

Fourth Quarter FY03/17 Results
Financial Results Presentation

CROOZ

CROOZ, Inc.

TSE JASDAQ Standard; Code 2138

For this financial results presentation, we have added a Data Book to enhance our disclosure materials.

 Why add a Data Book to financial results reports to enhance information disclosure?

Why add a Data Book to financial results reports to enhance information disclosure?

CROOZ aims to become a company with superior IR.

Why? By being recognized as a company with superior IR, we can get the attention of institutional investors and the stock market. And this, we believe, will lead to an increase in corporate value.

As part of this effort, we received feedback mainly from institutional investors regarding the enriching of historical financial results and analysis materials and have decided to release a Financial Results Data Book.

By continuing to pursue IR activities that are highly regarded, we believe it can lead to the maximization of corporate value.



Now, we'll begin our financial results presentation for Q4 FY03/17

Good news for Q4 FY03/17

Good news for Q4 FY03/17



We doubled our shipping capacity to more than JPY200mn per day by introducing an automated material handling system at our logistics center. Now, tasks that were previously handled manually by staff are being done by machines.



And for the latest additional good news...

The latest good news...



Nishimatsuya Chain, a specialty retailer of items for babies and kids boasting annual sales of JPY136.2bn, opened a "store" on SHOPLIST



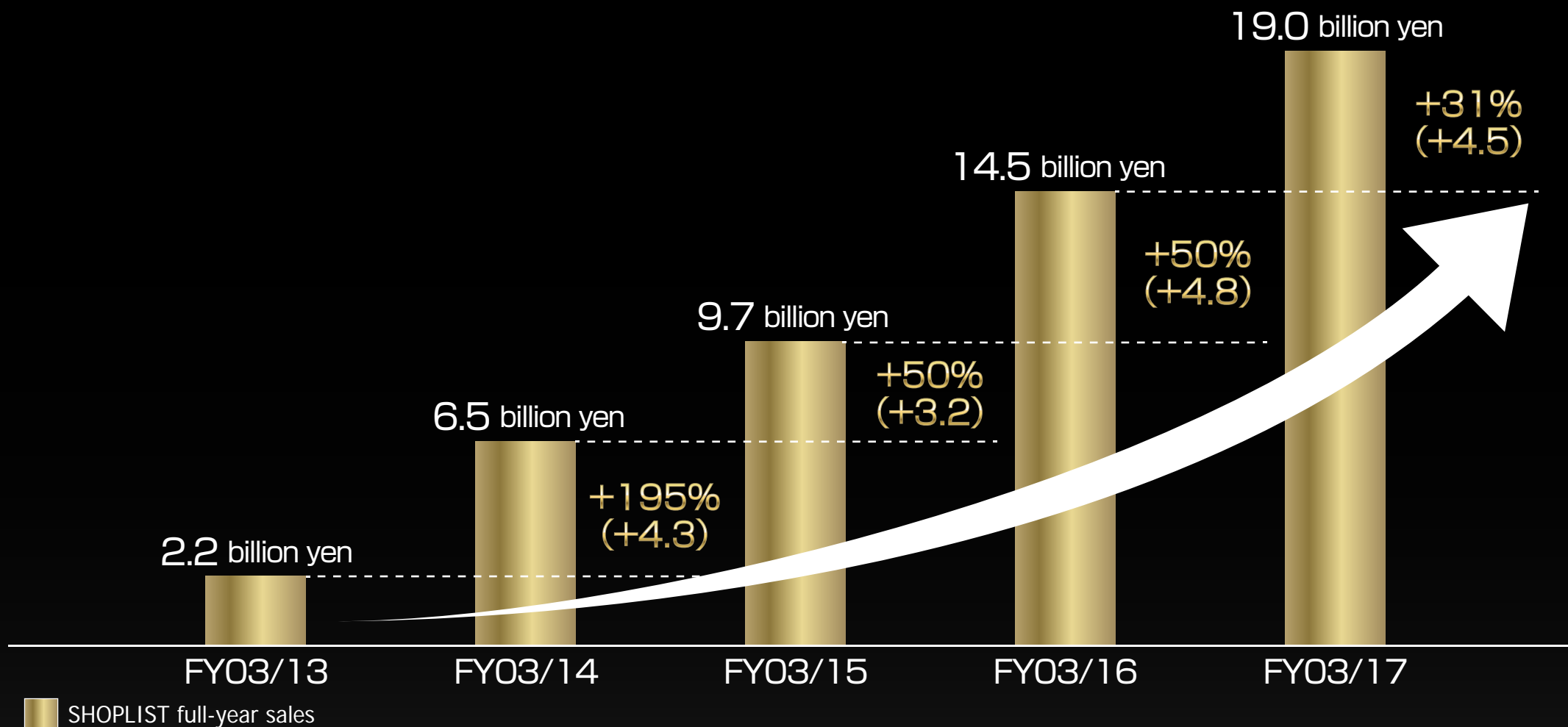
That wraps up the good news. Next, we'll move on to earnings

Earnings in the SHOPLIST Business



First, let's have a look at full-year sales trends in the Commerce Business

Commerce Business Full-year Sales Trends



Sales continued to show strong growth, rising JPY4.5bn YoY and hitting a new record full-year high



We have an announcement regarding segments

Announcement Regarding Segments

New business investment, which until now was included in the Commerce Business segment, has been increasing in number and scale. As a result, it has become difficult to evaluate the true merit of SHOPLIST.

Because of this, from FY03/18, we plan to disclose SHOPLIST as an independent segment, SHOPLIST Business, making it easier for investors to understand the state of its business.



How much did we invest in new businesses? What effect did it have on earnings?

How much did we invest in new businesses?
What effect did it have on earnings?

We invested roughly JPY120mn in new businesses in FY03/17.

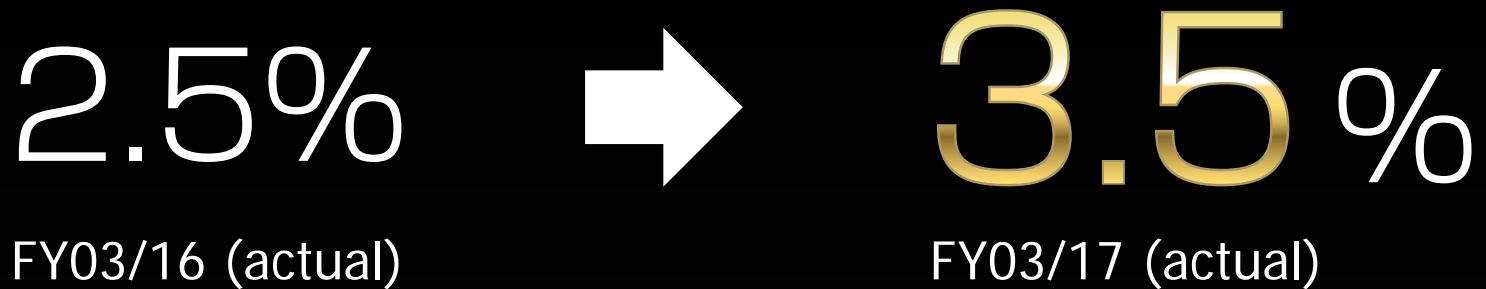
Profit in the SHOPLIST Business alone was essentially about JPY660mn. However, as roughly JPY120mn was invested in new businesses, profit in the Commerce Business segment came to JPY540mn.

