

FY03/2026 1Q Consolidated Financial Results (Under Japanese GAAP)

July 29, 2025

Company name:	Drecom Co., Ltd.
Stock exchange listings:	Tokyo Stock Exchange
Stock code:	3793
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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. Quarterly Consolidated Financial Results Fiscal Year Ending March 2026 (from April 01, 2025 to June 30, 2025)

(1) Consolidated operating results (Cumulative)

(Percentage indicate YoY changes)

	Revenue		Operating profit		Ordinary profit		Profit attributable to owners of parent company	
Fiscal year ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
March 2026 1Q	4,466	110.4	(81)	-	(107)	-	(1,799)	-
March 2025 1Q	2,122	(9.5)	(67)	-	(88)	-	(153)	-

(Note) Comprehensive income For the quarter of March 2026: (1,799) million yen (-%) For the quarter of 2025: (131) million yen (-%)

	Basic earnings per share	Diluted earnings per share
Fiscal year ended	Yen	Yen
March 2026 1Q	(62.60)	-
March 2025 1Q	(5.37)	-

(2) Consolidated financial positions

	Total assets	Equity	Equity to total assets ratio	Net assets per share
Fiscal year ended	Million yen	Million yen	%	Yen
March 2026 1Q	10,889	2,936	26.4	99.85
March 2025	13,506	4,719	34.6	162.48

(Reference) Owner's equity As of the first quarter of the fiscal year ending March 2026: 2,869 million yen As of the fiscal year ended March 2025: 4,669 million yen

2. Cash dividends

	Annual dividends per share				
	End of first quarter	End of second quarter	At the end of the third quarter	Fiscal year-end	Total
Fiscal year ended	Yen	Yen	Yen	Yen	Yen
March 2025	-	0.00	-	0.00	0.00
March 2026	-				
March 2026 (Forecast)		0.00	-	-	-

(Note) Presence or absence of revisions from the most recently announced dividend forecast: Yes

The year-end dividend forecast for the fiscal year ending March 2026 is yet to be determined. For details, please refer to the "Notice Regarding Recognition of Extraordinary Loss, Revision of Full-Year Consolidated Forecasts and Dividend Forecasts" announced today (July 29, 2025).

3. Consolidated Earnings Forecasts for the Fiscal Year Ending March 2026 (from April 01, 2025 to March 31, 2026)

(Percentages indicate YoY changes)

	Revenue		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
Fiscal year ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
March 2026	17,500	38.3	500	346.4	400	650.4	(1,300)	-	(45.23)

(Note) Correction of financial forecast from the most recent financial forecast: Yes

For details, please refer to the "Notice Regarding Recognition of Special Loss, Revision of Full-Year Consolidated Forecasts and Dividend Forecasts" announced today (July 29, 2025).

* Notes

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

Newly included: - companies (company names) -, Excluded: - companies (company names) -

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

(3) Changes in accounting policies, changes in accounting estimates, retrospective restatement

(i) Changes in accounting policies due to 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 shares issued (common stock)

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

March 2026 1Q	29,340,212 shares
March 2025	29,340,212 shares

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

March 2026 1Q	599,995 shares
March 2025	599,995 shares

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

March 2026 1Q	28,740,217 shares
March 2025 1Q	28,624,457 shares

(Note) The 564,000 shares of the Company (corresponding to 5,640 voting rights) held by Custody Bank of Japan, Ltd.

(hereinafter referred to as the "ESOP Trust Account") 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 items

(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. Actual results may differ significantly due to various factors.

(How to obtain supplementary materials for financial results)

The Company plans to hold a financial results briefing for institutional investors and analysts on July 29, 2025. The presentation materials distributed at this briefing will be promptly posted on our website after the event.

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1. Qualitative information regarding the quarterly financial results

(1) Explanation of operating results

Our group has adopted the mission of "with entertainment," striving to continuously create services that exceed people's expectations. We are committed to delivering experiences that captivate users by creating unprecedented value. In the medium term, we aim to become a company that provides entertainment content globally, centered on IP × Technology, while pursuing sustainable growth and enhancing corporate value.

In the core gaming business, the primary activities involve the development and operation of games, including the development and management of third-party IP games, game platforms, and original games. Additionally, in the content business, with the aim of owning and cultivating IP, we engage in the publishing and sale of books and e-books such as novels and comics. Furthermore, leveraging the expertise in internet services and advanced technology we possess, we are conducting trial launches of new services through iterative trials to explore commercialization possibilities.

