



Drecom (TSE Code: 3793)

Wizardry Variants Daphne contributes to earnings. Dividend reinstatement planned. Drecom begins its transformation into a global entertainment content provider centered on proprietary IP.

GIR View

■ Highlights

Drecom announced its financial results for the fiscal year ended March 2025 after the market closed on May 12, 2025. The company reported that its self-developed IP mobile game, *Wizardry Variants Daphne*, continued to perform well through Q4. While full-year results fell short of initial forecasts, Drecom maintained positive operating and ordinary income for the fiscal year. Looking ahead to FY03/2026, the company expects significant growth in both sales and profit, driven by the continued sales contribution of *Wizardry Variants Daphne* and *Disney STEP*. With investment recovery now underway, the company also plans to resume dividend payments.

The overseas sales ratio for *Wizardry Variants Daphne* has recently climbed to 30%. With no major changes to the game development pipeline and steady progress in expanding the Content Business, Drecom is approaching a pivotal stage in its transformation into a global entertainment content provider centered on its intellectual property.

Depreciation costs for the two new titles will be amortized over two years, with the heaviest impact expected in the fiscal year ending March 2026. After this period, the cost burden will gradually ease, marking a likely bottoming-out of the operating profit margin. To achieve annual sales growth of over 20% and an operating profit margin exceeding 15% from FY03/2027 onward, Drecom will focus on maximizing sales from the two key titles mentioned above and on expanding the development pipeline across both the game and content businesses.

KEY STATISTICS



Key Stock Statistics

Recent Price (05/12/2025)	¥525.00
52 Week High/Low	¥1,064.00/¥418.00
Shares Outstanding (Excluding treasury stock)	28,740 thousand shares
Market Cap	¥15,088 million
PER	30.2 times
PBR	3.2 times
PSR	0.75 times
Dividend (Dividend Yield)	¥5.00 (0.95 %)

Sector

Sector	Information and communication
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Financials (FY03/2026 CE)

Sales	¥20,000 million
Operating Income Margin (%)	5.0%
EBITDA Margin (%)	15.0%

Management

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

**■ Summary of FY03/2025: *Wizardry Variants Daphne* contributes to income; *Disney STEP* launched**

Drecom announced its financial results for the fiscal year ended March 2025 after the market closed on May 12, 2025. The company's self-developed IP mobile game, *Wizardry Variants Daphne*, continued to contribute to profitability, while *Disney STEP*, released on March 3, also had a positive impact. Operating and ordinary income remained in the black for the January–March quarter, following a profitable October–December period, resulting in positive operating and ordinary income for the full fiscal year.

For the fiscal year, Drecom reported sales of 12,655 million yen (compared to 9,779 million yen in the previous year and a company forecast of 13,500 million yen), operating income of 112 million yen (vs. 903 million yen in the previous year and a forecast of 500 million yen), and ordinary income of 53 million yen (vs. 793 million yen in the previous year and a forecast of 400 million yen). The company recorded a net loss attributable to shareholders of the parent company of 1,035 million yen, compared to a net income of 104 million yen in the previous year and a projected loss of 200 million yen.

Quarterly sales for *Wizardry Variants Daphne* reached 2.16 billion yen in Q3 and 2.48 billion yen in Q4, demonstrating steady growth. In March, the release of the Steam version and the addition of Chinese language support helped boost the overseas sales ratio to approximately 30% of total sales. The Content Business also delivered sales growth and a reduction in losses, in line with expectations. However, the overall results fell short of the company's forecast due to weaker-than-anticipated performance from other game titles and higher advertising and promotional expenses.

In addition, the company recorded special losses related to the impairment of certain assets associated with games under development, as well as a tax adjustment related to deferred tax assets (gain). Despite these factors, Drecom views the achievement of positive operating and ordinary income for the full year, following first-half losses, as a positive result.



■ **FY03/2026 Full-Year Forecast: Growth expected from *Wizardry Variants Daphne* and the launch of *Disney STEP***

For the fiscal year ending March 2026, Drecom forecasts consolidated sales of 20,000 million yen, operating income of 1,000 million yen, ordinary income of 950 million yen, and net income attributable to shareholders of the parent company of 500 million yen, representing a significant increase in both sales and income.

The projected increase in sales of approximately 7.3 billion yen is primarily driven by the full-year contribution of *Wizardry Variants Daphne*, including the additional effect of half-year sales, and the full contribution of *Disney STEP*. Operating income is expected to rise by around 900 million yen. This is due to increases in variable costs, advertising and promotional expenses, depreciation and amortization, and a decrease in capitalized game development costs. These higher expenses are a characteristic of the business model, particularly in the period immediately following a game's release. However, once the two titles gain broader traction and performance stabilizes, both cash flow and profitability are expected to improve.