New business investment includes the Cross-border E-commerce Business and new challenge projects, including those that have failed.



Well then, how did OPM for SHOPLIST fare?

How did OPM for SHOPLIST fare?



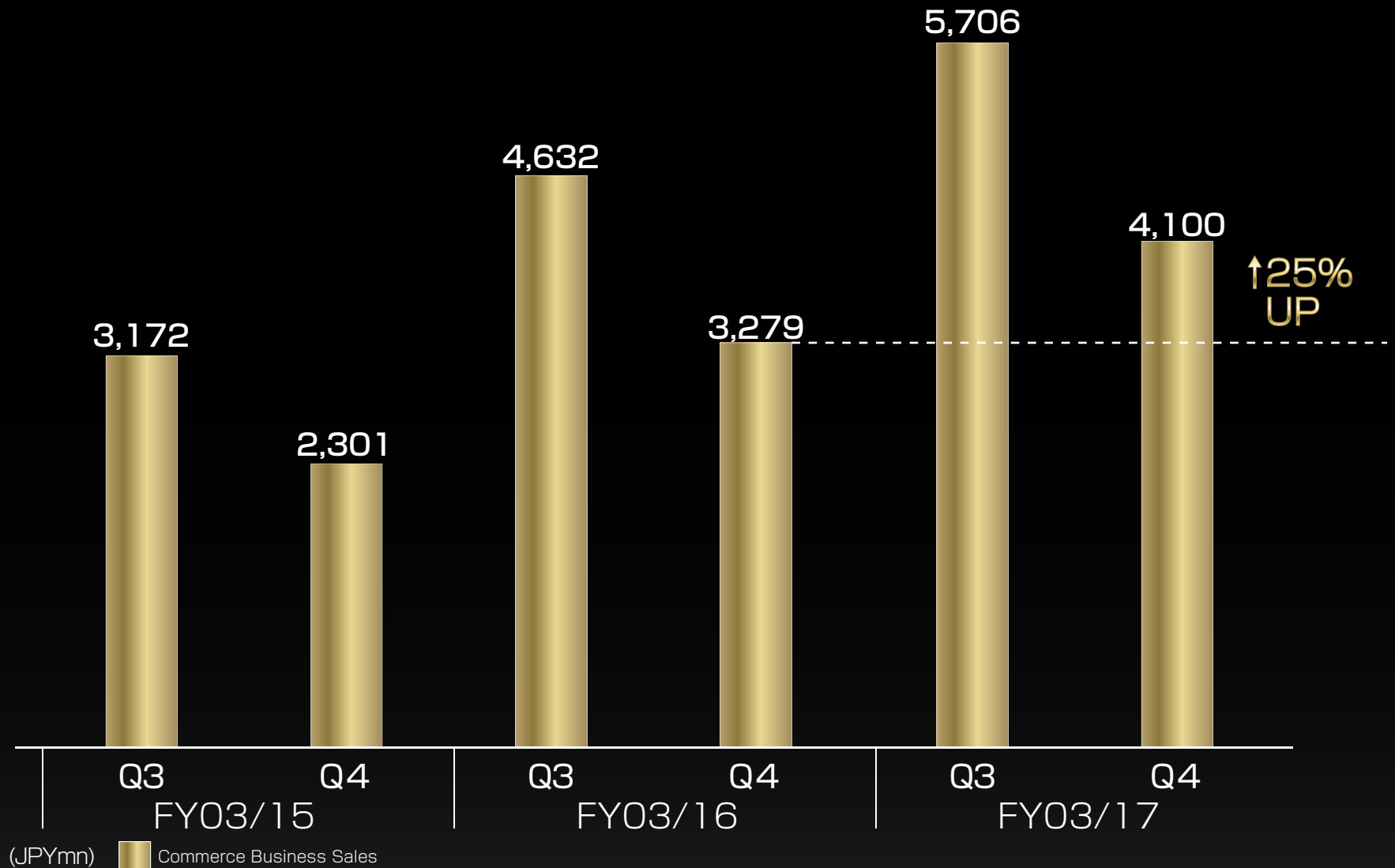
Improved by 1pp YoY

However, OPM for the Commerce Business segment was only 2.8%, due to effects from new business investment



