

Drecom (TSE Code: 3793)

Wizardry Drives Revenue; Entering a New Phase of New IP Creation Centered on Proprietary IP

GIR View

Highlights

Drecom announced its "Financial Results for the Fiscal Year Ended March 2026" after the market closed on May 12, 2026. Full-year sales reached a record high, both operating income and ordinary income posted year-on-year increases, and net income also returned to the black. The earnings forecast for the fiscal year ending March 2027 also anticipates sales growth, a substantial rise in profit, and the resumption of dividend payments. The company has shifted into a new phase of IP creation and cultivation, with its proprietary "Wizardry" IP at the core. It has outlined a strategy aimed at solid growth while diversifying and mitigating risk, and the financial position has also improved (as described below). Overall, the impression is positive.

Summary of Full-Year Results for Fiscal Year Ended March 2026: *Wizardry Variants Daphne Establishes Itself as a Core Contributor*

Drecom announced its "Financial Results for the Fiscal Year Ended March 2026" after the market closed on May 12, 2026.

Full-year results were as follows: sales of 17,547 million yen (12,655 million yen in the previous fiscal year), operating income of 408 million yen (112 million yen), EBITDA of 1,576 million yen (638 million yen), ordinary income of 318 million yen (53 million yen), and net income attributable to shareholders of the parent company of 213 million yen (loss of 1,035 million yen). Both sales and profit rose significantly, with full-year sales hitting a record high. However, since results aligned with the April 23, 2026 revised forecast, there are few surprises.

KEY STATISTICS



Key Stock Statistics

Recent Price (05/13/2026)	¥454.00
52 Week High/Low	¥588.00/¥372.00
Shares Outstanding (Excluding Treasury Stock)	28,932,817 shares
Market Cap	¥13,135 million
PER (Company Forecast)	21.6 times
PBR	2.6 times
PSR (Company Forecast)	0.7 times
Dividend (Dividend Yield)	¥5.00(1.10%)

Sector

Sector	Information & Communications
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Financials (FY03/2027 CE)

Sales	¥18,000 million
Operating Income Margin (%)	5.6%
EBITDA Margin (%)	10.8%

Management

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

While flagship titles led by *Wizardry Variants Daphne* contributed, the reduction in losses from unprofitable titles was the main driver of the year's results. The company remained profitable in both the third and fourth quarters. In particular, *Wizardry Variants Daphne* has surpassed 3 million cumulative downloads and 14.5 billion yen in cumulative sales in the 18 months since its release, marking an important milestone in the company's proprietary IP strategy.

Business streamlining also progressed. The company recorded extraordinary losses of 2,051 million yen, primarily due to a software impairment loss related to one new mobile game title released at the end of the previous fiscal year and an impairment loss on software in progress related to PC and console game titles under development. Meanwhile, the company sold its shares in two consolidated subsidiaries, recording a gain of 2,570 million yen on the sale of these affiliated company shares as extraordinary income.

As a result, cash and deposits at the end of the period stood at 6,375 million yen (an increase of 2,446 million yen from the end of the previous fiscal year), intangible assets at 1,188 million yen (a decrease of 3,100 million yen), and interest-bearing debt at 3,119 million yen (a decrease of 1,608 million yen). Impairment risk has decreased, the cash position has improved significantly, and the company has reached a financial structure well-suited for a fresh start.

Full-Year Earnings Forecast for FY03/2027 Points to Consecutive Increases in Sales and Profit

The consolidated earnings forecast for the fiscal year ending March 2027 projects a second consecutive year of sales and profit growth, with sales of 18,000 million yen (up 2.6% year-on-year), operating income of 1,000 million yen (up 144.7% year-on-year), EBITDA of 1,950 million yen (up 23.7% year-on-year), ordinary income of 900 million yen (up 182.2% year-on-year), net income attributable to shareholders of the parent company of 600 million yen (up 180.8% year-on-year), earnings per share of 21.05 yen, and a dividend of 5 yen per share (resumption of dividend payments).

