



## Drecom (TSE Code: 3793)

***Wizardry Variants Daphne has started contributing to profits, marking the beginning of Drecom's transformation into a global entertainment provider centered on its own IP***

### GIR View

#### ■ Highlights

Drecom announced its Q3 FY03/2025 results after the market closed on January 30, 2025. The company's IP-based mobile game, *Wizardry Variants Daphne*, played a key role in Drecom's return to operating profitability in the October–December period. Drecom expects sales and profits in the January–March period to surpass those of the previous quarter.

Cumulative financial results showed sales of 8,200 million yen (+7.4% YoY), an operating loss of 26 million yen, an ordinary loss of 78 million yen, and a net loss of 823 million yen.

In the Q3(October–December), Drecom reported sales of 4,182 million yen, operating income of 288 million yen, ordinary income of 275 million yen, and net income of 198 million yen, returning to positive operating income after losses in Q1 and Q2. This turnaround was driven by the profit contribution of *Wizardry Variants Daphne*, released on October 15, 2024, and a reduced loss in the Content Business.

The consolidated earnings forecast, which had been suspended following the Q2 results, has now been reissued. Drecom projects sales of 13,500 million yen, operating income of 500 million yen, ordinary income of 400 million yen, and a net loss of 200 million yen. Drecom aims to expand the user base and engagement for *Wizardry Variants Daphne* by introducing new characters and launching a PC version, which is expected to drive overseas user acquisition.

### KEY STATISTICS



#### Key Stock Statistics

Recent Price (01/30/2025)	¥960.00
52 week high/low	¥1217.00/¥585.00
Shares Outstanding (Excluding treasury stock)	28,710 thousand shares
Market Cap	¥28,157 million
PER	NA times
PBR	5.9 times
PSR	NA times
Dividend (Dividend Yield)	¥00.00 (0.00 %)

#### Sector

Sector	Information and communication
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#### Financials (FY03/2025 CE)

Sales	¥13,500 million
Operating income margin (%)	3.7%
EBITDA margin (%)	7.6%

#### Management

President	Naito Yuki
URL	<a href="https://drecom.co.jp/en/">https://drecom.co.jp/en/</a>



Additionally, the company plans to release *Disney STEP*, a location-based real-life treasure hunt game. With these initiatives, Drecom expects Q4 sales and profits to surpass those of Q3.

*Wizardry Variants Daphne*, a key pillar of Drecom's mid-to-long-term strategy, is gaining momentum, alongside progress in developing and expanding new IP. The company remains committed to its vision of becoming a global entertainment content provider centered on IP and technology. The focus now is on Drecom's ability to achieve annual sales growth of 20% or more and improve its operating margin to 15% in FY2026 and beyond.

■ **Q3 FY03/2025 Summary: *Wizardry Variants Daphne* contributed to profitability, driving a return to positive quarterly earnings**

Drecom announced its Q3 FY03/2025 results on January 30, 2025. The company's IP-based mobile game, *Wizardry Variants Daphne*, contributed to profitability, leading to a return to operating profitability in the October–December period.

Cumulative financial results showed sales of 8,200 million yen (+7.4% YoY), an operating loss of 26 million yen, an ordinary loss of 78 million yen, and a net loss of 823 million yen. In Q3 (October–December), Drecom reported sales of 4,182 million yen, operating income of 288 million yen, ordinary income of 275 million yen, and net income of 198 million yen, achieving a return to operating profitability after losses in Q1 and Q2.

Compared to Q2, Q3 net sales increased by 2,287 million yen, and operating income rose by 535 million yen, with *Wizardry Variants Daphne* making a significant contribution. The game has been well received for offering a distinct user experience, with a high level of difficulty uncommon in typical mobile games. While profit growth appears modest relative to sales, this is due to the variable cost structure of payment fees for the title, as well as advertising expenses and costs associated with addressing a game bug. The company noted that bug fixes were completed in December, which is expected to have a positive impact on future sales and profit margins.

It should be noted that the improvement in the Content Business during the quarter may have been driven by temporary factors. Meanwhile, earnings from long-standing mainstay titles have been weak, largely due to the original animated TV series being in a recharging phase. The new animated series is set to resume in April 2025, and related sales are expected to recover accordingly. In the meantime, maintaining a strong user base remains a priority.



- **Drecom reinstates its consolidated earnings forecast for the fiscal year ending March 31, 2025, anticipating growth from *Wizardry Variants Daphne* and additional contributions from the release of *Disney STEP*.**

Drecom initially withdrew its consolidated earnings forecast after Q2 but has now revised and reinstated it.

The revised forecast anticipates that sales and profits for the January–March period will surpass those of October–December, marking a key point for the company's outlook.

Drecom forecasts full-year net sales of 13,500 million yen, operating income of 500 million yen, ordinary income of 400 million yen, and a net loss of 200 million yen. For the fourth quarter, the company expects sales of 5,300 million yen (up 1,118 million yen from Q3), operating income of 526 million yen (up 238 million yen), ordinary income of 478 million yen (up 203 million yen), and net income of 623 million yen (up 425 million yen). Both net sales and income are projected to increase year over year.

This forecast is driven by expectations of increased user engagement and expansion for *Wizardry Variants Daphne* through the introduction of new characters and the upcoming PC release. Additionally, the scheduled launch of *Disney STEP*, a location-based real-life treasure hunt game, is expected to contribute to growth.