For the current fiscal year, EBITDA is projected to reach 3,000 million yen. The company has capitalized approximately 9 billion yen in game development expenses, resulting in cash outflows and reflecting a continued phase of investment aimed at recovery. By the end of the fiscal year, the company expects to return to a net cash position on the balance sheet and plans to resume dividend payments with a distribution of 5 yen per share. While the number of game titles in development remains at three, Drecom aims to advance at least one of these from the prototype stage to full-scale development during the fiscal year. The Content Business is also progressing steadily. Overall, the company maintains a positive outlook.



■ Future Points

As mentioned above, with *Wizardry Variants Daphne*, a core element of Drecom's medium- to long-term strategy, gaining momentum and new IP development progressing steadily, the company is entering a critical phase in its transformation into a global entertainment content provider centered on IP and technology. Depreciation related to the two new titles will be spread over two years, with the peak impact expected in the fiscal year ending March 2027. To achieve annual sales growth of 20 percent or more and an operating income margin of at least 15 percent from FY03/2027 onward, Drecom will focus on maximizing sales from the two key titles and on expanding the development pipeline across both the game and content businesses.

Key Points of Interest:

- Sustained growth of *Wizardry Variants Daphne* in Japan and successful expansion in overseas markets
- Further growth and market penetration of *Disney STEP*
- Stable profit and loss trends for long-standing core titles
- Expansion of the Content Business lineup and realization of diversified revenue streams

Financial Data (Consolidated: Quarterly)

Figure 1. Statements of Income

(Millions of yen)

Accounting Period	FY03/2022	FY03/2023	FY03/2024	Q1	Q2	FY03/2025 Q3	Q4	Q1-Q4	FY03/2026 CE
Sales	10,528	10,800	9,779	2,122	1,895	4,182	4,454	12,655	20,000
YoY	-11%	3%	-9%	-10%	-31%	64%	108%	29%	58%
Net Sales	3,796	4,558	3,404	624	335	1,280	1,238	3,477	
YoY	-5%	20%	-25%	-9%	-71%	47%	75%	2%	
Net Sales Margin	36.1%	42.2%	34.8%	29.4%	17.7%	30.6%	27.8%	27.5%	
SG&A	2,205	2,276	2,501	692	582	992	1,099	3,365	
YoY	13%	3%	10%	2%	-14%	80%	85%	35%	
Operating Income	1,591	2,281	903	(67)	(247)	288	139	112	1,000
YoY	-22%	43%	-60%	-	-	-9%	23%	-88%	793%
Operating Income Margin	15.1%	21.1%	9.2%	-3.2%	-13.1%	6.9%	3.1%	0.9%	6.1%
Ordinary Income	1,541	2,192	793	(88)	(265)	275	131	53	950
YoY	-24%	42%	-64%	-	-	0%	108%	-93%	1692%
Net Income	807	1,159	104	(153)	(868)	198	(211)	(1,035)	500
YoY	-50%	44%	-91%	-	-	-26%	-	-	-
Net Income Ratio	7.7%	10.7%	1.1%	-7.2%	-45.8%	4.7%	-4.8%	-8.2%	2.5%

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

Note: CE = Company Estimate.

Figure 2. Per Share Data

(Consolidated)

Accounting period	FY03/2018	FY03/2019	FY03/2020	FY03/2021	FY03/2022	FY03/2023	FY03/2024	FY03/2025
Total Number of Shares Issued and Outstanding (Thousand Shares)	28,742	28,819	28,894	28,976	29,073	29,130	29,224	29,340
EPS	(7.2)	(60.5)	25.0	57.0	28.3	40.7	3.6	(36.1)
EPS Adjusted	-	-	25.0	56.9	28.3	40.6	3.6	(36.1)
BPS	106.7	47.9	74.2	132.9	159.1	195.7	196.3	162.5
DPS	0.0	0.0	0.0	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.*

**Figure 3. Cash Flows**

(Millions of yen)

Accounting Period	FY03/2018	FY03/2019	FY03/2020	FY03/2021	FY03/2022	FY03/2023	FY03/2024	FY03/2025
Depreciation and Amortization	299	462	382	627	537	269	145	526
Cash Flows from Operating Activities	(79)	78	691	3,196	1,603	2,666	(473)	634
Cash Flows from Investing Activities	(1,958)	(123)	(101)	(1,140)	(1,766)	(2,017)	(2,048)	(899)
Cash Flows from Financing Activities	2,288	(271)	(1,188)	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.***Figure 4. Financial Data**

(%)

Accounting Period	FY03/2018	FY03/2019	FY03/2020	FY03/2021	FY03/2022	FY03/2023	FY03/2024	FY03/2025
Return on Assets (ROA)	-0.4	-16.8	9.5	25.2	16.0	20.0	6.0	0.4
Return on Equity (ROE)	-6.6	-78.3	41.0	55.0	19.4	22.9	1.9	-20.1
Capital Adequacy Ratio	33.2	19.6	32.9	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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