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FY22 4Q and full-year results



[Company-wide] 4Q results

While 4Q sales grew significantly by 117% YoY at 628 million yen, SG&A expenses remained at a lower level than in the same period of the previous year, when TV commercials were aired and investment in new business development was made. As a result, all major profit items, including YoY plus 233 million yen in the ordinary profit, significantly exceeded those of the previous year.

Unit: million yen	4Q		Topics
	Results	YoY	
Sales	628	117% (Excluding masks: 120%)	<ul style="list-style-type: none"> In 4Q sales, marketplace and platform services continued to perform strongly, and event and store services showed some recovery trend despite the significant negative impact of COVID-19 continued, and maintained to grow at 117% YoY. <ul style="list-style-type: none"> Except for sales excluding masks, which surged last year due to COVID-19, growing at 120% YoY. SG&A expenses remained as planned, but were limited to 80% in YoY due to the large scale of TV commercials and investment in new business in the same period last year. As a result, both major revenue and profit items were significantly higher than the previous year.
Sales Cost	34	1802%	
Gross profit	594	111%	
SG&A	508	80%	
Operating profit	85	+183	
Ordinary profit	131	+233	
Net income	26	+97	

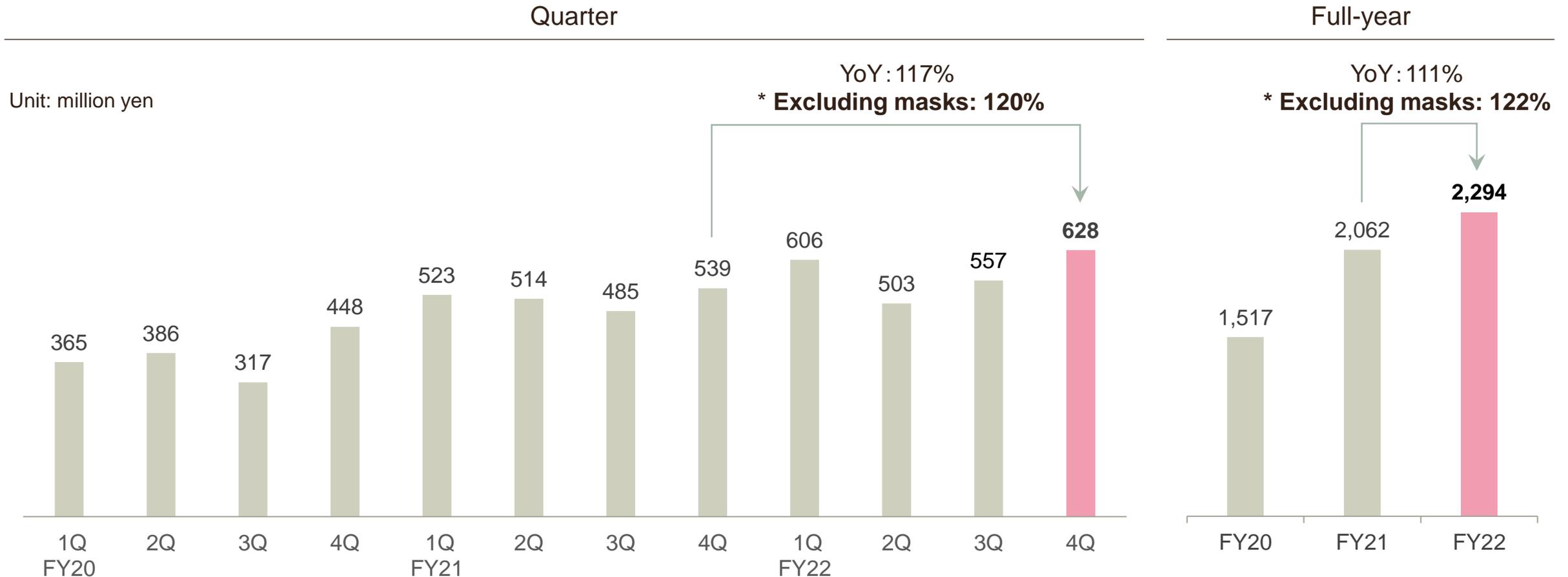
[Company-wide] Full-year results

The full-year sales were 111% YoY (122% excluding masks) at 2.2 billion yen, reaching record highs. As in 4Q, all major profit items were significantly higher than the previous year, including the 177% YoY expansion in the ordinary profit. All revenue and profit items reached record highs.

Unit: million yen	Full-year		Topics
	Results	YoY	
Sales	2,294 Record high	111% (Excluding masks:122%)	<ul style="list-style-type: none"> The full-year sales grew at 111% YoY, with stable growth in online services, despite continued weakness in event and store services due to COVID-19. <ul style="list-style-type: none"> As in 4Q, it grew strongly at 122% YoY, with the exception of full-year sales excluding masks. SG&A expenses were 104% YoY mainly due to TV commercials, large-scale development investments, and new business investments. As planned, sales increased significantly in excess of expenses. As a result, all major profit items significantly exceeded the previous year, reaching record highs in all profit items. <ul style="list-style-type: none"> Operating profit : 143% YoY Ordinary profit : 177% YoY Net income : 129% YoY
Sales Cost	74	1425%	
Gross profit	2,219 Record high	108%	
SG&A	1,897	104%	
Operating profit	322 Record high	143%	
Ordinary Profit	363 Record high	177%	
Net income	230 Record high	129%	

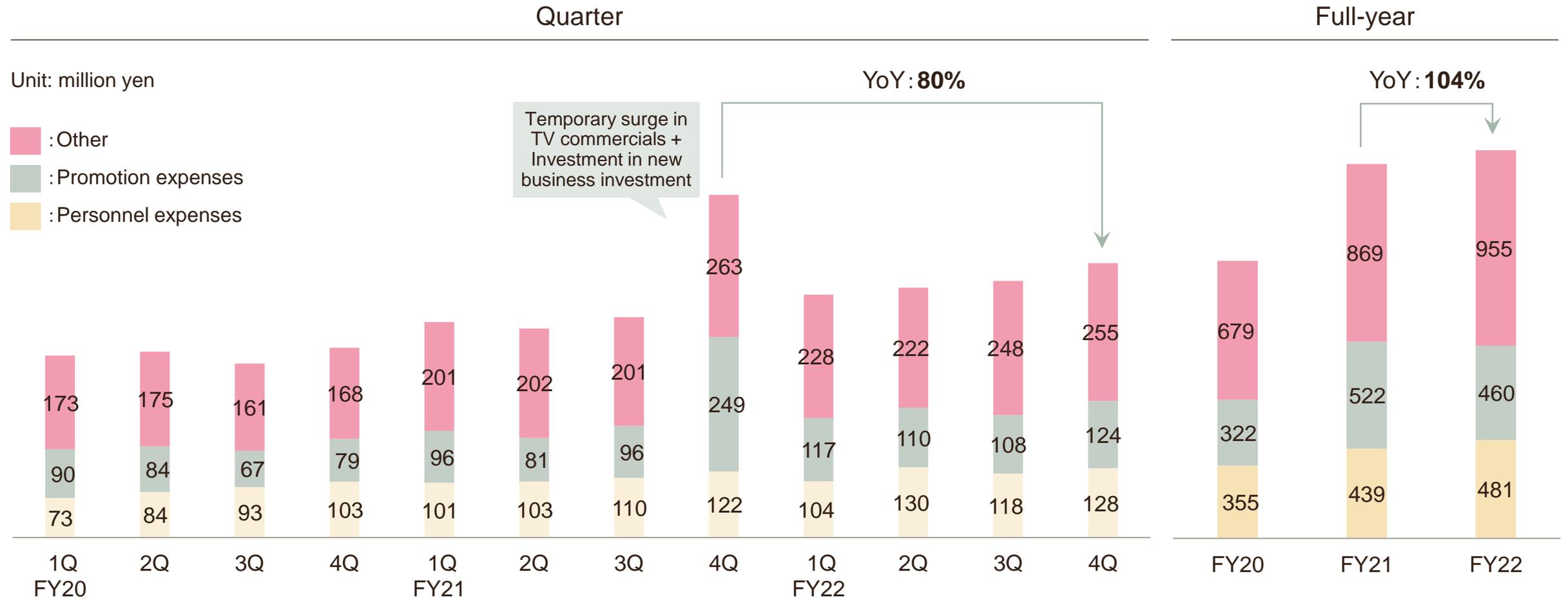
[Company-wide] Trends in consolidated sales

In 4Q, in addition to the growth of online fields such as the marketplace service, large events resumed under pre-emergency measures, resulting in 117% YoY. For the full year, YoY continued to grow strongly at 111%. Excluding sales related to handmade masks, which saw a surge in demand in the previous fiscal year due to COVID-19, YoY sales were 120% in 4Q and 122% for the full year, showing continued strong growth in the core business.



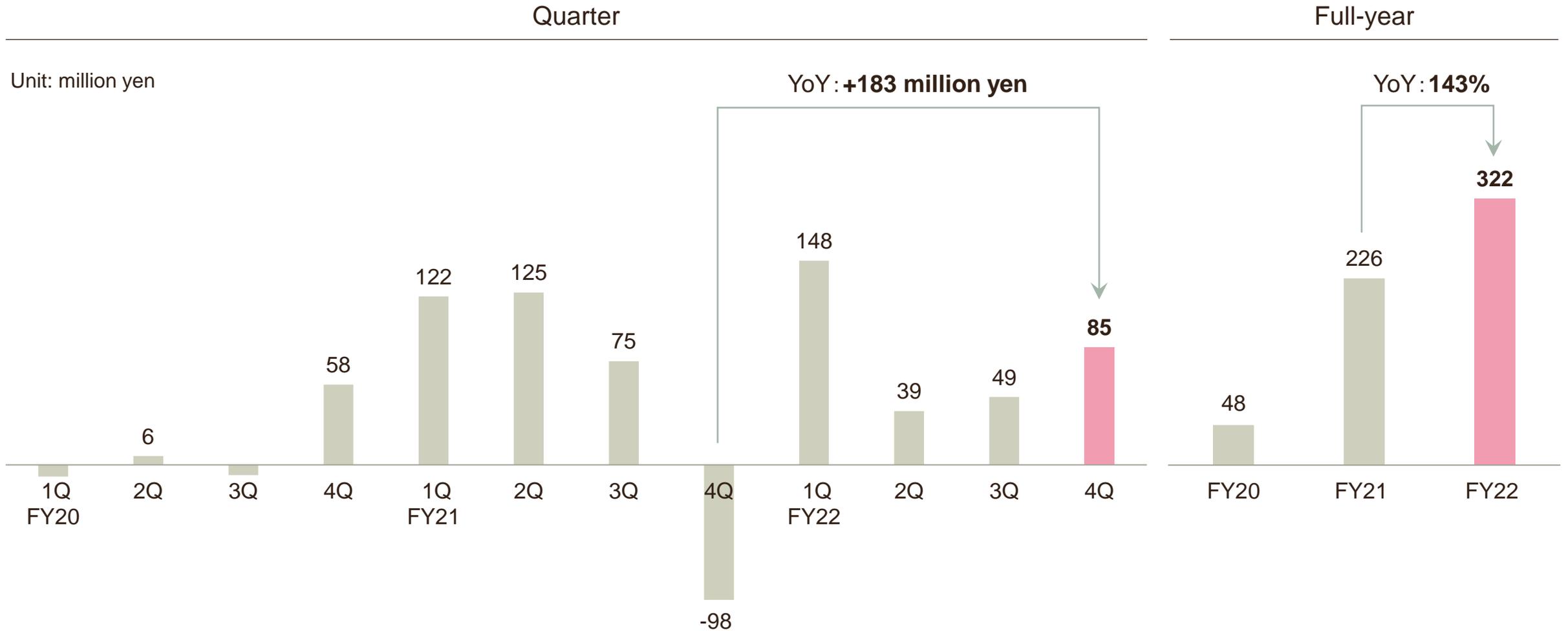
[Company-wide] Changes in consolidated SG&A expenses

As a result of TV commercials and investment in new business development in the same period of last year, YoY was 80% in 4Q, which was lower than the previous year. However, as a result of investment aiming at medium- to long-term growth in the full year as planned, YoY increased slightly to 104%.