During the consolidated cumulative period of FY03/2025 1Q, the company's performance was as follows: net sales of ¥4,466,913 thousand (an increase of 110.4% year-on-year), operating loss of ¥81,723 thousand (compared to an operating loss of ¥67,786 thousand in the same period of the previous year), and ordinary loss of ¥107,604 thousand (compared to an ordinary loss of ¥88,452 thousand in the same period of the previous year). Additionally, due to the impairment recorded after reevaluating future earnings for a mobile game title released at the end of the previous fiscal year, an extraordinary loss of ¥1,563,462 thousand was recorded. Consequently, the quarterly net loss attributable to owners of the parent holder was ¥1,799,068 thousand (compared to a quarterly net loss attributable to owners of the parent of ¥153,628 thousand in the same period of the previous year).

The performance of each segment during the consolidated cumulative period for FY03/2025 1Q is as follows.

Game Business

In the gaming business, we are operating 11 mobile game titles and generating revenue from the self-published title "Wizardry Variants Daphne," which was released in FY03/2025 Q3, as well as from several ongoing titles.

On the other hand, as the revenue from the mobile game title released at the end of the previous fiscal year has trended below expectations, we reassessed its future earnings and evaluated the recoverability of its assets. As a result, we decided to record an impairment loss on the assets related to this game application.

Regarding net sales, although some operating titles fell below the levels of the previous fiscal year, the contribution from "Wizardry Variants Daphne," released in the prior year Q3, led to a year-on-year increase.

Regarding profits, although there was a contribution from new titles as mentioned in the revenue growth factors above, an increase in variable costs (such as payment fees) associated with higher sales of in-house distributed titles and an increase in fixed costs (such as software amortization expenses and advertising expenses) related to the release of new titles led to a year-on-year decline.

As a result, segment sales amounted to ¥4,327,243 thousand (an increase of 112.7% year-on-year), while segment profit totaled ¥122,938 thousand (a decrease of 51.6% year-on-year).

In this core business segment, we will continue striving to maintain and maximize the stable revenue of existing titles, while developing a pipeline for new mobile games. Additionally, we aim to acquire business know-how through the development of new titles for PC and console platforms, as well as to securing our own intellectual property (IP).

Content Business

In the content business, we are engaged in the publishing, anime, and merchandise (MD) segments with the aim of owning, nurturing, and monetizing IP. As part of this effort, we publish titles monthly through the light novel label "DRE Novels" and the comic label "DRE Comics." Additionally, leveraging our expertise in internet services and cutting-edge technology, we develop new services and provide support services for fan marketing through SNS platforms, among other offerings.

Regarding net sales, starting from autumn 2023, the publication of "DRE Comics" commenced, resulting in increased revenue primarily driven by digital comics. This was supported by the release of multiple popular works, with total series cumulative sales exceeding 300,000 copies, leading to an increase compared to the same period of the previous year.

Regarding profits, while upfront costs are continuing due to investments in new business areas such as publishing, animation, merchandise development (MD), and the utilization of generative AI, the aforementioned revenue increase factors led to a year-on-year reduction in the loss amount.

As a result, segment sales were ¥155,162 thousand (an increase of 70.7% year-on-year), and the segment loss was ¥204,661 thousand (compared to a segment loss of ¥322,049 thousand in the previous period).

In this segment, we are focusing on increasing sales volume by expanding the number of published works and reducing losses, while continuing to invest toward achieving our medium-term goals.

Moving forward, in the gaming business, we will focus on building a more robust business foundation by striving to secure and maximize long-term stable earnings through additional investments in ongoing titles and reinforcing our operational structure. Additionally, we explore pipelines for new mobile games. Furthermore, with the goal of owning and nurturing IP within the gaming business, we will proceed with the development of original titles for PC and console platforms.

In the content business, we aim to grow the initiatives launched to own, develop, and monetize IP to a certain scale. Additionally, we will actively promote the use of advanced technologies to create new experiences and markets.

(2) Explanation regarding financial positions

(Assets)

As of the end of the first quarter of the consolidated fiscal period, current assets amounted to ¥7,294,019 thousand, a decrease of ¥548,198 thousand compared to the end of the previous consolidated fiscal year. This was mainly due to a decrease of ¥708,168 thousand in accounts receivable - trade. Non-current assets amounted to 3,595,807 thousand yen, a decrease of ¥2,068,211 thousand compared to the end of the previous consolidated fiscal year. This was mainly due to a decrease of ¥2,098,680 thousand in software.