Next, let's move on to quarterly sales in the Commerce Business

Commerce Business Quarterly Sales

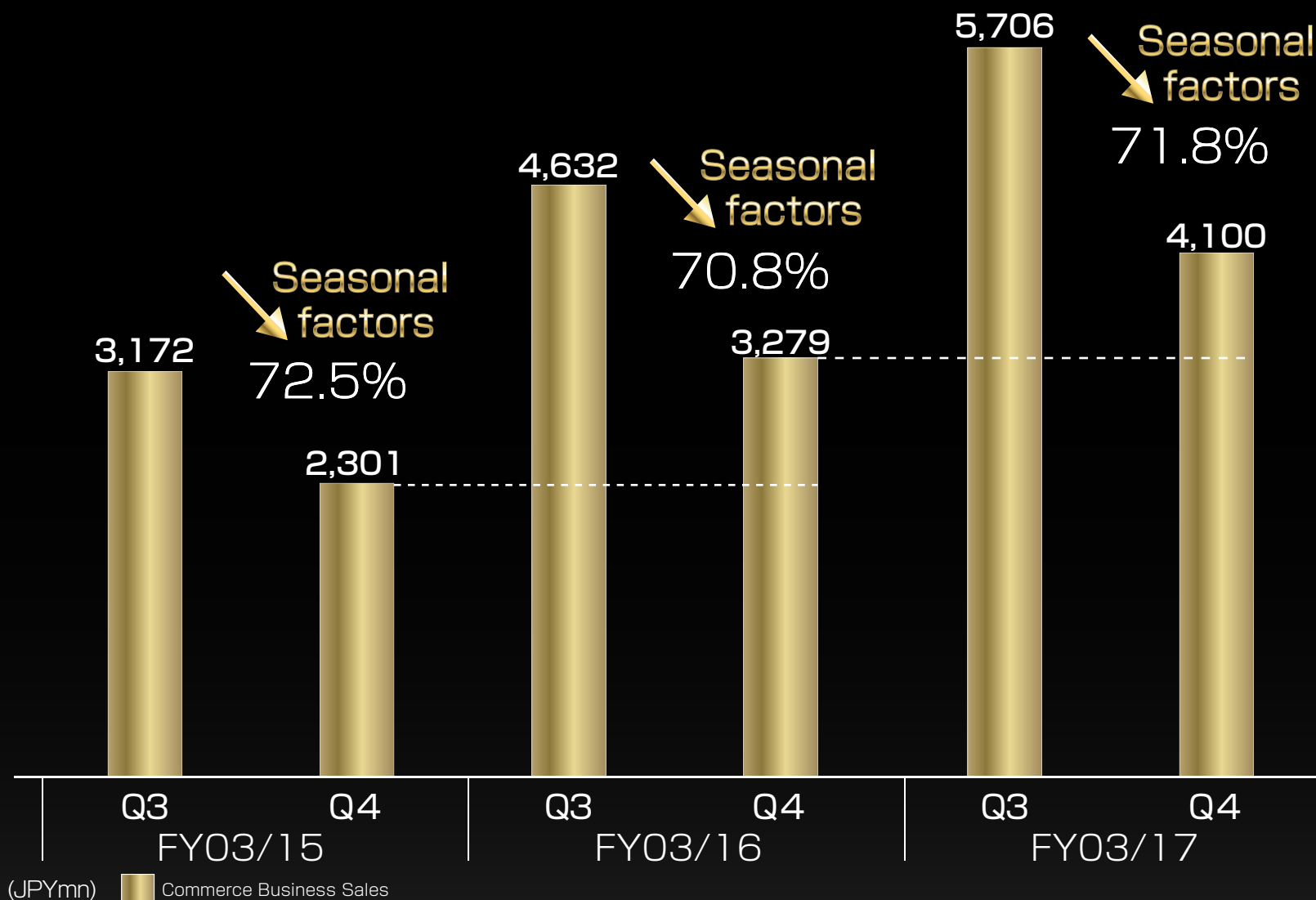


Q4 sales rose roughly **25%** YoY



What caused the drop in sales from Q3 to Q4?

What caused the drop in sales from Q3 to Q4?

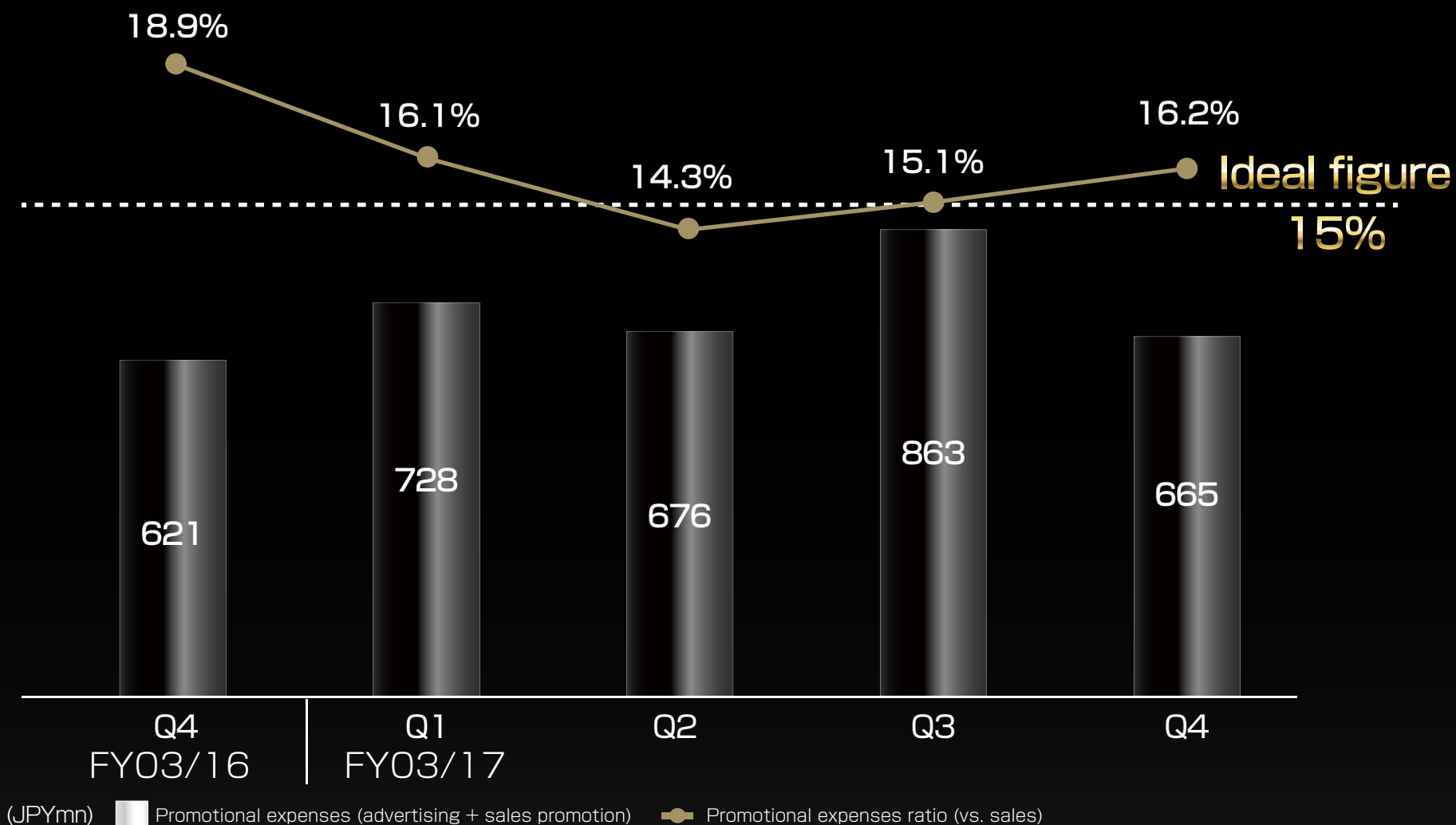


Seasonal factors. The drop is a normal annual occurrence, not a sign of any problems.



Next, we'll move on to full-year expenses in the Commerce Business. Starting with promotional expenses trends...

