Translation

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Consolidated Financial Results for the Three Months of the Fiscal Year Ending March 31, 2027 (Under Japanese GAAP)

July 29, 2026

Company name:	Drecom Co., Ltd.
Stock exchange listings:	Tokyo Stock Exchange
Stock code:	3793
URL:	https://drecom.co.jp/
Representative:	Yuki Naito, President and Representative Director
Contact:	Hideki Goto, Director
TEL:	+81-50-3101-9977
Scheduled date for dividend payment:	None
Supplementary materials for financial summaries:	Yes
Financial results briefing:	Yes

(Amounts of less than one million yen are rounded down.)

1. Consolidated Financial Results for the Three Months of the Fiscal Year Ending March 31, 2027 (from April 01, 2026 to June 30, 2026)

(1) Consolidated operating results (cumulative) (Percentages indicate YoY changes)

	Revenue		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Three months ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
June 30, 2026	4,355	(2.5)	522	-	512	-	323	-
June 30, 2025	4,466	110.4	(81)	-	(107)	-	(1,799)	-

(Note) Comprehensive income:
First quarter of the fiscal year ending March 31, 2027: 323 million yen (-%)
First quarter of the fiscal year ending March 31, 2026: (1,799) million yen (-%)

	Basic earnings per share	Diluted earnings per share
Three months ended	Yen	Yen
June 30, 2026	11.21	11.21
June 30, 2025	(62.60)	-

(2) Consolidated financial positions

	Total assets	Equity	Equity to total assets ratio	Net assets per share
As of	Million yen	Million yen	%	Yen
June 30, 2026	11,067	5,269	47.0	181.44
March 31, 2026	11,876	5,043	42.0	172.26

(Reference) Owner's equity First quarter of the fiscal year ending March 2027 5,201 million yen Fiscal year ended March 2026 4,983 million yen

2. Cash dividends

	Annual dividends per share				
	End of the first quarter	End of the second quarter	End of the third quarter	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2026	-	0.00	-	0.00	0.00
Fiscal year ending March 31, 2027	-				
Fiscal year ending March 31, 2027 (Forecast)		0.00	-	5.00	5.00

(Note) Whether there has been any revision to the most recently announced dividend forecast: None

3. Consolidated Earnings Forecasts for the Fiscal Year Ending March 31, 2027 (from April 01, 2026 to March 31, 2027)

(Percentages indicate YoY changes)

	Revenue		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Fiscal year ending March 31, 2027	18,000	2.6	1,000	144.7	900	182.2	600	180.8	21.05

(Note) Correction of financial forecast from the most recent financial forecast: None

* Notes

(1) Significant changes in the scope of consolidation during the period: None

Newly included - companies (Company name) -, Excluded - companies (Company name) -

(2) Application of specific accounting methods for the preparation of quarterly consolidated financial statements: None

(3) Changes in accounting policies, Changes in accounting estimates, Retrospective restatement

(i) Changes in accounting policies based on revisions of accounting standards :None

(ii) Changes in accounting policies other than (i) :None

(iii) Changes in accounting estimates :None

(iv) Retrospective restatement :None

(4) Number of issued shares (common stock)

(i) Total number of issued shares at the end of the period (including treasury shares)

As of June 30, 2026	29,446,212 shares
As of March 31, 2026	29,446,212 shares

(ii) Number of treasury shares at the end of the period

As of June 30, 2026	780,495 shares
As of March 31, 2026	516,395 shares

(iii) Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)

Three months ended June 30, 2026	28,839,897 shares
Three months ended June 30, 2025	28,740,217 shares

(Note) Of the Company's shares owned by Custody Bank of Japan, Ltd. (hereinafter, the "ESOP Trust Account"), 480,400 shares (4,804 voting rights) are included in the above Number of treasury stock at the period end.

* Review of attached consolidated quarterly financial statements by a certified public accountant or an audit firm: None

* Notes regarding the appropriate use of Forecasts, and other special notes

(Cautionary Statement Regarding Forward-Looking Statements)

Forward-looking statements such as earnings forecasts contained in this document are based on information currently available to the Company and certain assumptions deemed reasonable, and actual results may differ materially due to various factors.

