Financial Results Briefing Report for 2Q, FY2022 CREEMA LTD. (TSE Mothers: 4017) October 15, 2021

Creema



MISSION

Make people and the world happy by accomplishing our work with love VISION

A new big conglomerate leading the 21st century

Corporate Statement Let's create a huge round era!

#### **Business structure and "Creema economic zone"**

We are expanding our business into various service areas that support the activities of creators with Japan's largest handmade marketplace "Creema" as the main axis, and we are striving to expand the "Creema economic zone", where all services are dynamically linked.



# 2Q, FY2022 Company-wide results



## [Company-wide] 2Q and First Half Results

2Q sales landed at 503 million yen (98% YoY) and operating profit at 39 million yen. Sales for the cumulative first half landed at 1.1 billion yen (107% YoY) and operating profit at 187 million yen (76% YoY). Operating profit margin was 16.9%.

Consolidated Income Statement

Topics

	2	Q	First Half		
Unit: million yen	Results YoY		Results	YoY	
(Ref.) GMV	3,643	97%	7,816	98%	
Sales	503	98%	1,109	107%	
Sales Cost	1	130%	8	541%	
Gross profit	502	98%	1,100	106%	
SG&A	462	119%	912	116%	
Operating profit	39	31%	187	76%	
Ordinary Profit	36	30%	184	76%	
Net income	17	15%	146	62%	

#### [2Q]

- Sales were 98% YoY in reaction to the surge in demand which arose in the previous fiscal year due to COVID-19.
- SG&A expenses were 119% YoY as a result of expanding medium- to long-term strategic growth investments as planned, which include TV commercial broadcasting and new business investments.
- As a result, operating profit was 31% YoY.

#### [First Half]

- Sales grew 107% YoY. Although sales of offline-area services (events and stores) decreased significantly, sales of online-area services (platform) increased more than such decrease.
- SG&A expenses were 116% YoY mainly due to TV commercials, large-scale development investments, and new business investments.
- As a result, operating profit for the first half was 76% YoY.
- The progress rate vs. the operating profit target for FY22 is 60% as of 2Q, going smoothly to plan.

#### [Company-wide] Trends in consolidated sales

2Q sales landed at 98% YoY in reaction to the temporary sharp increase in sales in the previous fiscal year from the surge in demand for "handmade masks" and "stay-at-home consumption" caused by the spread of COVID-19. On the other hand, due to 1Q growth, sales for the first half were 107% YoY. If excluding the impact of mask-related sales, however, 2Q sales and sales for the first half grew steadily at 109% YoY and 124% YoY, respectively.



## [Ref.] Sales trends for the marketplace service

In the marketplace service, 2Q mask-related product sales decreased more than 51 million yen YoY, resulting in a decline in the growth rate of over 10% in 2Q company-wide sales. As for the cumulative first half, sales decreased by more than 138 million yen YoY. If excluding the impact of mask-related sales, both the marketplace service and company-wide sales continue to grow steadily (details as described later).



Note: Mask-related sales refers to those associated with sales from trading of works that contain the word "mask" in the product names. Such works are among those that completed trade during a relevant period under Creema's categories other than food.

#### [Company-wide] Changes in consolidated SG & A expenses

Meanwhile, 2Q SG&A expenses continued to be incurred as planned for medium- to long-term growth. The expenses were 119% YoY due to an increase in promotion expenses, system development expenses, personnel expenses, new business investments and others. As for the first half, SG&A was 116% YoY.



Changes in SG&A expenses

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#### [Company-wide] Changes in consolidated operating income

2Q operating profit landed at 39 million yen (31% YoY) due to a combination of a reaction to the temporary rapid growth caused by the impact of COVID-19 in the previous year and upfront investments made for medium- to long-term growth. As for the first half, operating profit landed at 187 million yen (76% YoY).