Promotional expenses trends

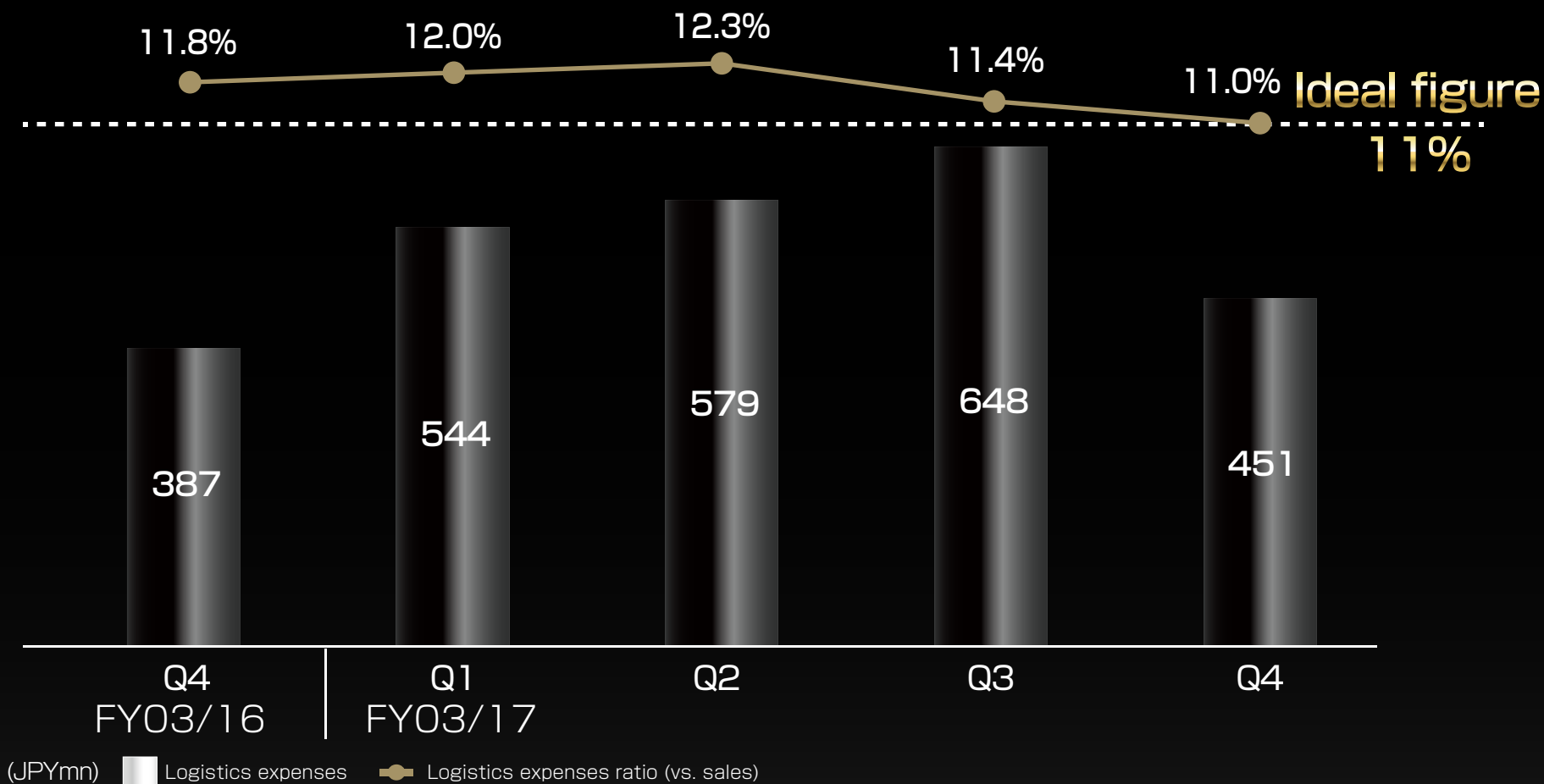


The promotional expenses ratio (vs. sales) for FY03/17 was 15.6%. This was slightly above the ideal figure but within the expected range.



Next, trends in logistics expenses

Logistics expenses trends



The logistics expenses ratio (vs. sales) for FY03/17 was 11.7%. This was slightly above the ideal figure but within the expected range.



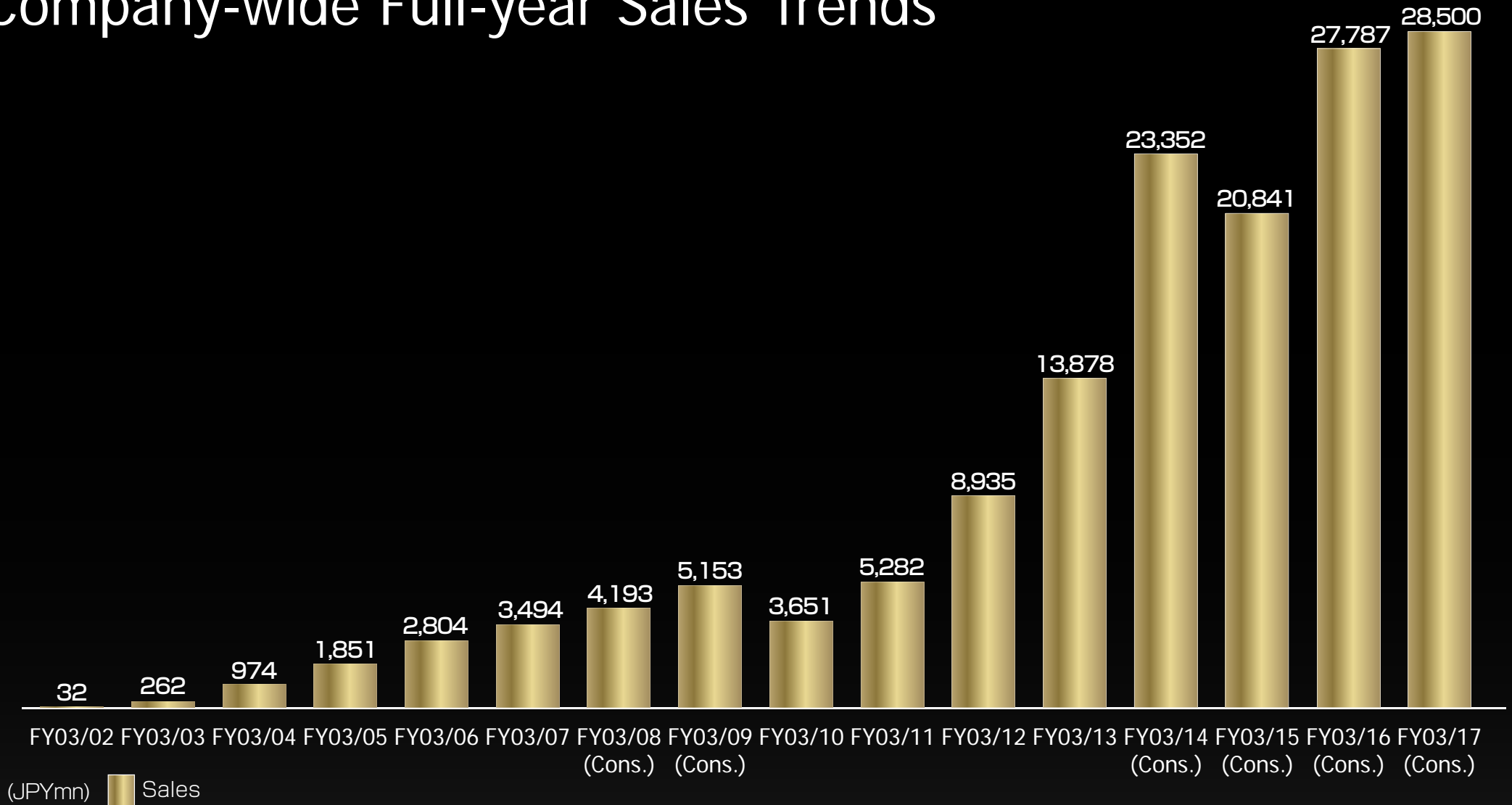
As a result, company-wide earnings were...