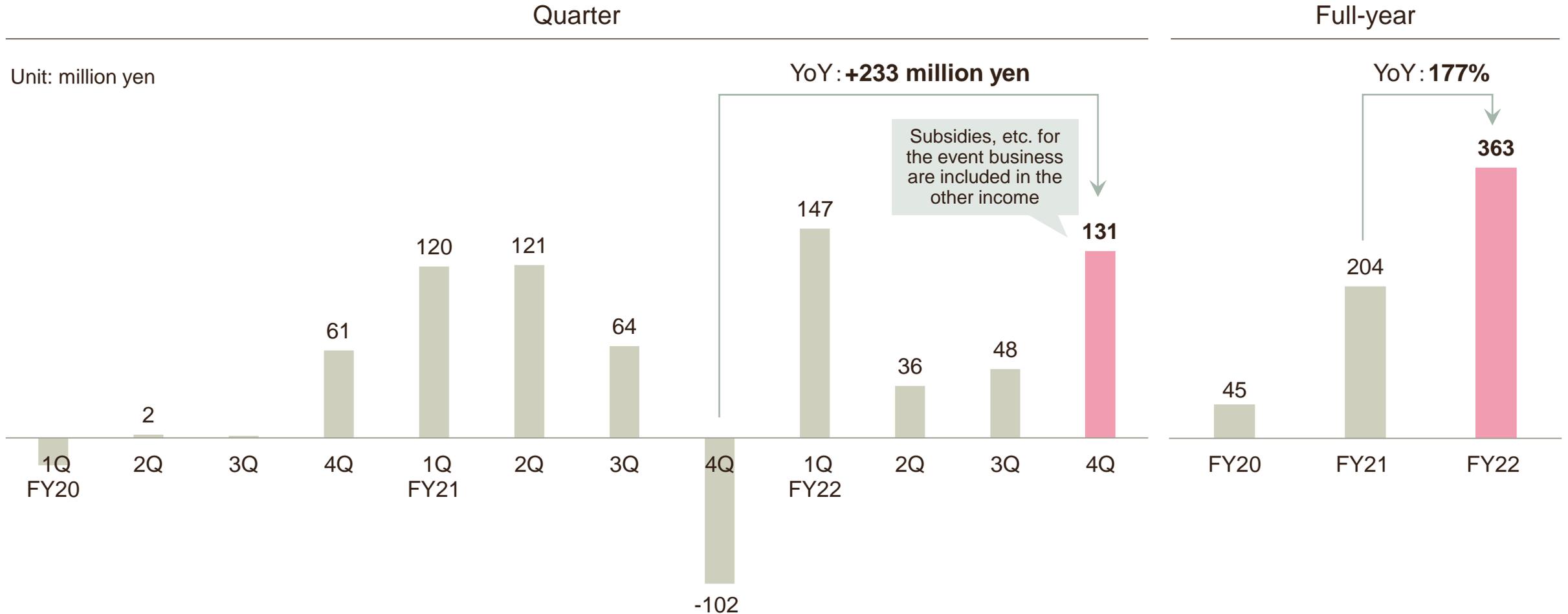
[Company-wide] Changes in consolidated operating income

In 4Q, it reached 85 million yen with +183 million yen YoY. For the full year, YoY hit a record high of 322 million yen, reaching 143% YoY due to strong growth in existing businesses while continuing upfront investment for the future.



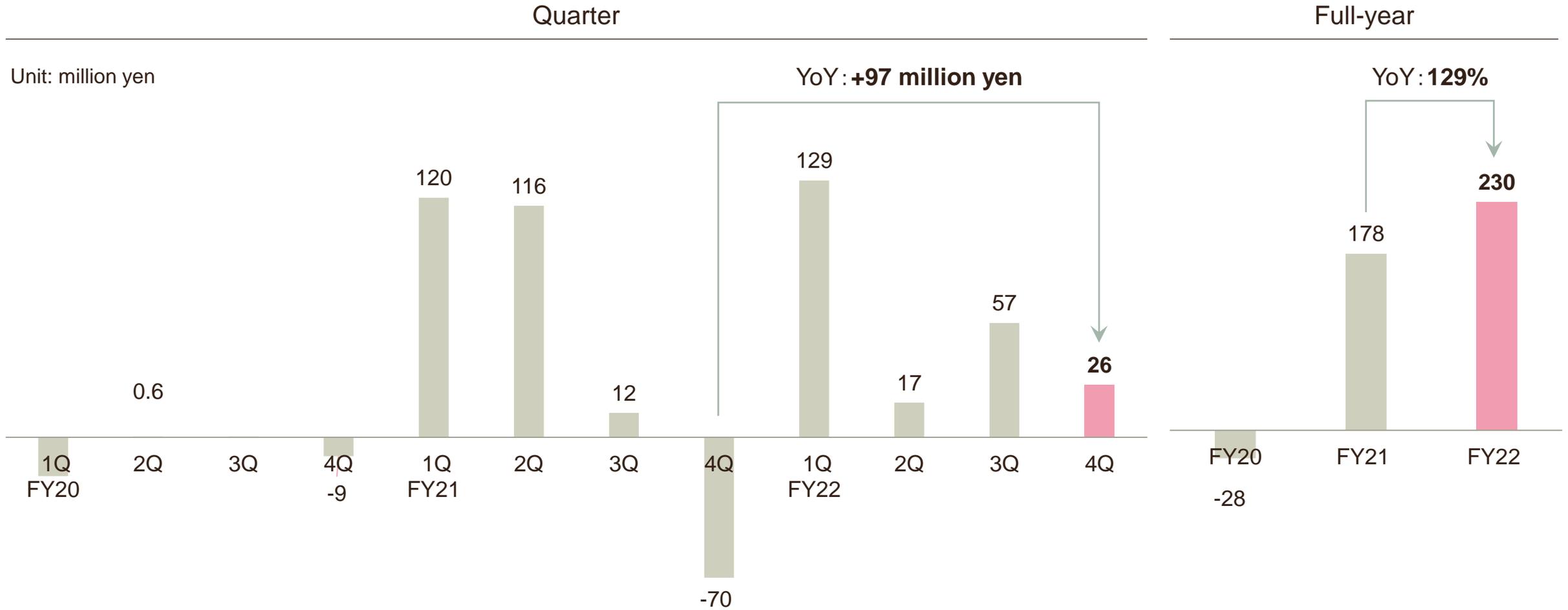
[Company-wide] Changes in consolidated ordinary profit

In addition to the strong growth of the business, as non-operating incomes including subsidies for the event business were recorded, the ordinary profit reached + 233 million yen YoY at 131 million yen in 4Q. For the full year, it hit a record high of 177% YoY at 363 million yen.



[Company-wide] Changes in consolidated net income

Net income landed at 230 million yen, a 129% YoY growth for the full year, and also a record high.



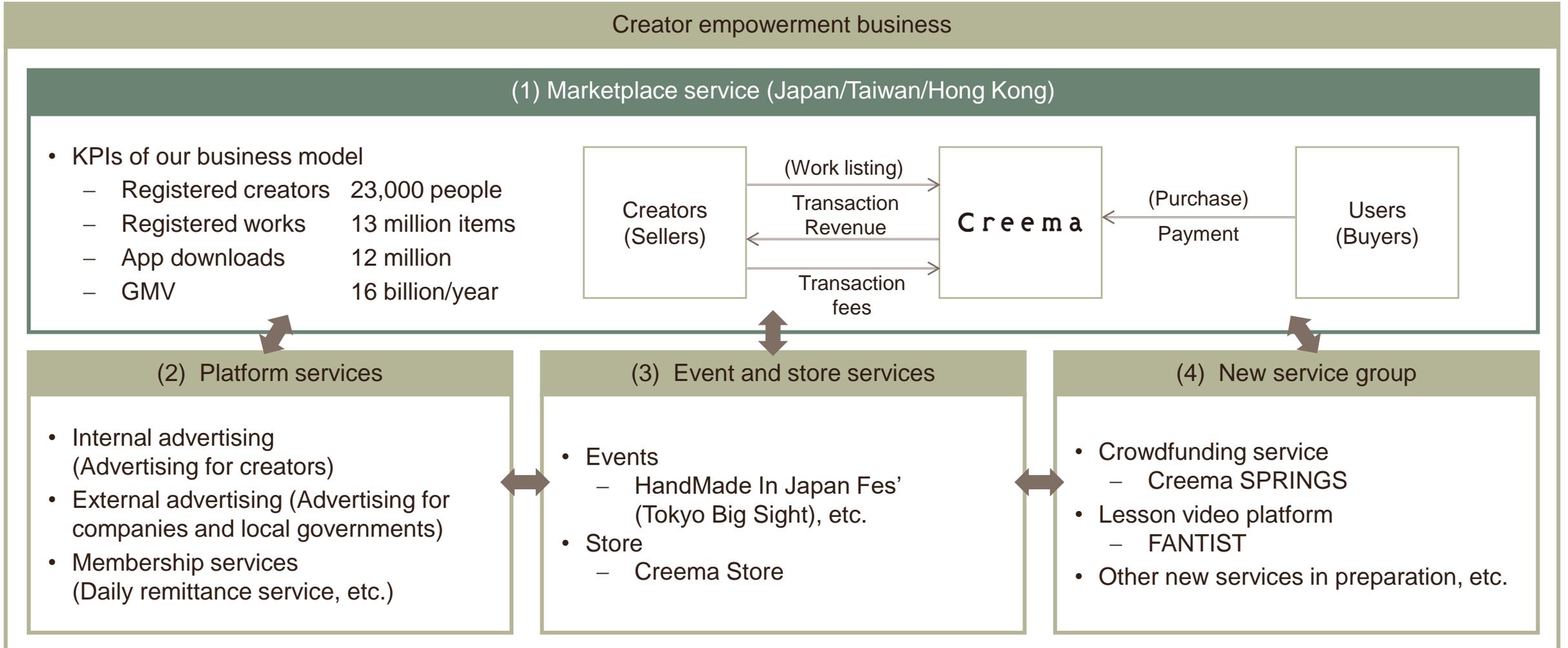
[Company-wide] Balance sheet status

Retained earnings increased significantly due to higher sales and profits. Maintain a stable liquidity ratio and build a stable financial base.

Subject (Unit: Million Yen)	4Q FY2022	(Ref.) 4Q FY2021	YoY
Current assets	3,598	3,568	101%
Cash and cash equivalents	2,953	2,885	102%
Accounts receivable	623	644	97%
Fixed assets	291	126	231%
Deferred tax assets	-	63	-
Security deposits	154	38	401%
Goodwill	37	-	-
Total assets	3,889	3,694	105%
Current liabilities	2,177	2,313	94%
Withholdings / Funds payable and amounts due to creators	1,619	1,460	111%
Loans repayable within one year	176	266	66%
Fixed liabilities	391	298	131%
Long-term liabilities	381	298	128%
Total liabilities	2,569	2,612	98%
Capital stock	536	532	101%
Capital surplus	1,957	1,953	100%
Retained earnings	-1,172	-1,403	-
Total net assets	1,320	1,081	122%

Business structure and “Creema economic zone”

We are developing a creator empowerment business with Japan’s largest handmade marketplace, Creema, as the main axis. From the next slide onward, we will cover the latest trends in each service, starting with the marketplace service.



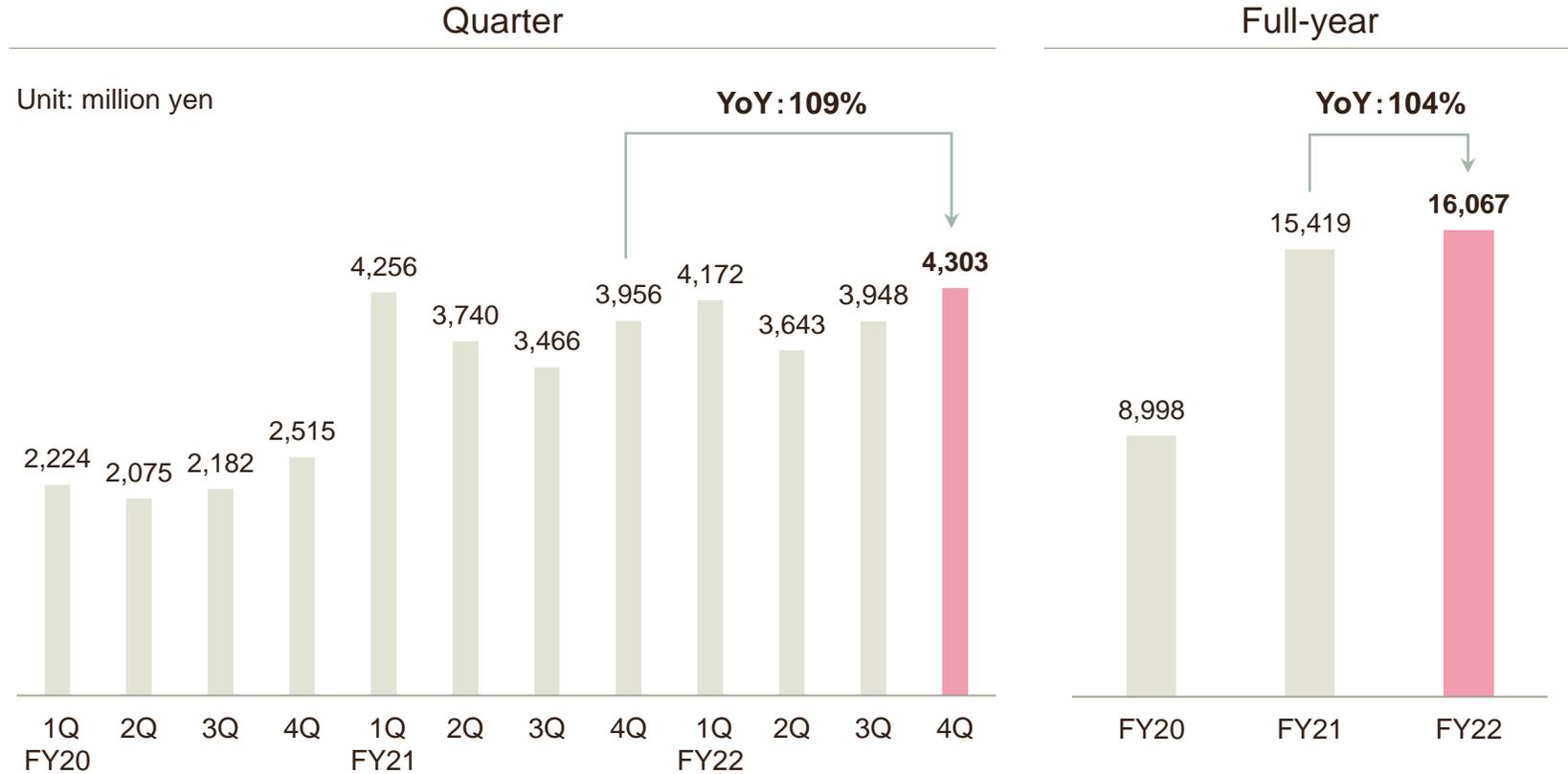
(1) Marketplace service: Creema GMV trends

As a result of MD measures in accordance with the timing and continuous product improvement, GMV of 4Q reached 109% YoY at 4.3 billion yen. Despite a rebound from the surge in mask demand and stay-at-home consumption in the previous fiscal year, the figures for the full year exceeded a record high of 16 billion yen at 104% YoY.

