

**Drecom** (TSE Code: 3793)***Wizardry as Core IP: Evolving into an Entertainment Content Company*****GIR View****Highlights**

Drecom announced its "Second Quarter (Interim) Financial Results for the Fiscal Year Ending March 2026" after the market closed on October 29, 2025. The cumulative second quarter results followed the first-quarter trend, with strong year-over-year sales growth but widened losses. In the July-September period as well, operating and ordinary losses expanded despite increased sales compared to the same period last year. The company maintained its full-year forecast, projecting a return to profitability in both operating and ordinary income, though the second-half outlook has yet to show clearer visibility.

However, as President Naito stated during the earnings briefing, there is a high probability that the company will resume normal operations from the second half of the fiscal year.

There are two key reasons. First, the company has significantly advanced its financial measures to address newly released titles that underperformed expectations. Second, *Wizardry Variants Daphne*, which is expected to drive the company's future growth, has been performing steadily and is becoming a robust IP both domestically and in overseas markets.

Near-term priorities include achieving cumulative operating profitability in the third quarter, supported by the first anniversary of *Wizardry Variants Daphne*; strengthening the revenue base through the "Wizardry"-centered IP strategy; stabilizing earnings from existing titles; and advancing anime broadcasting initiatives to lift the broader content business.

KEY STATISTICS**Key Stock Statistics**

Recent Price (10/29/2025)	¥465.00
52 Week High/Low	¥1,064.00/¥418.00
Shares Outstanding (Excluding treasury stock)	28,823,817 shares
Market Cap	¥13,403 million
PER (Company forecast)	N/A
PBR	5.7 times
PSR (Company forecast)	0.8 times
Dividend (Dividend Yield)	¥0.00(0.00%)

Sector

Sector	Information & Communications
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Financials (FY03/2026 CE)

Sales	¥17,500 million
Operating Income Margin (%)	2.9%
EBITDA Margin (%)	9.1%

Management

President	Naito Yuki
URL	https://drecom.co.jp/en/



If the path to these developments becomes clear, the company will advance its transition from a smartphone game production-focused business to "a company that globally provides entertainment content centered on IP × Technology," thereby increasing the likelihood of achieving its target financial goals (sales CAGR of over 20% and an operating income margin of 15%).

Second Quarter FY03/2026 Results: Strong Sales, but Earnings Affected by *Wizardry Variants Daphne* Promotions and One-Time Expenses

Drecom announced its "Second Quarter (Interim) Financial Results for the Fiscal Year Ending March 2026" after the market closed on October 29, 2025. The cumulative second quarter results followed the first quarter trend, showing significant year-over-year sales growth; however, losses widened on the profit and loss side.

In the July-September period as well, operating and ordinary losses expanded despite significant year-over-year sales growth. Sales totaled 3,771 million yen (compared to 1,895 million yen in the same period last year), operating loss was 493 million yen (compared to a loss of 247 million yen in the same period last year), EBITDA was negative 243 million yen (compared to negative 143 million yen in the same period last year), ordinary loss was 509 million yen (compared to a loss of 265 million yen in the same period last year), and net loss was 563 million yen (compared to a loss of 868 million yen in the same period last year).

Sales exceeded expectations. In particular, *Wizardry Variants Daphne*, the mainstay self-published title, performed steadily (quarterly sales trend: Q3 last year 2.16 billion yen → Q4 last year 2.48 billion yen → Q1 2.30 billion yen → Q2 2.05 billion yen), and strategic additional advertising expenditure was invested toward the first anniversary in October. Furthermore, the company took measures to address fraudulent charges that occurred in some existing titles, causing operating income to fall slightly short of expectations. On a positive note, revenue from titles that underwent impairment measures in the first quarter showed improvement in the second quarter. Additionally, the new novel *Thou Shalt Love thy Unwise King* in the content business got off to a strong start.

Full-Year Earnings Forecast for FY03/2026 Maintained

The consolidated earnings forecast for the fiscal year ending March 2026 has been maintained (sales of 17.5 billion yen, operating income of 0.5 billion yen, ordinary income of 0.4 billion yen, and net loss attributable to shareholders of the parent company of 1.3 billion yen).

Based on the interim period's progress, it may appear to be a high hurdle at first glance, but as President Naito stated during the earnings briefing, there is a high probability that the company will resume normal operations from the second half of the fiscal year.

First, the company has significantly advanced its financial measures to address newly released titles that underperformed expectations, thereby reducing the risk of future earnings deterioration.

Second, *Wizardry Variants Daphne*, which is expected to drive the company's future growth, has been performing steadily and is developing into a core IP with strong potential in overseas markets. The title successfully celebrated its first anniversary by re-engaging existing users and attracting new players, generating strong sales of over 1.2 billion yen in October alone. The company has put measures in place to sustain user engagement momentum, and the title is expected to be a key revenue driver throughout the second half of the fiscal year. Overseas expansion is also progressing as planned. Management expects *Wizardry Variants Daphne* to become the company's core revenue pillar.

Additionally, for existing titles, the company plans to optimize operating costs and carefully introduce off-platform billing to maintain revenue levels.

