

Progress report on Social Games Business  
transfer announced on October 13, 2016

# CROOZ

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TSE JASDAQ Standard; Code 2138

# Report on transfer of the Social Games Business



The finalized business transfer price was...

# Transfer price was not ideal

Finalized transfer price:

Approx. **JPY3.65 billion**

Owing to factors such as sales for contents to be transferred falling short of forecasts, the value of assets to be transferred, including the valuation on titles to be transferred, declined. As a result, the final figure came in below our initial estimate in the range of JPY3.77-4.5bn.



Does this mean that the Social Games Business was sold at a discount?

# Was the Social Games Business sold at a discount?

No.

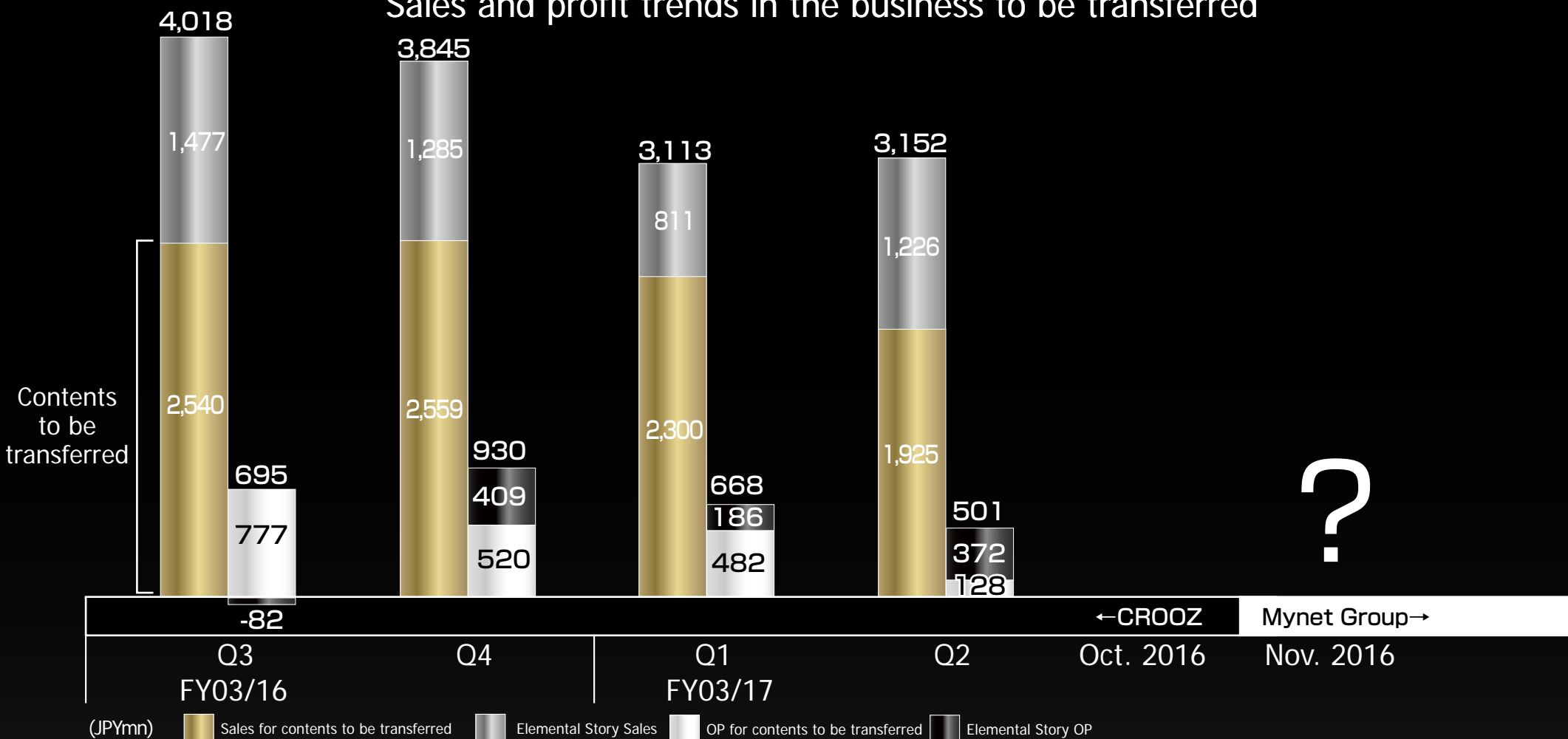
It was a reasonable price when factoring in the continuing decline in sales and profits.