Company-wide Earnings



First, let's look at company-wide full-year sales trends

Company-wide Full-year Sales Trends

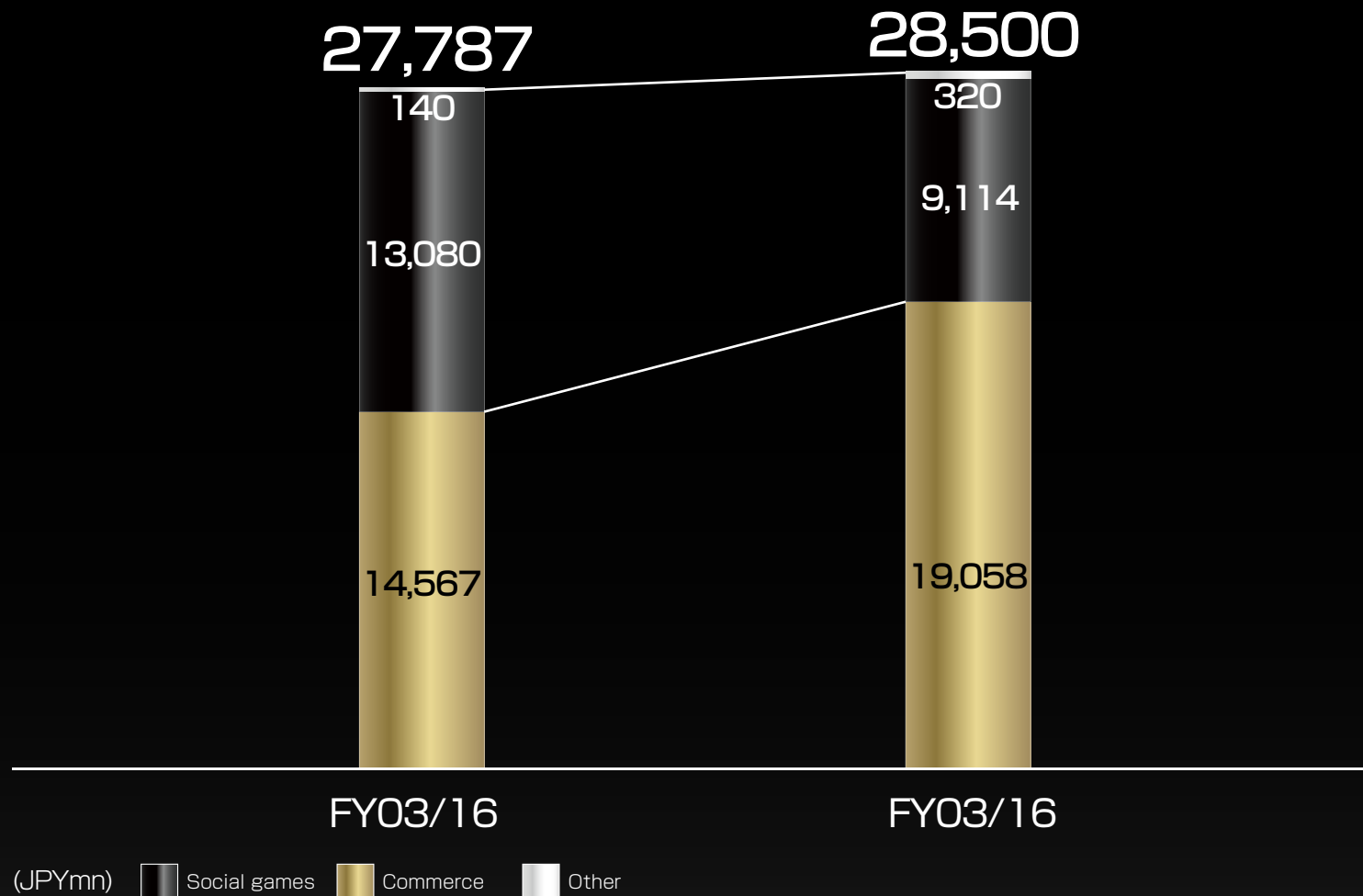


Full-year sales hit new all-time high,
despite the transfer of the Social Games Business.



Why did sales increase despite the transfer of the Social Games Business?

Why did sales increase despite the transfer of the Social Games Business?

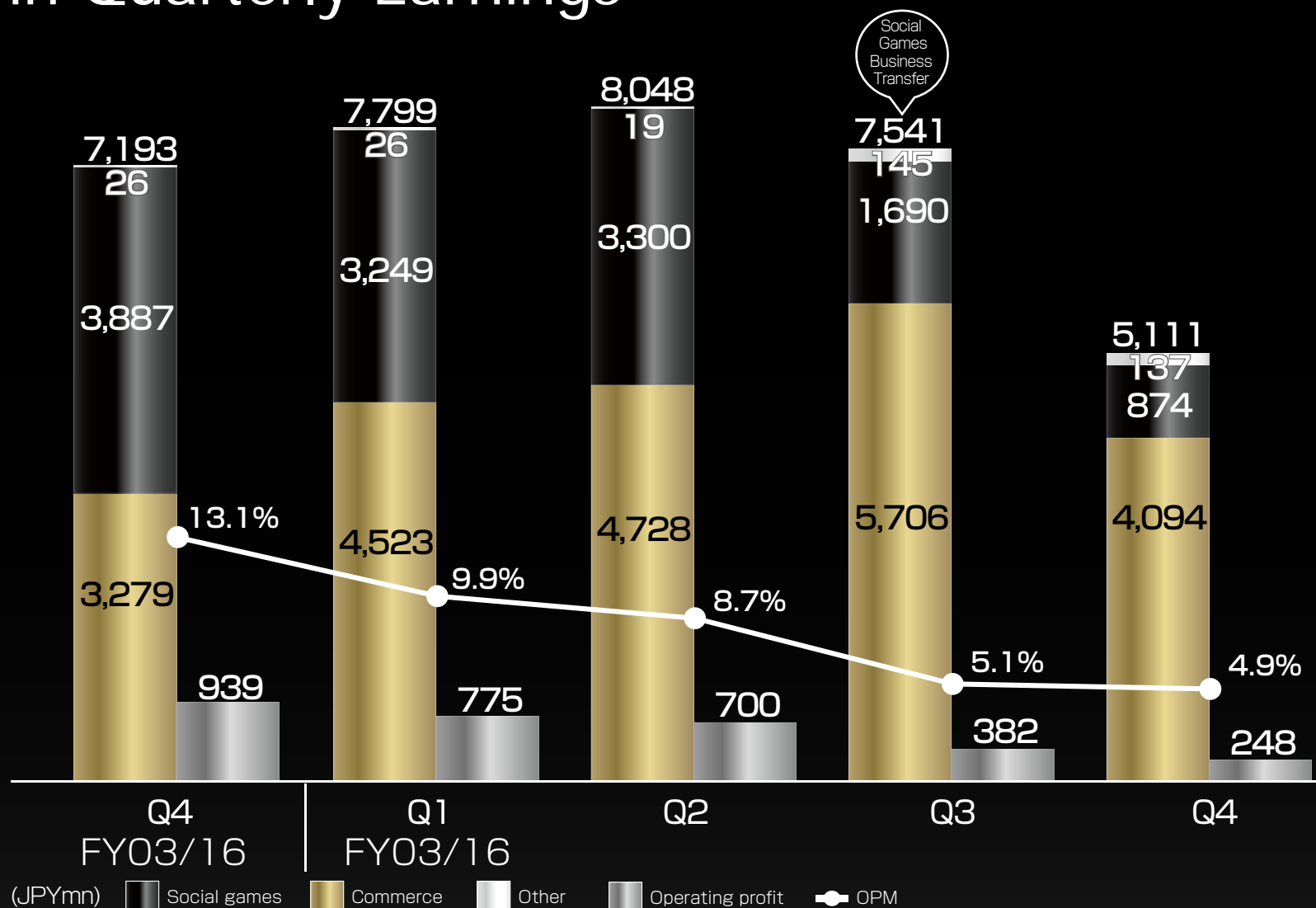


Sales increased as growth in the Commerce Business exceeded the drop in the Social Games Business



