

Financial Results Briefing Report for 3Q, FY2022

CREEMA LTD. (TSE Mothers: 4017)

January 14, 2022

Creema





MISSION

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

VISION

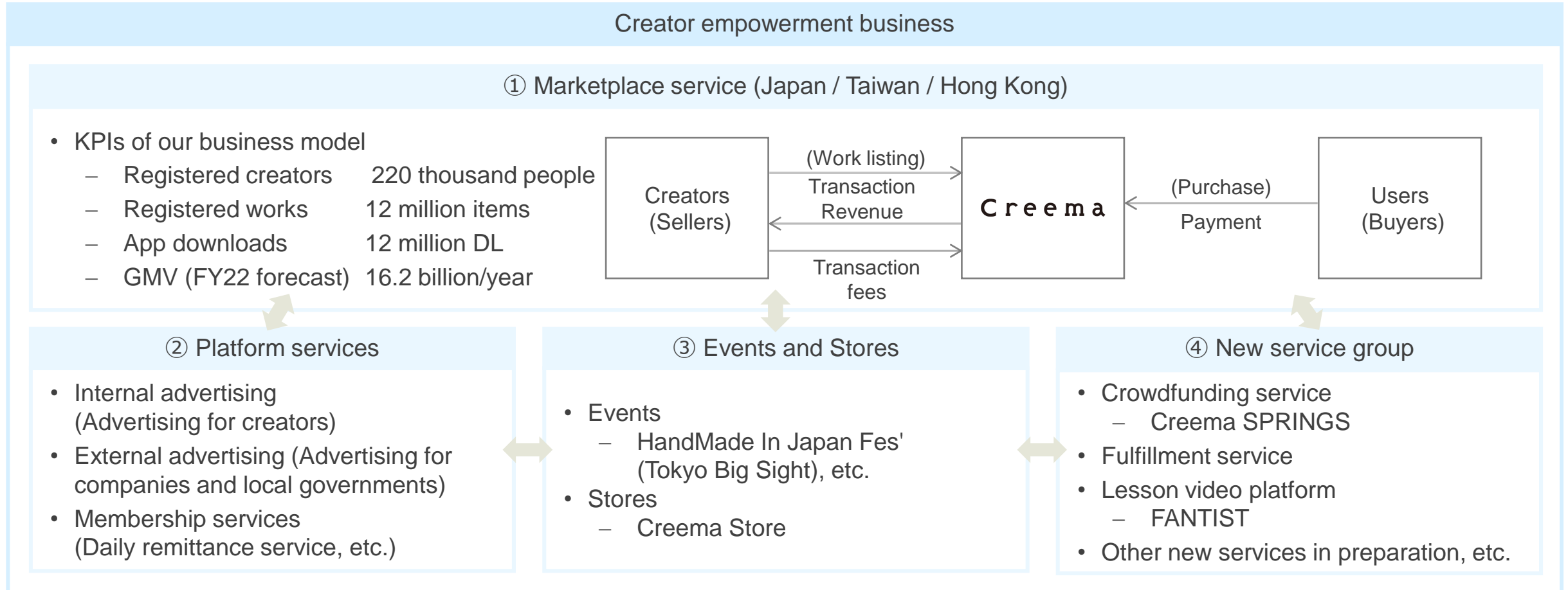
**A new big conglomerate
leading the 21st century**

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.



3Q, FY2022 Company-wide results



[Company-wide] 3Q and cumulative results

3Q sales landed at 557 million yen (115% YoY) and operating profit at 49 million yen. Sales for 3Q cumulative landed at 1.6 billion yen (109% YoY) and operating profit at 237 million yen (73% YoY). At the end of 3Q, the progress rate of operating profit to the annual budget trended well at 75%.

Consolidated Income Statement

Unit: million yen	3Q		Cumulative (1Q ~ 3Q)	
	Results	YoY	Results	YoY
(Ref.) GMV	3,948	114% Excluding masks: 121%	11,764	103% Excluding masks: 120%
Sales	557	115% Excluding masks: 120%	1,666	109% Excluding masks: 123%
Sales Cost	32	1832%	40	1212%
Gross profit	525	108%	1,625	107%
SG&A	475	116%	1,388	116%
Operating profit	49	65%	237	73%
Ordinary Profit	48	75%	232	76%
Net income	57	469%	204	82%

Topics

[3Q]

- Sales were 115% YoY in reaction to the surge in demand which arose in the previous fiscal year due to the spread of COVID-19.
- SG&A expenses were 116% YoY as a result of expanding growth investments such as new business investments as planned.
- As a result, operating profit was 65% YoY.
- Nonetheless, sales were 120% YoY if excluding mask-related sales, which surged due to the impact of COVID-19. Growth has continued in the main.

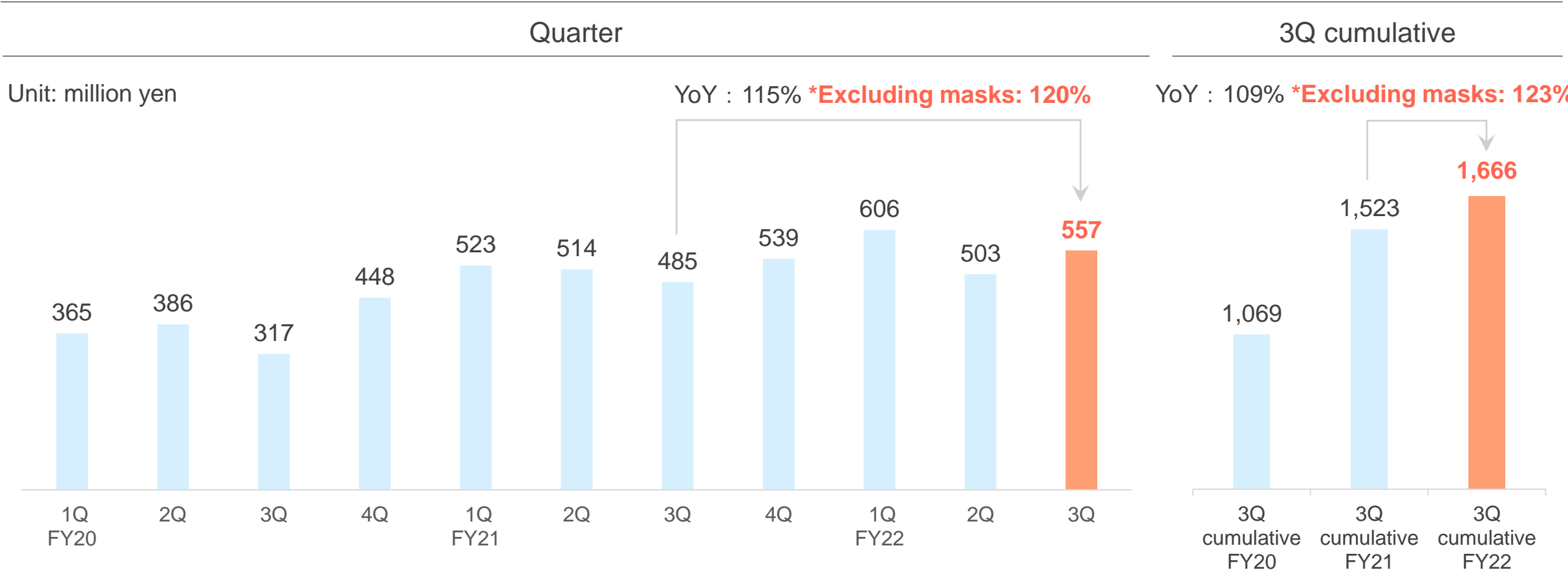
[3Q cumulative]

- Despite continuing to be hit by the impact of COVID-19 in businesses in the offline field, sales were 109% YoY due to business growth in the online field, making steady growth (sales strongly grew 123% YoY if excluding mask-related sales).
- SG&A expenses were 116% YoY mainly due to TV commercials, large-scale development investments, and new business investments.
- Consequently, operating profit for the first nine months was 73% YoY.
- The progress rate of operating profit to the annual target was 75% as of 3Q.

[Company-wide] Trends in consolidated sales

3Q sales landed at 115% YoY. Sales were 120% YoY if excluding handmade masks-related sales, which surged as COVID-19 spreads in the previous year. Although being 109% YoY, the results for 3Q cumulative were 123% YoY if excluding the impact of masks, growing steadily.