Why was it reasonable? We will explain using an overview of earnings in the Social Games Business...

# Earnings trends in the Social Games Business were...

Sales and profit trends in the business to be transferred



Although the business to be transferred posted sales of JPY8.6bn and operating profit of JPY2.4bn during FY03/16, sales and profits were declining recently and up until the transfer.

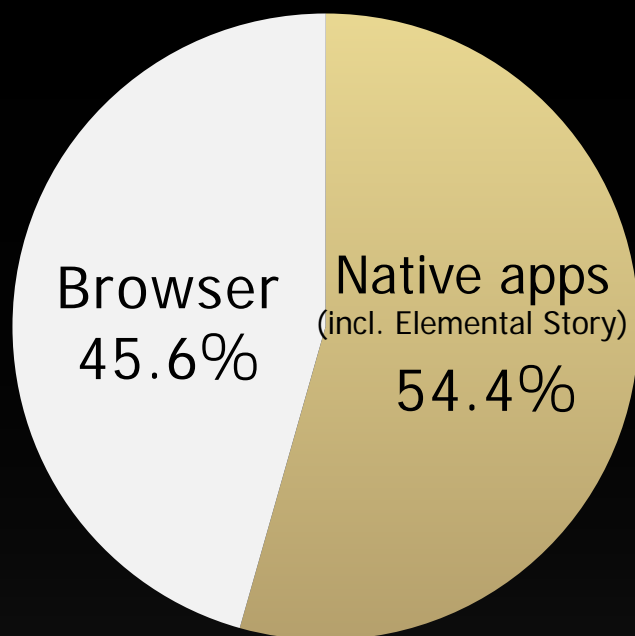


How was the earnings structure of the Social Games Business?

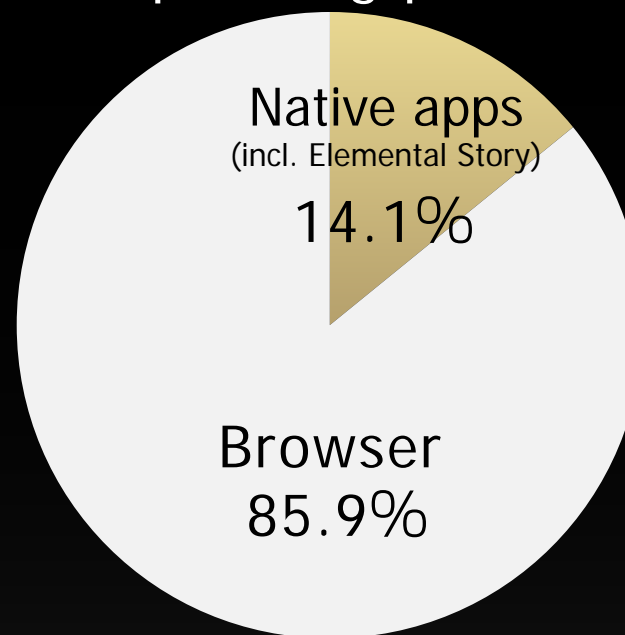
# Earnings structure of the Social Games Business