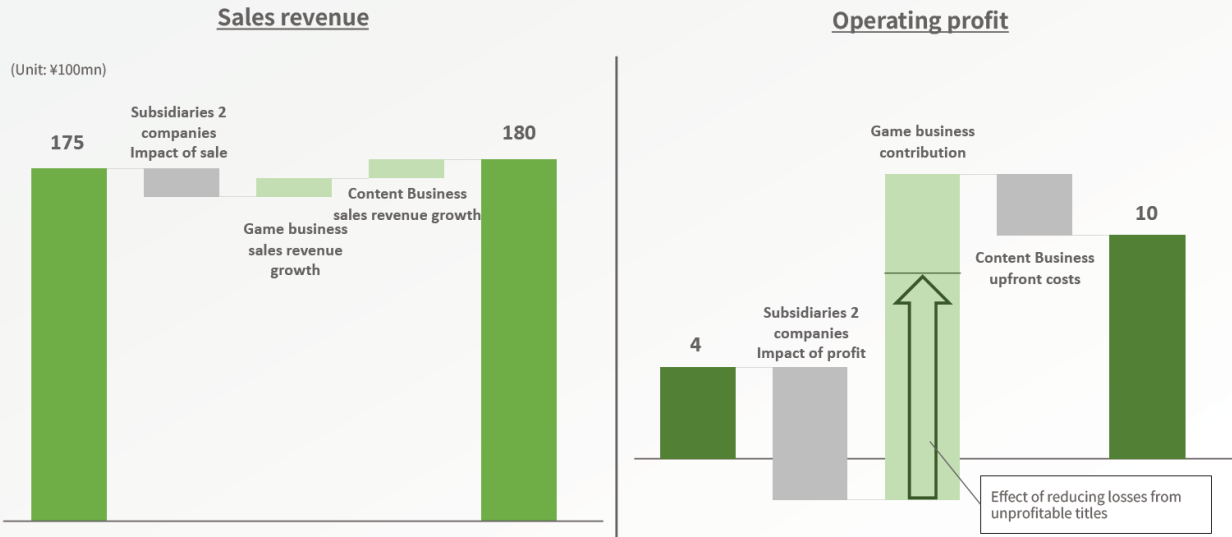
Looking at the change in operating income, negative factors such as the impact of the sale of the two subsidiaries and upfront costs in the content business are expected to be offset by the loss-reduction measures implemented for unprofitable titles in the previous fiscal year and the earnings contribution of flagship titles.

Notably, April 2026 sales of *Wizardry Variants Daphne* (preliminary figures) remained strong at 1.2 billion yen (up 32% year-on-year). Given this, the company's forecast for the new fiscal year appears highly probable. In addition, as the company has entered the new fiscal year with a strengthened earnings structure, steady quarterly progress is expected from the first quarter onward. This is another positive factor for the stock price.

Fiscal Year 2027/3 Full-Year Earnings Forecast YoY comparison



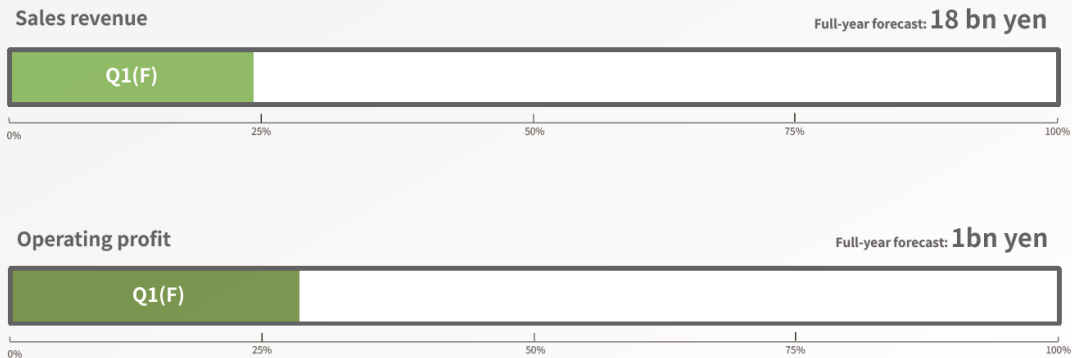
Game business: profit improved as loss-making titles ended last term. Content business: continued investment for mid-term growth.



