

April 11, 2024

CELSYS, Inc.

Representative & President Kei Narushima
(Code number: 3663 TSE Standard)

Contact information: Director Ken Ito

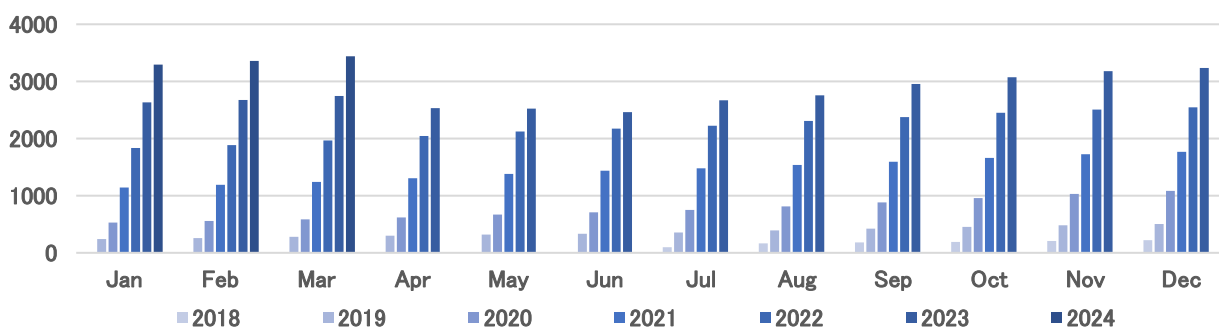
Phone number: +81-3-6256-2904

Notice of monthly business progress report for March 2024

We would like to present the following monthly business progress report for March 2024. Information on the marketing, alliances, and other qualitative activities of each group company is posted on our website as needed. (https://www.celsys.com/irinfo_groupnews/) We have posted an IR survey on our website. We will continue to improve this report while taking your feedback into account.

1. Report (Content Creation Solutions Business)

(1) 3-month moving average ARR of Clip Studio Paint subscription sales



(Unit: One million yen)

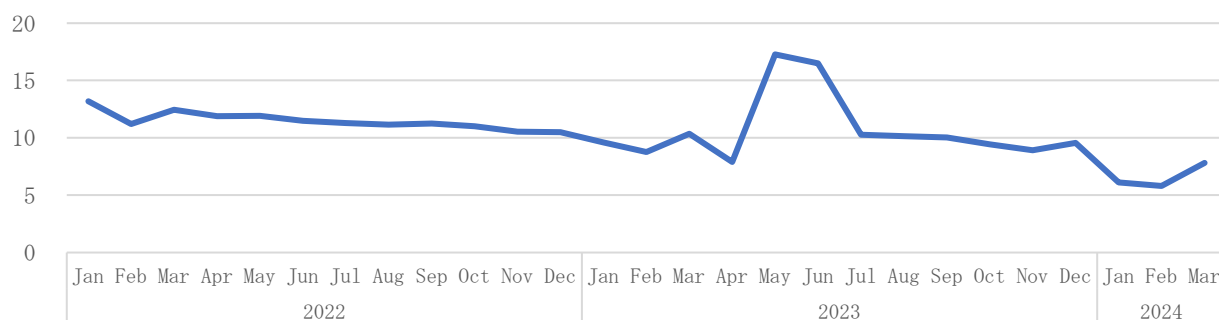
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2018							98	165	182	191	206	222
2019	240	259	280	299	318	334	356	393	424	453	481	503
2020	530	556	585	620	668	710	752	811	882	959	1,032	1,084
2021	1,144	1,191	1,242	1,306	1,380	1,436	1,480	1,538	1,595	1,660	1,725	1,768
2022	1,834	1,884	1,966	2,046	2,124	2,173	2,225	2,309	2,375	2,450	2,506	2,545
2023	2,633	2,676	2,746	2,531	2,523	2,462	2,668	2,755	2,956	3,074	3,178	3,236
2024	3,293	3,358	3,439									

Note: ARR (an abbreviation for Annual Recurring Revenue, which is the revenue assumed to be earned in a year, assuming that all contracts are renewed at the time of contract renewal) is a three-month moving average due to monthly fluctuations caused by the number of days per month (28 business days for regular months and 35 business days for special months) depending on the settlement method and the fact that the settlement is adjusted for each quarter-end month.