Main initiatives

- Featuring trends such as Christmas and Valentine's Day, implemented merchandising and campaign measures.
- Continuous 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 make the service known.
- Completed Star Creator Finding Project, a collaboration project with fashion designer Keita Maruyama, and sold it exclusively.
- "Area CC," a new brand produced by Chiaki, head of Hello Circus, was put on exclusive sale.

Creema GMV trends

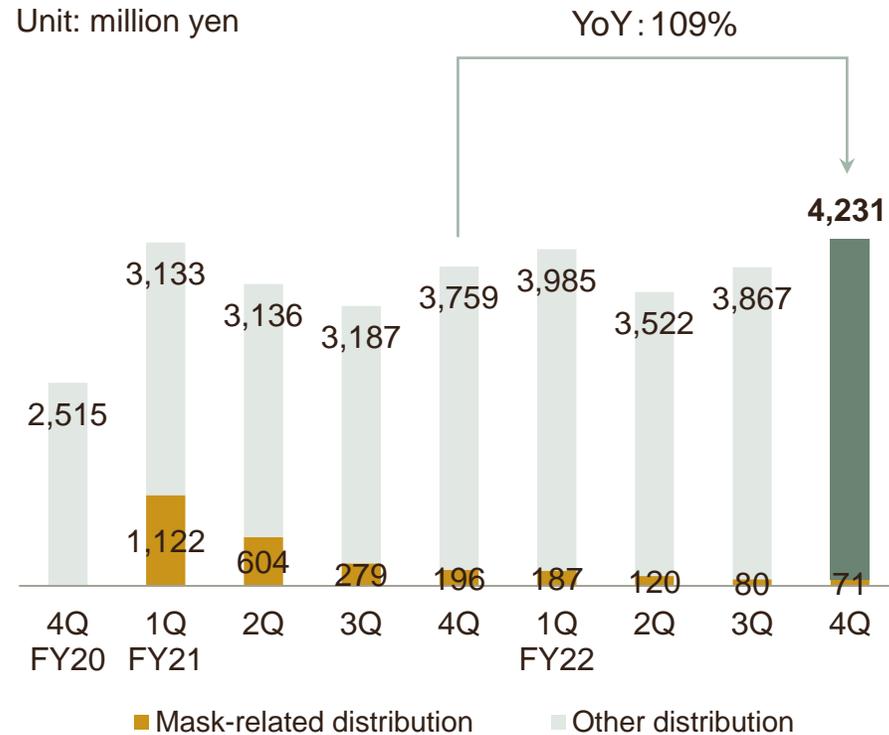


(1) Marketplace service: Impact of handmade masks in Creema GMV

Demand excluding mask-related products increased sharply in the previous year due to the impact of the COVID-19 pandemic. The core service portion continued to show strong growth, with 113% YoY growth for 4Q, and 118% for full-year growth.

Creema GMV (Overall)

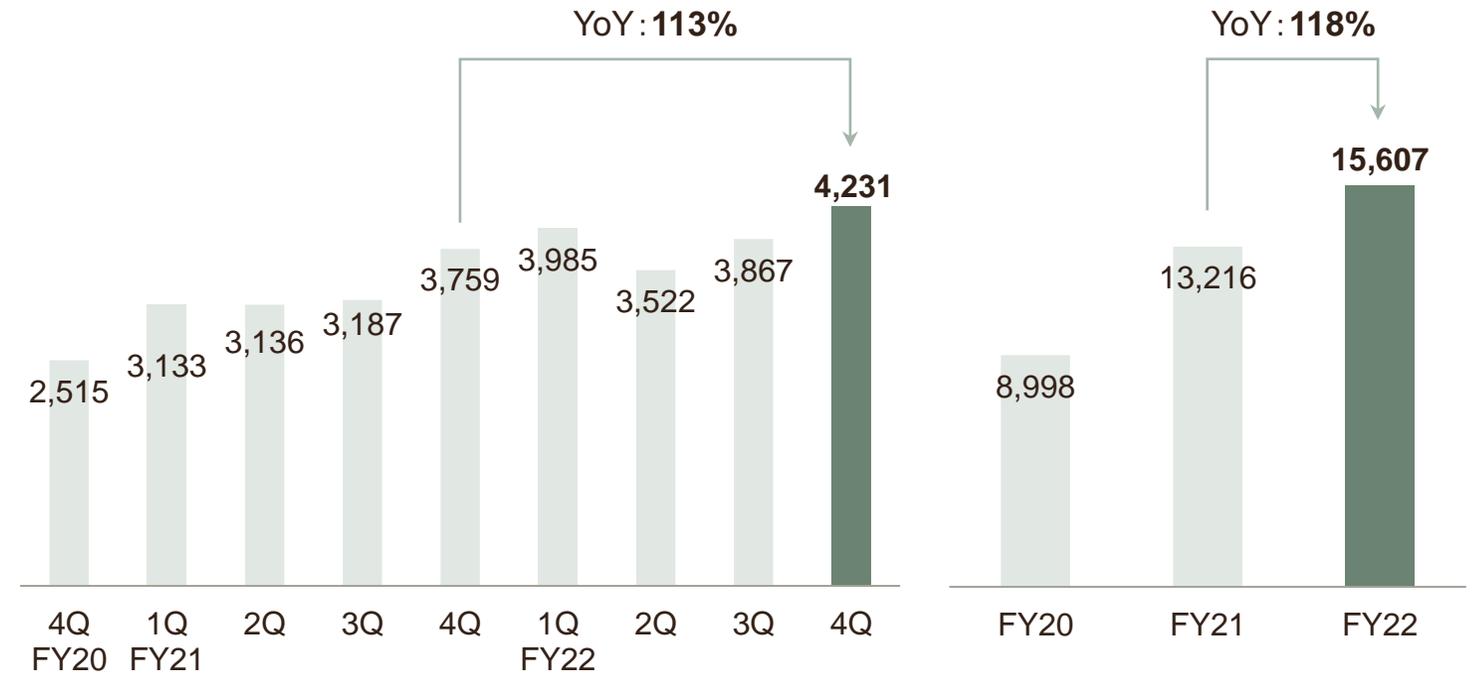
Unit: million yen



Creema GMV (Excluding mask-related sales)

Quarter

Full-year



[Ref.] Broadcasting of Creema TV commercial (2Q)

Broadcasting of a Creema TV commercial also in the summer of FY22 that was continuing from those aired in the previous year-end to make the service known.



Creema



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



[Ref.] Christmas project (4Q)

During the Christmas season, a special website was set up to propose various values and to stimulate demand for creators' works.



目玉読みもの<予算5,000円>
クリーマスタッフ 本気のプレゼント交換会



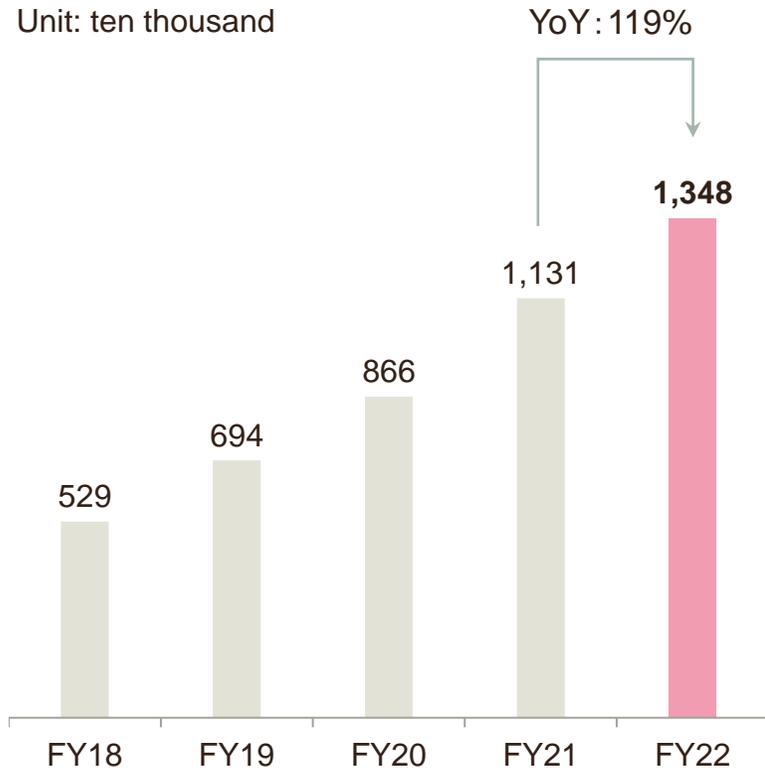
目玉特集
Creemaでしか出会えないクリスマス作品

(1) Marketplace service: Trends in marketplace-related KPIs

Both the number of listings and app downloads have been steady. The transaction unit price fell temporarily due to a sudden increase in low unit-price mask-related sales in FY21, but FY22, with a significant decrease in mask-related sales, marked a new high of the transaction unit price for the full year.