Fiscal Year 2027/3 Q1 Progress Image



Q1 held Wizardry Variants Daphne 1.5 year anniversary event. Major ad spend, etc. planned from Q2



Source: "FY03/2026 Full-Year Earnings Presentation Materials" (company materials)

Strategy Update Toward FY03/2031 and Key Points Going Forward: Five Years to Break Free from New-Title Hit Dependence and Build a System for Continuous IP Creation and Cultivation

The company updated its future strategic direction alongside the earnings announcement. While it has achieved certain results in establishing the "Wizardry" IP and creating proprietary IP originating from its publishing business, the company has learned that its performance has been heavily swayed by the hit-or-miss nature of new mobile games amid a maturing mobile game market. Drawing on this lesson, it has set forth a new strategic policy: break free from dependence on new-title hits, expand the economic scale of its proprietary IP, and reinvest this into a system for continuous IP creation and cultivation. The company will produce IP by discovering and collaborating with external creators while undertaking many small-scale attempts.

More specifically

[Games]

- Creation: Generating IP from buy-to-play PC and console titles (not limited to mobile)
- Cultivation: Building up series and expanding into comics, anime, and merchandise
- Monetization: Producing IP by leveraging the company's expertise in the development and operation of IP titles

[Publishing]

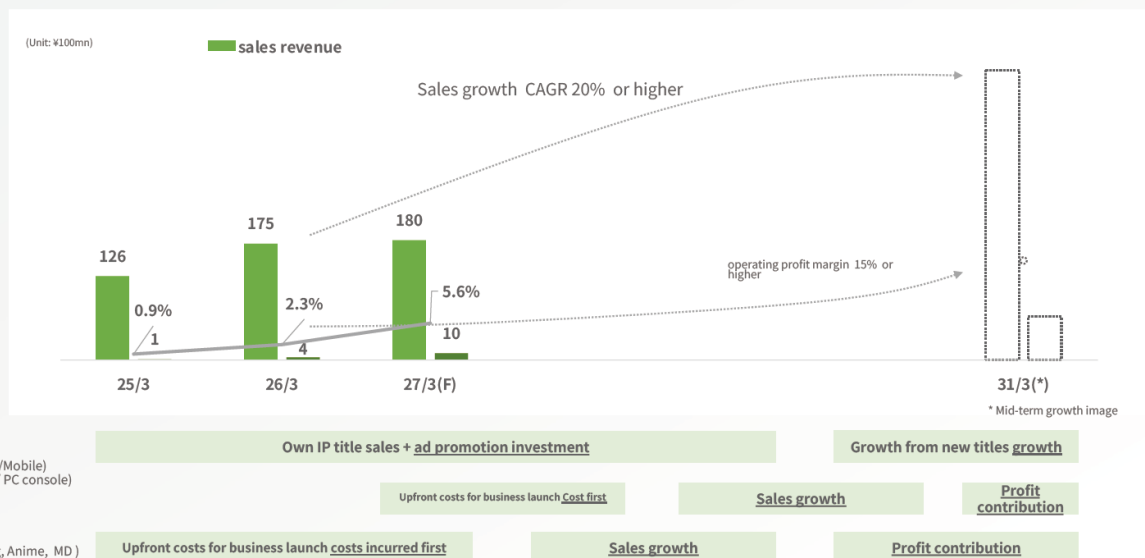
- Creation: Generating IP from comics and light novels
- Cultivation: Centered on anime adaptation, building up series and expanding into merchandise and games (collaborations, etc.)
- Monetization: Producing IP by combining digital strengths with real-world elements such as events

Under this strategy, the company's financial growth targets are a compound annual growth rate (CAGR) of 20% or more in sales and an operating income margin of 15% or more by the end of the strategic period.