The number of game titles in development remains unchanged at three. In addition to the previously announced *Tokyo Stories*, the company has revealed a second title, *Hungry Meem*, set for release in 2025. The Content Business also appears to be progressing smoothly, reflecting an overall positive outlook.

#### ■ **Grant of Stock Options to Executive Officers**

On January 9, 2025, Drecom announced the grant of stock options to executive officers, with allocation to two executive vice presidents scheduled for January 31, 2025. The exercise condition requires that the company's total market capitalization exceed 100 billion yen for five consecutive business days between the allotment date and June 29, 2031, and that the grantee must remain continuously in the position of director or executive officer during this period. By incentivizing top executives beyond founding President Mr. Naito, the company aims to accelerate efforts to maximize corporate value, targeting a market capitalization more than three times its current level.



#### ■ Future Points

As *Wizardry Variants Daphne*, a key pillar of Drecom's medium- to long-term strategy, gains traction and the development of new IP progresses, the company is establishing a foundation for its transition into a global provider of entertainment content centered on IP and technology. The focus now is on how Drecom can achieve annual sales growth of 20% or more and improve its operating profit margin toward 15% in the fiscal year ending March 2026 and beyond.

#### Key Points of Interest:

- Sustained growth of *Wizardry Variants Daphne* in Japan and its success in overseas markets.
- Performance and market reception of *Disney STEP*.
- Stability of profit and loss from long-standing mainstay titles.
- Forecasted performance for the next fiscal year and the strategic direction underpinning it.



## Financial Data (Consolidated: Quarterly)

**Figure 1 Statements of Income**

(Millions of yen)

Accounting Period	FY03/ 2022	FY03/ 2023	FY03/2024					FY03/2025				
			Q1	Q2	Q3	Q4	Q1-Q4	Q1	Q2	Q3	Q4 CE	Q1-Q4 CE
Sales	10,528	10,800	2,346	2,745	2,546	2,141	9,779	2,122	1,895	4,182	5,300	13,500
YoY	-11%	3%	-20%	-4%	-1%	-12%	-9%	-10%	-31%	64%	148%	38%
Net Sales	3,796	4,558	683	1,145	868	706	3,404	624	335	1,280		
YoY	-5%	20%	-48%	-13%	-18%	-19%	-25%	-9%	-71%	47%		
Net Sales Margin	36.1%	42.2%	29.1%	41.7%	34.1%	33.0%	34.8%	29.4%	17.7%	30.6%		
SG&A	2,205	2,276	675	681	551	593	2,501	692	582	992		
YoY	13%	3%	37%	29%	-2%	-14%	10%	2%	-14%	80%		
Operating Income	1,591	2,281	8	463	317	113	903	(67)	(247)	288	526	500
YoY	-22%	43%	-99%	-41%	-36%	-37%	-60%	-	-	-9%		-45%
Operating Income Margin	15.1%	21.1%	0.3%	16.9%	12.5%	5.3%	9.2%	-3.2%	-13.1%	6.9%	9.9%	3.7%
Ordinary Income	1,541	2,192	2	451	275	63	793	(88)	(265)	275	478	400
YoY	-24%	42%	-100%	-39%	-42%	-62%	-64%	-	-	0%	659%	-50%
Net Income	807	1,159	(441)	272	266	6	104	(153)	(868)	198	623	(200)
YoY	-50%	44%		-49%	142%	-186%	-91%	-	-	-26%	10283%	-292%
Net Income Ratio	7.7%	10.7%	-18.8%	9.9%	10.5%	0.3%	1.1%	-7.2%	-45.8%	4.7%	11.8%	-1.5%

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	FY03/2017	FY03/2018	FY03/2019	FY03/2020	FY03/2021	FY03/2022	FY03/2023	FY03/2024
Total Number of Shares Issued and Outstanding (Thousand Shares)	14,371	28,742	28,819	28,894	28,976	29,073	29,130	29,224
EPS	29.7	(7.2)	(60.5)	25.0	57.0	28.3	40.7	3.6
EPS Adjusted	29.7	-	-	25.0	56.9	28.3	40.6	3.6
BPS	113.2	106.7	47.9	74.2	132.9	159.1	195.7	196.3
DPS	0.0	0.0	0.0	0.0	0.0	5.0	5.0	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	FY03/2017	FY03/2018	FY03/2019	FY03/2020	FY03/2021	FY03/2022	FY03/2023	FY03/2024
Depreciation and Amortization	214	299	462	382	627	537	269	269
Cash Flows from Operating Activities	846	(79)	78	691	3,196	1,603	2,666	(473)
Cash Flows from Investing Activities	(456)	(1,958)	(123)	(101)	(1,140)	(1,766)	(2,017)	(2,048)
Cash Flows from Financing Activities	1,345	2,288	(271)	(1,188)	969	(388)	659	2,413

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	FY03/2017	FY03/2018	FY03/2019	FY03/2020	FY03/2021	FY03/2022	FY03/2023	FY03/2024
Return on Assets (ROA)	16.7	-0.4	-16.8	9.5	25.2	16.0	20.0	6.0
Return on Equity (ROE)	35.5	-6.6	-78.3	41.0	55.0	19.4	22.9	1.9
Capital Adequacy Ratio	47.0	33.2	19.6	32.9	39.5	46.9	45.6	39.7

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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