



FY03/24

Message from Koji Obuchi, President and CEO of CROOZ Group

May 14, 2024

Earlier today, on May 14, 2024, we announced our financial results for FY03/24. As president and CEO of the Group, I would like to share my thoughts and impressions to give you a better understanding of our current situation. We also announced our earnings forecast for Q1 FY03/25, so I would also like to touch on a few points regarding this subject as well.

In FY03/24, the Group posted consolidated transaction value of JPY25,485mn (-11.8% YoY), consolidated operating profit of JPY161mn (-75.0% YoY), and consolidated net profit*¹ of JPY1,008mn (+295.6% YoY). In Q4 (three months), we reported consolidated transaction value of JPY6,029mn (+1.9% YoY), consolidated operating loss of JPY91mn (operating profit of JPY135mn in Q4 FY03/23), and consolidated net loss of JPY174mn (consolidated net profit of JPY38mn in Q4 FY03/23). I would like to share key takeaways from each business segment results, as below.

In the SHOPLIST business, in FY03/24, transaction value came to JPY17,227mn (-14.8% YoY) and operating profit to JPY196mn (operating loss of JPY98mn in FY03/23). In Q4 (three months), transaction value was JPY3,922mn (+1.1% YoY) and operating loss was JPY87mn (operating loss of JPY81mn in Q4 FY03/23). We continue to face challenging conditions that require ongoing vigilance.

Transaction value in the SHOPLIST business fell YoY due primarily to a continued decline in visitor count. As I mentioned when announcing financial results for FY03/23, visitor counts generated through SEO and advertising efforts fell most significantly. To put it simply, competition within the apparel e-commerce industry has intensified, and attracting customers has undeniably grown more difficult. Given our current trajectory, achieving full recovery for visitor count and transaction value within the SHOPLIST business will require a fundamental review of our customer acquisition methods. At the same time, we believe that CROOZ must transform its fundamental business model and avoid relying exclusively on the SHOPLIST business. In furtherance of this business model reform, we plan to proactively take on new business challenges; specifically, a foray into the GameFi domain.

In FY03/24, the CROOZ Blockchain Lab (hereinafter, "CBL"), which is in charge of GameFi operations, reported sales of approximately JPY1,864mn and an operating loss of JPY120mn. For Q4 (three months), CBL generated sales of JPY401mn and an operating loss of JPY98mn.



The factors that make up the sales of this business are mainly: (1) in-game purchases and sales on the game marketplace, (2) marketplace transaction fees, (3) the impact of token price fluctuations, and (4) contracted development sales for new games, as stated in the FAQ section on our website. Despite receiving a boost from the performance of PROJECT XENO and the release of *Elemental Story World*, Q4 sales rose only slightly QoQ due to the absence of sales generated through the contracted development of new games. Operating loss occurred mainly because positive performance impact from PROJECT XENO and *Elemental Story World* was not extensive enough to offset negative impact from the downturn in sales generated through the contracted development and development costs associated with *Ergosum*, our third game.

Regarding individual game performance, PROJECT XENO has thrived thanks to user support and successfully marked its first anniversary post-launch in May 2024. Many users attended the event we recently held to commemorate this first anniversary, which turned out to be a great success. To fulfill user expectations, we will continue to focus on making PROJECT XENO even more enjoyable and engaging moving forward.

About four months have passed since the January 15, 2024 release of our second game, *Elemental Story World*, and sales have been undeniably sluggish. We are striving to generate a performance turnaround by adding new features and characters, but matching the sales performance of PROJECT XENO will likely require some more time. At the same time, we are hard at work on the development of our third game, *Ergosum*. We will announce our future plans through press releases and other updates.

GameFi is a global market, and to aim for even greater success, we intend to aggressively invest in the GameFi business, rather than being overly concerned about short-term profits. We aim to continue proactively investing in this business as we adopt a strategy targeting substantial medium- to long-term returns rather than immediate gains.

Rank King, the core of the Media business, generated full-year sales of approximately JPY917mn (+9.1% YoY) and operating profit of JPY205mn (+28.8% YoY). Sales declined slightly in Q4 (three months), dropping to JPY193mn (-5.7% YoY), and operating profit fell to JPY28mn (-5.3% YoY). Our policy is to reinvest profits into efforts targeting expansion in the transaction value generated through Rank King. Meanwhile, we plan additional proactive investment in pursuit of further growth moving forward.

Our focus going forward is GameFi. For blockchain games in the GameFi field in particular, which is a global market, as well as a domestic one, we will fully utilize the know-how we have cultivated to date in game development to increase the probability of success, as the business



has the potential to bring in enormous profits in the future. Apart from GameFi, we will also cultivate new sources of earnings in new business areas.

Finally, with regard to our forecast for Q1 FY03/25, we are projecting a tough start to the fiscal year, with a consolidated sales of JPY3,687mn (+7.4% YoY) and a consolidated operating loss of JPY302mn (operating profit of JPY271mn in Q1 FY03/24). We are predicting a Q1 operating loss primarily because we expect to incur significant development costs through the GameFi business as development of *Ergosum*, our third blockchain game, ramps up. We anticipate positive performance impact from growth in sales generated through first-anniversary campaigns associated with PROJECT XENO. However, as mentioned earlier, we do not presently expect sales or profit contributions from *Elemental Story World*, nor do we expect profits from other businesses to be extensive enough to offset development cost burdens associated with *Ergosum*.

We are bracing for a challenging start to FY03/25 but remain confident that the factors we anticipate will lead to operating loss in Q1, such as the development costs associated with *Ergosum*, are easily identifiable, and to a significant degree, temporary. At this time, we are unable to formulate projections for Q2 and later accounting periods, but we aim to recover and begin generating profit once again as quickly as possible.

May 14, 2024

Koji Obuchi