Mid-term growth target and Fiscal Year 2027/3 Progress Image



Aiming for scale expansion through sustainable sales growth, improving profitability by streamlining existing businesses, and investing in necessary areas



Source: "FY03/2026 Full-Year Earnings Presentation Materials" (company materials)

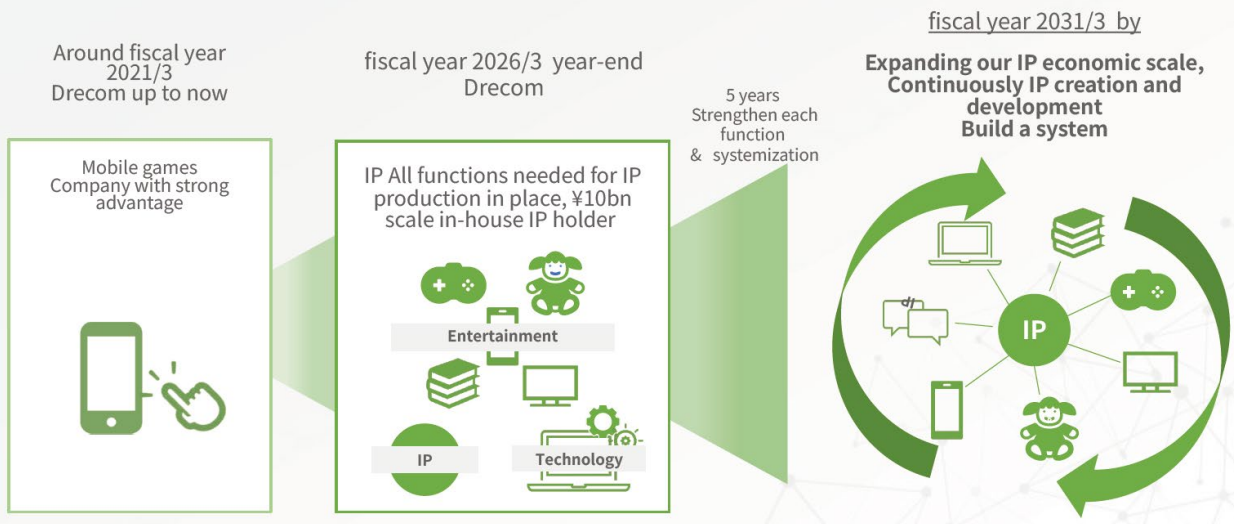
The newly announced strategy can be viewed as a concrete implementation, tailored to current conditions, of the company's long-stated goal to transform itself into "a company that globally provides entertainment content centered on IP × Technology." By strengthening the revenue base through an IP strategy centered on the "Wizardry" brand while diversifying and mitigating risk and pressing forward with the development of proprietary IP, investors' perception of the risk-return profile is expected to improve. Going forward, investor attention is likely to focus on the solidification of "Wizardry" and the accumulation of new IP.

Reference Chart (Excerpt from the company's earnings presentation materials)

Mid-term Vision (to 2031)