Next, let's take a look at trends in quarterly earnings

Trends in Quarterly Earnings



Maintained company-wide OPM at 4.9%, despite a drop in the proportion composed by the high-margin Social Games Business



That wraps up earnings. Next, we'll go over medium- to long-term goals for SHOPLIST

Medium- to long-term goals for SHOPLIST



CROOZ is aiming for the following...

FY03/??

Annual unique
purchasers:
5 million



Average annual
spend per user:
JPY20,000

*The above are calculated based on market scale and internal results data



Our OPM target is...

8%

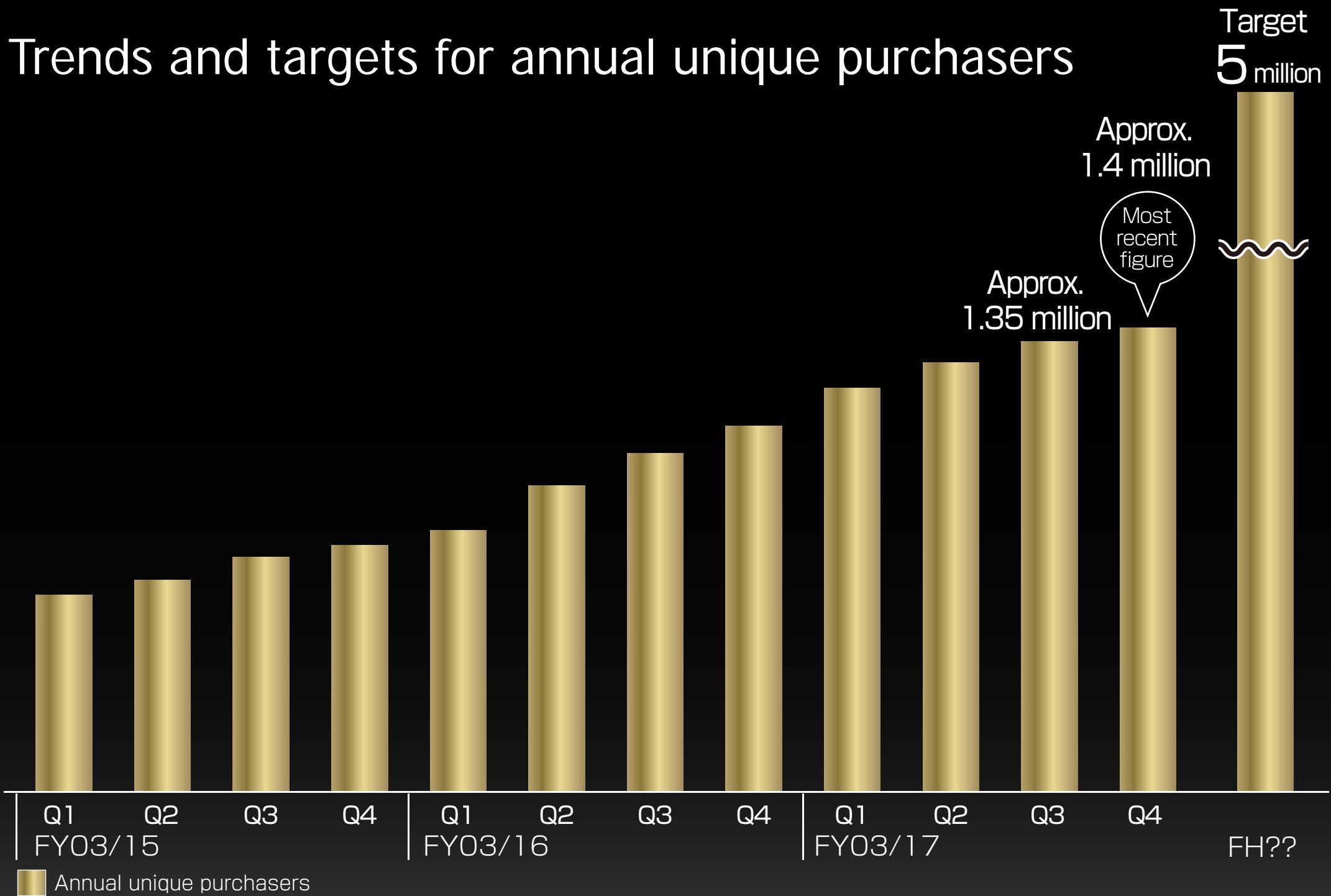
OPM for SHOPLIST

by end-FY03/19



Any recent progress? Let's start with trends for the number of purchasers and targets