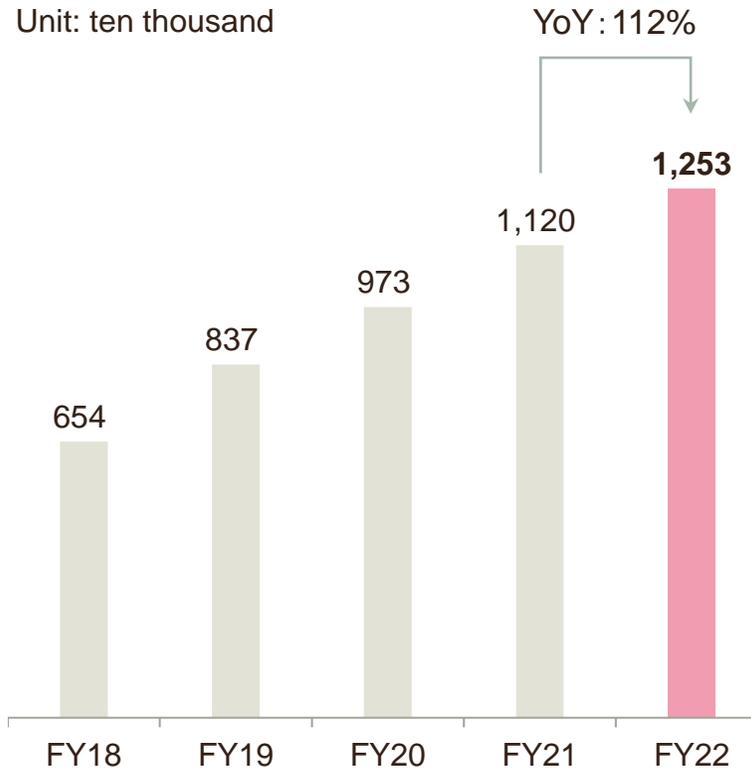
Number of listings

Unit: ten thousand



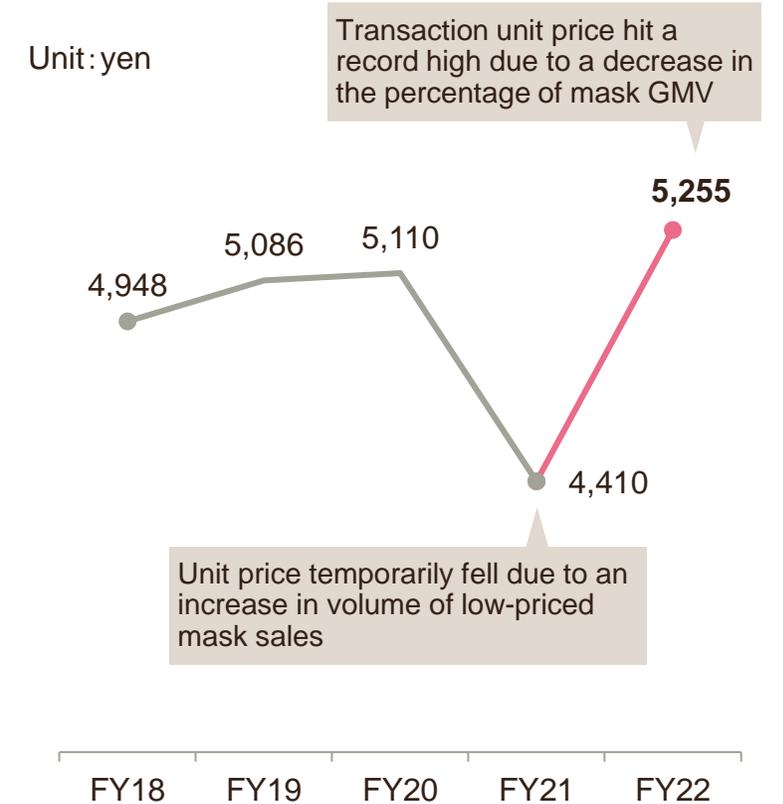
App DL

Unit: ten thousand



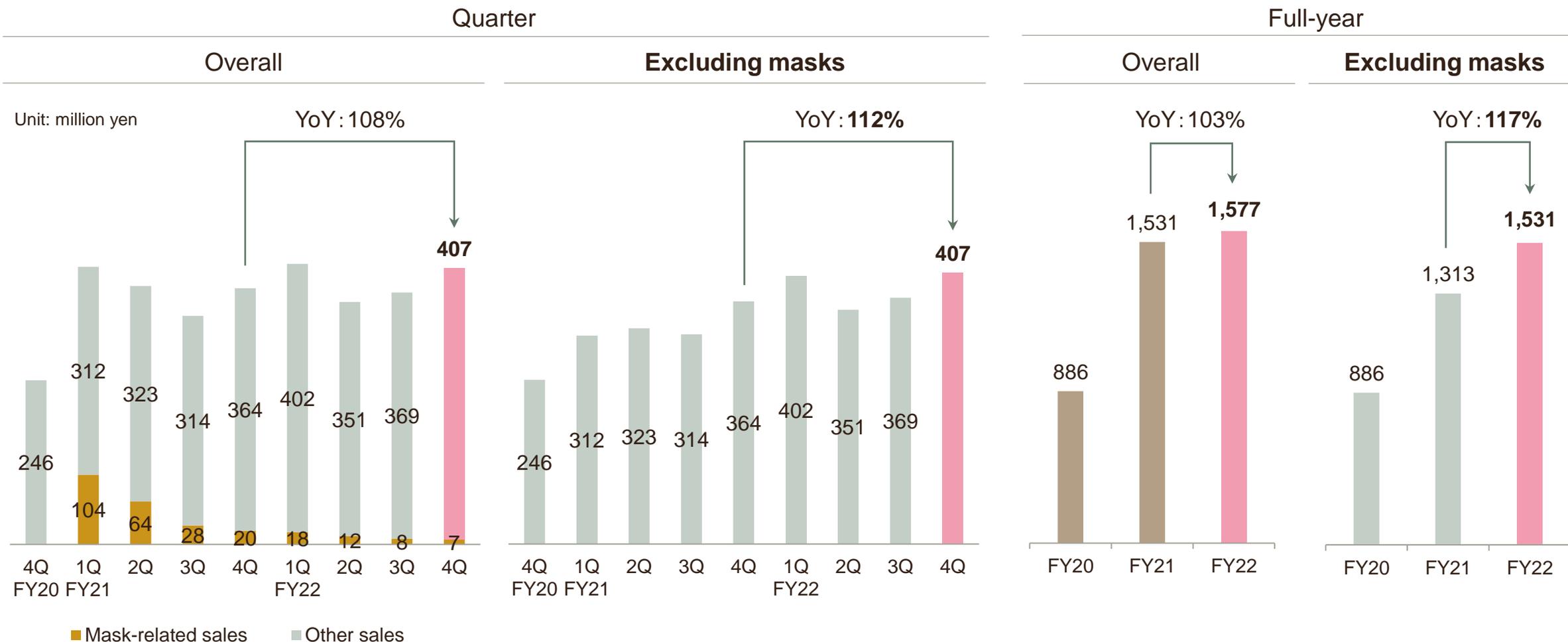
Average transaction unit price (Japan)

Unit: yen



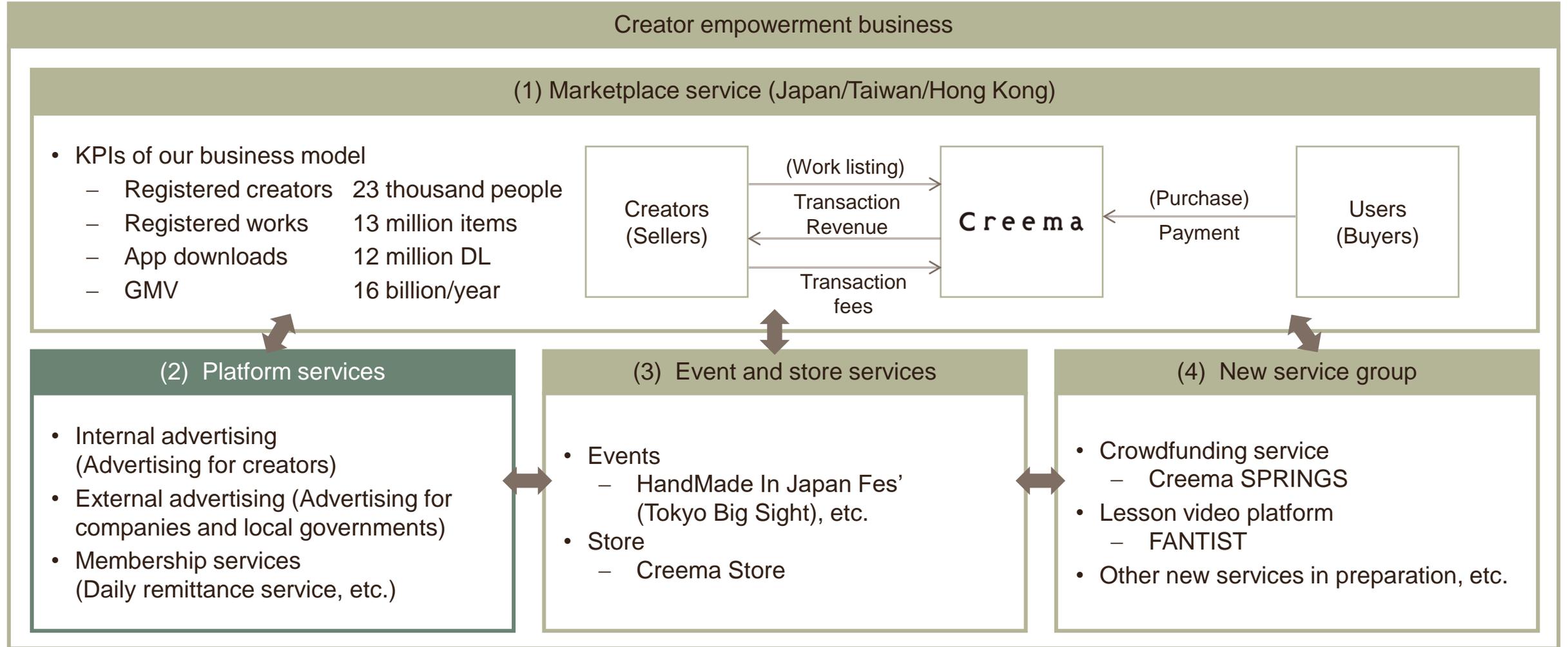
(1) Marketplace: Sales trends

In connection with GMV growth, 4Q sales were 108% YoY (excluding masks: 112%) at 414 million yen. For the full year, they were 103% YoY (excluding masks: 117%) at 1.5 billion yen, and continued to grow steadily, despite a rebound from mask demand and stay-at-home consumption in the previous fiscal year.



Reposted: Business structure and “Creema economic zone”

Recent trends in platform services are covered from the next slide onward.



(2) Platform services: 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 services for 4Q landed 146 million yen (YoY: 112%). The full-year sales landed at 561 million yen (130% 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



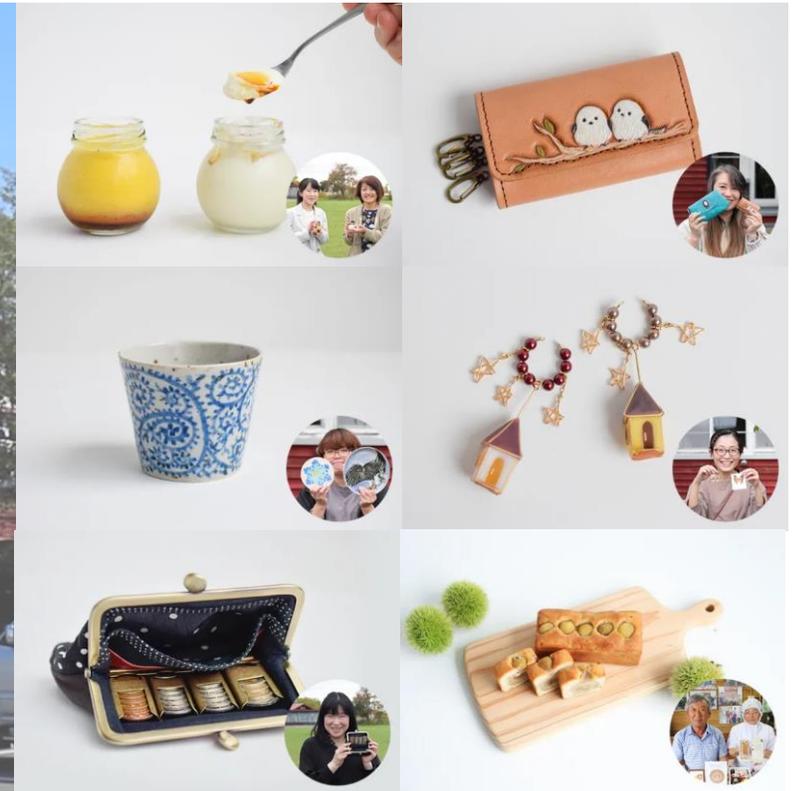
[Ref.] Honda N Series, a commemorative collaboration project for the 10th anniversary of the launch of Honda N Series (4Q)

A collaboration with Creema to commemorate the 10th anniversary of the launch of the Honda N Series. A space decorated with creators' works featured four car models of the N series with special designs expressing the concept of "Life with N," and visitors could purchase their favorite items on the spot to experience this concept for themselves.



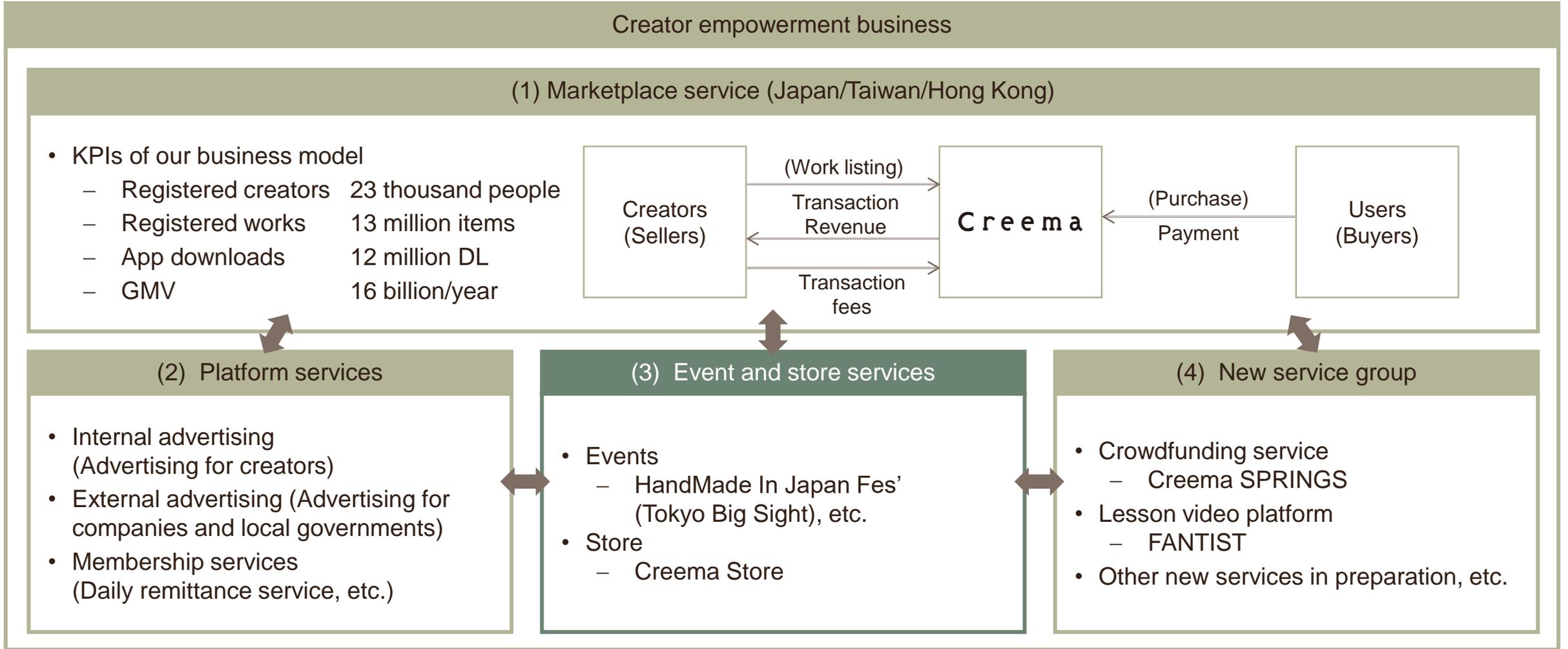
[Ref.] Creema Craft Caravan Kuriyama (4Q)

A variety of handmade works and sweets by creators with connections to Kuriyama Town in Hokkaido are introduced online. The appeal of Kuriyama was presented from various points of view, such as the charm of the town according to the Creema staff, interviews with creators from Kuriyama, and discussions with creators who have migrated there.



Reposted: Business structure and “Creema economic zone”

Recent trends in the event and store services are covered from the next slide onward.