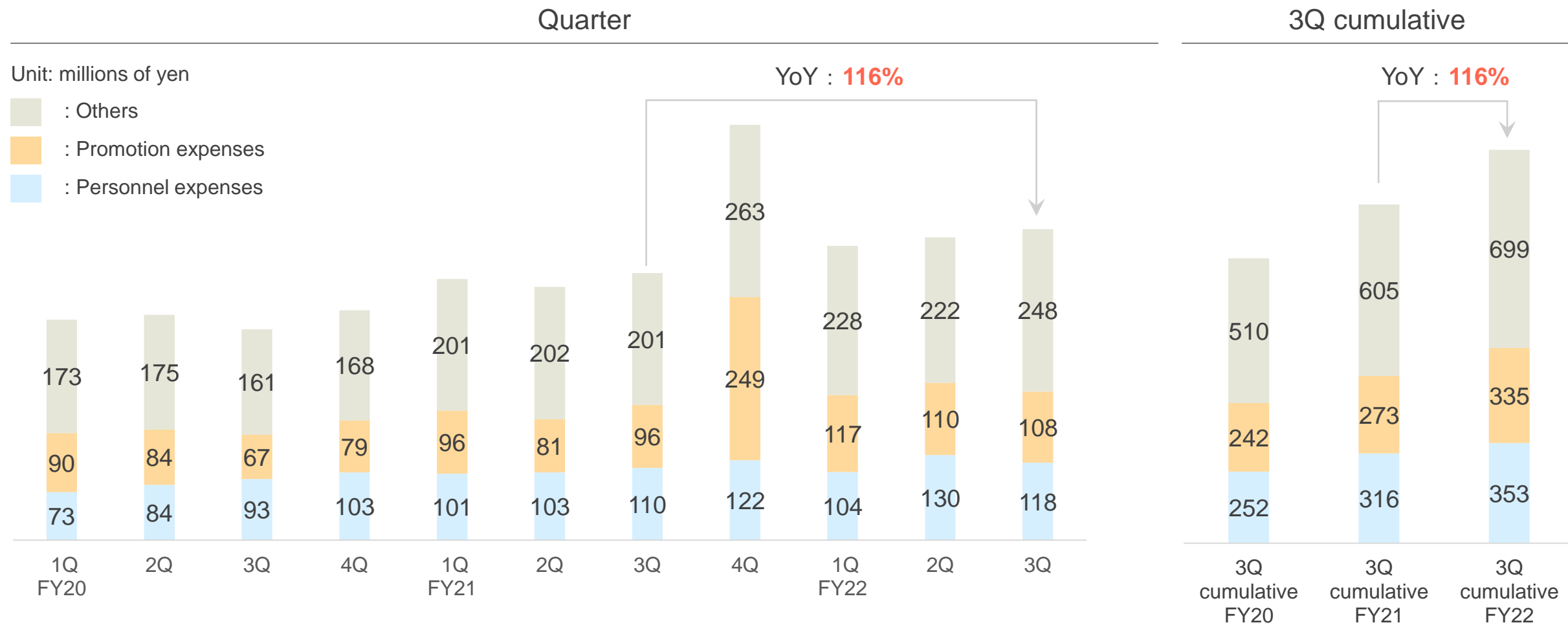
Sales trends



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

Meanwhile, 3Q SG&A expenses continued to be incurred as planned for medium- to long-term growth. SG&A expenses for both 3Q alone and 3Q cumulative were 116% YoY in line with increases in promotion expenses, system development expenses, new business investments, etc.

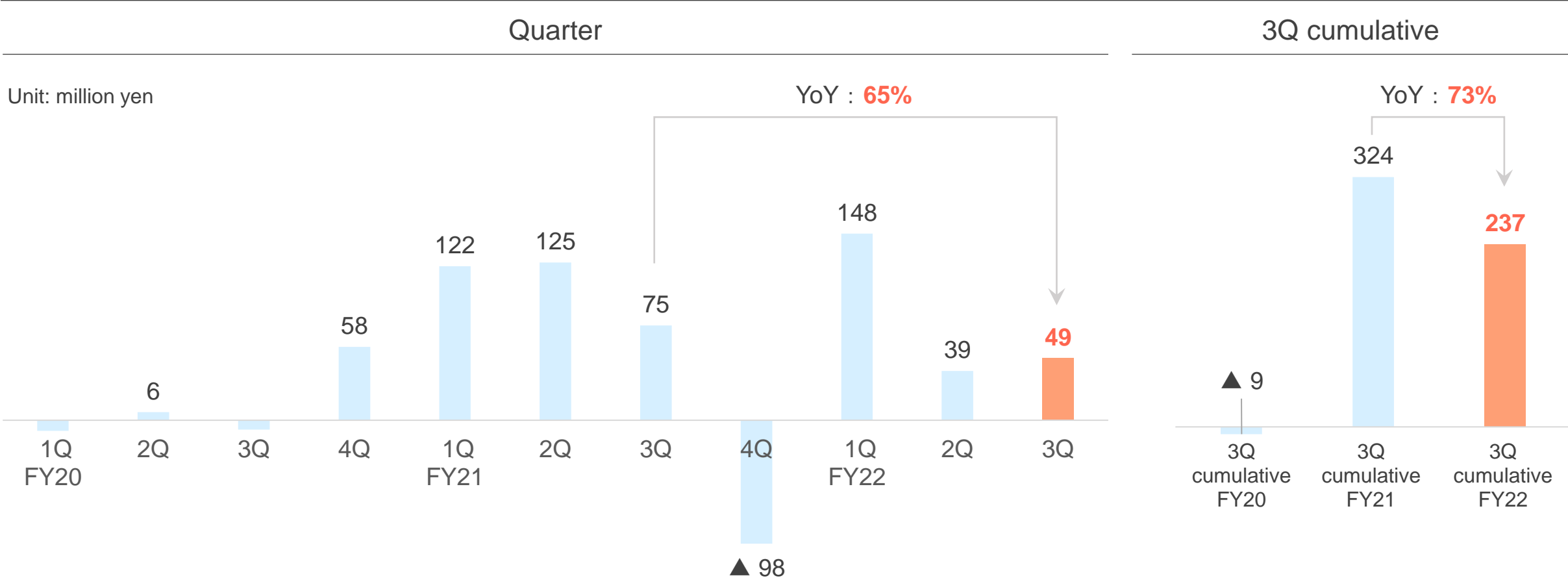
Changes in SG&A expenses



[Company-wide] Changes in consolidated operating income

3Q operating profit landed at 49 million yen, 65% YoY, due to the combined effect of the reaction to rapid growth resulting from the impact of COVID-19 in the previous year (demand for masks and stay-at-home consumption) and upfront investments made for medium- to long-term growth. Results for 3Q cumulative landed at 237 million yen, 73% YoY.

Trends in operating profit



Earnings progress

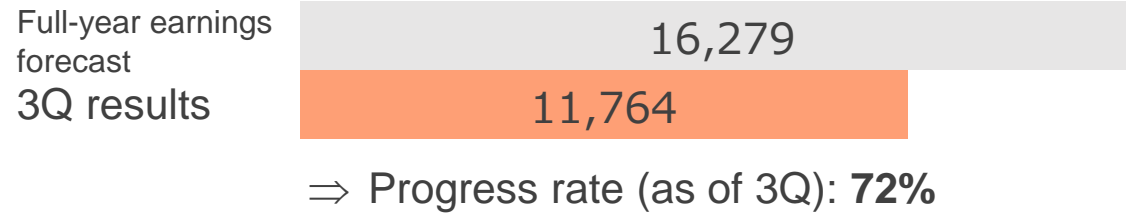
The progress rates of GMV, sales and operating profit to their full-year earnings target were 72%, 68% and 75% respectively as of the end of 3Q, indicating that sales are slightly behind the target.

Key financial indicators

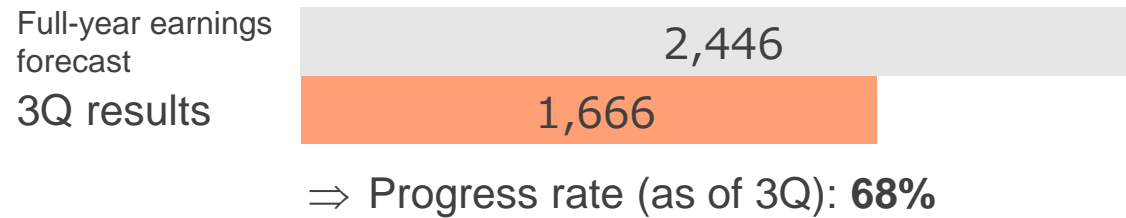
Progress as of 3Q against full-year earnings forecast (million yen)

Topics

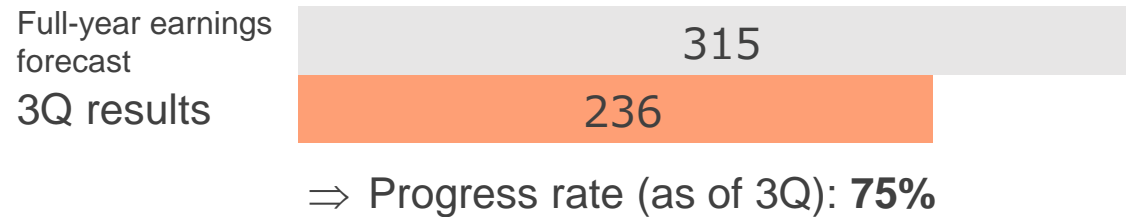
GMV



Sales



Operating profit



- The progress rate of GMV to the budget remained strong at 72%, and there is 4Q to go, when GMV tends to grow the most in a year.
- Sales are slightly behind the target mainly due to cancellation of a large-scale event (September) and suspension of the new business of fulfillment service in addition to the longer-than-expected stagnant performance of stores resulting from the persistent impact of COVID-19.
- On the other hand, operating profit proceeded almost according to the budget as a result of progress made in cost reduction, etc.
- To achieve full-year earnings forecast, efforts will be made to catch up in 4Q, when GMV and sales tend to grow the most in a year.