First Half Quarter YoY: 31% YoY: 76% Unit: million yen 248 148 187 125 122 75 58 39 6 ▲ 2 1Q 2Q 3Q 4Q 1Q 2Q 3Q 4Q 1Q 2Q First Half First Half First Half **FY21 FY22 FY20 FY20 FY21 FY22** • Reaction to the temporary rapid growth in sales due to ▲ 98 the impact of COVID-19 in the previous fiscal year Upfront investments for medium- to long-term growth

Trends in operating profit

# A bottoming out in 2Q and a gradual increase in 3Q and 4Q is expected under the business plan. Progress regarding the earnings forecast is following a steady trend in all key indicators. No change is made from the plan set at the beginning of the

term, and steady growth will also be made in the second half.

GMV	Full-year earnings forecast 2Q results	16,279 <b>7,816</b>	<ul> <li>In the first half, both GMV and sales progressed in line with the forecast.</li> <li>In 2Q, the GMV of the marketplace service is planned to bottom out.</li> </ul>	
		⇒ Progress rate (as of 2Q): 48%	<ul> <li>✓ From 3Q onward, the GMV of the marketplace service will enter a growth trend and large-scale</li> </ul>	
Sales	Full-year earnings forecast 2Q results	2,446	events, etc. will be held. Accordingly, sales are expected to grow further in the second half.	
		⇒ Progress rate (as of 2Q): 45%	<ul> <li>Operating profit temporarily saw a slightly favorable variance due to a decision</li> </ul>	
	Full-year earnings forecast	315	made not to strategically use a portion of the budget in 1Q.	
Operating profit	2Q results	187	<ul> <li>Progress is favorable for all key indicators, including GMV, sales, and</li> </ul>	
		$\Rightarrow$ Progress rate (as of 2Q): 60%	operating profit. No change is made from the plan set at	

Progress as of 2Q against full-year earnings forecast (million yen)

**Earnings progress** 

Key financial indicators

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Topics

the beginning of the term, and will further

grow in the second half.

## [Company-wide] Balance sheet status

Subject (Unit: Million Yen)	2Q FY2022	(Ref.) 1Q FY2022	(Ref.) QoQ
Current Assets	3,530	3,531	100%
Cash and cash equivalents	2,915	2,924	100%
Accounts receivable	591	584	101%
Fixed assets	227	203	112%
Deferred tax assets	64	66	97%
Security deposits	51	52	99%
Goodwill	45	49	92%
Total assets	3,758	3,735	101%
Current Liabilities	2,039	2,227	92%
Withholdings / Funds payable and amounts due to creators	1,466	1,648	89%
Loans repayable within one year	170	277	62%
Fixed liabilities	482	296	163%
Long-term liabilities	472	286	165%
Total liabilities	2,522	2,524	100%
Capital stock	536	532	101%
Capital surplus	1,957	1,953	100%
Retained Earnings	-1,256	-1,274	_
Total net assets	1,235	1,211	102%

# **FY2022 Performance by major services**



#### [Marketplace] Main initiatives and Creema GMV trends

2Q GMV landed at 3.6 billion yen, slightly below that of the previous fiscal year, as a reaction to the temporary surge in demand for handmade masks and stay-at-home consumption. If excluding the mask-related GMV, however, 2Q GMV and GMV for the first half grew steadily at 112% YoY and 120% YoY, respectively.

Main initiatives

- Deployment of various merchandising campaign measures such as special feature articles capturing trends like Father's Day, and special programs including "Summer grab bags (*fukubukuro*)".
- Enhancement of Creema products focusing on a better user interface and measures to improve convenience for creators.
- Strengthening of systems and support structure to provide a safer and more secure purchasing experience.
- Broadcasting of Creema TV commercial from July to August to get the service known.





#### [Ref.] Impact of handmade masks in Creema GMV

If excluding the mask-related GMV, 2Q GMV and GMV for the first half increased steadily at 112% YoY and 120% YoY, respectively. The substantial scale of the service continues to grow significantly.



Note: The mask-related GMV refers to the GMV of traded products that contain the word "mask" in the titles of works on Creema. Such works are among those traded during a relevant period under Creema's categories other than food. In regard to the mask-related GMV disclosed on April 14, since it was calculated based on titles of works extracted at the point when the disclosed material was prepared and not when works were traded, in some cases, titles have been changed from when traded. By revising the extraction method in detail this time, the total annual mask-related GMV in FY21 increased slightly more than the mask-related GMV disclosed on April 14, while the GMV excluding mask-related products in FY22 disclosed on July 13 decreased slightly.