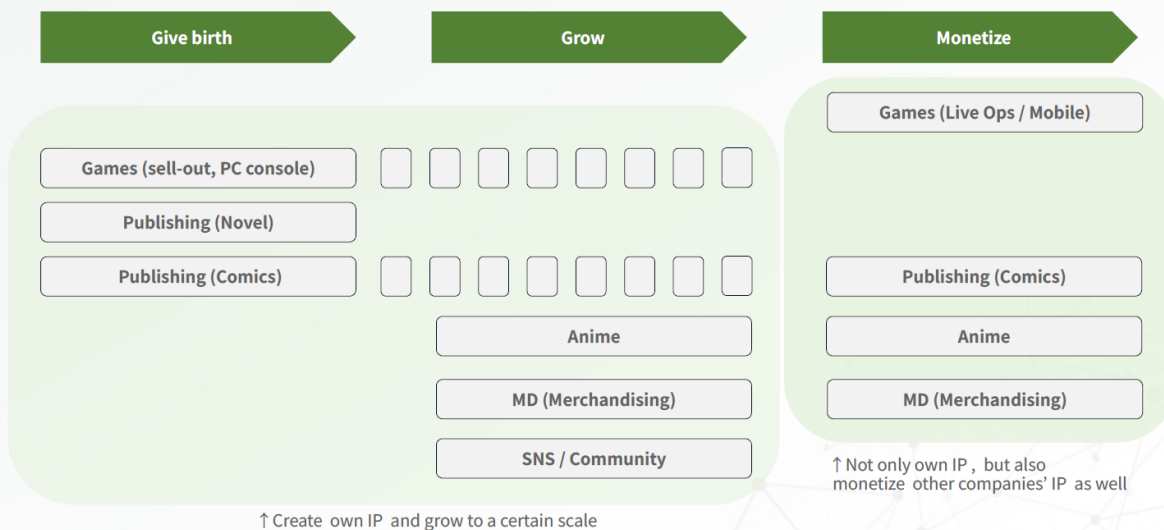
Over the next 5 years, shift away from dependence on new hit titles and build a system for continuous IP creation and development



IP Value Chain and Our Business Portfolio



Clarify roles in the IP value chain of each entertainment/content area and strengthen key areas for our company



IP Value Chain: About Creation



Mainly in games and publishing, we discover and collaborate with external creators, creating IP through many small challenges IP creation

Give birth

Games: Create IP from packaged PC /console titles



“Hungry Meem” (Jun. 2025)

- Anime Japan 2026 Most Wanted for Anime Adaptation
Indie Game Ranked 10th



Upcoming titles

• In this area, we are also considering small- to mid-scale projects in collaboration with external creators, in addition to the titles listed on the left. ~ mid-scale projects are also under consideration

Publishing: From comics & novels to IP creation

“Thou Shalt Love thy Unwise King” (Aug. 2025)



- Ranked No.1 in the category of “Kono Light Novel ga Sugoi! 2026” No. 1 in the category

Novel Contest



Original Comic Label



- Ongoing novel contests, and started IP creation from original comics

IP Value Chain: About Development



Grow in-house created IP by seamless media mix & global rollout

Grow

Game-originated IP: built through series, expanded to comics, anime, and merchandise



- In 2020, acquired Wizardry trademark rights and copyrights for some titles

“Wizardry 6,7,8” (June 2024)
(Numbered port)



Blade & Bastard (Dec. 2022~)
(Novel, Comic, Anime)



“Wizardry” SHOP
(Merchandising)



Publishing-origin IP: Focus on anime adaptation, building series, and expanding to goods/games (collab, etc.) expansion

Novel
“The Holy Grail of Eris”
(From Nov. 2024~)



Comics
“The Holy Grail of Eris S”
(From Mar. 2025~)



TV Anime
“The Holy Grail of Eris”
(From Jan. 2026~)



Merchandising



IP Value Chain: Monetization



Monetize in-house developed IP and maximize value of third-party popular IP mainly through games and MD businesses

Monetization

Game: IP Leverage expertise in IP title development and operation IP production



Wizardry Variants Daphne
(Oct 2024~)

- DLs : Over 3mn DLs worldwide
- Highest sales ranking: 9th
- Cumulative sales : 14.5 bn yen+

"ONE PIECE Treasure Cruise"
(May 2014-)
Distributed by BANDAI NAMCO Entertainment Inc.