Initiatives in 4Q to achieve the full-year earnings targets

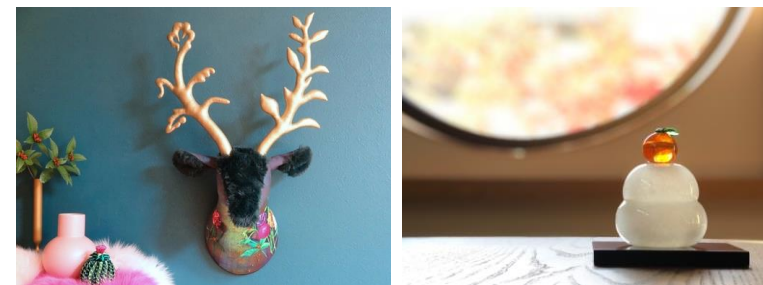
4Q is a period when GMV of marketplace service tends to grow the most in a year. Moreover, "HandMade In Japan Fes'," one of Japan's largest creators' festivals, is scheduled for 4Q, too. We aim to speed up growth to hit the full-year targets.

Service

Main initiatives in 4Q

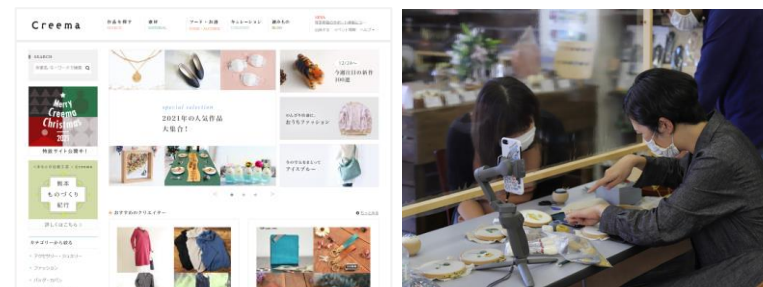
Marketplace

- Events, such as Christmas, the New Year's holidays and Valentine's Day, etc. will push up purchasing demand. Business enters a season when Creema GMV tends to grow the most in a year.
- We aim to further expand Creema GMV through measures such as a variety of campaigns that capture demand.



Platform

- Various advertising services too are expected to expand in line with increases in Creema GMV and inflow thereto.
- Especially, we aim at business expansion in external advertising projects in sync with "HandMade In Japan Fes' "



Events · Stores

- "HandMade In Japan Fes'," a large craft event, is scheduled for January 2022 in Tokyo Big Sight.
- We will be prepared for future regrowth by appropriately selecting and concentrating resources in services in the offline field in addition to those in the online field.



[Company-wide] Balance sheet status

Subject (Unit: Million Yen)	3Q FY2022	(Ref.) 2Q FY2022	(Ref.) QoQ
Current Assets	3,505	3,530	99%
Cash and cash equivalents	2,830	2,915	97%
Accounts receivable	652	591	110%
Fixed assets	355	227	156%
Deferred tax assets	78	64	122%
Security deposits	157	51	304%
Goodwill	41	45	91%
Total assets	3,860	3,758	103%
Current Liabilities	2,126	2,039	104%
Withholdings / Funds payable and amounts due to creators	1,546	1,466	105%
Loans repayable within one year	171	170	100%
Fixed liabilities	439	482	91%
Long-term liabilities	430	472	91%
Total liabilities	2,566	2,522	102%
Capital stock	536	536	100%
Capital surplus	1,957	1,957	100%
Retained Earnings	-1,198	-1,256	—
Total net assets	1,293	1,235	105%

FY2022 Performance by major services



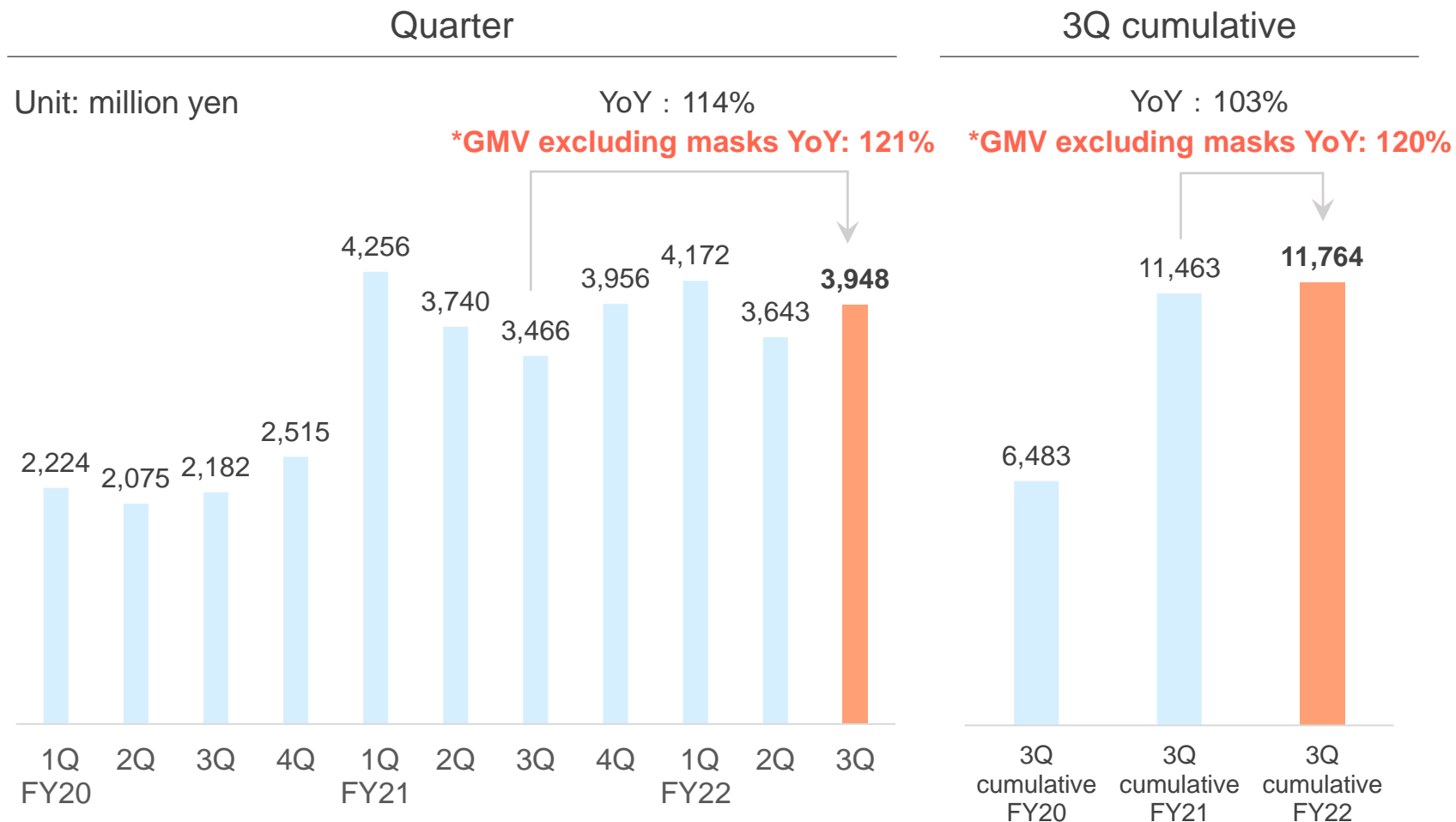
[Marketplace] Main initiatives and Creema GMV trends

3Q GMV landed at 3.9 billion yen, 114% YoY. GMV was 121% YoY for 3Q alone and 120% for 3Q cumulative, progressing as planned if excluding mask GMV, which is susceptible to the situation of COVID-19. Growth has continued in the main.

Main initiatives

- Rolling out a variety of merchandising campaigns including feature articles capturing the trends including Halloween and special programs such as "Summer grab bags."
- 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.
- Collab items from Creema x Hello Circus "Star Creator Discovery Project" were completed and put on the market.
- "Area CC," a new brand produced by Chiaki, head of Hello Circus, was put on sale.

Creema GMV trends



[Marketplace] Impact of handmade masks in Creema GMV

Creema GMV total was 121% YoY for 3Q alone and 120% for 3Q cumulative, if excluding mask-related products, expanding steadily.