Outlook and Key Focus Areas: From Smartphone Game Production Focus to "A Company That Globally Provides Entertainment Content Centered on IP × Technology"

The company's future strategy is to shift from a smartphone game production-focused business to "a company that globally provides entertainment content centered on IP × Technology." This will reduce the risks associated with traditional smartphone game development methods, strengthen the revenue foundation through an IP strategy centered on the "Wizardry" brand, cultivate the company's own IPs multidimensionally through publishing and anime, and transition to a business structure that develops new games on a case-by-case basis. This approach will allow the company to achieve more stable growth with enhanced risk management, leading to an expected improvement in investors' assessment of its risk–return balance.

Considering this context, the key points of attention for the near term can be organized as follows:

- The third quarter results turning to operating profitability on a cumulative basis due to the first anniversary effect of *Wizardry Variants Daphne*
- The IP strategy centered on the "Wizardry" brand leading to the strengthening of the revenue base
 - Overseas expansion (*Wizardry Variants Daphne*), manga adaptation (*Wizardry Variants Daphne*), and anime adaptation (*Blade & Bastard*) leading to solidification of revenue as planned
- Progress in revenue stabilization of existing operational titles
 - Revenue improvement through optimization of operating costs and introduction of off-platform billing
- A clear path to profitability in the content business becomes visible
 - Steady expansion of publishing (novels, comics, webtoons)
 - Progress in anime production and manifestation of synergy effects with publishing and merchandising
 - ♦ Success of *The Holy Grail of Eris* scheduled to air in January 2026, and broadcast decisions for *Blade & Bastard* and *The 100th Time's the Charm*, which have been confirmed for anime adaptation



If the path to these developments becomes clear, the company will advance its transition from a smartphone game production-focused business to "a company that globally provides entertainment content centered on IP × Technology," thereby increasing the likelihood of achieving its target financial goals (sales CAGR of over 20% and an operating income margin of 15%). The third-quarter earnings trend is expected to mark a turning point and is expected to draw considerable investor attention.



Financial Data (Consolidated: Quarterly)

Statements of Income (Millions of yen)

Accounting Period	FY03/2022	FY03/2023	FY03/2024	FY03/2025	FY03/2026		Full-year CE
					Q1	Q2	
Sales	10,528	10,800	9,779	12,655	4,466	3,771	17,500
YoY	-11%	3%	-9%	29%	110%	99%	38%
Net Sales	3,796	4,558	3,404	3,477	1,281	924	
YoY	-5%	20%	-25%	2%	105%	177%	
Net Sales Margin	36.1%	42.2%	34.8%	27.5%	28.7%	24.5%	
SG&A	2,205	2,276	2,501	3,365	1,363	1,417	
YoY	13%	3%	10%	35%	97%	143%	
Operating Income	1,591	2,281	903	112	(81)	(493)	500
YoY	-22%	43%	-60%	-88%	-	-	346%
Operating Income Margin	15.1%	21.1%	9.2%	0.9%	-1.8%	-13.1%	6.1%
Ordinary Income	1,541	2,192	793	53	(107)	(509)	400
YoY	-24%	42%	-64%	-93%	-	-	650%
Net Income	807	1,159	104	(1,035)	(1,799)	(563)	(1,300)
YoY	-50%	44%	-91%	-	-	-	
Net Income Ratio	7.7%	10.7%	1.1%	-8.2%	-40.3%	-14.9%	-7.4%

Source: Prepared by Global IR, Inc. based on company securities reports and company IR materials.

Note: CE = Company Estimate. Rounded to the nearest million yen, rounded to one decimal place. *Calculated by Global IR, Inc.*

Per Share Data (Consolidated)

Accounting period	FY03/2021	FY03/2022	FY03/2023	FY03/2024	FY03/2025
Total Number of Shares Issued and Outstanding (Thousand Shares)	28,976	29,073	29,130	29,224	29,340
EPS	57.0	28.3	40.7	3.6	(36.1)
EPS Adjusted	56.9	28.3	40.6	3.6	(36.1)
BPS	132.9	159.1	195.7	196.3	162.5
DPS	0.0	5.0	5.0	0.0	0.0

Source: Prepared by Global IR, Inc. based on company securities reports and company IR materials.

Note: Rounded to the nearest million yen, rounded to one decimal place. *Calculated by Global IR, Inc.*

**Cash Flows (Millions of yen)**

Accounting Period	FY03/2021	FY03/2022	FY03/2023	FY03/2024	FY03/2025
Depreciation and Amortization	627	537	269	145	526
Cash Flows from Operating Activities	3,196	1,603	2,666	(473)	634
Cash Flows from Investing Activities	(1,140)	(1,766)	(2,017)	(2,048)	(899)
Cash Flows from Financing Activities	969	(388)	659	2,413	(1,739)

Source: Prepared by Global IR, Inc. based on company securities reports and company IR materials.

Note: Rounded to the nearest million yen, rounded to one decimal place. *Calculated by Global IR, Inc.*

Financial Ratios (%)

Accounting Period	FY03/2021	FY03/2022	FY03/2023	FY03/2024	FY03/2025
Return on Assets (ROA)	25.2	16.0	20.0	6.0	0.4
Return on Equity (ROE)	55.0	19.4	22.9	1.9	-20.1
Capital Adequacy Ratio	39.5	46.9	45.6	39.7	34.6

Source: Prepared by Global IR, Inc. based on company securities reports and company IR materials.

Note: Rounded to the nearest million yen, rounded to one decimal place. *Calculated by Global IR, Inc.*



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