,796	(265,744)
Share acquisition rights	78,880	69,600
Non-controlling interests	73,009	-
Total net assets	6,660,116	5,418,795
Total liabilities and net assets	8,551,524	8,431,270

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

(Unit: thousands of yen)

	Previous consolidated fiscal year (from January 1, 2023 to December 31, 2023)	Consolidated fiscal year under review (from January 1, 2024 to December 31, 2024)
Net sales	8,091,099	8,204,959
Cost of sales	4,182,262	3,663,125
Gross profit	3,908,837	4,541,834
Selling, general and administrative expenses	2,556,048	2,395,597
Operating profit	1,352,788	2,146,236
Non-operating income		
Interest income	565	436
Dividend income	212	37,932
Foreign exchange gains	111,677	118,020
Other	4	2,254
Total non-operating income	112,459	158,644
Non-operating expenses		
Commission expenses	52,559	20,468
Share issuance costs	6,259	-
Loss on patents	1,637	1,027
Extra retirement payments	-	3,818
Other	266	250
Total non-operating expenses	60,722	25,565
Ordinary profit	1,404,526	2,279,315
Extraordinary income		
Gain on reversal of share acquisition rights	-	9,280
Total extraordinary income	-	9,280
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	170	0
Loss on valuation of investment securities	25,029	303
Impairment loss	-	72,631
Total extraordinary losses	914,589	72,934
Pre-tax net profit	489,937	2,215,661
Income taxes - current	39,093	729,756
Income taxes - deferred	(170,789)	159,020
Total income taxes	(131,696)	888,777
Profit	621,633	1,326,884
Loss attributable to non-controlling interests	(4,795)	(73,009)
Profit attributable to owners of parent	626,428	1,399,893

(Consolidated statement of comprehensive income)

(Unit: thousands of yen)

	Previous consolidated fiscal year (from January 1, 2023 to December 31, 2023)	Consolidated fiscal year under review (from January 1, 2024 to December 31, 2024)
Profit	621,633	1,326,884
Other comprehensive income		
Valuation difference on available-for-sale securities	(4,878)	(278,540)
Foreign currency translation adjustment	(58,299)	-
Total other comprehensive income	(63,178)	(278,540)
Comprehensive income	558,455	1,048,343
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	563,250	1,121,352
Comprehensive income attributable to non-controlling interests	(4,795)	(73,009)

(3) Consolidated statement of changes in net assets
Previous consolidated fiscal year (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
Changes during period					
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	-	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
Changes during period						
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	-	12,796	78,880	73,009	6,660,116

Consolidated fiscal year under review (from January 1, 2024 to December 31, 2024)

(Unit: thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Opening balance	3,076,576	2,627,828	3,977,650	(3,186,624)	6,495,431
Changes during period					
Capital reduction	(3,066,576)	3,066,576			-
Dividends of surplus			(764,315)		(764,315)
Profit attributable to owners of parent			1,399,893		1,399,893
Purchase of treasury shares				(1,499,934)	(1,499,934)
Disposal of treasury shares				7,765	7,765
Gain on disposal of treasury shares		530			530
Change in ownership interest of parent due to transactions with non-controlling interests		(24,431)			(24,431)
Net changes in items other than shareholders' equity					
Total changes during period	(3,066,576)	3,042,675	635,577	(1,492,169)	(880,492)
Ending balance	10,000	5,670,504	4,613,228	(4,678,793)	5,614,939

	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	12,796	-	12,796	78,880	73,009	6,660,116
Changes during period						
Capital reduction						-
Dividends of surplus						(764,315)
Profit attributable to owners of parent						1,399,893
Purchase of treasury shares						(1,499,934)
Disposal of treasury shares						7,765
Gain on disposal of treasury shares						530
Change in ownership interest of parent due to transactions with non-controlling interests						(24,431)
Net changes in items other than shareholders' equity	(278,540)		(278,540)	(9,280)	(73,009)	(360,829)
Total changes during period	(278,540)	-	(278,540)	(9,280)	(73,009)	(1,241,321)
Ending balance	(265,744)	-	(265,744)	69,600	-	5,418,795