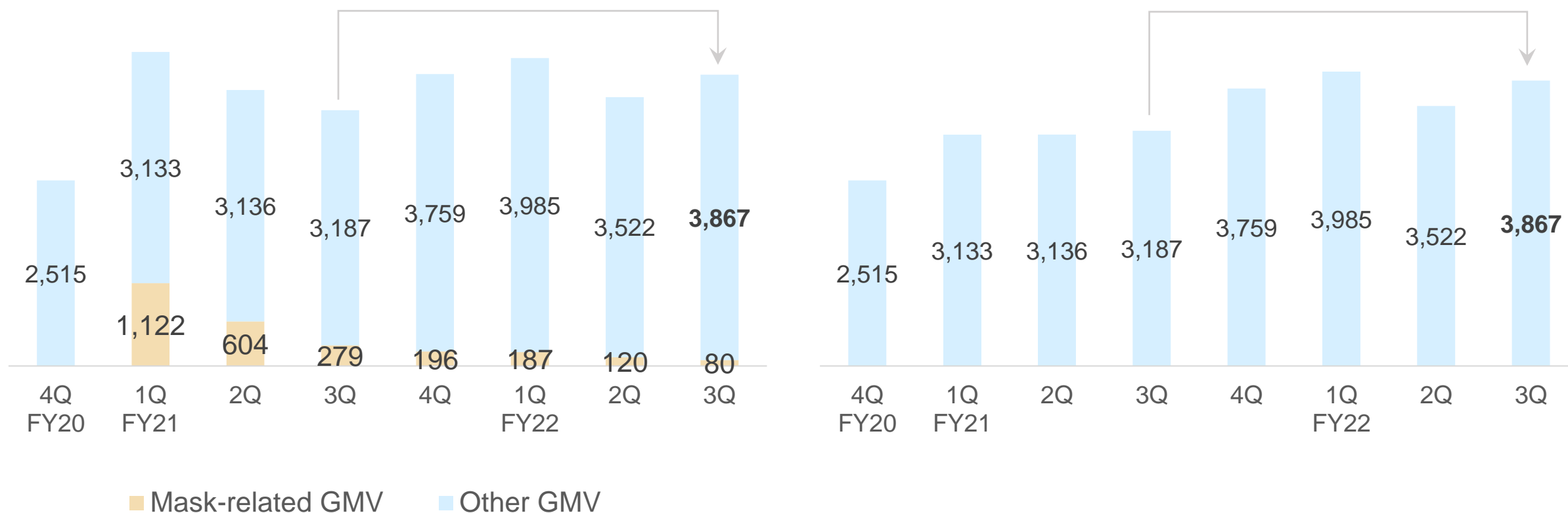
Creema GMV (overall)

Creema GMV (excluding mask-related sales)

Unit: million yen

GMV (overall) YoY: 114%

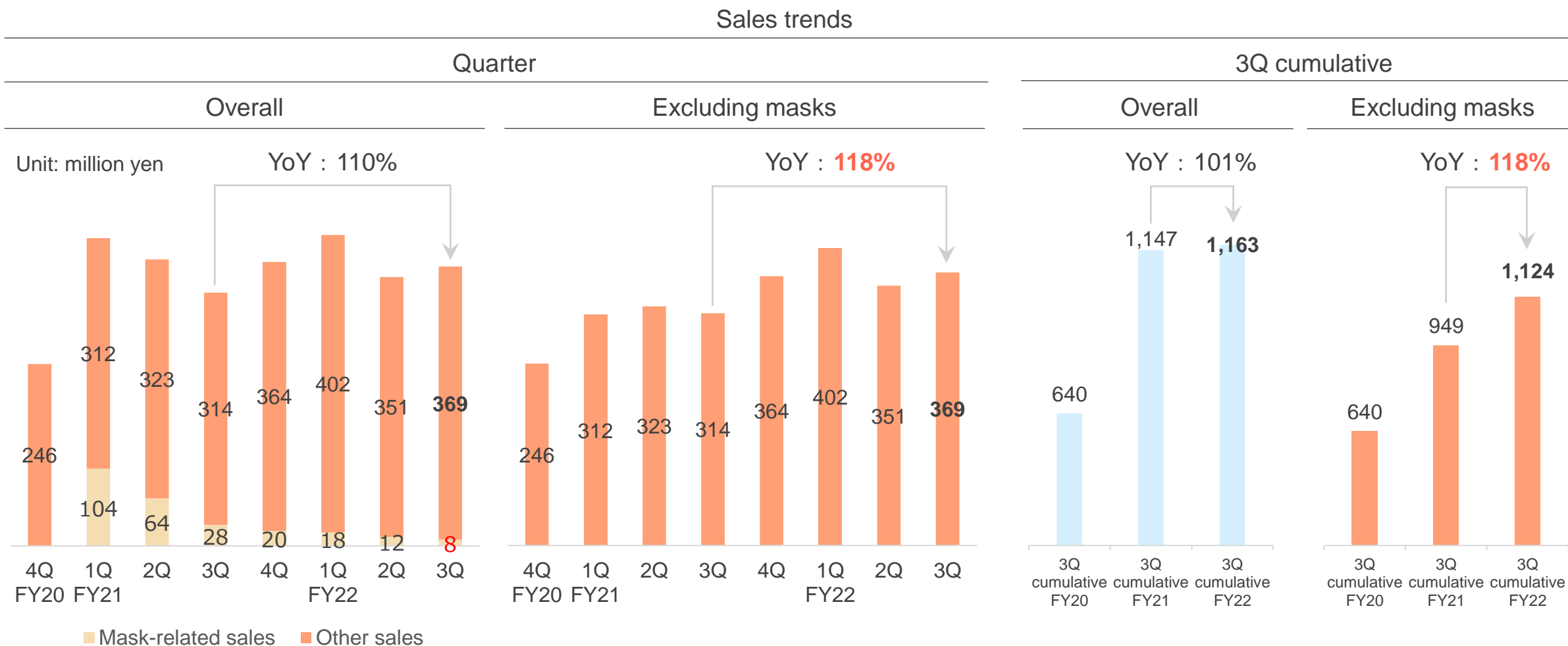
GMV (excluding mask-related sales) YoY: **121%**



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

3Q overall sales were 378 million yen (110% YoY), but if excluding mask-related products, 118% YoY. Sales for 3Q cumulative were 101% YoY but if excluding mask-related products likewise, 118% YoY. Sales continue to grow strongly in the main.



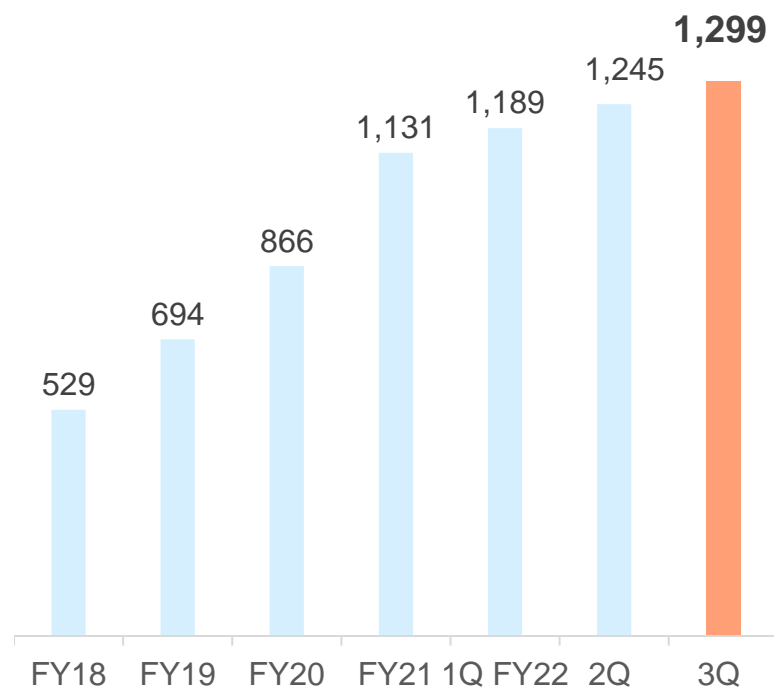
Note: Mask-related sales refers to those associated with sales from trading of works that contain the word "mask" in their title. Such works are among those that completed trade during a relevant period under Creema's categories other than food.
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[Ref.] 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 3Q was highest ever.