(How to obtain supplementary materials for financial results)

We plan to hold a financial results briefing for institutional investors and analysts on July 29, 2026. We also plan to post the financial results presentation materials to be distributed at this briefing on our website promptly after the meeting.

○Table of Contents of Attached Materials

1. Qualitative Information on Current Quarterly Financial Results

(1) Explanation of operating results

Our Group has adopted "with entertainment" as its mission and aims to continue creating services that exceed people's expectations. In addition, we strive to create unprecedented value and deliver captivating experiences that engage users. In the medium term, we aim to become a global company that produces IP through the fusion of real and digital, and we seek sustainable growth and enhancement of corporate value through the creation and development of IP.

In the core Game Business, game development and operation are the principal activities. In addition to conducting game development, operation, and brand management for the "Wizardry" IP, for which the Company holds domestic and overseas trademark rights, we also conduct the development and operation of other companies' IP games, game platforms, and original games.

In the content business, we are also engaged in the publication and sale of books such as novels and comics, e-books, anime planning and production, and merchandise planning and sales for the purpose of creating, developing, and monetizing IP, while also advancing the development of new services that leverage our expertise in internet services and advanced technologies.

Results for the current first-quarter consolidated cumulative period were as follows: Net sales of 4,355,148 thousand yen (down 2.5% YoY), operating profit of 522,862 thousand yen (compared with an operating loss of 81,723 thousand yen in the same period of the previous year), ordinary profit of 512,195 thousand yen (compared with an ordinary loss of 107,604 thousand yen in the same period of the previous year), and profit attributable to owners of parent of 323,330 thousand yen (compared with a quarterly net loss attributable to owners of parent of 1,799,068 thousand yen in the same period of the previous year).

The results of each segment for the current first-quarter consolidated cumulative period were as follows.

Game business

In the Game Business, we are generating revenue from multiple titles in operation, centered on our self-published title "Wizardry Variants Daphne," released in October 2024, and IP titles that have reached their 12th anniversary. In addition, following the sale of two subsidiaries in the Game Business segment at the end of the fiscal year ended March 31, 2026, the number of titles in operation has decreased from 11 to 9. Furthermore, for the purpose of creating and nurturing IP, we have begun initiatives in the development of PC and console games and indie game publishing.

Regarding net sales, although the two main titles currently in operation performed strongly due to anniversary campaigns and other measures, net sales decreased year on year due to the sale of a consolidated subsidiary at the end of the previous fiscal year.

Regarding profit, in addition to decreases in amortization of software and advertising expenses that had been incurred in the same period of the previous year in connection with the release of new titles, and a narrowing of losses from unprofitable titles, profitability improved mainly due to a decline in payment commission rates, resulting in a year-on-year increase.

As a result, segment Net sales amounted to 4,145,256 thousand yen (down 4.2% YoY), and segment profit amounted to 793,771 thousand yen (up 545.7% YoY).

Content Business

In the content business, we are engaged in the publishing business, animation business, and MD (merchandising) business with the aim of creating, nurturing, and monetizing IP, and we publish light novels and comics, operate the web manga site "Drecomi+", plan and produce animation, and plan and sell merchandise. In addition, as part of the development of new services utilizing our knowledge of internet services and advanced technology, we operate a location-based walking point app and other services.

Regarding Net sales, they increased year on year mainly due to the strengthening of the editorial structure in the publishing business, an increase in the number of titles published including original comics, and the creation of multiple popular works with cumulative series circulation exceeding 400 thousand copies.

Regarding profit, we have continued to invest in new business areas such as the publishing, anime, and MD businesses, as well as the development of new services utilizing technology. Because expenses have been incurred ahead of revenues due to production costs associated with an increase in the publication of new series and the hiring of IP production personnel, segment loss increased compared with the same period of the previous year.

As a result of the above, segment Net sales amounted to 209,893 thousand yen (up 35.3% YoY), and segment loss amounted to 270,908 thousand yen (segment loss in the same period of the previous year was 204,661 thousand yen).

