Wizardry Variants Daphne Solidifies

Highlights

Drecom announced its "First Quarter Financial Results for the Fiscal Year Ending March 2027" after the market closed on July 29, 2026. The results give a positive impression, showing that the profitability of its flagship title continues to solidify. Building on the steady expansion of its proprietary *Wizardry* IP, the company has entered a phase of creating and cultivating IPs. The disclosure of specific measures and KPIs aimed at realizing its growth strategy also marks a step forward.

Summary of First Quarter Results for the Fiscal Year Ending March 2027: *Wizardry Variants Daphne* Remains Strong

Drecom announced its "First Quarter Financial Results for the Fiscal Year Ending March 2027" after the market closed on July 29, 2026. Sales declined slightly, but the company returned to profitability, with results appearing to have exceeded its own forecast.

Revenue totaled 4,355 million yen (compared to 4,466 million yen in the same period last year), operating profit of 522 million yen (compared to a loss of 81 million yen in the same period last year), EBITDA of 786 million yen (compared to 347 million yen in the same period last year), ordinary profit of 512 million yen (compared to a loss of 107 million yen in the same period last year), and profit attributable to owners of parent of 323 million yen (compared to a loss of 1,799 million yen in the same period last year).

In terms of sales, the strong performance of the flagship game title and increased sales from the content business largely offset the decline in sales resulting from the sale of a subsidiary at the end of the previous fiscal year.
In terms of profitability, improved event management for the self-published title *Wizardry Variants Daphne* led to steady engagement among core users (quarterly revenue trends: 2.16 billion yen → 2.48 billion yen → 2.30 billion yen → 2.05 billion yen → 3.08 billion yen → 2.31 billion yen → 2.62 billion yen). In addition, a decline in the payment processing fee rates and improved earnings from unprofitable titles significantly restored profitability in the game business. First-quarter progress appears to have been better than expected. The balance sheet remains healthy, maintaining a net cash position consistent with the end of the previous fiscal year.

DRECOM with entertainment

Key Statistics

Key Stock Statistics

Recent Price (7/29/2026)
¥446.00

52 Week High/Low
¥515.00/¥372.00

Shares Outstanding
(Excluding Treasury Stock)
28,665,717 shares

Market Cap
¥12,785 million

PER (Company Forecast)
21.2 times

PBR
2.5 times

PSR (Company Forecast)
0.7 times

Dividend (Dividend Yield)
¥5.00(1.12%)

Sector
Information & Communications

Financials (FY03/2027 CE)