Trends and targets for annual unique purchasers

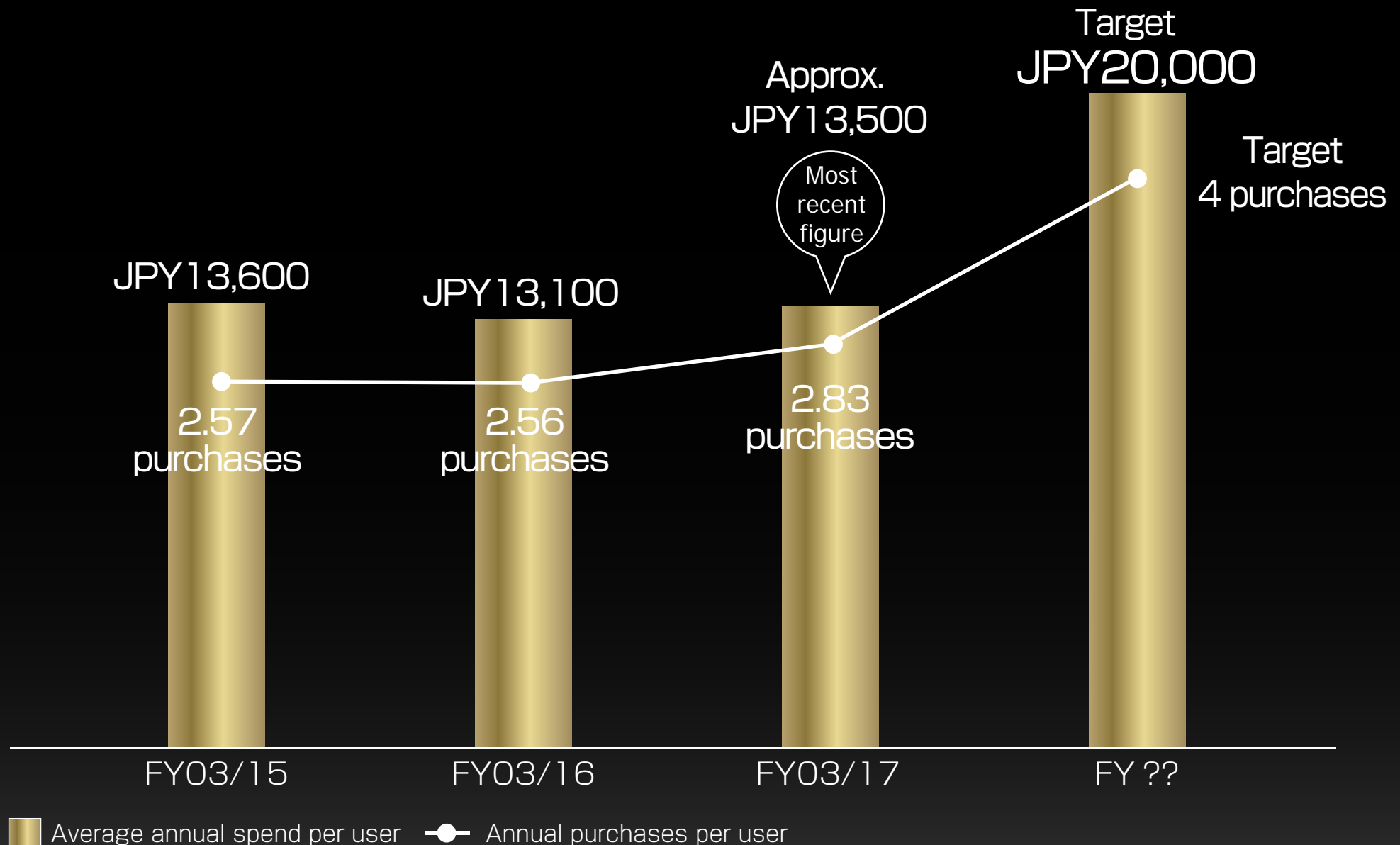


Annual unique purchasers



Next, trends in average annual spend per user and targets

Trends in average annual spend per user and targets



Next, we'll review key steps to take to achieve medium- to long-term goals

Key steps to take to achieve medium- to long-term goals

Increase repeat purchases by new users



Why is increasing repeat purchases by new users important?

Why is increasing repeat purchases by new users important?

Because we believe it is a key factor to achieve our targets of 5mn annual unique purchasers and JPY20,000 average annual spend per user



What will we do to increase repeat purchases?

What will we do to increase repeat purchases?

Delivery within five days for all items

Achieve average user product review of 4.0 or higher




Enhance functionality of all 70 categories


Based on these three initiatives,
we aim to increase repeat purchases




How is progress going with each of these initiatives?

How is progress going with each of the initiatives?

Three initiatives	Progress status
Delivery within five days for all items	
Achieve average user product review of 4.0 or higher	
Enhance functionality of all 70 categories	

 Close to achieving

 Progressing on schedule to achieve by target date

Initiatives progressing steadily and on schedule

We continue to aim to achieve them by around September 2017



We have something to say regarding “delivery within five days for all items”

We have something to say regarding
“delivery within five days for all items”

Actually, we don't think “delivery within
five days for all items” is the best we can do

We are moving forward with a plan to
make even further improvements



What is the plan?

What is the plan?

We are planning to move to a **new** logistics center exclusively for SHOPLIST

*Photo used is of the current logistics center



Based on all of the above, we will now discuss our current ideal figures for FY03/18

Ideal Figures for FY03/18



What are “ideal figures?”

What are “ideal figures” ?