#### [Marketplace] Sales trends

2Q overall sales were 364 million yen (94% YoY), but if excluding mask-related products, 109% YoY. Sales for the first half were 98% YoY, but if excluding mask-related products likewise, 119% YoY. Sales continue to grow strongly in the main.



Note: Mask-related sales refers to those associated with sales from trading of works that contain the word "mask" in their title. Such works are among those that completed trade during a relevant period under Creema's categories other than food.

#### [Ref.] Development of various merchandising campaign measures

220,000 professional / semi-professional creators and 12 million fascinating pieces of work are introduced from various aspects.



#### 夏のおしゃれにスパイスを 大人エスニック

カラフルな柄にピーズや刺繍、夏のおしゃれのスパイスになるエスニックアイテムをご紹介します。アクセサリーやバッグを取り入れるだけで も、いつもと違う夏らしい雰囲気に。エスニックなコーデで、今年の夏をゆったりと過ごしませんか?







【再販】木版プリント/Aラインロン・

花と小鳥のギャザーワンピース \*az・





¥7,150

【草木染め】ニャンドゥティフープ…

ぴったりフィット♪2wayメッシュ…





#### [Ref.] Broadcasting of Creema TV commercial

Broadcasting of Creema TV commercial also in FY22 from the end of the previous fiscal year to get the service known.



## [Ref.] Trends in marketplace-related KPIs

Both the number of listings and app downloads have been steady. While the transaction unit price fell temporarily due to a sudden increase in low unit-price mask-related sales in FY21, the transaction unit price has recovered in FY22 with the significant decrease in mask-related sales. Unit price in 2Q was highest ever.



#### [Platform] Main initiatives and sales trends

In addition to the significant acceleration of orders and deliveries of items in external advertising (advertising for companies and local governments), users of internal advertising (advertising for creators) continued to be steady. As a result, sales of the platform service landed at 118 million yen (124% YoY). Sales for the first half landed at 284 million yen (152% YoY).

Main initiatives

- In external advertising(advertising for companies and local governments), collaboration projects with major manufacturers and various companies as well as support in a digital shift in the traditional craft industry continued, and orders/deliveries of local government PR projects accelerated.
- In internal advertising (advertising for creators), initiatives continued to be taken in various campaigns, additions of functions, etc. to promote the use of advertising services.



Sales trends

## [Ref.] Example of external advertising - Idea-seeking Contest

To further have the attractiveness of Kumamoto Prefecture's traditional craftworks become widely known, an idea-seeking contest was held for "Creema," inviting creators who will create works together and share ideas on product development and improvement.







#### くまもとの伝統工芸 × Creema

アイディア募集 コンテスト

#### 技術とクリエイティビィティで、くまもとの伝統工芸に 新たな息吹きを吹き込んでいただけるクリエイターの皆さまを募集します!





#### [Events & stores] Main initiatives and sales trends

No events were held in 2Q. As for stores, in addition to the limitation on the number of operating days and hours due to the declaration of a state of emergency, etc., a two-store-base operation system was taken, three stores less than the previous fiscal year. As a result, 2Q sales were 52% YoY and sales for the first half were 66% YoY.

Main initiatives

- Due to the impact of COVID-19, events were again not held in FY22 as in the previous fiscal year. Large-scale events are scheduled to be held from 3Q (November) of FY22.
- Store performance fell below that of the previous fiscal year. This was due to the limitation of operations imposed from the continued declaration of a state of emergency/priority preventive measures, in addition to the two-storebase system that was three less than the number in the same period of the previous year.

						Ouico	uona	<b>,</b>				
Quarter									First Half			
Unit: m	illion y	en										
										178		
	118		116									
						Y	′oY: <mark>52</mark>	%			YoY	66%
59		41										
				14	26	24	19	13	13		41	27
1Q FY20	2Q	3Q	4Q	1Q FY21	2Q	3Q	4Q	1Q FY22	2Q	First Half FY20	First Half FY21	First Half FY22

Sales trends

#### Announcement: Large-scale events will be held successively from 3Q

Outdoor music and craft festival "Creema YAMABIKO FES 2021" will be held at Gotemba Kogen from November 6 to 7, 2021. Cultural aspects such as craft city, sauna village, and outdoor areas will all gather mainly around the outdoor music stage where live performances of 12 groups can be enjoyed against the backdrop of Mt. Fuji.