As a result, total assets amounted to ¥10,889,826 thousand.

(Liabilities)

At the end of the first quarter of the consolidated fiscal period, current liabilities amounted to ¥4,955,166 thousand, a decrease of ¥352,310 thousand compared to the end of the previous consolidated fiscal year. This was mainly due to a decrease in accounts payable by ¥123,143 thousand and a decrease in income taxes payable by ¥86,984 thousand. Non-current liabilities amounted to ¥2,998,165 thousand, a decrease of ¥481,456 thousand compared to the end of the previous consolidated fiscal year. This was mainly due to a decrease in long-term borrowings by ¥434,900 thousand.

As a result, total liabilities amounted to ¥7,953,331 thousand.

(Net assets)

At the end of the first quarter of the consolidated fiscal period, total net assets amounted to ¥2,936,495 thousand, a decrease of ¥1,782,642 thousand compared to the end of the previous consolidated fiscal year. This was mainly due to the recording of a quarterly net loss attributable to owners of the parent of ¥1,799,068 thousand.

As a result, the equity to total assets ratio was 26.4% (34.6% at the end of the previous fiscal year).

(3) Explanation regarding forward-looking statements such as consolidated forecasts

With regard to the consolidated forecasts, taking into account the results for the first quarter of the current fiscal year and future outlook, we have revised the consolidated forecasts (full year) for the fiscal year ending March 2026, which were announced on May 12, 2025.

For details, please refer to the "Notice Regarding Recognition of Extraordinary Losses, Revision of Full-Year Consolidated Forecasts and Dividend Forecasts" announced today (July 29, 2025).

Please note that the consolidated forecasts have been prepared based on information available as of the date of this document's release, and actual results may differ from the forecast figures due to various factors in the future.

2. Quarterly Consolidated Financial Statements and Main Notes (1) Quarterly Consolidated Balance Sheet

(Unit: Thousands of yen)

	Previous fiscal year (March 31, 2025)	First quarter consolidated accounting period (June 30, 2025)
Assets		
Current assets		
Cash and deposit	3,928,774	3,927,984
Accounts receivable - trade	3,006,348	2,298,179
Merchandise	12,834	11,086
Work in process	78,672	97,116
Prepaid expenses	704,277	579,857
Other	111,310	379,794
Total current asset	7,842,218	7,294,019
Non-current assets		
Property, plant, and equipment		
Buildings	191,229	191,229
Accumulated depreciation	(69,933)	(80,541)
Buildings, net	121,295	110,688
Tools, furniture and fixtures	92,033	157,327
Accumulated depreciation	(74,305)	(78,766)
Tools, furniture and fixtures, net	17,728	78,560
Leased assets	7,232	7,232
Accumulated depreciation	(5,307)	(5,582)
Leased assets, net	1,925	1,650
Total property, plant and equipment, net	140,948	190,899
Intangible assets		
Software	3,683,370	1,584,690
Software in progress	604,944	570,936
Total intangible assets	4,288,315	2,155,626
Investment Other assets		
Investment securities	20,006	20,006
Deferred tax assets	883,155	776,851
Other	331,593	452,424
Total investment and other assets	1,234,755	1,249,281
Total non-current assets	5,664,018	3,595,807
Total assets	13,506,236	10,889,826

(Unit: Thousands of yen)

	Previous fiscal year (March 31, 2025)	First quarter consolidated accounting period (June 30, 2025)
Liabilities		
Current liabilities		
Trade payables	417,877	407,715
Short-term borrowings	100,000	100,000
Current portion of long-term borrowings	1,738,600	1,738,850
Lease liabilities	1,281	1,281
Accounts payable	1,780,723	1,657,579
Income taxes payable	120,835	33,851
Provision for bonuses	98,208	51,524
Other	1,049,950	964,362
Total current liabilities	5,307,477	4,955,166
Non-current liabilities		
Long-term borrowings	2,888,700	2,453,800
Lease liabilities	961	640
Asset retirement obligations	100,000	100,000
Other	489,960	443,724
Total non-current liabilities	3,479,621	2,998,165
Total liabilities	8,787,099	7,953,331
Net assets		
Shareholders' equity		
Share capital	1,880,309	1,880,309
Capital surplus	2,137,862	2,137,862
Retained earnings	890,527	(908,541)
Treasury shares	(252,033)	(252,033)
Total shareholders' equity	4,656,665	2,857,596
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	11,940	11,940
Foreign currency translation adjustment	1,004	101
Total accumulated other comprehensive income	12,945	12,041
Share acquisition rights	47,010	65,511
Non-controlling interests	2,516	1,345
Total net assets	4,719,137	2,936,495
Total liabilities and net assets	13,506,236	10,889,826