Q1-Q2 FY03/17 earnings

Sales



Operating profit

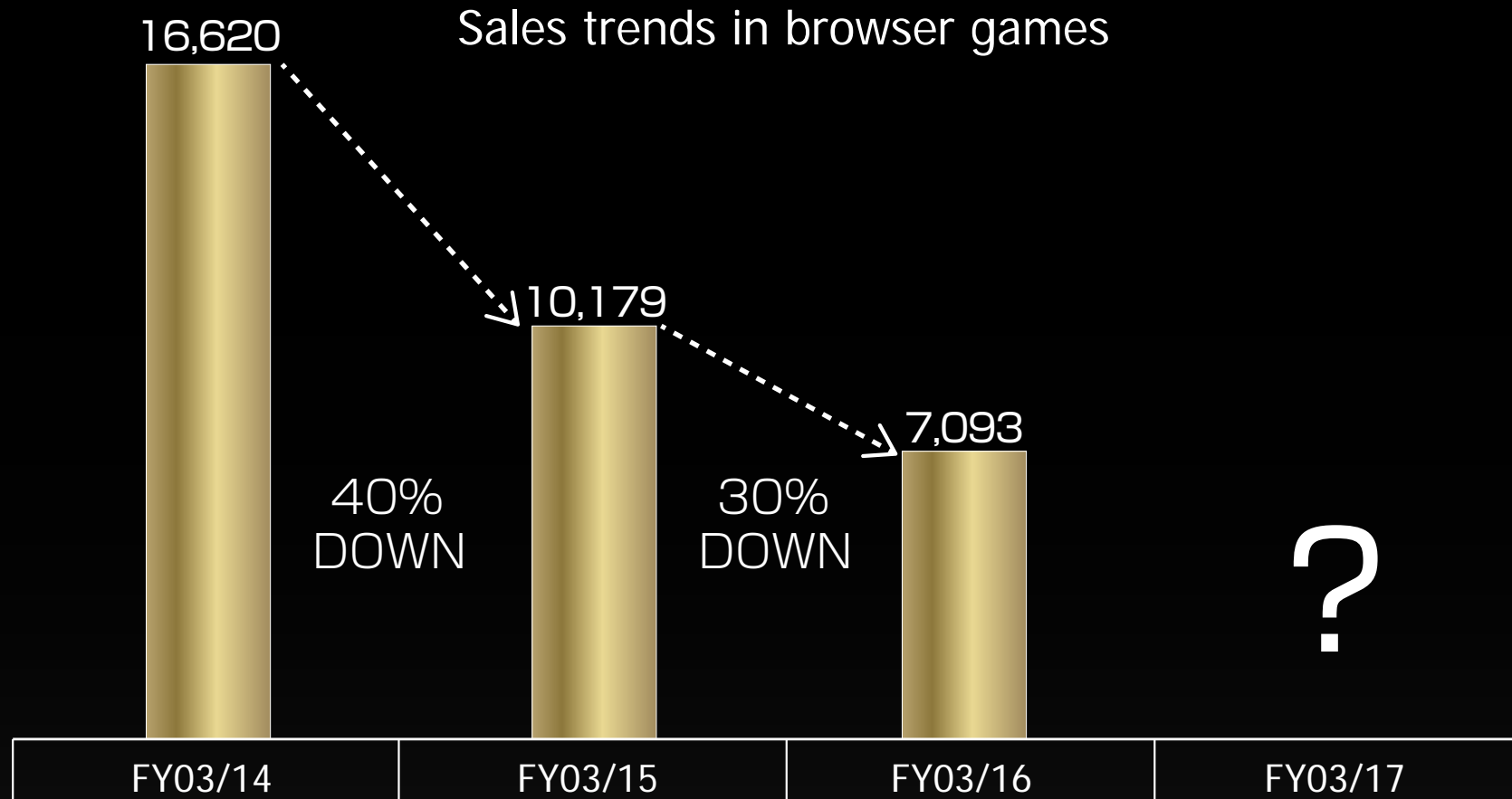


Browser games were the source of profits.



Why did you sell off browser games, the profit source?

# Why browser games, the profit source, was sold off



In line with market contraction, sales declined 30-40% annually. Deciding to shift our main focus, we revised our business strategy.



But weren't native apps doing well during FY03/16, while browser games decline had bottomed?

But weren't native apps doing well during FY03/16, while browser games decline had bottomed?

In browser games, the decline had temporarily stopped. However, it is also true that browser games were supported by secondary business, which involved expansion to various platforms and purchasing and operating games provided by other companies.

Meanwhile, while new native app titles were introduced annually, sales did not take off as hoped for and options were exhausted.



So these initiatives in the Social Games Business failed?



# Initiatives in the Social Games Business failed?

- ☑ Expansion on various platforms had reached its limit
- ☑ In secondary business, there were few projects with favorable conditions, and easing conditions for purchasing and providing operation services would negatively impact our margins
- ☑ Achieving profitability in native apps was difficult due to rising development and promotional costs and increasing development lead times

As a result, we determined that we must take a different approach in native app games, using a structure with a small select team focusing on producing a single quality title.

In line with this, we also decided it best to shift our primary business and revise our Social Games Business strategy.



Due to the above...

Due to these reasons...

We believe the decision to transfer  
the business was reasonable.