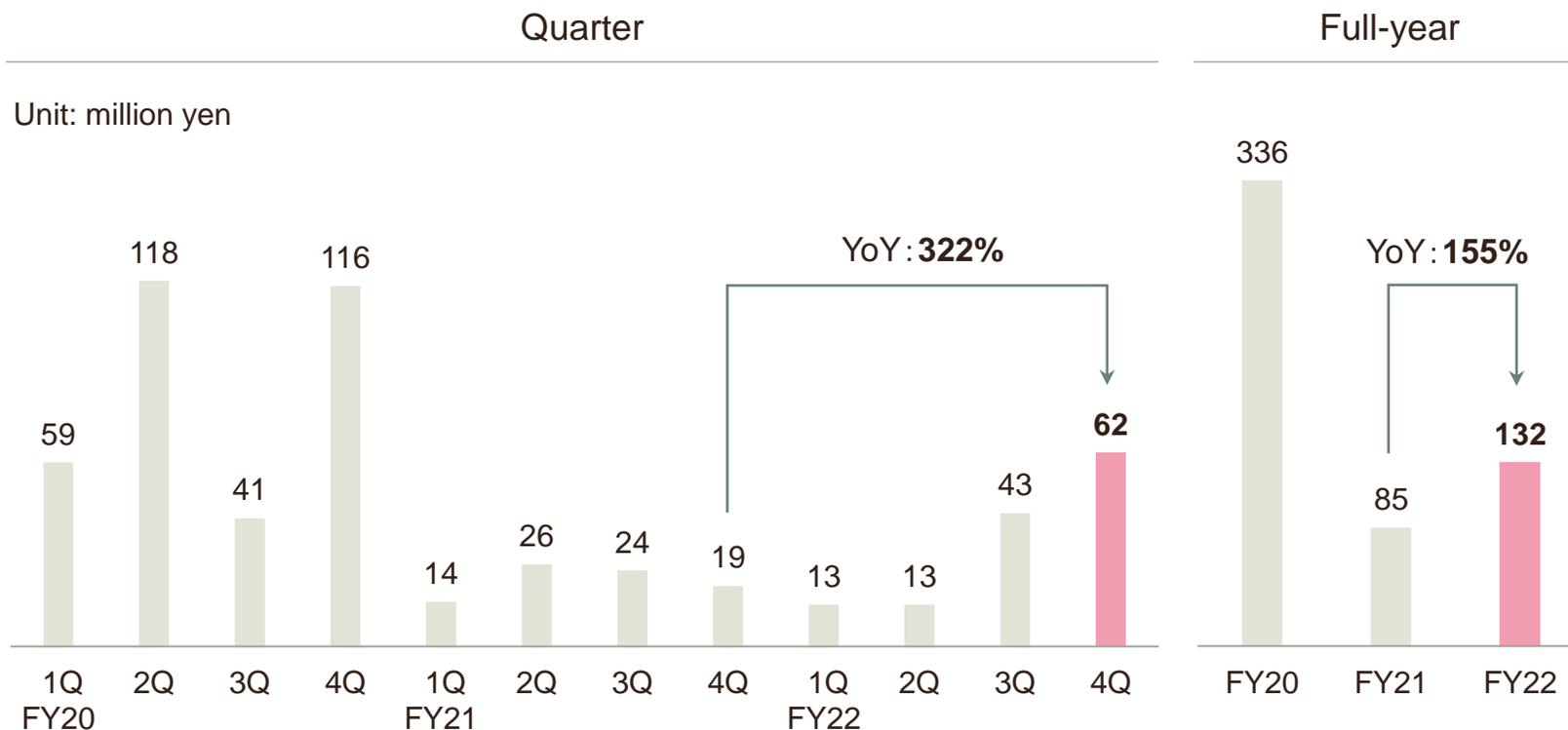
(3) Event and store services: Main initiatives and sales trends

Due to the impact of COVID-19, the number of stores was reduced to one, which is two fewer than last year. However, with the partial resumption of large events, 4Q sales were 322% YoY and full-year grew to 155%. However, the number of visitors to all large events was significantly lower than planned due to pre-emergency measures, and one scheduled large event was cancelled. As in the previous year, the negative impact from COVID-19 was significant.

Main initiatives

- In addition to the Creema YAMABIKO FES 2021 held in 3Q, the HandMade In Japan Fes' was held at Tokyo Big Sight in 4Q.
- However, both events overlapped with the period of pre-emergency measures.
 - ✓ Creema Craft Party, which was scheduled to take place in 3Q, was cancelled due to the state of emergency.
- The number of stores was reduced from three last year to one by the end of the current fiscal year due to restricted operation from ongoing state of emergency and pre-emergency measures.
- Both events and stores showed performance improvements YoY, but plans were missed as a result of the continued negative impact of COVID-19.

Sales trends



[Ref.] Creema YAMABIKO FES 2021 (3Q)

We held Creema YAMABIKO FES 2021 last November, 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.



[Ref.] HandMade In Japan Fes' (4Q)

HandMade in Japan Fes', Japan's largest creators' festival, was held at Tokyo Big Sight in January 2022 amid restrictions imposed by pre-emergency measures. It had been about a year and a half since the previous event was held.



The central graphic features a collage of images from the festival, including jewelry, food, a woman at a booth, a hat, a crowd, a bouquet, vases, and a shop display. A red diamond shape contains the text "New Days!". The event title "HandMade In Japan Fes' 2022" is prominently displayed, along with a stylized logo and a character wearing a beanie with "HIMJ" on it. The dates "2022.01.22 (Sat) → 23 (Sun)" are shown at the bottom. Vertical Japanese text on the left reads "東京ビッグサイト" and on the right "ハンドメイドインジャパンフェス".



[Ref.] Closure of Creema Store Shinjuku (4Q)

Creema Store Shinjuku had been operating in Lumine Shinjuku Lumine 2 since 2014, but was closed on January 31, 2022. Business in the store field is currently continuing 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 the store closed up on January 31, 2022.
- We concluded that further continuation of business would 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 had run business in Lumine Shinjuku, which leads the trend of tenant buildings for fashion stores, for many years, we judged that the store had completed the role of being a showcase for our business.

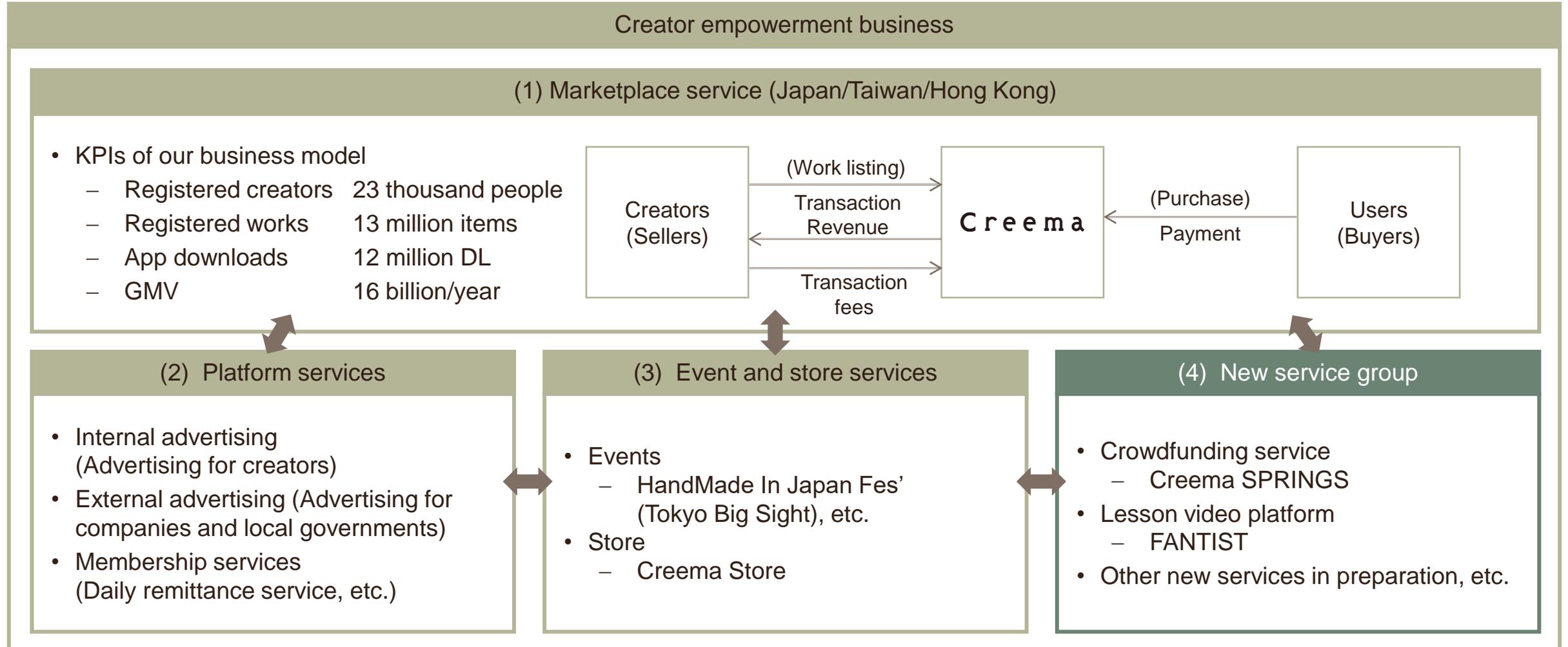


Future business expansion in the store field

- 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.

Reposted: Business structure and “Creema economic zone”

Recent trends in the new service group are covered from the next slide onward.



(4) New service group: “Creema SPRINGS” & “FANTIST”

In our new service group, the website was relaunched in 2Q with the crowdfunding service Creema SPRINGS. In addition, the lesson video platform FANTIST, which was added through M&A, has grown steadily with more than 1,400 lesson videos.

Crowdfunding : Creema SPRINGS



The Creema SPRINGS website was relaunched in August 2021, and customer base collaboration was started with the handmade marketplace Creema, while expanding the types and number of projects.

Lesson video platform: FANTIST



We entered the EdTech field in FY22 1Q with the acquisition of FANTIST, a lesson video platform. Currently, we offer lesson videos mainly in the fields of art, handmade goods, and beauty, and the number of videos exceeds 1,400.

FY23 growth strategy



Creema's challenges for further growth

Now when both the GMV of Creema and the financial performance of the entire company have reached record highs, two strategic challenges for further growth will be increasing awareness of the handmade marketplace market and Creema and strengthening the Creema economic zone by creating new services.

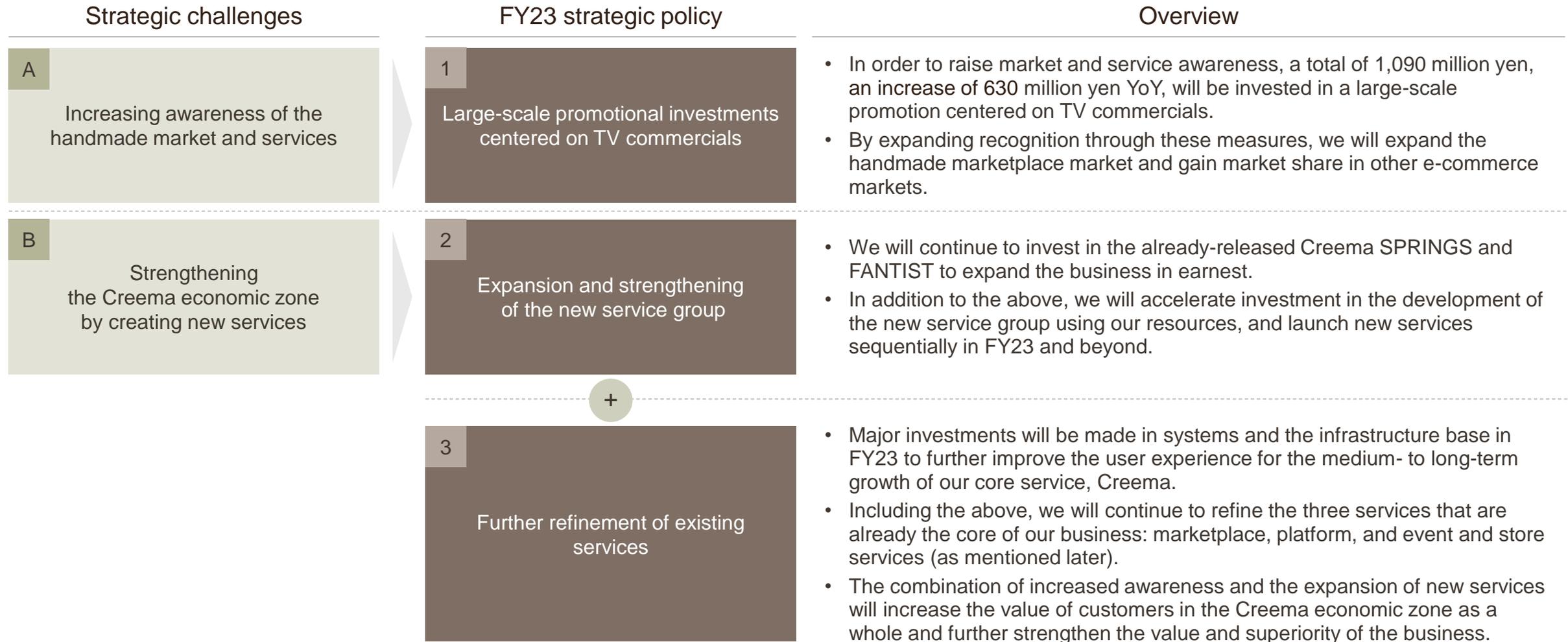
Current condition

- Since the company's foundation, we have led the market as a pioneer of the industry with our core service Creema, Japan's first online handmade marketplace.
- In the FY22, the GMV of Creema exceeded 16 billion yen, a record high, further strengthening its position in the domestic market.
- In addition, a variety of other services that support creators' activities have also grown, and both sales and profits have reached record highs.

Strategic challenges for further growth

- We recognize that two strategic challenges for our future growth are increasing awareness of the handmade market/services and strengthening the Creema economic zone by creating new services.
 - **A Increasing awareness of the handmade market/services**
 - ✓ According to our recent survey, the market awareness of the handmade marketplace is far below that of fashion e-commerce websites, flea market apps, etc.
 - ✓ Creema itself is only about 55% as well-known in Japan as its major handmade marketplace peers.
 - ✓ In this context, the GMV of Creema is one of the largest among handmade markets in Japan.
 - ✓ To put it another way, if market and service awareness improves, we can realize our huge growth potential.
 - **B Strengthening the Creema economic zone by creating new services**
 - ✓ We offer a wide range of services, from an online marketplace to advertising, the event and store services, and the lesson video platform.
 - ✓ We have linked a variety of services organically to enhance the convenience of the Creema economic zone as a whole and to establish the value and superiority of the business.
 - ✓ In order to achieve non-continuous growth in the future, it is necessary to continue to create new services by utilizing our abundant strategic assets.

In order to respond to strategic challenges, we aim to further expand the Creema economic zone by simultaneously implementing the further refinement of existing businesses, while focusing on both large-scale promotional investments centered on TV commercials and the expansion and strengthening of the new service group.



1 Large-scale promotional investments centered on TV commercials - TAM

The current market size of the domestic handmade marketplace is 40 billion yen. The potential market size is estimated to be about 303 billion yen, so it still seems feasible to expand. It is also possible to capture a wide range of peripheral markets such as handmade materials, related media, and lesson fields.