(2) Quarterly Consolidated Statement of Income and Quarterly Consolidated Statement of Comprehensive Income
(Quarterly Consolidated Statement of Income)

(Unit: Thousands of yen)

	First quarter consolidated accounting period [previous period] From April 1, 2024 As of June 30, 2024	First quarter consolidated accounting period From April 1, 2025 until June 30, 2025
Revenue	2,122,621	4,466,913
Cost of sales	1,498,695	3,185,395
Gross profit	623,925	1,281,518
Selling, general and administrative expenses	691,712	1,363,241
Operating loss (-)	(67,786)	(81,723)
Non-operating income		
Interest income	2	346
Gain on investments in capital	-	183
Other	38	4
Total non-operating income	40	534
Non-operating expenses		
Interest expense	18,981	20,919
Commission expenses	996	1,011
Foreign exchange losses	156	4,484
Other	571	-
Total non-operating expenses	20,706	26,416
Ordinary loss (-)	(88,452)	(107,604)
Extraordinary losses		
Impairment losses	-	1,563,462
Total extraordinary losses	-	1,563,462
Quarterly loss before income taxes (-)	(88,452)	(1,671,067)
Income taxes - current	22,959	20,975
Income taxes - deferred	41,571	106,304
Total income taxes	64,530	127,279
Quarterly net loss (-)	(152,983)	(1,798,346)
Net income attributable to non-controlling interests	644	722
Quarterly net loss attributable to owners of the parent (-)	(153,628)	(1,799,068)

(Quarterly Consolidated Statement of Comprehensive Income)

(Unit: Thousands of yen)

	First quarter consolidated accounting period [previous period] From April 1, 2024 As of June 30, 2024	First quarter consolidated accounting period From April 1, 2025 until June 30, 2025
Quarterly net loss (-)	(152,983)	(1,798,346)
Other comprehensive income (loss), net of tax		
Valuation difference on available-for-sale securities	21,002	-
Foreign currency translation adjustment	218	(903)
Other comprehensive income, net of tax	21,220	(903)
Comprehensive income	(131,762)	(1,799,249)
Profit attributable to		
Quarterly comprehensive income attributable to owners of the parent	(132,407)	(1,799,972)
Quarterly comprehensive income attributable to non-controlling interests	644	722

(3) Notes to the quarterly consolidated financial statements

(Notes regarding the assumption of a going concern)

There are no applicable items.

(Notes in case of significant changes in the amount of shareholders' equity)

There are no applicable items.

(Notes on Quarterly Consolidated Statement of Cash Flows)

The quarterly consolidated statement of cash flows has not been prepared. Depreciation for the quarterly consolidated (including amortization of intangible assets) is as follows.

	First quarter consolidated accounting period [previous period] (From April 1, 2024 As of June 30, 2024	First quarter consolidated accounting period From April 1, 2025 until June 30, 2025
Depreciation	39,406 thousand yen	428,750 thousand yen

(Notes on segment information, etc.)

[Segment Information]

I Previous Quarter Consolidated First Quarter (April 1 to June 30, 2024)

1. Information on net sales and profit or loss by reportable segment

(Unit: Thousands of yen)

	Reportable segment			Adjustment amount	Quarterly Consolidated Statement of income Recorded amount
	Game Business	Content Business	Total		
Revenue					
Net sales to external customers	2,034,614	88,006	2,122,621	-	2,122,621
Internal net sales or transfers between segments	-	2,900	2,900	(2,900)	-
Total	2,034,614	90,906	2,125,521	(2,900)	2,122,621
Segment profit or segment loss (-)	254,262	(322,049)	(67,786)	-	(67,786)

(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

There are no applicable items.

II Current Quarter Consolidated First Quarter (April 1 to June 30, 2025)

1. Information on net sales and profit or loss by reportable segment

(Unit: Thousands of yen)

	Reportable segment			Adjustment amount	Quarterly Consolidated Statement of income Recorded amount
	Game Business	Content Business	Total		
Revenue					
Net sales to external customers	4,322,859	144,054	4,466,913	-	4,466,913
Internal net sales or transfers between segments	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 have been recorded in the "Game Business" segment. The amount of these impairment losses for the first quarterly consolidated period is 1,563,462 thousand yen.