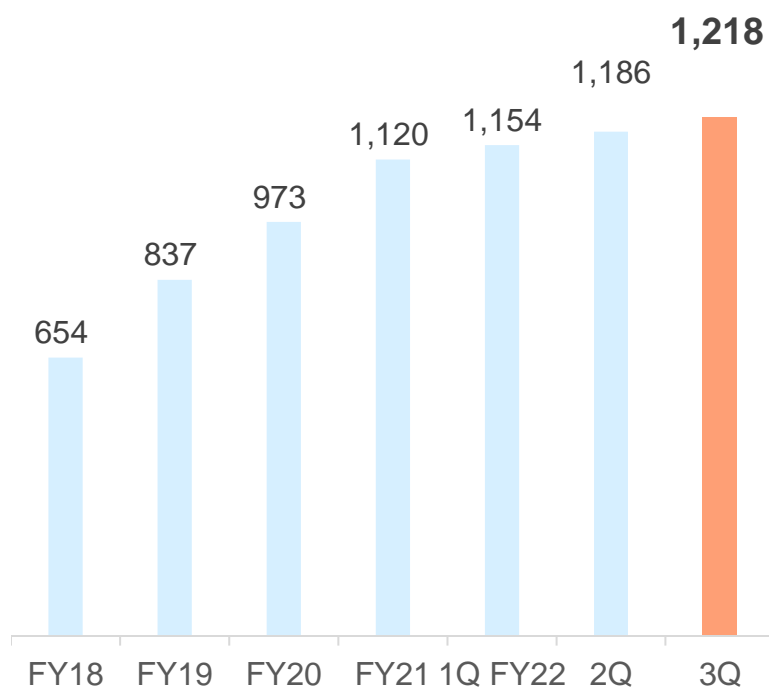
Number of listings

Unit: 10,000



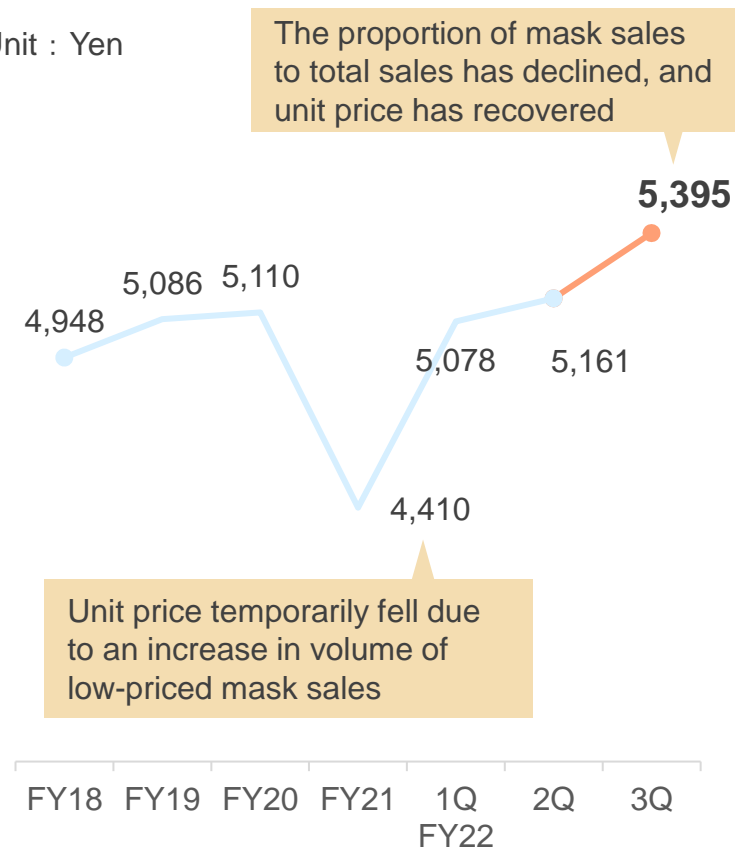
App DL

Unit: 10,000



Average transaction unit price (Japan)

Unit : Yen



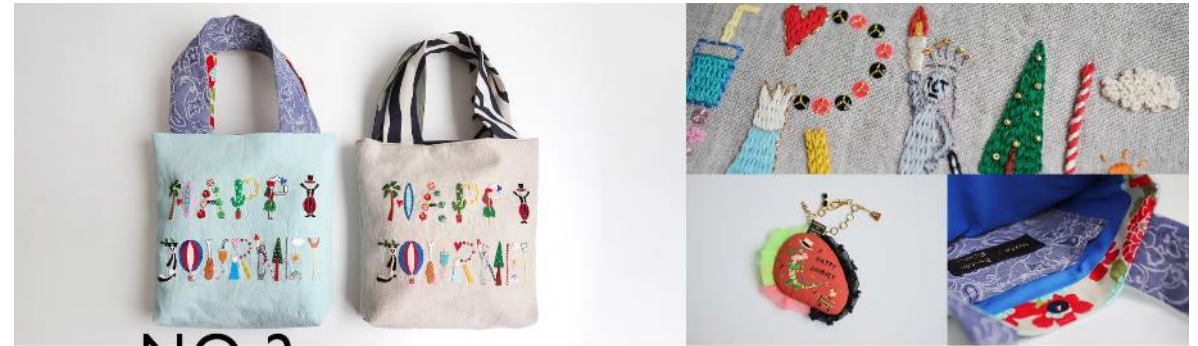
[Ref.] Star Creator Discovery Project

Four creators, chosen from as many as about 450 applicants by Mr. Keita Maruyama, Ms. Chiaki and the Creema Executive Office, were advised by Mr. Keita Maruyama, created craftworks that demonstrated their talent and started selling them on Creema.



NO.1

Knitting Hukeitoflow



NO.2

Embroidery Creator Double Rainbow



NO.3

Ceramic Artist Tamami Suzuki



NO.4

Insect Accessory Creator monovage

[Ref.] Area CC

"Area CC," a new brand produced by Chiaki, head of Hello Circus, was put on sale on Creema.



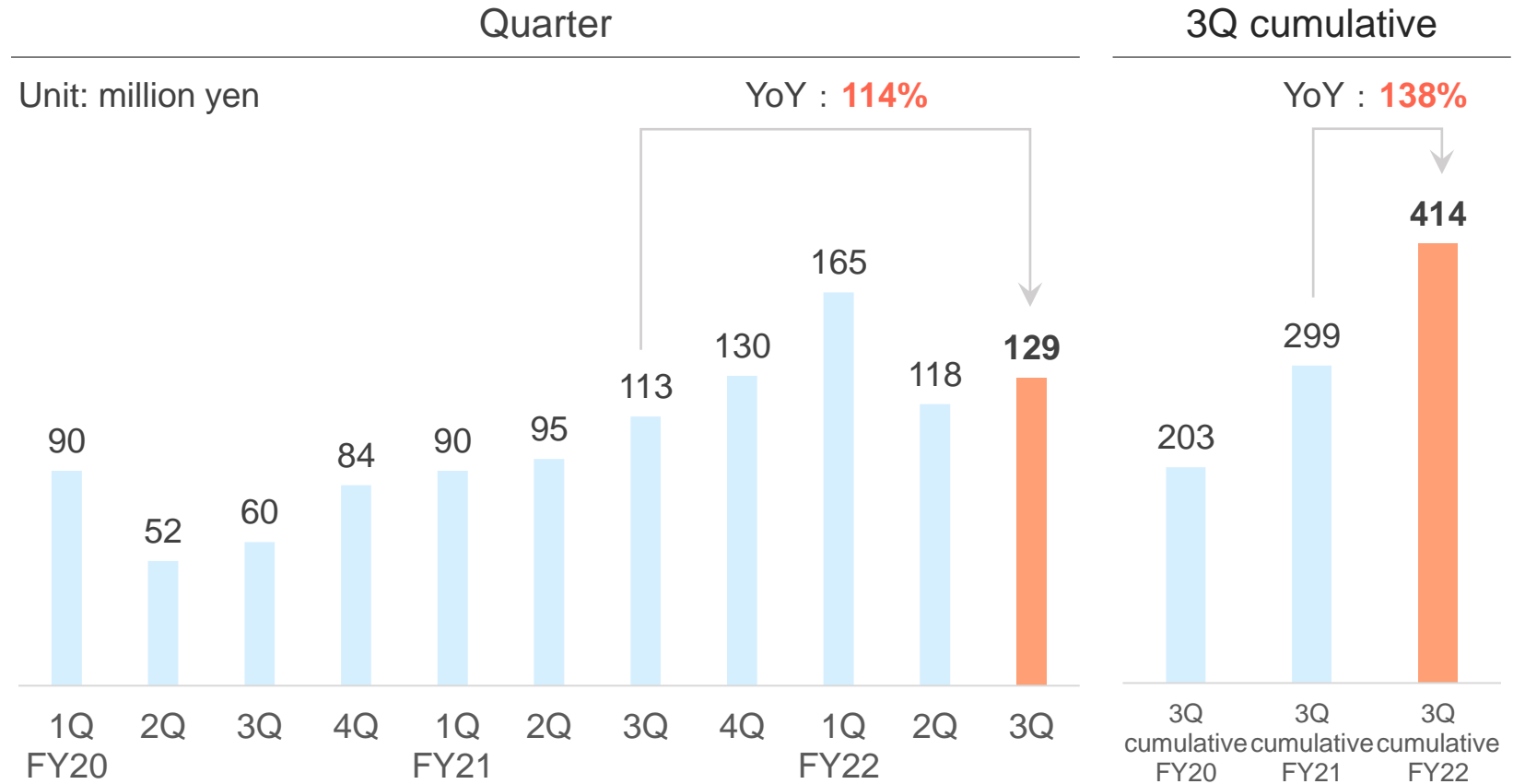
[Platform] Main initiatives and sales trends

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 129 million yen (114% YoY). Sales for 3Q cumulative landed at 414 million yen (138% 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.] Holding of Creative Contest in Kuriyama-cho, Hokkaido

We support Kuriyama-cho in emphasizing its attractions to the world through a creative contest that invites creators registered in Creema in two categories—Kuri (chestnuts in English) design, which uses the shape of a chestnut in the design, and Kuri raw material, in which works are made from such nuts—to celebrate the chestnut that is part of the name of Kuriyama-cho as a motif.