Going forward, in the game business, we will work to expand the user base and economic scale of the "Wizardry" brand, centered on "Wizardry Variants Daphne," through expansion of distribution regions, media mix development, and the development of new content. For other operating titles as well, in order to build a solid business foundation, we will strive to secure long-term stable earnings through additional investment and organizational reinforcement, while also proceeding with consideration of a pipeline of new titles. In addition, with the aim of creating IP in the game business as well, we will strengthen our initiatives in the development and publishing of PC and console games.

In the content business, in the publishing business and anime business, we will aim for growth by continuously creating works through many challenges and expanding the sales scale of focus titles through anime adaptations and other initiatives. At the same time, we will actively promote the full-scale development of the MD business and the development of new services utilizing advanced technology.

In addition, as a company-wide initiative, we are promoting a transformation into an organization that reviews its business processes on the premise of AI. By utilizing AI in routine operations, we believe that people can focus on decision-making and creative areas that only people can handle and, together with creators, enhance both the quantity and quality of the content we produce. In addition, while carefully addressing risks associated with the use of AI, including copyright, we will connect these initiatives to the enhancement of corporate value over the medium to long term.

(2) Explanation of financial positions

(Assets)

At the end of the current first-quarter consolidated accounting period, current assets amounted to 8,568,429 thousand yen, a decrease of 658,288 thousand yen compared with the end of the previous consolidated fiscal year. This was mainly due to a decrease of 921,811 thousand yen in cash and deposits. Non-current assets amounted to 2,499,367 thousand yen, a decrease of 149,966 thousand yen compared with the end of the previous consolidated fiscal year. This was mainly due to a decrease of 240,485 thousand yen in software.

As a result, total assets amounted to 11,067,796 thousand yen.

(Liabilities)

Current liabilities at the end of the current first-quarter consolidated accounting period amounted to 5,169,658 thousand yen, a decrease of 894,308 thousand yen compared with the end of the previous consolidated fiscal year. This was mainly due to decreases of 337,534 thousand yen in income taxes payable, 273,500 thousand yen in current portion of long-term borrowings, and 165,640 thousand yen in accounts payable. Non-current liabilities amounted to 628,721 thousand yen, a decrease of 140,060 thousand yen compared with the end of the previous consolidated fiscal year. This was mainly due to a decrease of 156,500 thousand yen in long-term borrowings.

As a result, total Liabilities amounted to 5,798,379 thousand yen.

(Net assets)

Total net assets at the end of the current first-quarter consolidated accounting period amounted to 5,269,417 thousand yen, an increase of 226,113 thousand yen compared with the end of the previous consolidated fiscal year. This was mainly due to the recording of profit attributable to owners of parent of 323,330 thousand yen.

As a result, the equity to total assets ratio was 47.0% (42.0% at the end of the previous consolidated fiscal year).

(3) Explanation of forward-looking information such as consolidated forecasts

For the fiscal year ending March 2027, we aim to continue investments toward sustainable sales growth through the creation and development of IP, improve profitability through greater efficiency in existing businesses, and achieve business progress toward realizing our medium-term vision.

In the Game Business, at the end of the fiscal year ending March 2026, two consolidated subsidiaries in this business segment were sold, and the revenue contribution from these two companies will decrease; however, we will continue to aim for an increase in Net sales by maintaining sales of the 9 game titles that will continue to be operated and by rolling out sell-off PC and console game titles. In addition, with regard to profit, we will aim to improve the profit margin by reducing the amount of losses from unprofitable titles and optimizing Advertising expenses.

In the content business, we will aim to increase Net sales through progress in the publishing business, anime business, and MD (merchandising) business, as well as progress in the development of new services utilizing the expertise in internet services and advanced technologies possessed by the Company. In terms of profit, we are making investments in new businesses such as the IP production domain, and expenses are expected to continue preceding revenues.

Based on the above, for the consolidated earnings forecast for the fiscal year ending March 2027, we forecast Net sales of 18,000,000 thousand yen (up 2.6% YoY), Operating profit of 1,000,000 thousand yen (up 144.7% YoY), Ordinary profit of 900,000 thousand yen (up 182.2% YoY), and Profit attributable to owners of parent of 600,000 thousand yen (up 180.8% YoY).