## [Ref.] New service group

In addition to the crowdfunding service and lesson video platform, we intend to successively add new services in the future to promote the construction of the "Creema economic zone" while increasing value provided to creators and users.

Services released to date

Services to be released in the future

#### Introduction of other new services

あかころ (akatin) のブロフィール

ましたら3営業日以内に発送いたします)

あいころ作品は「受注制作」の作品が多くごさいます。 できるたけ畑やかに知らさせていたたくため、ご注文時に」

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\*お知らせた

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Creema

あかころ (akatin)

\*▲ フォローする エーダーの相称する

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フード・おか キュレーション 読みもの

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出版する オパント情報 へいろ

Development and examination of various new services with high synergy with Creema is underway.



plusjack

めがねのまち鯖江でつくる 「いつも」と「もし

もしがひとつになった、笛のアクセサリー

Utilizing the huge membership base of "Creema", which supports the activities of creators, we operate a platform where creators can raise funds.

Crowdfunding

Lesson video platform, etc.



We entered into the EdTech via M&A with FANTIST Co., Ltd, providing creator's lesson video platform, and started offering fulfillment service from photo-taking to shipping.

#### [Ref.] Introduction of Creema SPRINGS Project - ENLIGHT2021

Through ENLIGHT2021, a project implemented by a crowdfunding service Creema SPRINGS to simultaneously exhibit public arts nationwide, public arts by Creema creators are being exhibited successively in Fukuoka Prefecture (Itoshima), Kanagawa Prefecture (Yokohama), Toyama Prefecture (Toyama), etc.



# Others: SDGs project - Sales of upcycle works using "*nunomimi*", waste thread generated from weaving process

Enshu textile is a local industry in the Enshu region of Shizuoka Prefecture. Creema creators were asked to submit works using nunomimi (waste thread) which is industrial waste generated from the weaving process of Enshu textiles, and 25 upcycle works were commercialized. We will continuously aim to realize a sustainable world where new value will be created from scrap through the power of crafting.





## FY2022 Forecast

#### Medium-term management policy

In FY22, we will utilize the platform base expanded and strengthened in FY21 and the current financial basis, achieve further growth of existing sectors, and expand our new service group.

Company-wide		<ul> <li>Utilizing the platform which was significantly enhanced in FY21, realize further growth of existing businesses, and expand our new service group and make strategic investments for non-consecutive growth in the medium- to long term.</li> <li>In FY22, we aim for sales of 2.4 billion yen (YoY: 119%) and operating income of 315 million yen (YoY: 140%).</li> </ul>				
	Market place	<ul> <li>Polishing the system and products of our main service "Creema".</li> <li>Polishing various merchandising and campaign measures.</li> <li>Driving overall growth in the "Creema economic zone" by strengthening a collaboration with Hello Circus, crowdfunding and other services.</li> </ul>				
Dy Convice	Platform	<ul> <li>In Internal advertising (advertising for creators), we plan to evolve it into a more valuable advertising service by continuing function development and campaign measures.</li> <li>In External advertising (advertising for companies and local governments), we are strengthening proposals centered on our own online advertising products such as tie-up advertorials and creator collaboration projects.</li> <li>In addition, we will focus on the online seminar service and others in which creators can play an even more active role.</li> </ul>				
By Service	Events∙ Stores	<ul> <li>Partially resume large-scale events, such as "HandMade In Japan Fes'" &amp; "Creema YAMABIKO FES".</li> <li>Rebuild the "Creema Stores" by strengthening merchandising considering changes in trends and consumption.</li> </ul>				
	New service group	<ul> <li>Full-scale expansion of various new services started from FY21, focusing on the crowdfunding service.</li> <li>Development of new services centered on areas that have synergies with our platform (including M&amp;A)</li> </ul>				

## Growth of Creema GMV (1/2)

Due to the impact of the COVID-19, the GMV of mask-related products has increased significantly since March 2020, but as of the end of FY21, the ratio to the GMV was small. While the ratio keeps declining, the GMV excluding mask-related products is expected to grow steadily after 3Q of FY22.