[Ref.] Invitation of creators to Kuriyama Creative Stay in Kuriyama-cho, Hokkaido

We support Kuriyama-cho in inviting creators to join Kuriyama Creative Stay, an immigration promotional program that gives participants a sense of after-immigration life through staying in prepared accommodations in Kuriyama-cho, Hokkaido, selling craftworks in exhibitions and creating them in ateliers.



[Platform] Main initiatives and sales trends

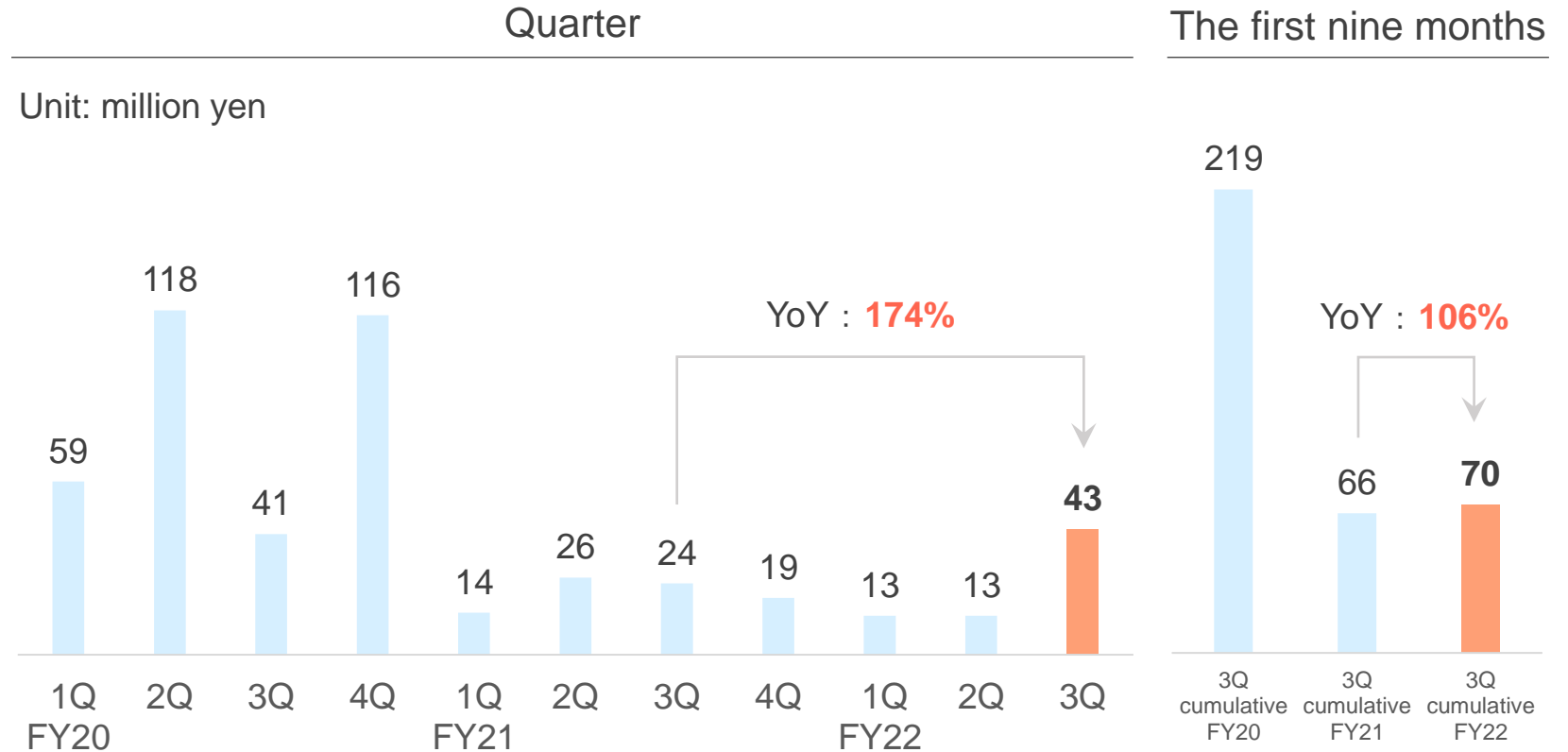
Stores saw a decline in customer traffic due to the impact of COVID-19 in addition to business through a store system with the number of stores three fewer than the previous year..

However, regarding events, as a result of holding the first large-scale event in the current fiscal year, sales grew 174% YoY for 3Q alone and 106% YoY for the first nine months.

Main initiatives

- Stores were severely hit by the impact of COVID-19, and shifted to a two-store system, three stores fewer than a year earlier. Sales were considerably below the level of a year earlier, as the number of visiting customers has not yet picked up, in addition to restrictions on business due to declarations of a state of emergency and pre-emergency measures (countermeasures will be mentioned later).
- Regarding events, Creema YAMABIKO FES 2021, our first outdoor music and craft festival, was held in Gotemba Kogen on November 6 and 7, 2021. Over 10,000 people took part, leading to the possibility of new services.

Sales trends



Closure of Creema Store Shinjuku

Creema Store Shinjuku has been operating in Lumine Shinjuku Lumine 2 since 2014, but will be closed on January 31, 2022. Afterward, business in the store field will continue with only the one store of Creema Store Sapporo situated in Sapporo Stellar Place.

Closure of Creema Store Shinjuku

- Creema Store Shinjuku started business in 2014, but it was decided to close the store on January 31, 2022.
- We have concluded that further continuation of business will be risky due to factors such as temporary closure of the tenant building, shorter business hours and a decrease in visiting customers as COVID-19 spreads.
- Additionally, after we have run business in Lumine Shinjuku, which leads the trend of tenant buildings for fashion stores, for many years, we judge that the store has completed the role of being a showcase for our business.



Future business expansion in the store field.

- Afterward, we will run the store business with only the one store of Creema Store Sapporo located in Sapporo Stellar Place. Continued operation of the Sapporo store looks realistic since it is less exposed to the impact of COVID-19 than in Tokyo due to its location.
- When COVID-19 comes to an end, we plan to develop operations flexibly including opening a new store in a new format by leveraging our know-how in running an offline business format.

[Ref.] Creema YAMABIKO FES 2021

We held Creema YAMABIKO FES 2021, an outdoor music and craft festival that consisted of an outdoor concert stage to enable the audience to enjoy live music played by 12 bands with Mt. Fuji in the background; a craft town, a sauna village and outdoor areas. The festival attracted over 10,000 visitors.



[Notice] HandMade In Japan Fes Winter 2022

HandMade In Japan Fes', one of Japan's largest creator festivals with 3,000 creators from across the country exhibiting their craftworks, is scheduled for January 2022, the first time in two years, in Tokyo Big Sight.



The graphic features a central text area with the event title and dates, flanked by vertical Japanese text. The background is a collage of diamond-shaped images showing various handmade crafts and festival scenes, all set against a geometric pattern of overlapping diamonds in blue, yellow, and red.

東京ビッグサイト

HandMade In Japan Fes

2022

2022.01.22 (Sat) → 23 (Sun)

ハンドメイドインジャパンフェス

New Days!



[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

Crowdfunding



Lesson video platform, etc.



Services to be released in the future

Introduction of other new services



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

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.

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

FY22 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.

Company-wide earnings forecast

Unit: million yen	(Ref.) FY21	FY22	YoY
Sales	2,062	2,446	119%
Sales cost	5	88	1689%
Gross profit	2,057	2,357	115%
SG&A	1,831	2,042	112%
Operating profit	226	315	140%
Ordinary profit	204	307	150%
Net income	178	293	164%

FY22 Sales Forecast by Major Services

Unit: million yen	
Marketplace	1,628 YoY: 106% (Ref.) YoY without mask sales: 121%
Platform	590 YoY: 137%
Events & Stores	171 YoY: 200%
New service group	55 YoY: 382%

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'

- Held at Tokyo Big Sight, since 2013.
- Established a position as one of the largest festivals for creators in Japan.
 - Exhibitors: about 3,000 people
 - Visitors: about 50,000 people



Creema Craft Party

- Held at INTEX Osaka, since 2014.
- Established a position as one of the largest craft events in western Japan.
 - Exhibitors: about 1,500 people
 - Visitors: about 13,000 people



Marunouchi Street Market

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



Note: The number of exhibitors and visitors for each event is the result of the most recently held event. In 2020, those events were not held due to the influence of COVID-19.

[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.

みんなで作ろう新しいアートの輪"つながるピース(PEACE×PIECE)"プロジェクト

9/15迄
NEXT GOAL
挑戦中!!

▶ 再生

アートでつながる
新しい体験をしてみませんか?