Revenue
¥18,000 million

Operating Profit Margin (%)
5.6%

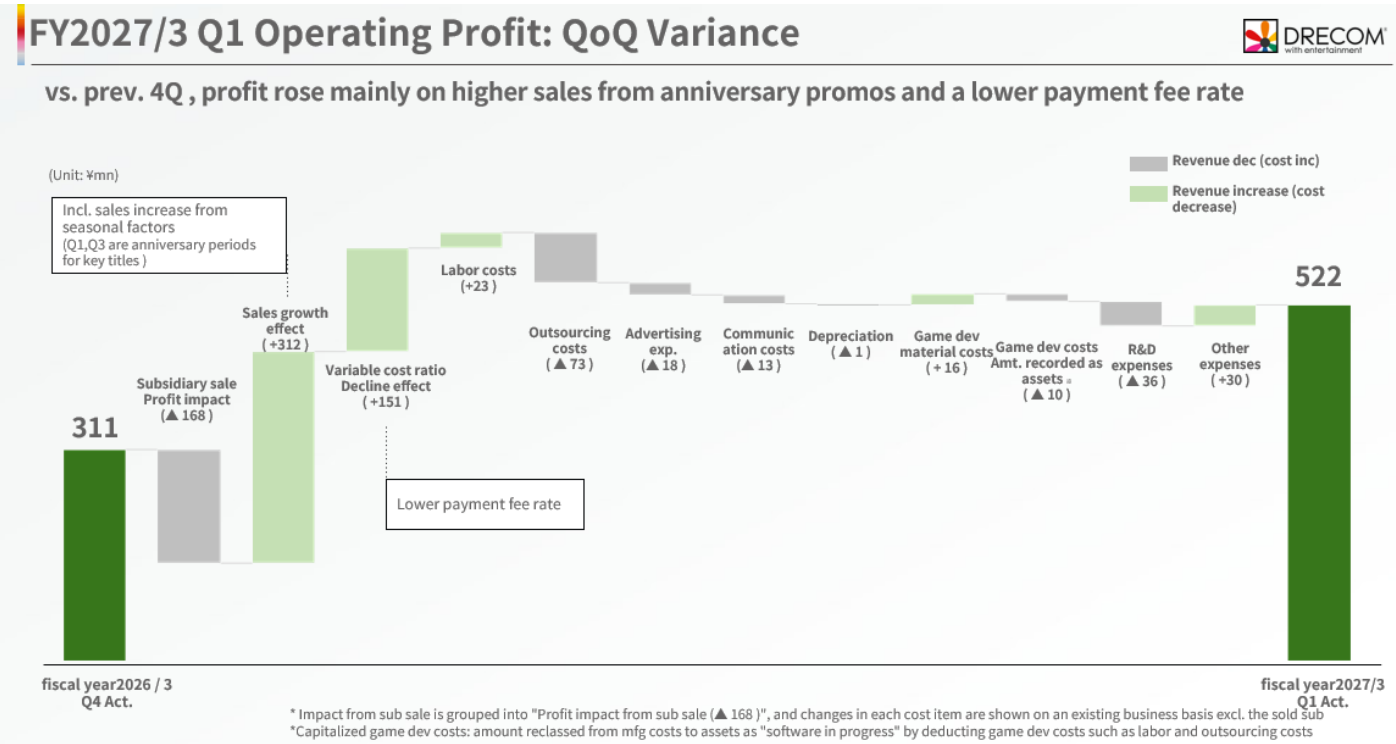
EBITDA Margin (%)
10.8%

Management

President
Yuki Naito

URL
https://drecom.co.jp/en/

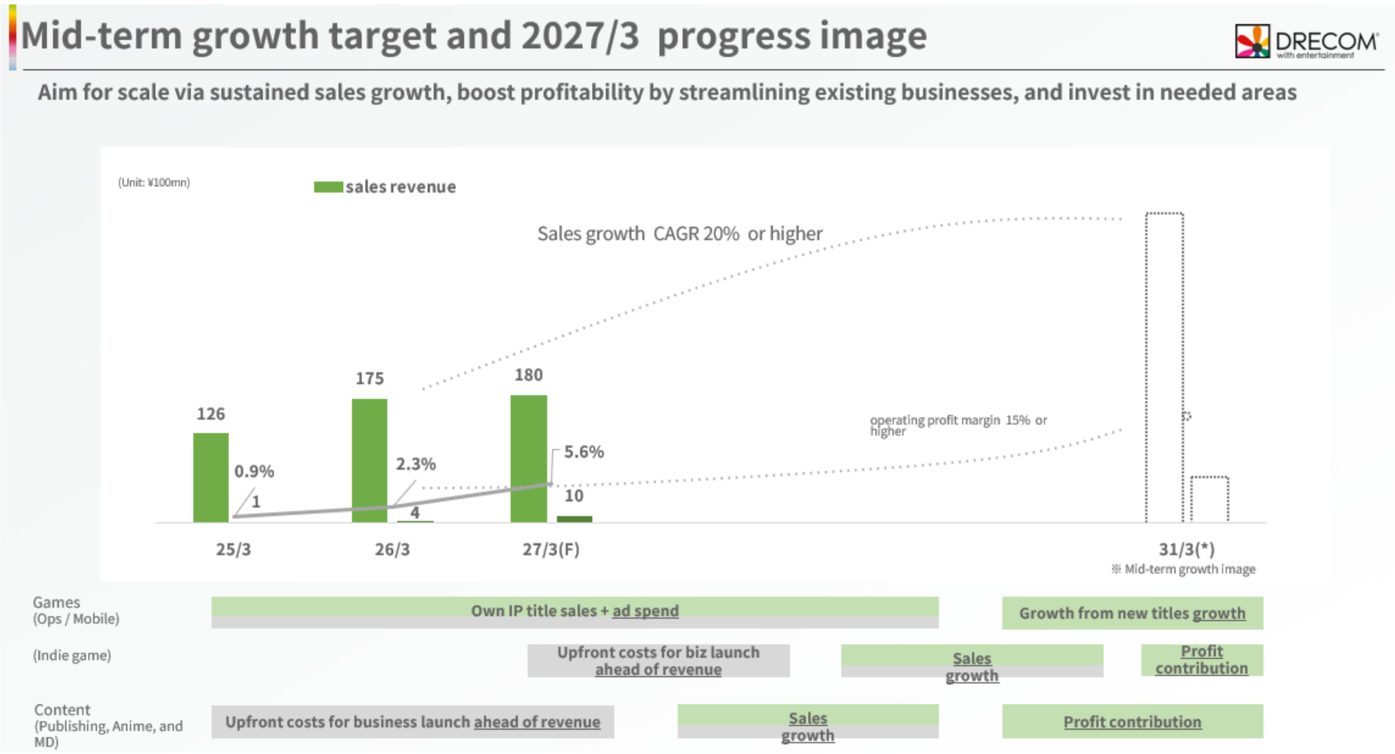
*CE = Company Estimate.