<March Topic>

1 ARR has reached an all-time high.

(2) Clip Studio Paint churn rate (paid subscriptions)



(Unit: %)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2022	13.2	11.2	12.4	11.9	11.9	11.5	11.3	11.1	11.2	11.0	10.5	10.5
2023	9.6	8.7	10.3	7.9	17.3	16.5	10.3	10.1	10.0	9.4	8.9	9.5
2024	6.1	5.8	7.8									

Note 1: This indicator is the cancellation rate (customer churn rate) based on the number of customers with paid subscription contracts for the SaaS version of Clip Studio Paint. It is calculated based on the number of cancellations during the month relative to the number of subscriptions as of the end of the previous month; if one customer has multiple subscriptions, each subscription is calculated as a separate subscription. In addition, due to the nature of the product, which offers monthly subscription plans that can be used only when necessary, in addition to annual subscription plans, there are cases where the same customer repeatedly subscribes and cancels subscriptions.

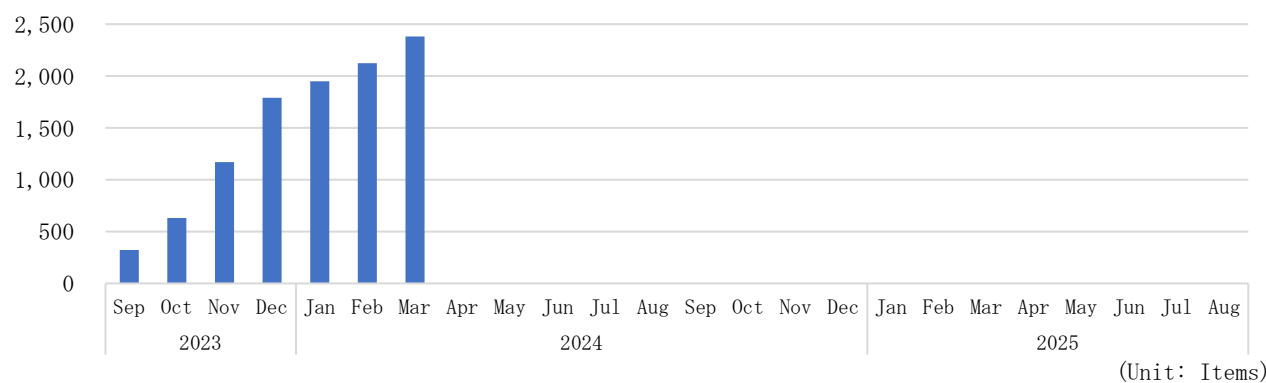
Note 2: In May 2023, we made changes to the payment system used for subscription contract payments from Windows and macOS environments, with the aim of strengthening security to prevent normal payments from being hindered due to unknown attacks. Although the churn rate temporarily increased as some subscribers did not re-register and some contracts were canceled by the re-registration deadline at the end of May, the number of new contracts continued to trend steadily. It has been stable since July 2023.

<March Topic>

- 1 Due to the major version update for Clip Studio Paint that was implemented in mid-March, the churn rate temporarily increased. This trend is the same as in March 2023, when another major version update was implemented.
- 2 In the future, annual major version updates are expected to have a temporary impact on subscription churn rates. However, the ARR has steadily progressed and we expect that revenues from the subscription model shall continue.

Content Distribution Solutions Business

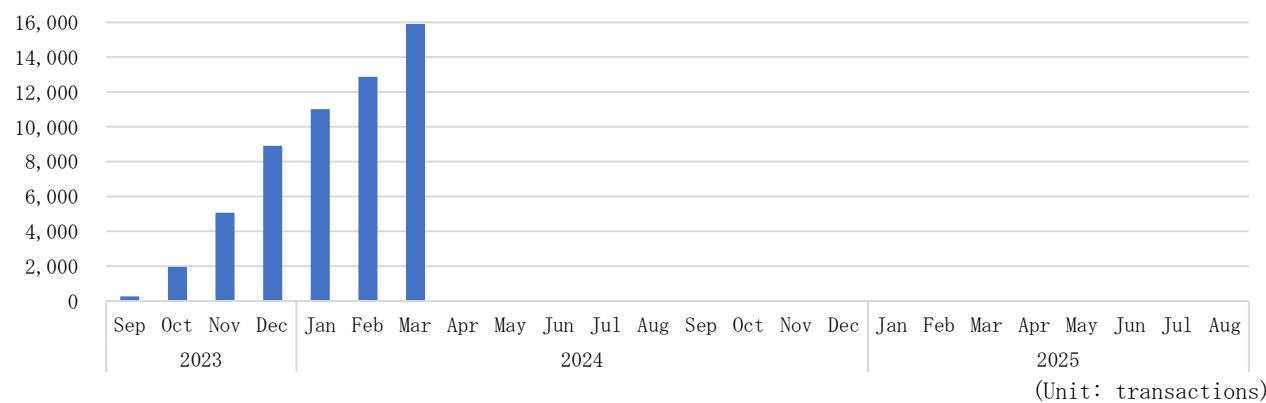
(1) Number of DC3 solution master contents



	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2023	—	—	—	—	—	—	—	—	322	630	1,169	1,789
2024	1,948	2,122	2,380									

Note: The number of master contents is the total number of all DC3 master contents registered to services that incorporate DC3 solutions. Master content is like a content mold in the DC3 world. By manufacturing DC3 content from the master content, each piece of content is distributed as a unique "thing" just like in the real world. Using electronic comics as an example, it is similar to the original data (master content) being based on the original drawings, and the books (DC3 content) are printed based on that data.