アーティスト 坂東工

集まっている金額
¥1,612,500 (目標 ¥550,000)

目標達成率 293%

購入数 233

残り時間 終了しました

Success

お気に入りに追加する

このプロジェクトは実行確約型です。

Twitter 埋め込み

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。

ハレクタニの思い～九谷焼の彩りで、生活をほっこり幸せに～

リターン
追加しました

集まっている金額
¥776,800 (目標 ¥300,000)

目標達成率 258%

購入数 108

残り時間 終了しました

Success

お気に入りに追加する

このプロジェクトは実行確約型です。

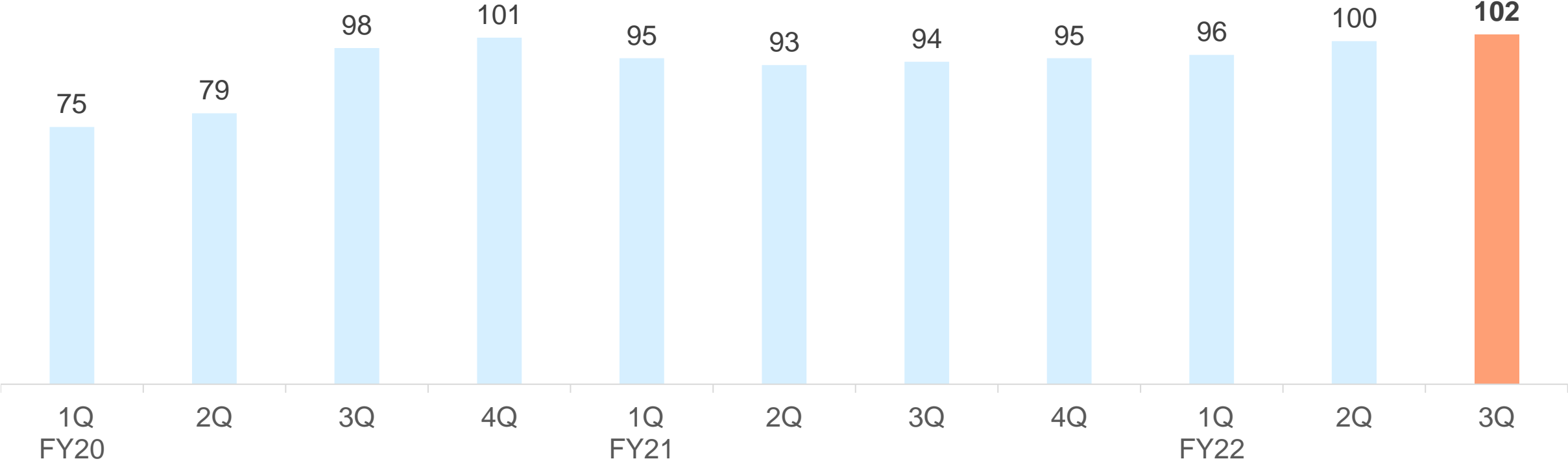
Twitter 埋め込み

伝統的な九谷焼を、もっと現代の生活に馴染むものに。そんな思いではじまった『ハレクタニ』の思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。

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.

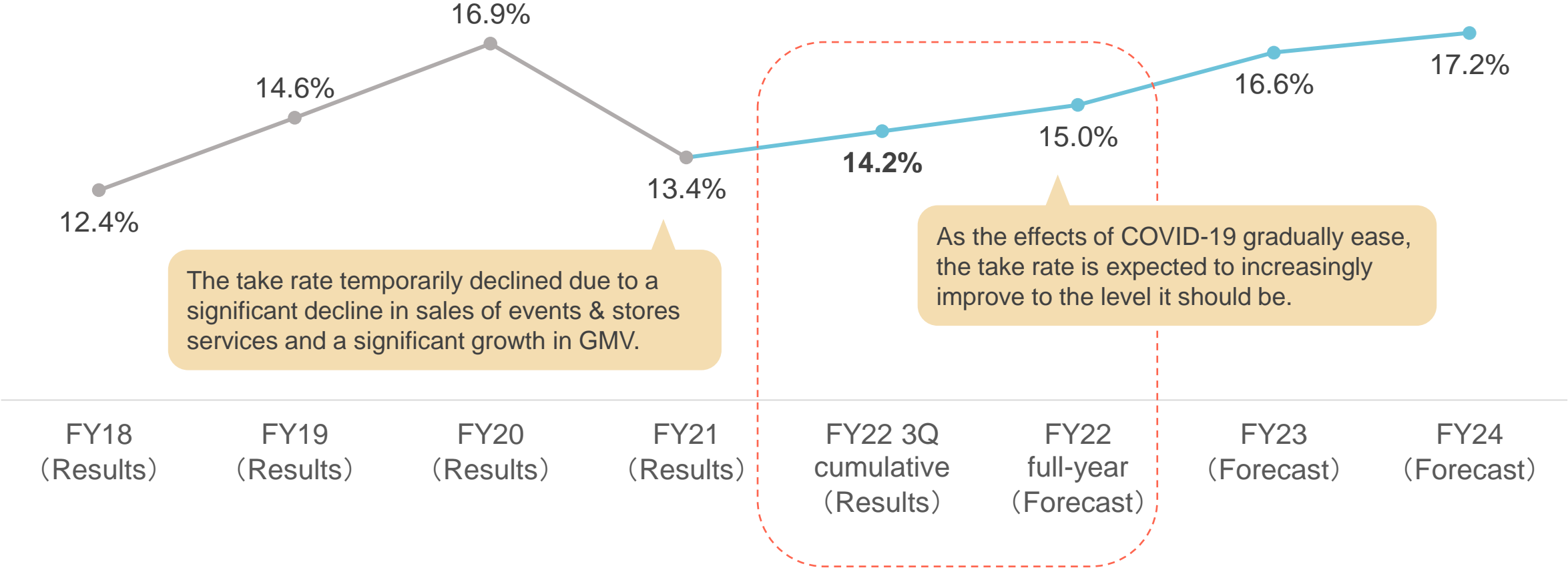
Unit: people



Note: Employees are the total of regular employees, contract employees, and part-time employees, excluding executives.

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.

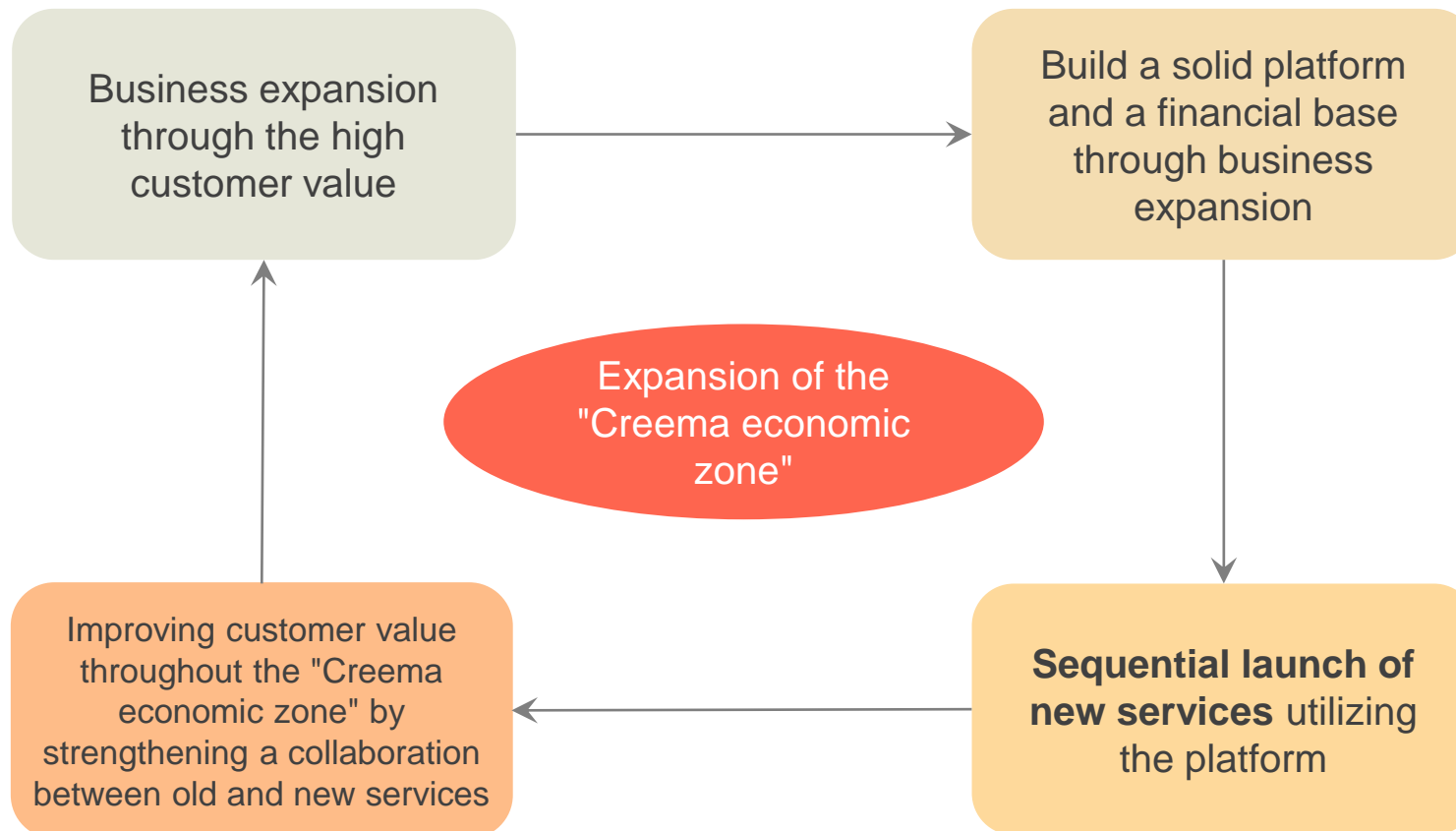


Note: The take rate is calculated using the GMV of the marketplace service as the denominator and the sales of all services as the numerator.