Unit: million yen 3,133 3,136 3,985 3.759 3,187 3,522 2,515 1,122 604 279 196 187 120 4Q 2Q 2Q 1Q 3Q 4Q 1Q **FY20 FY21 FY22** 

#### Mask-related GMV Other GMV

Note: The mask-related GMV refers to the GMV of traded products that contain the word "mask" in the titles of works on Creema. Such works are among those traded during a relevant period under Creema's categories other than food. In regard to the mask-related GMV disclosed on April 14, since the GMV was calculated based on titles of works extracted at the point when the disclosed material was prepared and not when works were traded, in some cases, titles have been changed from when traded. By revising the extraction method in detail this time, the total annual mask-related GMV in FY21 increased slightly more than the mask-related GMV disclosed on April 14, while the GMV excluding mask-related products in FY22 disclosed on July 13 decreased slightly.

### Growth of Creema GMV (2/2)

After FY22, it is anticipated that the mask-related demand, which increased sharply the previous year, will settle down. We are aiming for a GMV of 16.2 billion yen, which is up 121% YoY excluding mask sales.



#### Mask-related GMV Other GMV

Note: The mask-related GMV refers to the GMV of traded products that contain the word "mask" in the titles of works on Creema. Such works are among those traded during a relevant period under Creema's categories other than food. In regard to the mask-related GMV disclosed on April 14, since the GMV was calculated based on titles of works extracted at the point when the disclosed material was prepared and not when works were traded, in some cases, titles have been changed from when traded. By revising the extraction method in detail this time, the growth rate of the GMV excluding mask-related products increased to 121% from 120%.

#### Sales growth image

In FY22, we plan to launch several new businesses with the aim of expanding existing businesses based on the management base strengthened by FY21, realizing the vision, and achieving non-consecutive growth. We will accelerate business growth after FY23.



4,186

Note: Mask-related sales refers to those associated with sales from trading of works that contain the word "mask" in the product names. Such works are among those that completed trade during a relevant period under Creema's categories other than food.

#### [Ref.] Forecast of changes in sales composition by service

Due to the impact of the COVID-19, event & stores services shrank significantly in FY21, while the proportion of the marketplace service increased. After FY22, our service ratio is expected to be gradually balanced back to normal, and the new service group will be progressively growing.



#### FY22 company-wide earnings forecast

Company-wide earnings forecast

To be able to further strongly back up the activities of creators, in FY22 we aim to achieve sales of 2.4 billion yen, operating profit of 315 million yen, and net income of 293 million yen by expanding the "Creema economic zone", where various services are dynamically linked.

		<b>,,</b>			
Unit: million yen	(Ref.) FY21	FY22	YoY	Unit: million yen	
Sales	2,062	2,446	119%	Marketplace	1,628 YoY: 106%
Sales cost	5	88	1689%		(Ref.) YoY without mask sales: 121%
Gross profit	2,057	2,357	115%	Platform	590 YoY: 137%
SG&A	1,831	2,042	112%		
Operating profit	226	315	140%	Events & Stores	171 YoY: 200%
Ordinary profit	204	307	150%	New service	55
Net income	178	293	164%	group	YoY: 382%

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by Major Services

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#### **Reposted: Earnings progress**

A bottoming out in 2Q and a gradual increase in 3Q and 4Q is expected under the business plan. Progress regarding the earnings forecast is following a steady trend in all key indicators. No change is made from the plan set at the beginning of the term, and steady growth will also be made in the second half.



Topics

grow in the second half.

## Appendix



#### **①** Marketplace service (Japan / Taiwan / Hong Kong)

At "Creema," which acts as the core of the "Creema economic zone", 12 million works produced by 220 thousand creators are listed. The GMV of FY21 exceeded 15.4 billion yen, and we have established a position as one of the largest global handmade marketplaces in Japan and Asia.







#### [Ref.] Various work categories that are handled by Creema

At "Creema", you can purchase original works of various genres, from fashion items, interior art, and food.