(4) Consolidated cash flow statements

(Unit: thousands of yen)

	Previous consolidated fiscal year (from January 1, 2023 to December 31, 2023)	Consolidated fiscal year under review (from January 1, 2024 to December 31, 2024)
Cash flows from operating activities		
Pre-tax net profit	489,937	2,215,661
Depreciation	781,761	657,896
Share-based payment expenses	6,573	6,221
Share issuance costs	6,259	-
Gain on reversal of share acquisition rights	-	(9,280)
Increase (decrease) in allowance for doubtful accounts	(12)	10
Increase (decrease) in provision for bonuses	(14,406)	2,464
Increase (decrease) in retirement benefit liability	14,379	18,758
Increase (decrease) in provision for retirement benefits for directors (and other officers)	42,475	45,950
Loss on transfer of shares of subsidiaries and associates	502,646	-
Impairment loss	-	72,631
Interest and dividend income	(778)	(38,368)
Loss on retirement of non-current assets	170	0
Loss on valuation of software	386,742	-
Loss (gain) on valuation of investment securities	25,029	303
Decrease (increase) in trade receivables	(112,502)	(20,323)
Decrease (increase) in inventories	(3,116)	(79,306)
Increase (decrease) in trade payables	305	33,787
Other	440,395	581,882
Subtotal	2,565,858	3,488,288
Interest and dividends received	745	38,368
Income taxes refund	61,268	214,416
Income taxes paid	(283,255)	(8,225)
Net cash provided by (used in) operating activities	2,344,617	3,732,848
Cash flows from investing activities		
Payments into time deposits	(3,600)	(3,600)
Purchase of property, plant and equipment	(63,421)	(37,056)
Purchase of intangible assets	(773,937)	(687,369)
Payments for sale of shares of subsidiaries resulting in change in scope of consolidation	(603,210)	-
Purchase of investment securities	(29,988)	(915,926)
Purchase of shares of subsidiaries and associates	-	(24,431)
Payments of guarantee deposits	(1,785)	(2,000)
Proceeds from refund of leasehold deposits	1,781	-
Net cash provided by (used in) investing activities	(1,474,161)	(1,670,385)

	(Unit: thousands of yen)	
	Previous consolidated fiscal year (from January 1, 2023 to December 31, 2023)	Consolidated fiscal year under review (from January 1, 2024 to December 31, 2024)
Cash flows from financing activities		
Proceeds from share issuance to non-controlling shareholders	143,670	-
Dividends paid	(266,603)	(776,250)
Purchase of treasury shares	(2,000,055)	(1,499,934)
Net cash provided by (used in) financing activities	(2,122,989)	(2,276,184)
Effect of exchange rate change on cash and cash equivalents	69,474	-
Net increase (decrease) in cash and cash equivalents	(1,183,058)	(213,721)
Opening balance of cash and cash equivalents	6,744,840	5,561,782
Ending balance of cash and cash equivalents	5,561,782	5,348,060

(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.

(Matters concerning changes, etc. in reportable segments)

As a result of the transfer of the UI/UX business in the previous consolidated fiscal year, the reporting segment for the UI/UX business has been discontinued from the consolidated fiscal year under review.