Domestic creator empowerment market

Creator empowerment market
(including advertising, crowdfunding, etc.)

Hobby market, including handmade
(sales of materials for production of works,
skills classes, media, events, etc.)

Handmade marketplace (potential)

Handmade marketplace (current)



Note: The creator empowerment market consists of business groups that provide necessary functions and services to achieve a society in which talented people in all genres, not only handmade creators, can play an active role. The market size of the handmade marketplace (current) is calculated based on the GMV of Creema and minne from January to December 2021, assuming that the combined GMV share thereof is 80% of the total. As the value of the market size of the handmade marketplace reported in the Hobby White Paper 2018 published by the Hobby Association of Japan approximates the total GMV of Creema and minne, these two services are considered to account for the majority of the market. However, since there are similar types of multiple businesses, we conservatively assume that the total GMV of these two services is 80% of the market. The market size of the handmade marketplace (potential) is calculated by multiplying the GMV per person of Etsy, a global handmade marketplace founded in 2005 (calculated by the U.S. population of 332 million divided by the GMV of \$6.95 billion in the U.S. in 2021) and the population of Japan. The figure was 303 billion yen (assuming \$1 = 115 yen). The TAM is larger than that disclosed at the time of listing, but this is because the GMV scale of domestic businesses and Etsy has grown significantly in response to the spread of COVID-19, supported by mask-related demand and stay-at-home consumption, and the growth rate of the entire handmade marketplace market has increased as a result. The market size of the hobby market, including handmade products, was taken from the Hobby White Paper 2019.

Source: GMO Pepabo financial materials, Etsy financial materials, Hobby White Paper 2018 and 2019

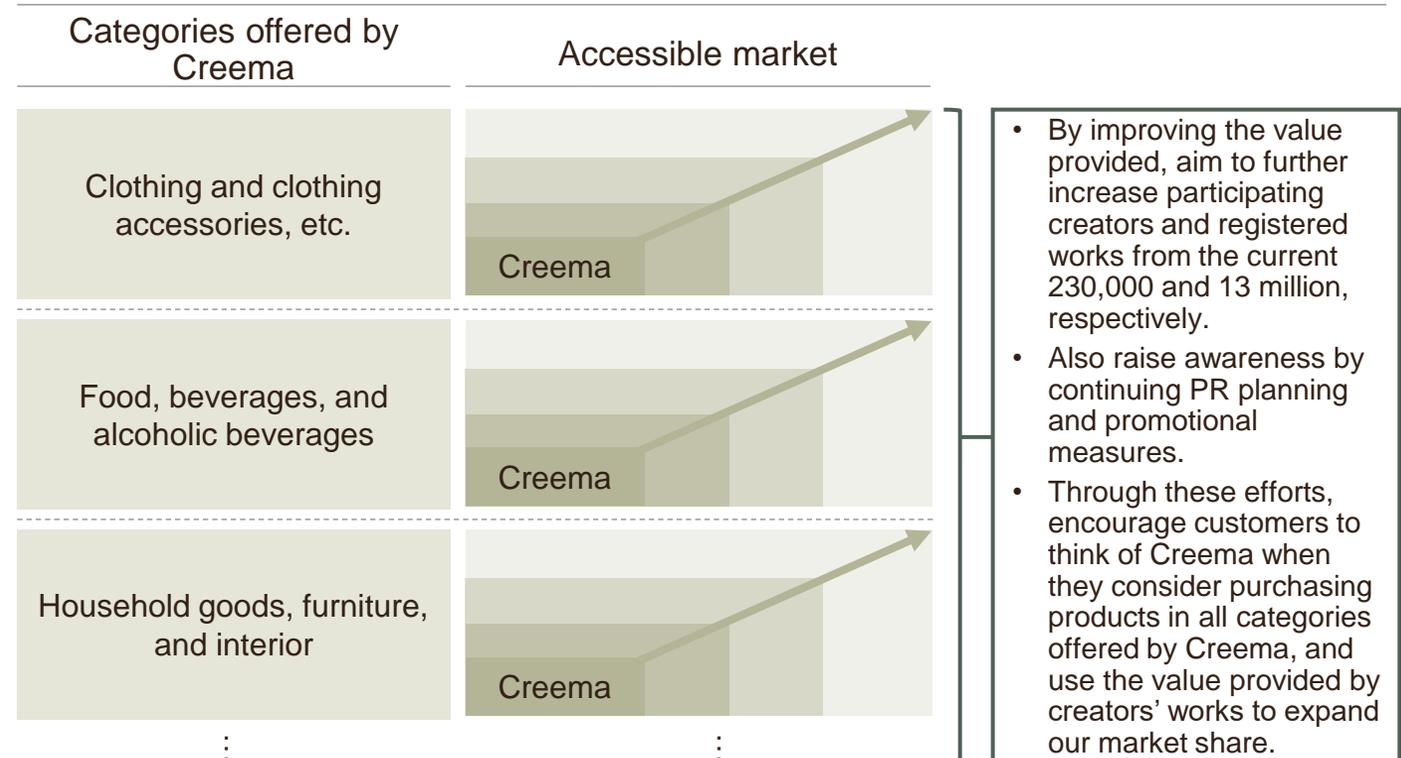
1 Large-scale promotional investments centered on TV commercials - TAM expansion

The superior design, rarity, and originality of the creators' works give Creema a competitive advantage, and if Creema owns a category of work, it can access all categories and markets, including fashion e-commerce, interior, and e-commerce for sundries, etc., and may gain market share.

Creema user type classification

User type	Features
Handmade lovers	<ul style="list-style-type: none"> Users who like to purchase creators' works Purchase various works from multiple creators
Fan bases of specific creators	<ul style="list-style-type: none"> Prefer the style of a specific creator, and continuously purchase works from several creators
Neutral layer	<ul style="list-style-type: none"> Purchased a creator's work because it was the best product after checking various shops The deciding factors behind purchasing are qualities found in creators' works but not mass-produced products, such as excellent design, rarity, and originality <p>→ These features mean that Creema is not limited to the handmade market, but can access a wider range of markets and categories</p>

Concept image of market expansibility of creators' works



In order to maximize the market potential of creators' works, it is necessary to expand the awareness of the handmade marketplace Creema, and we believe that large-scale promotional investments, including mass advertising centered on TV commercials, are essential.

1 Large-scale promotional investments centered on TV commercials - large investments to expand TAM

By making large-scale promotional investments centered on TV commercials, the company aims to expand the handmade marketplace market itself and increase the service awareness of Creema, thereby further capturing peripheral markets by leveraging the high customer value and expanded awareness of creators' works.

Large-scale promotions centered on TV commercials

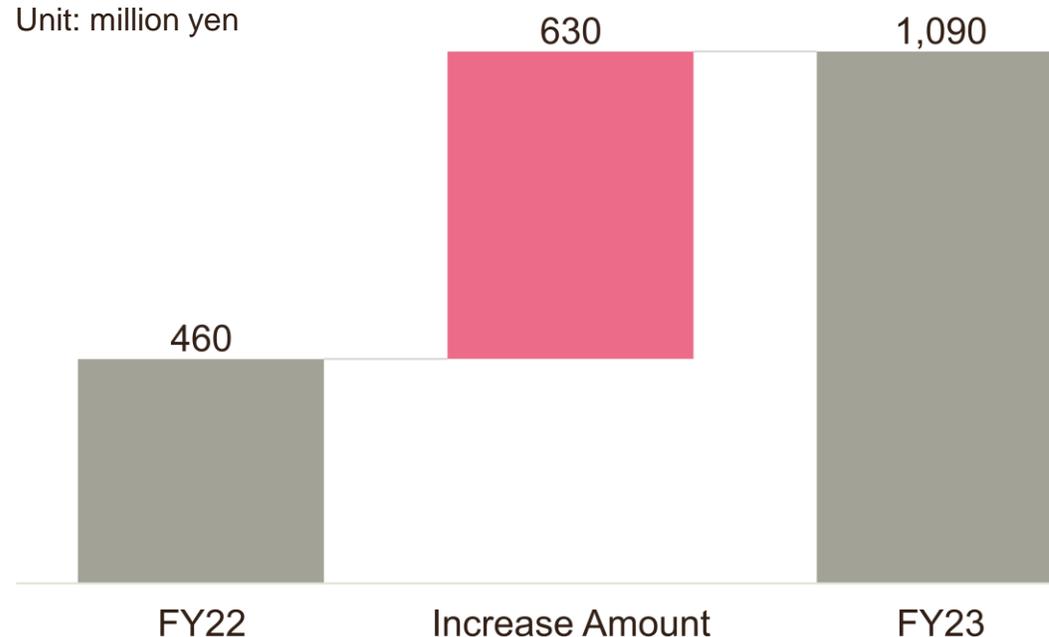
- High quality works that are produced by professional and semi-professional creators have an appeal beyond handmade lovers.
- We intend to expand the handmade marketplace market and our market share in other peripheral markets by investing heavily in advertising centered on TV commercials.



Increase in promotion expenses

- The company plans to spend a total of 1,090 million yen, mainly on TV commercials, by increasing promotion expenses by 630 million YoY. This major investment will further accelerate the growth of the business.

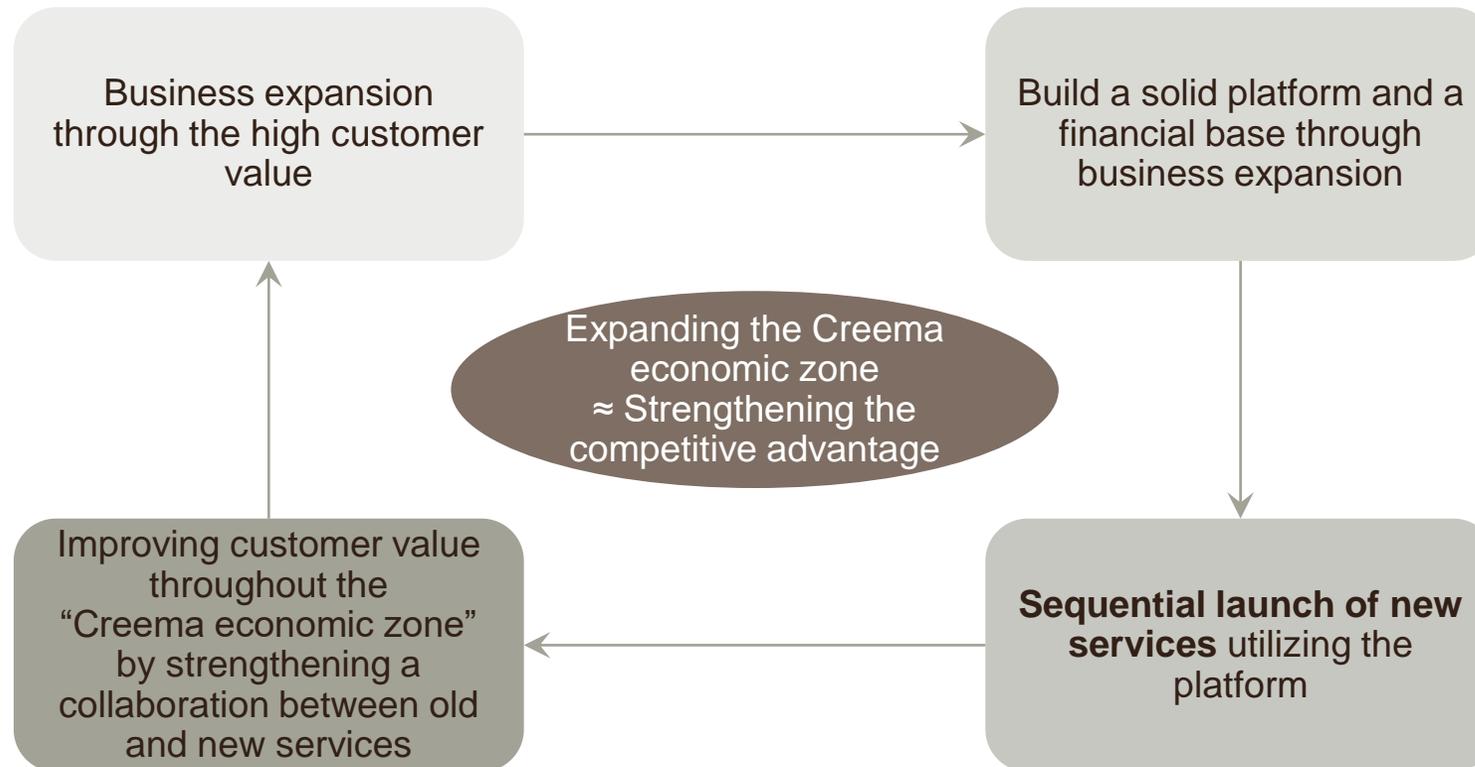
Unit: million yen



2 Expansion and strengthening of the new service group - Investment policy for new services

In parallel with the promotion strengthening, we 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 services

- 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”
- 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.

2 Expansion and strengthening of the new service group - Strengthening policy

While strengthening the already-released crowdfunding service Creema SPRINGS and the lesson video platform FANTIST, preparations will be made to utilize our assets in creating the new service group sequentially in FY23 and beyond.

Strengthening already-released new services

Crowdfunding: Creema SPRINGS



- Strengthen the sales structure to ensure a stable supply of high-quality projects on the platform.
- In addition, we will flexibly make use of Creema to expand the number of users in order to ensure funding for the project owners.

Lesson video platform: FANTIST



- At the end of 2021, we began offering course lesson videos that systematically teach students the necessary skills.
- We will continue to expand the number of one-off lesson videos and course lesson videos, and aim to achieve a platform that attracts the most creative lesson videos in Japan.