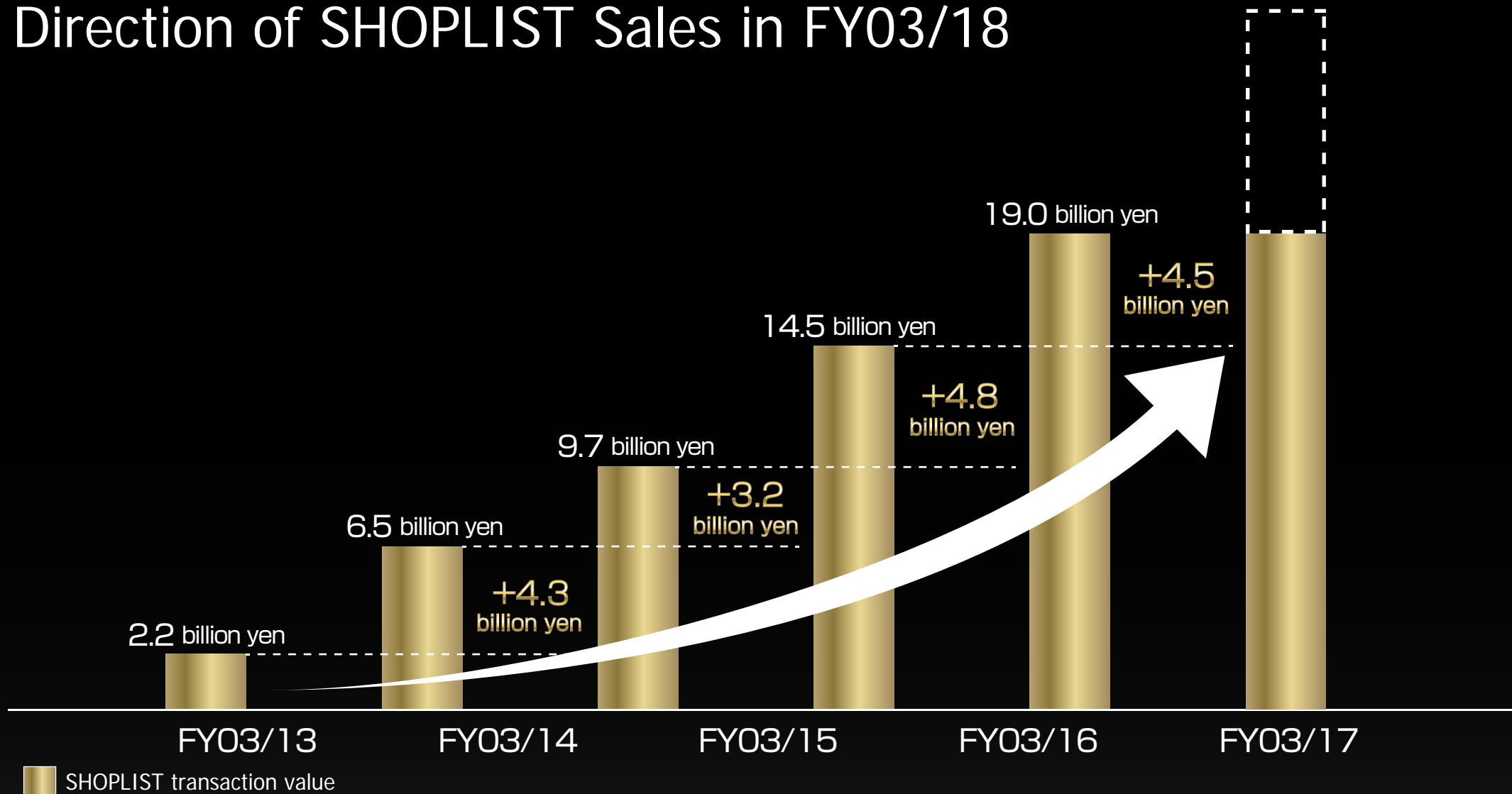


The “ideal figures” used in this presentation represent the ideal values currently anticipated based on a review of a variety of factors as of this point. As a result, it is natural that they may fluctuate due to business developments going forward. CROOZ may also continue to invest aggressively, like it has up to now, if it is deemed necessary for business expansion. As such, CROOZ may exceed or fall short of the ideal figures.



Before we look at individual ideal figures, let's check the direction of sales in FY03/18

Direction of SHOPLIST Sales in FY03/18



We aim to grow sales by more than JPY5.0bn,
exceeding FY03/16 and FY03/17



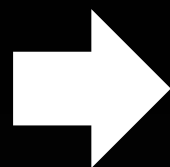
Next, we'll look at ideal figures for each expense item. Starting from promotional expenses...

Ideal figure for promotional expenses

FY03/17 (actual)

FY03/18 (ideal figure)

15.6%



13.5%

(+0.6% vs. ideal figure)

We aim for a roughly 2% improvement in OPM



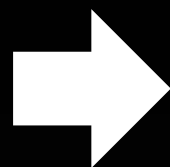
Next, we'll discuss the ideal figure for logistics expenses

Ideal figure for logistics expenses

FY03/17 (actual)

11.7%

(+0.7% vs. ideal figure)



FY03/18 (ideal figure)

11.0%

We aim for a 0.7pp YoY reduction, despite investment for the introduction of the automated material handling system and other logistics investments



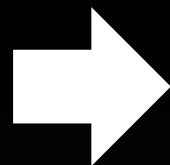
As a result of these, the ideal figure for SHOPLIST OPM in FY03/18 is...

Ideal figure for SHOPLIST OPM in FY03/18

FY03/17 (actual)

3.5%

(ideal figure not set in FY03/17)



FY03/18 (ideal figure)

5.0%

We set 5.0% as the ideal figure in FY03/18



Lastly, we'll go over other businesses. Starting off with the Social Games Business...

Social Games Business



We'll start with plans for the Social Games Business

Plans for the Social Games Business

Instead of creating multiple games, we are moving forward with new development by putting our heart and soul into just one title, as we have also mentioned before



When is it planned to be released?

When is it planned to be released?

We are aiming for sometime between December 2017 and April 2018

However, depending on the development situation and market movements, the timing of release may change



Won't development expenses have an impact on consolidated results?

Won't development expenses have an impact on consolidated results?

Not under the current situation

This is because new development is being conducted within the range of profits at subsidiary StudioZ, which has been generating steady profits



Next, we have an announcement regarding other businesses besides the Social Games Business

Other businesses besides the Social Games Business



What is the growth strategy for Candle?

What is the growth strategy for Candle?

We position Candle as
a new business creation company
in the CROOZ group



What is a new business creation company?

What is a new business creation company?

It refers to a CROOZ group subsidiary that focuses on creating new businesses



Why does Candle take on that role?

Why does Candle take on that role?

We believe that speed and sensitivity are critical in order to keep up with the times and user needs in the fast-changing internet industry.

Amid such a situation, we believe that if it is Candle, a group composed of student entrepreneurs with an average age of 22 who graduated from The University of Tokyo and are very familiar with net services especially for smartphones, then net services that meet the times and user needs can be launched quickly, even in a fast-changing industry.



What was the reason for acquiring Travel Online?

What was the reason for acquiring Travel Online?




To create second and third core businesses, after SHOPLIST

Regarding the acquisition of Travel Online, we believe that it is an area in which we can fully capitalize on our knowledge of digital commerce



Summarizing FY03/17 financial results...

Summarizing FY03/17 financial results...

-  Sales hit an all-time high, despite transferring all game titles with the exception of Elemental Story
-  The three initiatives implemented to increase repeat purchases are progressing as planned
-  Entered a new business area with the acquisition of Travel Online
Plan to continue carrying out investment in order to create second and third core businesses, after SHOPLIST



Lastly, we will go over dividends. Starting with dividend trends...

Dividend Trends

	FY03/12	FY03/13	FY03/14	FY03/15	FY03/16	FY03/17
Dividends per share (JPY)	15	15	20	15	15	15
Total amount of dividends (JPYmn)	191	169	226	179	179	180

*All dividend amounts displayed are adjusted for stock splits

We shall pay a FY03/17 dividend of JPY15 per share, the same amount as in FY03/16



Our views on dividend and shareholder return policies

Our views on dividend and shareholder return policies

In FY03/17, profit available for dividend increased, due to extraordinary gains associated with the transfer of the Social Games Business, but operating profit decreased. As we believe that we are still in a stage to invest for growth, we decided to keep our FY03/17 dividend at the same level as in FY03/16.

Going forward, we will consider setting a dividend payout ratio target of 30%, upon the establishment of second and third core businesses, after SHOPLIST.

Regarding the use of shareholder return measures besides dividends, such as share buybacks, we will determine as appropriately depending on the circumstances.



Next, we will explain again about the holding of financial results briefing sessions from FY03/18

About financial results briefing sessions from FY03/18

As mentioned at our last financial results announcement, going forward we will only hold two financial results briefing sessions (interim and year-end) per year.

Compared to companies with superior IR, we believe there is still much for us to do. We will make up for only holding two financial results briefing sessions per year by advancing the enhanced information disclosure to a wide range of investors and will first focus on enriching the contents we provide via our website.

We aim to maximize corporate value by becoming a company highly regarded for its IR activities and earning the support of many investors.



And that concludes our Q4 FY03/17 financial results presentation

That concludes our Q4 FY03/17
financial results presentation

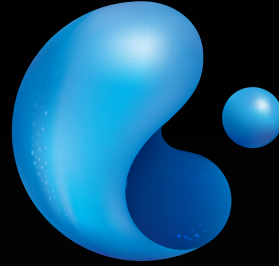
Since FY03/15, we have not disclosed earnings forecasts.

Accurate forecasting is difficult in our type of business
due to a volatile industry.

The material herein contains medium- to long-term plans and forecasts made by CROOZ.

The information contained in these pages is not intended to guarantee the future business results of the company and bears certain risks and uncertainties.

As future business results can be affected by various factors and may change from the company outlook, we ask the reader to refrain from relying solely on the information presented herein.



CROOZ