## **2** Platform services

Utilizing the "Creema" user base, communicability, and platform, we provide such platform services as Internal advertising (advertising for creators) that allows them to publicize their works and External advertising (for companies and local governments). This way we promote multi-layering of business.

Internal advertising (Advertising for creators)

An advertising service on "Creema" that enables creators to list and promote their own works on our website and app.



External advertising (Advertising for companies and local governments)

#### PR service for companies

We have developed a diverse advertising menu, such as advertorials that introduce attractive products and services of client companies as "reading material" and collaboration projects in which creators create products for client companies Regional revitalization

Utilizing the user and platform infrastructure of "Creema", such as DX support for the traditional craft industry, local products PR, and production of promotional events to showcase the attractiveness of local cities, we are developing PR services in the area of regional revitalization.



## **③** Events and Stores (1/2) - Events

Various handmade craft events are held all over Japan, including "HandMade In Japan Fes' (Tokyo Big Sight)", one of the largest festivals of creators in Japan, which mobilizes 50,000 visitors per event.



HandMade

In Japan Fes'

- Marunouchi Street Market
- The craft market "Marunouchi Street Market by Creema" is regularly held on Marunouchi Nakadori.

## [Ref.] Photos and sceneries from HandMade In Japan Fes'



#### **③** Events and Stores (2/2) - Stores

The editorial shops "Creema Store", which sell the works of creators registered in "Creema", are open in Shinjuku and Sapporo.

Creema Store (LUMINE Shinjuku 2)



Creema Store (Sapporo Stellar Place)



#### **④** New service group - Crowdfunding service, etc.

We plan to develop various new services that respond to the challenges and thoughts of creators. As a first step, in the previous fiscal year we launched "Creema SPRINGS," a crowdfunding service that allows creators to raise funds for projects they want to realize.



伝統的な九谷焼を、もっと現代の生活に馴染むものに。そんな想いではじまった『ハレクタニ』の想いと器を紹介します。みなさまの生活が彩りある器で晴れやかになりますように。

俳優・アーティストとして活動する坂東工が祈りをこめ制作したアート「謳歌」このアート作品を使って、つながるピースなプロジェクトに挑戦します!ブロックチェーンを使った新たなアートの仕組みを取り入れ、アートマーケットをもっと活性化させたい!社 会貢献にも発展させていくプロジェクトです。

#### Changes in the number of employees (including part-time employees)

There has been no significant change in the number of employees in the past year.

Unit: people



Note: Employees are the total of regular employees, contract employees, and part-time employees, excluding executives. Copyright ©2021 CREEMA LTD.

#### Take rate trends

In FY21, GMV increased due to the spread of COVID-19, but the sales of events & stores services fell sharply, resulting in a significant decrease in take rate. After FY22, the events & stores will gradually recover and our new service group will be created, so the take rate is expected to improve again.



Note: The take rate is calculated using the GMV of the marketplace service as the denominator and the sales of all services as the numerator. **Copyright** ©2021 CREEMA LTD.

#### **Investment policy for new services**

Development of new services will proceed from areas synergistic with the platform built through the creator empowerment business. After that, the competitive advantage will be further strengthened by the cooperation between old and new services, and the "Creema economic zone" will be expanded.



#### **Expansion of new services**

We steadily expand the service areas by utilizing the platform. We acquired FANTIST Co., Ltd. in 1Q of FY22 to be fully prepared to enter into the EdTech domain in FY22.



#### Service area expansion

#### **Investment in new services**

Aiming for operating income of 140% YoY, while accelerating strategic investments in the new service group in FY22 to further accelerate growth. FANTIST Co., Ltd. was acquired in 1Q of FY22 and investment in new services has begun.

Trends in operating profit



## Creema CREEMA LTD.

The Company's plans, business outlooks, strategies, etc. contained in this material are based on the Company's management decisions obtained from the information available as of the date of the announcement. It is just a forecast for the future, and there are various risks such as "intensifying price competition in the market", "fluctuations in trends in economic activities surrounding the business environment", "fluctuations in exchange rates", "significant fluctuations in market prices in the capital markets", etc. Please note that the actual business performance may differ due to uncertainties mentioned above.

> < Contact information > CREEMA LTD. Corporate Div. https://www.creema.co.jp/contact/index.html