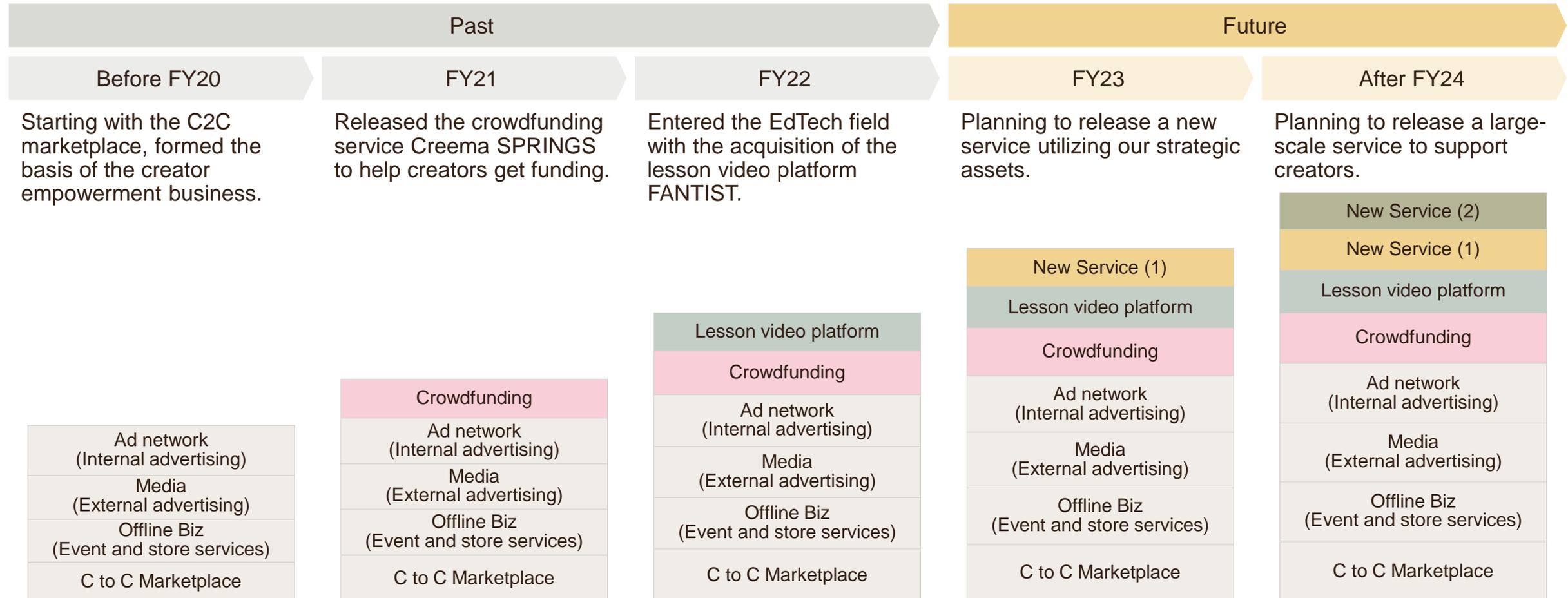
Further creation of new services



- Development and examination of various new services with high synergy with Creema is underway.
- We will continue to invest in launching new services sequentially in FY23 and beyond.

2 Expansion and strengthening of the new service group - Concept image of enhancement

In FY22, we made our much-awaited entry into the EdTech field. In FY23 and beyond, at least one new service will be released in each fiscal year, and the value of the Creema economic zone as a whole will be enhanced through the introduction of multi-layer services.



3 Further refinement of existing services

While focusing on the aforementioned large-scale promotional investments centered on TV commercials and the expansion and strengthening of the new service group, we will also invest in large-scale systems and infrastructure to further improve the user experience, and aim for further growth by refining services in the three existing fields.

Marketplace service



- Increase awareness and strengthen the user base through large promotions, including the aforementioned TV commercials.
- Maximize user satisfaction through product refinement, including improved search functions and UI.
- Implement large-scale system and infrastructure investments to ensure stable service operations and improve user experience over the medium to long term.

Platform services



- For external advertising, we will strengthen receiving orders for projects to revitalize regional economies, which continue to grow year by year, and for collaboration projects that only we can implement.
- For internal advertising, we will achieve further growth by expanding the number of users and improving the effectiveness through refining the UI and logic.

Event and store services



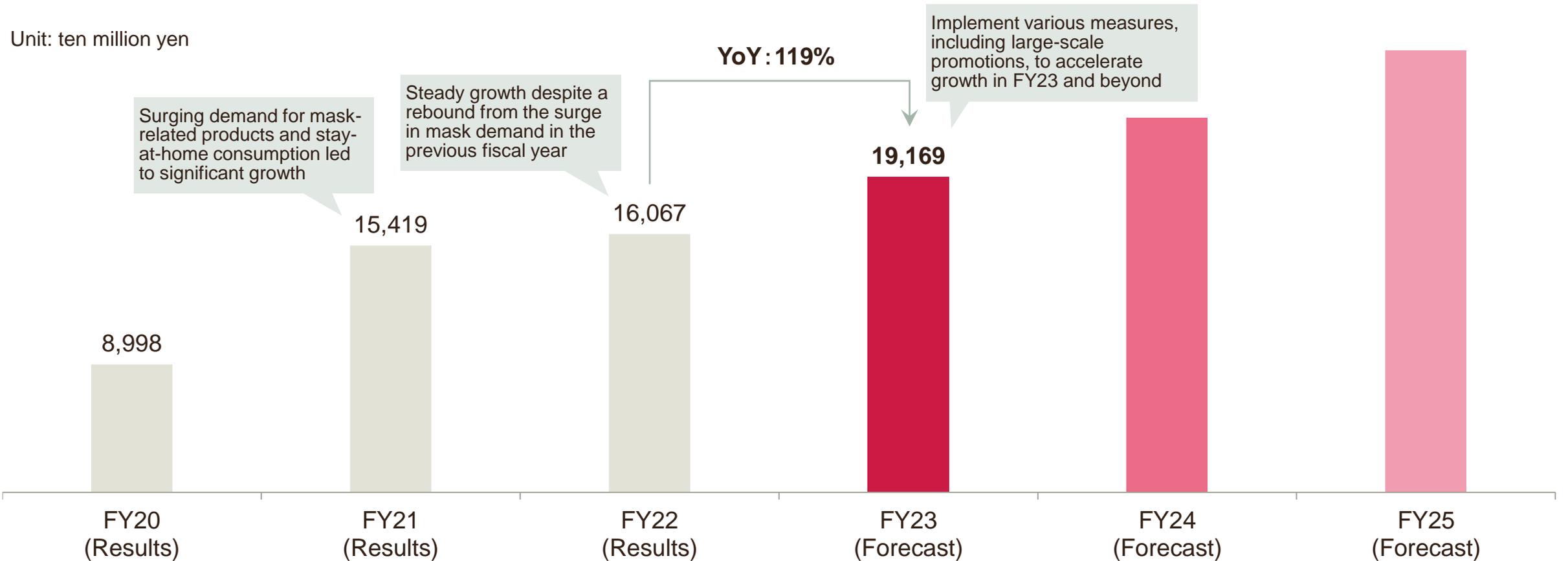
- For the store service, we will rebuild Creema Store Sapporo in light of the easing of the COVID-19 pandemic.
- For events, this year's HandMade In Japan Fes' and Creema YAMABIKO FES will be returned to their normal scale. At the same time, we will continue to stimulate excitement in the Japanese creative scene with a view to launching more new events.



FY23 earnings forecasts

GMV Forecast in FY23

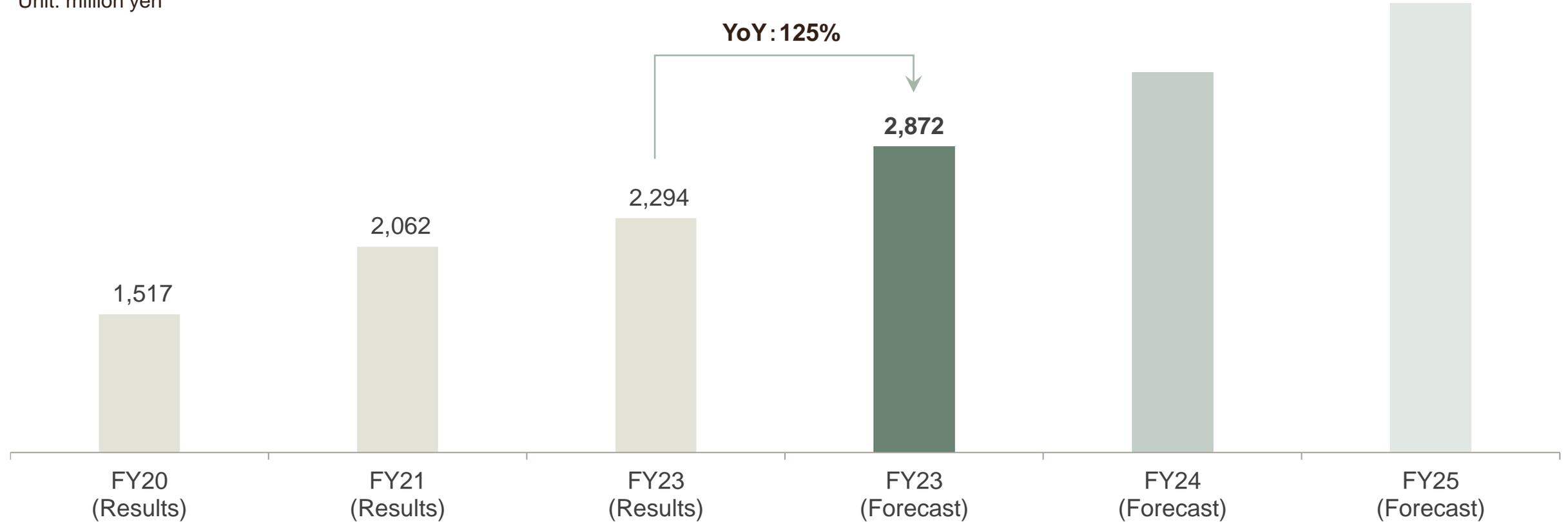
For FY23, we aim to achieve a 119% YoY growth in Creema's GMV, exceeding 19.1 billion yen.



Consolidated sales forecast in FY23

In addition to strong growth in the sales of the online service group such as marketplace and platform services through large-scale promotions and various measures, based on the certain recovery of large events, sales for FY23 are projected at 2.8 billion yen, representing 125% YoY growth.

Unit: million yen

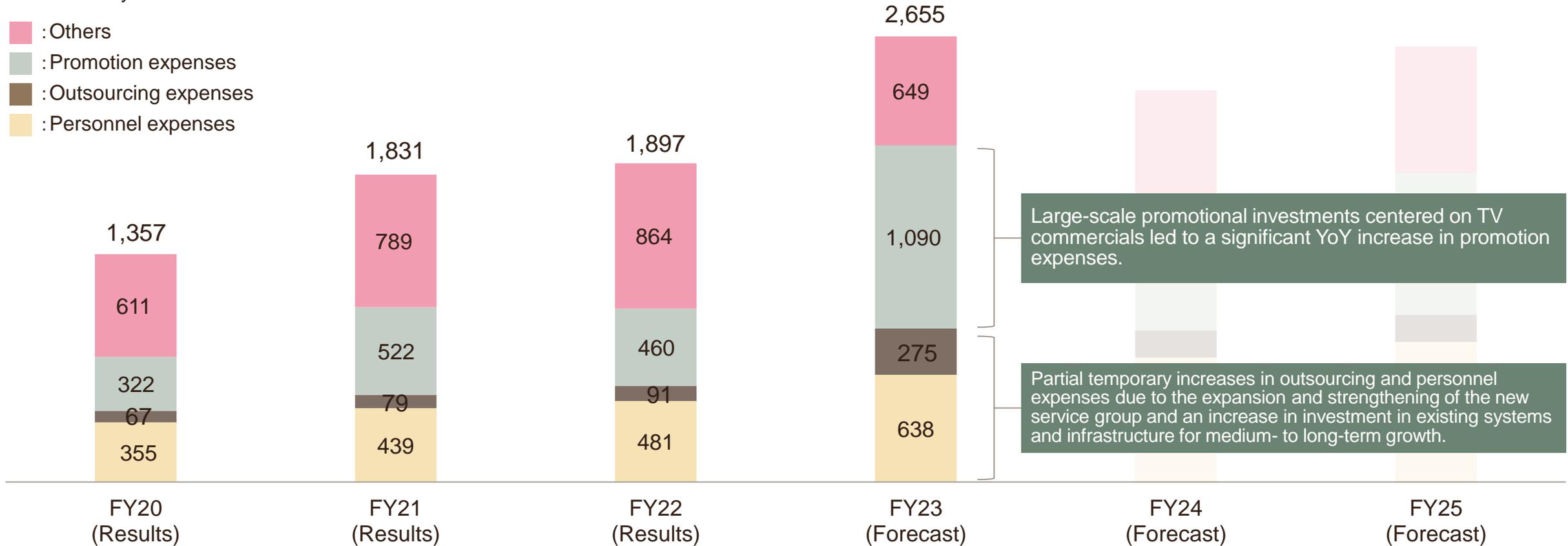


Forecast of consolidated SG&A expenses for FY23

In addition to large-scale promotion investment, including mass advertising, and temporary expansion of system and infrastructure investment for medium- to long-term growth, personnel and outsourcing expenses for creating new businesses for the purpose of multi-layer services will increase.