- DLs : Over 100mn DLs worldwide
- No.1 in sales ranking

* In addition, 7 titles in operation

MD (Merchandising): IP production combining digital strengths and real-world events IP production

Online shop



Event held



Popup



Case: Wizardry Brand-centered IP Strategy

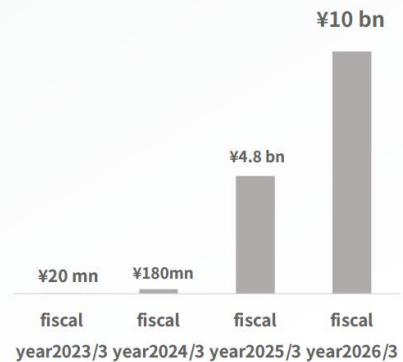


Product development that maximizes IP appeal and cross-business collaboration drive mutual customer traffic, making "Wizardry"-related sales reach ¥10bn scale.
Going forward, 5 years, ¥10bn ad spend, etc. to expand economic scale



* Our company holds the copyright for "Wizardry" series, including " Wizardry 6", "Wizardry 7", "Wizardry 8", "Wizardry Gold". and holds domestic and overseas trademark rights for Wizardry, and manages the brand of the "Wizardry" IP.

Our "Wizardry"-related sales revenue



Financial Data (Consolidated)

Statement of Income (Millions of yen)

Accounting Period	FY03/2022	FY03/2023	FY03/2024	FY03/2025	FY03/2026	FY03/2027 CE
Sales	10,528	10,800	9,779	12,655	17,547	18,000
YoY	-11%	3%	-9%	29%	39%	3%
Net Sales	3,796	4,558	3,404	3,477	5,430	-
YoY	-5%	20%	-25%	2%	56%	-
Net Sales Margin	36.1%	42.2%	34.8%	27.5%	30.9%	-
SG&A	2,205	2,276	2,501	3,365	5,021	-
YoY	13%	3%	10%	35%	49%	-
Operating Income	1,591	2,281	903	112	409	1,000
YoY	-22%	43%	-60%	-88%	265%	145%
Operating Income Margin	15.1%	21.1%	9.2%	0.9%	2.3%	5.6%
Ordinary Income	1,541	2,192	793	53	319	900
YoY	-24%	42%	-64%	-93%	498%	182%
Net Income	807	1,159	104	(1,035)	213	600
YoY	-50%	44%	-91%	-	-	182%
Net Income Ratio	7.7%	10.7%	1.1%	-8.2%	1.2%	3.3%

Source: Prepared by Global IR Co., Ltd. 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 Co., Ltd.*

Per Share Data (Consolidated)

Accounting Period	FY03/2022	FY03/2023	FY03/2024	FY03/2025	FY03/2026
Total Number of Shares Issued and Outstanding (Thousand Shares)	29,073	29,130	29,224	29,340	29,446
EPS	28.3	40.7	3.6	(36.1)	7.4
EPS Adjusted	28.3	40.6	3.6	(36.1)	7.4
BPS	159.1	195.7	196.3	162.5	172.3
DPS	5.0	5.0	0.0	0.0	0.0

Source: Prepared by Global IR Co., Ltd. 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 Co., Ltd.*

Cash Flows (Millions of yen)

Accounting Period	FY03/2022	FY03/2023	FY03/2024	FY03/2025	FY03/2026
Depreciation and Amortization	537	269	145	526	1,168
Cash Flows from Operating Activities	1,603	2,666	(473)	634	2,197
Cash Flows from Investing Activities	(1,766)	(2,017)	(2,048)	(899)	1,867
Cash Flows from Financing Activities	(388)	659	2,413	(1,739)	(1,618)

Source: Prepared by Global IR Co., Ltd. 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 Co., Ltd.*

Financial Ratios (%)

Accounting Period	FY03/2022	FY03/2023	FY03/2024	FY03/2025	FY03/2026
Return on Assets (ROA)	16.0	20.0	6.0	0.4	2.5
Return on Equity (ROE)	19.4	22.9	1.9	-20.1	4.4
Capital Adequacy Ratio	46.9	45.6	39.7	34.6	42.0

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

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Disclaimer

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