In addition, the Company recognizes the return of profits to shareholders as one of its important management issues, and determines the level of shareholder returns after fully considering trends in Operating results and financial position, the status of implementation of research and development investments, and future plans. Regarding the dividend forecast for the fiscal year ending March 2027, the Company expects a year-end dividend of 5 yen per share, after comprehensively considering factors such as the profit level expected as described above and the progress in stabilizing the financial base through the transformation of the business structure. Going forward, the Company will continue to aim to achieve both growth investments for the future and shareholder returns, with the objective of enhancing corporate value over the medium to long term.

In addition, the consolidated forecasts and dividend forecasts have been prepared based on information available as of the date of announcement of this document, and actual results may differ from the forecast figures due to various factors in the future.

2. Quarterly consolidated financial statements and major notes (1) Quarterly consolidated Balance sheet

(Unit: Thousands of yen)

	Previous consolidated fiscal year (March 31, 2026)	Current first-quarter consolidated accounting period (June 30, 2026)
Assets		
Current assets		
Cash and deposits	6,375,283	5,453,472
Accounts receivable - trade	2,176,890	2,126,326
Merchandise	12,729	15,538
Work in process	93,832	102,002
Prepaid expenses	341,753	286,496
Other	270,228	628,592
Allowance for doubtful accounts	(44,000)	(44,000)
Total current assets	9,226,718	8,568,429
Non-current assets		
Property, plant, and equipment		
Buildings	191,666	192,154
Accumulated depreciation	(112,582)	(123,290)
Buildings, net	79,084	68,863
Tools, furniture and fixtures	146,290	161,244
Accumulated depreciation	(89,771)	(97,657)
Tools, furniture and fixtures, net	56,519	63,587
Leased assets	7,232	7,232
Accumulated depreciation	(6,407)	(6,682)
Leased assets, net	825	550
Total property, plant and equipment, net	136,428	133,001
Intangible assets		
Software	952,832	712,346
Software in progress	151,335	234,728
Other	83,975	56,788
Total intangible assets	1,188,143	1,003,864
Investments and other assets		
Investment securities	20,006	20,006
Deferred tax assets	836,939	841,639
Other	467,815	500,856
Total investments and other assets	1,324,761	1,362,501
Total non-current assets	2,649,333	2,499,367
Total assets	11,876,052	11,067,796

(Unit: Thousands of yen)

	Previous consolidated fiscal year (March 31, 2026)	Current first-quarter consolidated accounting period (June 30, 2026)
Liabilities		
Current liabilities		
Trade payables	408,429	466,139
Short-term borrowings	100,000	100,000
Current portion of long-term borrowings	2,497,000	2,223,500
Lease liabilities	961	640
Accounts payable	1,473,273	1,307,632
Income taxes payable	493,119	155,585
Provision for bonuses	133,286	72,939
Other	957,896	843,219
Total current liabilities	6,063,966	5,169,658
Non-current liabilities		
Long-term borrowings	522,000	365,500
Asset retirement obligations	100,000	100,000
Other	146,781	163,221
Total non-current liabilities	768,781	628,721
Total liabilities	6,832,748	5,798,379
Net assets		
Shareholders' equity		
Share capital	1,906,870	1,906,870
Capital surplus	2,166,629	2,166,629
Retained earnings	1,104,196	1,427,527
Treasury shares	(214,692)	(320,152)
Total shareholders' equity	4,963,004	5,180,874
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	20,311	20,311
Total accumulated other comprehensive income	20,311	20,311
Share acquisition rights	57,885	67,136
Non-controlling interests	2,102	1,094
Total net assets	5,043,303	5,269,417
Total liabilities and net assets	11,876,052	11,067,796

(2) Quarterly consolidated Statement of income and quarterly consolidated Statement of comprehensive income

(Quarterly consolidated Statement of income)

(Unit: Thousands of yen)