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

Previous consolidated fiscal year (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	441,152	134,902	205,706	781,761	—	781,761
Increase in property, plant and equipment and intangible assets	671,824	300,695	—	972,519	—	972,519

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

Consolidated fiscal year under review (from January 1, 2024 to December 31, 2024)

(Unit: thousands of yen)

	Reportable segment			Adjustments	Per consolidated financial statements (Note)
	Content Production Solutions business	Content Distribution Solutions business	Total		
Net sales					
Net sales to external customers	7,143,207	1,061,751	8,204,959	—	8,204,959
Inter-segment net sales and transfers	—	0	0	(0)	—
Total	7,143,207	1,061,751	8,204,959	(0)	8,204,959
Segment profit (loss)	2,848,718	(681,995)	2,166,723	(20,486)	2,146,236
Segment assets	8,117,382	313,888	8,431,270	—	8,431,270
Other items					
Depreciation	587,344	70,551	657,896	—	657,896
Increase in property, plant and equipment and intangible assets	660,696	4,341	665,038	—	665,038

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

(Per share information)

	Previous consolidated fiscal year (from January 1, 2023 to December 31, 2023)	Consolidated fiscal year under review (from January 1, 2024 to December 31, 2024)
Net assets per share	200.60 yen	173.19 yen
Basic earnings per share	18.46 yen	44.26 yen

- Notes: 1. Diluted earnings per share for the previous fiscal year are not stated as there are no potential common shares that have a dilution effect.
2. The basis for calculating basic earnings per share is as follows.

Item	Previous consolidated fiscal year (from January 1, 2023 to December 31, 2023)	Consolidated fiscal year under review (from January 1, 2024 to December 31, 2024)
Basic earnings per share		
Profit attributable to owners of parent (Thousands of yen)	626,428	1,399,893
Amount not attributable to shareholders of common shares (Thousands of yen)	—	—
Profit attributable to owners of parent attributable to common shares (Thousands of yen)	626,428	1,399,893
Average number of common shares during the period (Shares)	33,924,047	31,623,179
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: 1,700 (Common shares: 170,000 shares)	12th Share Acquisition Rights by resolution of the Board of Directors meeting held on August 6, 2021 Number of share acquisition rights: 1,500 (Common shares: 150,000 shares)

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

Item	Previous consolidated fiscal year (December 31, 2023)	Consolidated fiscal year under review (December 31, 2024)
Total net assets (Thousands of yen)	6,660,116	5,418,795
Amount deducted from total of net assets (Thousands of yen)	151,889	69,600
[of which share acquisition rights (Thousands of yen)]	(78,880)	(69,600)
Net assets at the end of the period for common shares (Thousands of yen)	6,508,227	5,349,195
Number of common shares at the end of the period used to calculate net assets per share (Shares)	32,443,210	30,885,799

(Significant subsequent events)

(Absorption-type merger of consolidated subsidiary)

At the Board of Directors meeting held on November 15, 2024, the Company resolved to conduct an absorption-type merger with the Company as the surviving company and &DC3 as the absorbed company (the “Merger”) effective January 1, 2025, and concluded a merger agreement on the same day. The Merger was conducted on January 1, 2025.

1. Overview of transaction

(1) Names and description of business of constituent parties

(Absorbed company of absorption-type merger)

Name of combined companies &DC3, Inc.

Description of business Provide DC3 Solution and provide e-book distribution solution

(2) Date of the business combination

January 1, 2025

(3) Legal form of the business combination

Merger with the Company as the surviving company and &DC3, Inc. as the absorbed company.

(4) Name after the business combination

CELSYS, Inc.

(5) Other matters concerning the overview of transaction

The Group develops and provides services and solutions that offer total support for digital content, from production to distribution. The Company has achieved its initial targets in the development of new services for the Content Distribution Solutions business, in which its subsidiary &DC3, established in 2022, is engaged, and has determined that it is best to streamline management. In addition to these factors, from the perspective of allocating resources within the Group and further strengthening the collaboration between CLIP STUDIO PAINT provided by the Company and DC3 provided by &DC3, the Company has decided to make &DC3 a wholly-owned subsidiary and conduct an absorption-type merger effective January 1, 2025.

2. Overview of accounting method to be implemented

In accordance with the “Accounting Standard for Business Combinations” (ASBJ Statement No. 21 of January 16, 2019) and the “Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures,” (ASBJ Guidance No. 10 of January 16, 2019) the transaction will be treated as a transaction under common control.