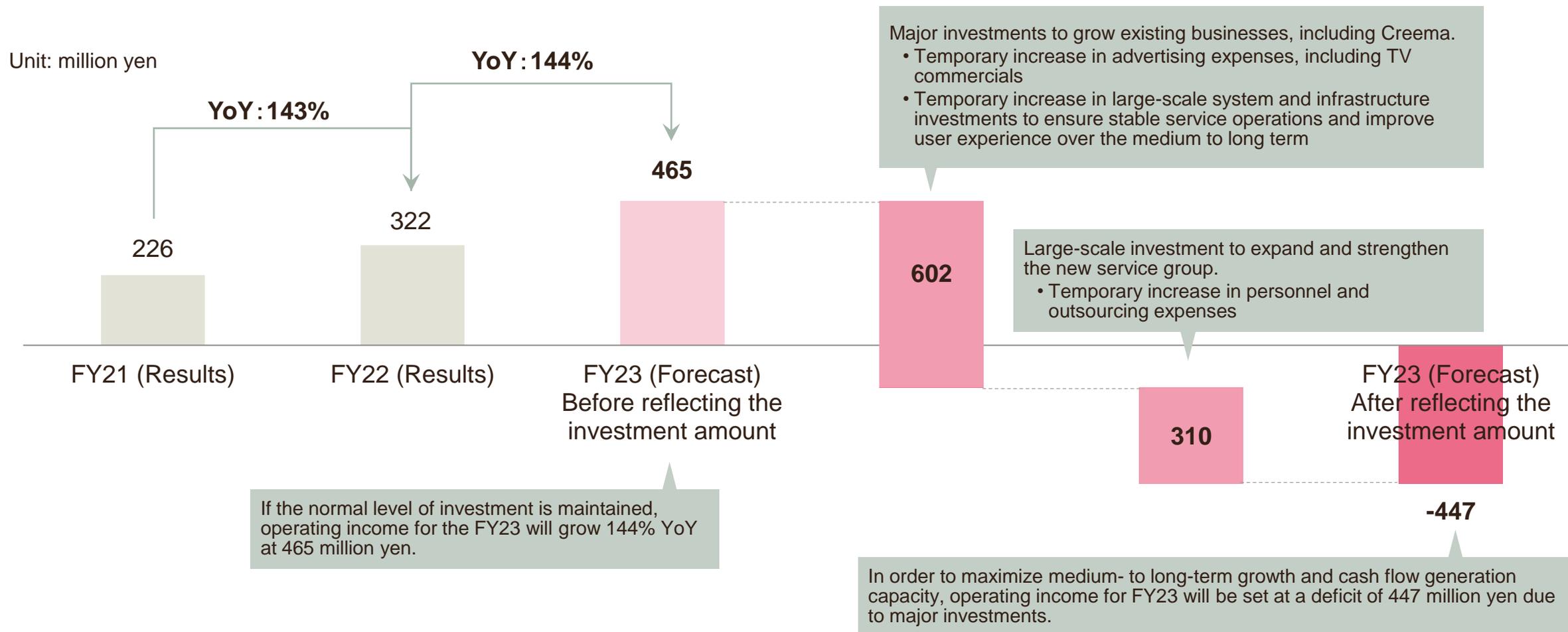
Unit: million yen

- : Others
- : Promotion expenses
- : Outsourcing expenses
- : Personnel expenses



Forecast of consolidated operating income for FY23

For FY23, operating income will be 144% YoY, or 465 million yen, if investment is kept at the normal level. However, in order to make major investments in the aforementioned large-scale promotion, development investment, new business development, etc., we plan to land at -447 million yen. We aim to maximize medium- to long-term growth and cash flow generation capacity by making major investment during this period.



Summary of FY23 earnings forecast

We aim to achieve FY23 sales of 2.8 billion yen, which is 125% YoY. In line with the implementation of large-scale strategic investments, all profit items below operating income for the next fiscal year will be temporarily in the red. Through this large-scale growth investment, we hope to gain a foothold in further growth in the future.

Company-wide earnings forecasts

Unit: million yen	(Ref.) FY22	FY23	YoY	
Sales	2,294	2,872	125%	Continued strong growth from the previous year
Sales cost	74	663	887%	revenue recognition standards (see below)
Gross profit	2,219	2,208	99%	
SG&A	1,897	2,655	140%	Strengthening upfront investment for future growth
Operating profit	322	-447	-769	
Ordinary profit	363	-454	-818	
Net income	230	-376	-606	

Sales forecasts by major services

Unit: million yen	
Marketplace	1,867 YoY: 118%
Platform	676 YoY: 120%
Event and store	252 YoY: 190%
New service group	75 YoY: 329%

Effect of the application of new revenue recognition standards

Beginning in FY23, we will incorporate a portion of SG&A expenses into sales and sales cost due to the application of the new revenue recognition standards. As a result, the sales cost will explode, but it will only shift from SG&A expenses as follows, with no effect whatsoever on our business profitability.

Major changes due to the application of new revenue recognition standards

Effect of application on financial figures

Category	Major changes due to the application of new revenue recognition standards	Effect of application on financial figures								
SG&A	<ul style="list-style-type: none"> Part of the transfer fee, which was previously treated as negative processing of the payment fee, is included in sales as a consideration for our provision of services. Settlement and payment fees are included in the cost. As a result, SG&A decreased by 492 million yen compared to before the application. 	<table border="1"> <tr> <td>Pre-application</td> <td>Increase in sales</td> <td>Records of cost sales</td> <td>Post-application</td> </tr> <tr> <td>3,147</td> <td>37</td> <td>-529</td> <td>2,655</td> </tr> </table>	Pre-application	Increase in sales	Records of cost sales	Post-application	3,147	37	-529	2,655
Pre-application	Increase in sales	Records of cost sales	Post-application							
3,147	37	-529	2,655							
Sales	<ul style="list-style-type: none"> The negative processing of the payment fee for SG&A is included in sales. As a result, sales increased by 37 million yen compared to before the application. 	<table border="1"> <tr> <td>Pre-application</td> <td>Increase in sales</td> <td>Post-application</td> </tr> <tr> <td>2,834</td> <td>37</td> <td>2,872</td> </tr> </table>	Pre-application	Increase in sales	Post-application	2,834	37	2,872		
Pre-application	Increase in sales	Post-application								
2,834	37	2,872								
Sales cost	<ul style="list-style-type: none"> Settlement and payment fees for SG&A are included in the cost. As a result, cost increased by 529 million yen compared to before the application. 	<table border="1"> <tr> <td>Pre-application</td> <td>Increase in sales</td> <td>Records of cost sales</td> <td>Post-application</td> </tr> <tr> <td>134</td> <td>529</td> <td></td> <td>663</td> </tr> </table>	Pre-application	Increase in sales	Records of cost sales	Post-application	134	529		663
Pre-application	Increase in sales	Records of cost sales	Post-application							
134	529		663							
Gross profit	<ul style="list-style-type: none"> Gross profit decreased by 492 million yen compared to before the application due to an increase of 37 million yen in sales and an increase of 529 million yen in costs. 	<table border="1"> <tr> <td>Pre-application</td> <td>Increase in sales</td> <td>Records of cost sales</td> <td>Post-application</td> </tr> <tr> <td>2,700</td> <td>37</td> <td>-529</td> <td>2,208</td> </tr> </table>	Pre-application	Increase in sales	Records of cost sales	Post-application	2,700	37	-529	2,208
Pre-application	Increase in sales	Records of cost sales	Post-application							
2,700	37	-529	2,208							

Our policy on ESG

We will continue to work on various ESG issues in order to realize a fair society in which talents and abilities are duly evaluated and people can live and work in their own way.

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 living and working in their own way in a world of creation where talent and hard work do not directly lead to opportunities and appreciation.

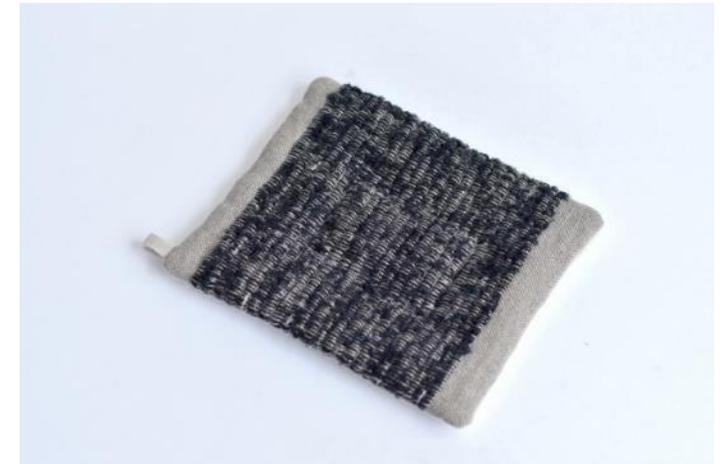


Regional revitalization and development through producing goods

- 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.



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.

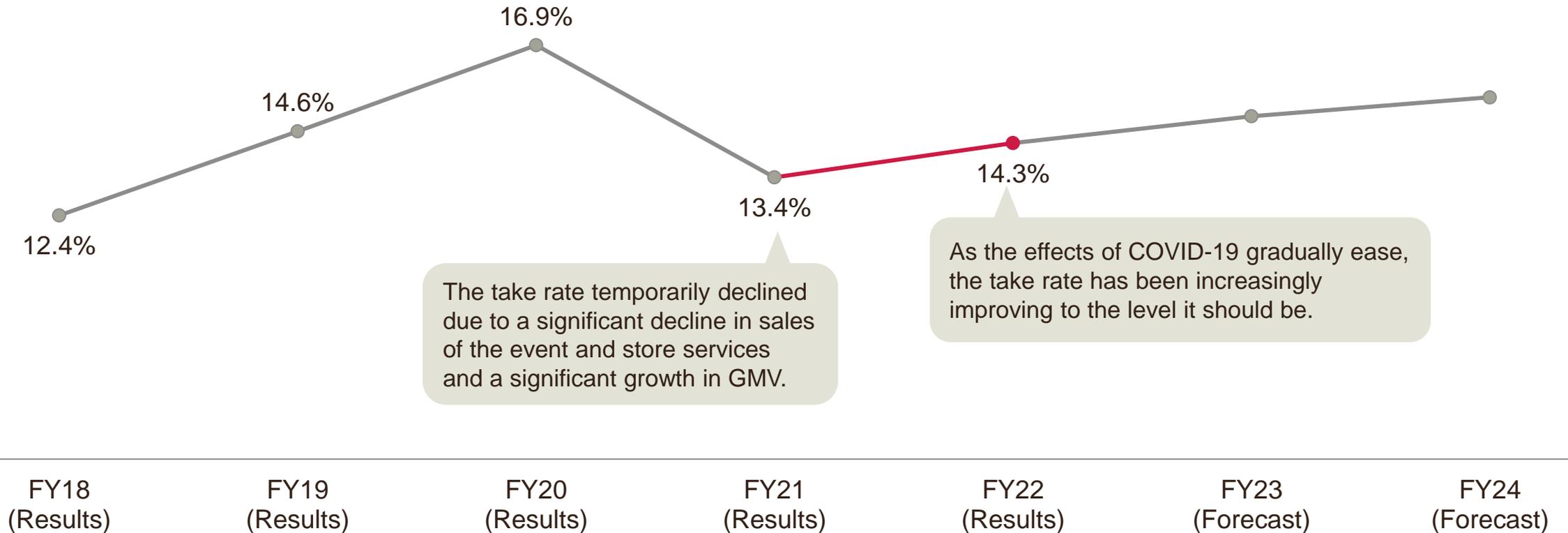


Appendix



[Ref.] Take rate trends

In FY21, GMV increased due to the spread of COVID-19, but the sales of the event and store services fell sharply, resulting in a significant decrease in the take rate. FY22 is on a recovery trend with continued stable platform growth and some recovery for the event and store services. In FY23 and beyond, the take rate will gradually improve as the new service group is added sequentially in addition to the stable growth of platform and the event and store services.

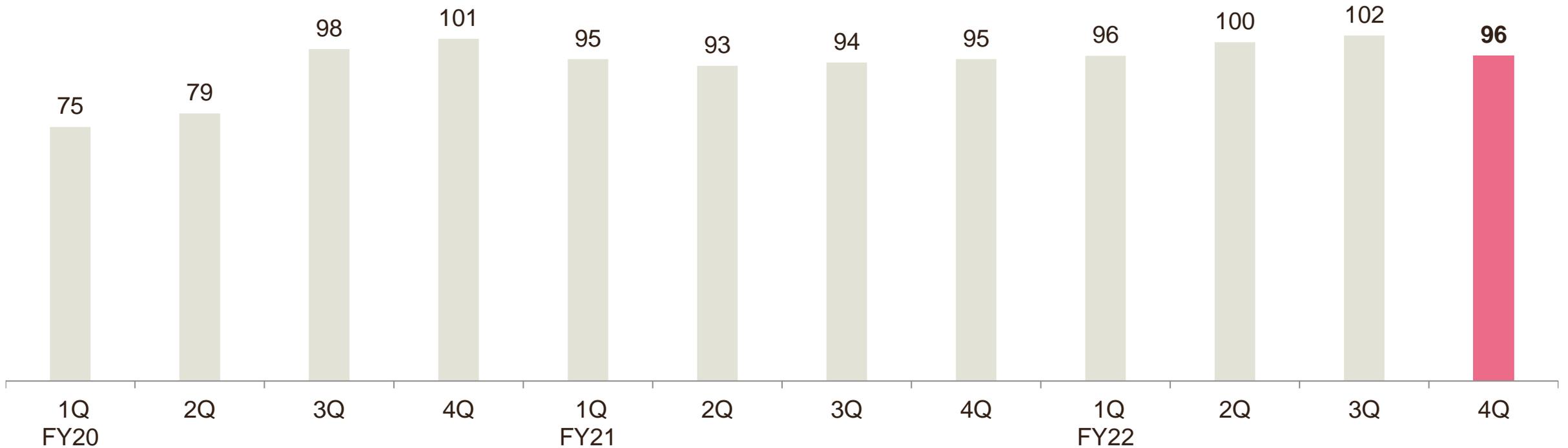


Note: The take rate is calculated using the GMV of the marketplace service as the denominator and the sales of all services as the numerator.

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.