	Previous first-quarter consolidated cumulative period (From April 1, 2025 to June 30, 2025)	Current first-quarter consolidated cumulative period (From April 1, 2026 to June 30, 2026)
Revenue	4,466,913	4,355,148
Cost of sales	3,185,395	2,774,992
Gross profit	1,281,518	1,580,155
Selling, general and administrative expenses	1,363,241	1,057,292
Operating profit (loss)	(81,723)	522,862
Non-operating income		
Interest income	346	674
Contracting and consignment fees	-	3,400
Gain on investments in capital	183	139
Foreign exchange gains	-	3,529
Other	4	518
Total non-operating income	534	8,262
Non-operating expenses		
Interest expense	20,919	17,423
Commission expenses	1,011	1,505
Foreign exchange losses	4,484	-
Total non-operating expenses	26,416	18,929
Ordinary profit (loss)	(107,604)	512,195
Extraordinary losses		
Impairment losses	1,563,462	-
Total extraordinary losses	1,563,462	-
Profit before income taxes or quarterly net loss before income taxes (-)	(1,671,067)	512,195
Income taxes - current	20,975	193,092
Income taxes - deferred	106,304	(4,699)
Total income taxes	127,279	188,393
Net income or quarterly net loss (-)	(1,798,346)	323,802
Net income attributable to non-controlling shareholders	722	472
Profit attributable to owners of parent or quarterly net loss attributable to owners of parent (-)	(1,799,068)	323,330

(Quarterly consolidated Statement of comprehensive income)

(Unit: Thousands of yen)

	Previous first-quarter consolidated cumulative period (From April 1, 2025 to June 30, 2025)	Current first-quarter consolidated cumulative period (From April 1, 2026 to June 30, 2026)
Net income or quarterly net loss (-)	(1,798,346)	323,802
Other comprehensive income (loss), net of tax		
Foreign currency translation adjustment	(903)	-
Other comprehensive income, net of tax	(903)	-
Comprehensive income	(1,799,249)	323,802
Profit attributable to		
Quarterly comprehensive income attributable to owners of parent	(1,799,972)	323,330
Quarterly comprehensive income attributable to non-controlling shareholders	722	472

(3) Notes to Quarterly Consolidated Financial Statements

(Notes on the going concern assumption)

Not applicable.

(Notes when there are significant changes in the amount of shareholders' equity)

Not applicable.

(Notes on the quarterly consolidated statement of cash flows)

A quarterly consolidated Statement of cash flows for the Current first-quarter consolidated cumulative period has not been prepared. In addition, Depreciation for the Current first-quarter consolidated cumulative period (including amortization related to Intangible assets) is as follows.

	Previous first-quarter consolidated cumulative period (From April 1, 2025 to June 30, 2025)	Current first-quarter consolidated cumulative period (From April 1, 2026 to June 30, 2026)
Depreciation	428,750 thousand yen	264,001 thousand yen

(Notes on segment information, etc.)

[Segment Information]

I For the three months ended June 30, 2025

1.Information on amounts of Net sales and profit or loss by reportable segment

(Unit: Thousands of yen)

	Reportable segments			Adjustments	Quarterly consolidated Statement of income Amount recorded
	Game Business	Content business	Total		
Revenue					
Net sales to external customers	4,322,859	144,054	4,466,913	-	4,466,913
Intersegment internal Net sales or transfer amount	4,384	11,108	15,492	(15,492)	-
Total	4,327,243	155,162	4,482,406	(15,492)	4,466,913
Segment profit or segment loss (-)	122,938	(204,661)	(81,723)	-	(81,723)

Note: Segment profit or segment loss (-) is consistent with operating loss (-) in the quarterly consolidated Statement of income.

2. Information on impairment losses of non-current assets by reportable segment

Impairment losses were recorded in the "Game Business" segment. The amount of impairment losses recorded was 1,563,462 thousand yen in the previous first-quarter consolidated cumulative period.

II For the three months ended June 30, 2026

1.Information on amounts of Net sales and profit or loss by reportable segment

(Unit: Thousands of yen)

	Reportable segments			Adjustments	Quarterly consolidated Statement of income Amount recorded
	Game business	Content Business	Total		
Revenue					
Net sales to external customers	4,145,254	209,893	4,355,148	-	4,355,148
Intersegment internal Net sales or transfer amount	1	-	1	(1)	-
Total	4,145,256	209,893	4,355,150	(1)	4,355,148
Segment profit or segment loss (-)	793,771	(270,908)	522,862	-	522,862

(Note) Segment profit or segment loss (-) is consistent with Operating profit in the quarterly consolidated Statement of income.

2. Information on impairment losses of Non-current assets by reportable segment

Not applicable.