(2) Cumulative number of DC3 solution transactions

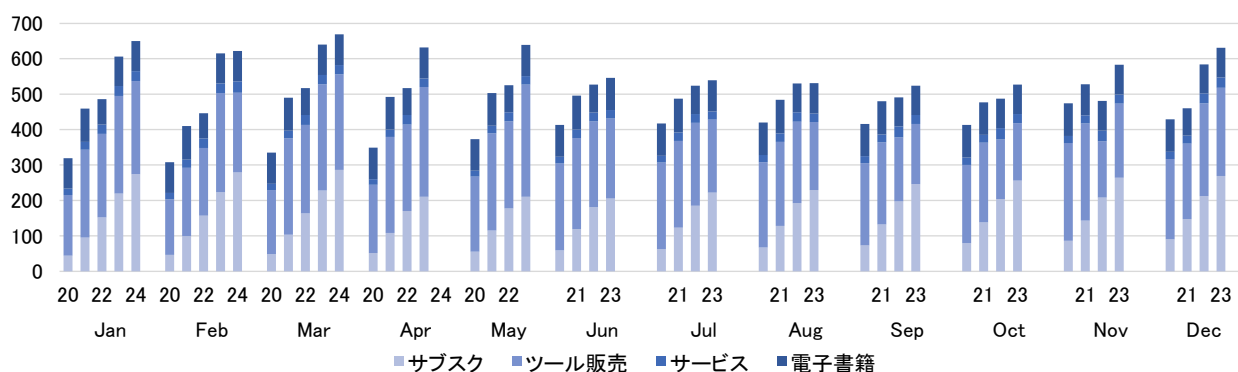


	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2023	—	—	—	—	—	—	—	—	266	1,955	5,074	8,910
2024	11,016	12,875	15,908									

Note: The number of transactions includes all transactions such as lending access rights as well as transfers.

Overall Group

(1) Three-month moving average sales breakdown of content creation solutions business and content distribution solutions business



(Unit: One million yen)

		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2020	E-Books	86	87	88	89	89	90	91	92	91	92	92	92
	Services	18	18	18	16	17	19	19	20	20	21	20	20
	Tool sales	171	157	181	193	212	245	245	241	232	221	276	227
	Subscriptions	44	46	48	51	55	59	62	67	73	79	86	90
2021	E-Books	94	95	93	92	92	96	95	95	94	92	88	77
	Services	22	23	22	21	22	24	24	24	22	22	23	23
	Tool sales	248	193	272	271	274	257	245	237	232	225	274	213
	Subscriptions	95	99	103	108	115	119	123	128	132	138	143	147
2022	E-Books	72	71	76	76	76	79	80	81	82	83	84	82
	Services	26	27	28	27	26	25	25	27	31	32	30	28
	Tool sales	236	191	250	244	246	242	234	230	181	168	159	262
	Subscriptions	152	157	163	170	177	181	185	192	197	204	208	212
2023	Distribution solutions	83	85	86	88	88	91	88	86	83	83	84	84
	Services	28	27	26	24	24	24	23	24	25	26	26	29
	Tool sales	276	280	300	310	317	226	206	192	170	162	209	249
	Subscriptions	219	223	228	210	210	205	222	229	246	256	264	269
2024	Distribution solutions	85	86	87									
	Services	28	32	26									
	Tool sales	263	225	270									
	Subscriptions	274	279	286									

Note: Three-month moving averages are used because the amount fluctuates on a monthly basis due to the number of days in a month (28 business days for regular months and 35 business days for special months) depending on the means of settlement and the fact that settlement adjustments are made for each quarter-end month.

Differences from consolidated results and other indices may arise due to the inclusion of intra-group sales and the fact that amounts less than one million yen are rounded down in the calculation process.

“Subscriptions” is the sales from Clip Studio Paint subscriptions.

“Tool sales” includes sales of the downloadable version of the one-time purchase model and corporate licenses.

“Services” includes sales from Clip Studio web services.

“Distribution solutions” includes sales related to e-books.

<March Topic>

- Due to the major version update of Clip Studio Paint that was implemented in mid-March, sales of the perpetual version (tool sales) increased from version upgrades from existing users, as well as a campaign to attract new users that was implemented at the same time.
- Tool sales increased due to the start of Clip Studio Tabmate 2 shipments.