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.

"Creema economic zone" expansion process



Creema platform infrastructure and new businesses

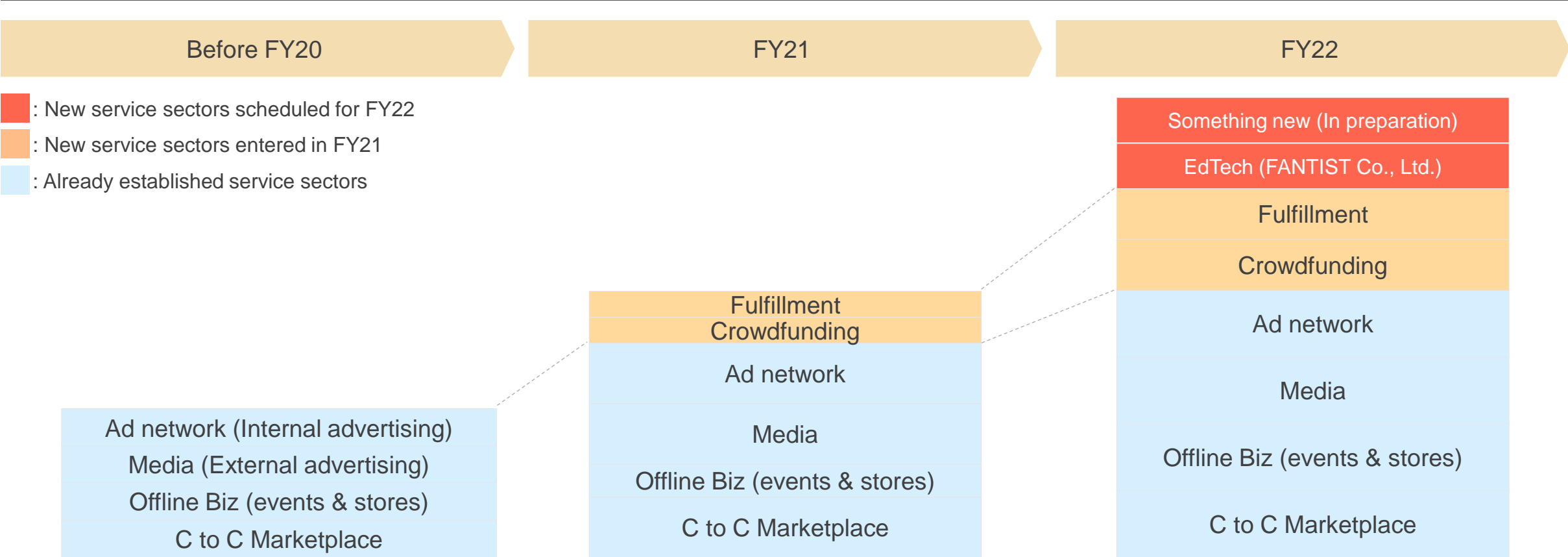
- ① Creator base centered on professionals and semi-professionals
- ② A huge user base of over 20-30 million visits per month, mainly by women in their 20s to 40s
- ③ A website / app as a medium with transmission power and community base that goes beyond "just an EC website" (the total number of followers on social media is about 900,000)
- ④ Business development ability that has created various services by utilizing the platform

Utilizing a highly original platform, we will actively develop new services in other areas while focusing on areas related to creator activity support.

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

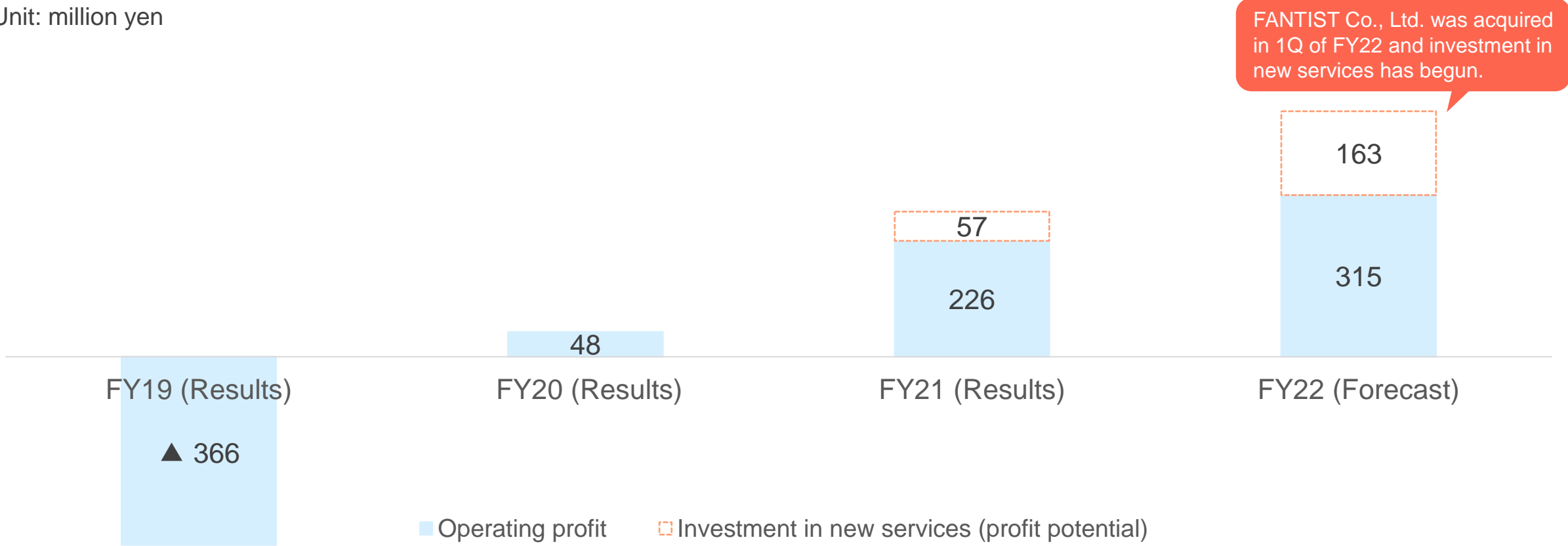


Investment in new services

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

Unit: million yen



Initiatives for ESG (1/2)

Bring about a fair society where talented people and hard workers are justly appreciated.

- The word Creema was created from the term "Creators' New Market" in pursuit of the mission to build a fair world where genuinely good products will not go unnoticed.
- Creema is making trailblazing efforts to bring about a fair society where the talents and abilities of people are justly evaluated and people can be true to themselves, living and working in a world of creation where talent and hard work do not directly lead to opportunities and appreciation.



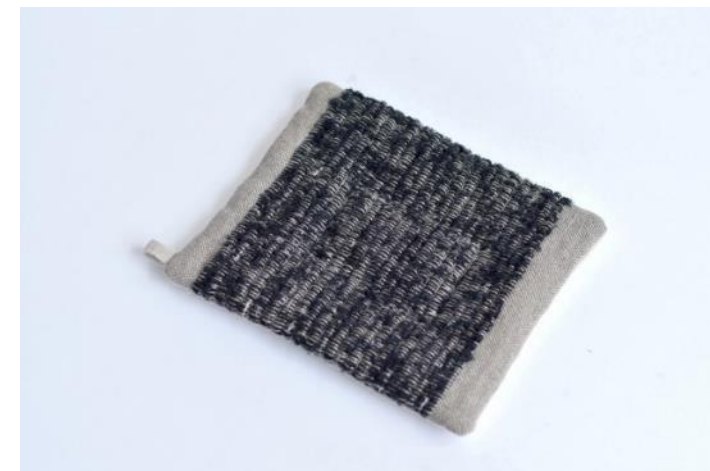
Regional revitalization and development through producing goods

- Collaboration between quality materials and creators with unique creativity from across the country "Nationwide Discovery of Fantastic Goods" is ongoing with the aim of regional development by introducing the attractions of places via the craftworks of creators.
- Additionally, we are working on regional revitalization and development pivoting on producing goods through measures such as Creema Craft Caravan, in which we visit towns with the theme of producing goods across the country and open a market with local citizens.



Initiatives for ESG (2/2)

We commercialized 25 upcycled items by inviting Creema creators to come up with craftworks using selvedge (cloth edges), which is industrial waste from the weaving process of Enshu textile, a local industry of the Enshu region, Shizuoka Prefecture. Going forward, we will remain determined to bring about a sustainable world where the power of producing goods creates new value from waste.



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 >

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