Source: "First Quarter Financial Results Briefing Materials for the Fiscal Year Ending March 2027" (company materials)

Laying the Groundwork for a Growth Strategy

By the fiscal year ending March 2031, the company has set forth a vision to “expand the economic scale of its own IP while building a system for continuously creating and cultivating IPs,” and is targeting revenue growth CAGR of 20% and an operating profit margin of 15% or higher.



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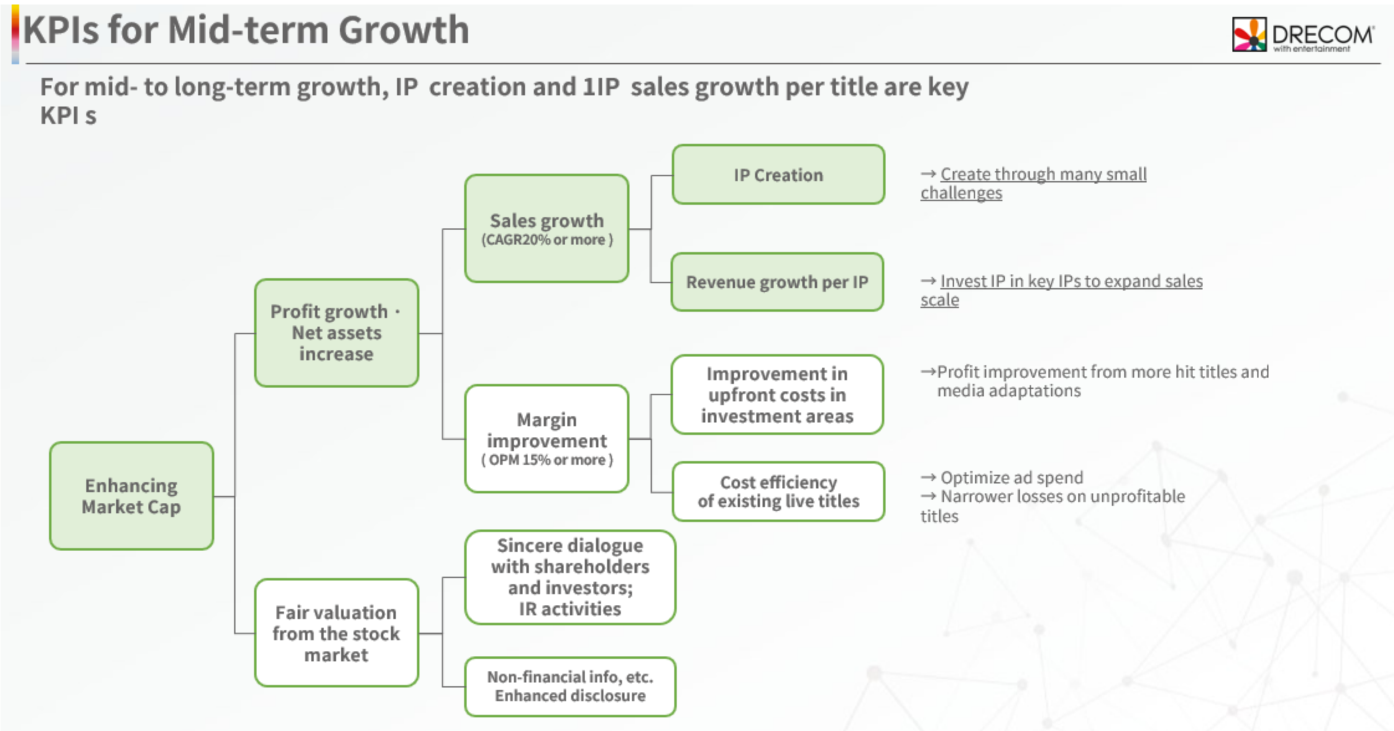
This quarterly earnings report demonstrates that the profitability of the company's flagship title is becoming more solid and that cash on hand remains ample; however, shareholder and investor interest lies in the concrete details of the future growth strategy. In response, the company presented the following, which represent the key points of this earnings announcement.

1. The company has defined its future vision as "a business entity encompassing multiple IP ecosystems" and aims for a corporate valuation based on this concept.
2. The company reaffirmed its commitment to an operating profit margin of 15%. It plans to pursue efficiency-focused, profitability-driven operations through optimizing the cost-effectiveness of title operations, improving operational efficiency through the use of AI, and optimizing (reducing) payment processing fee rates.
3. To expand the *Wizardry* IP, the company will hold a collaboration with *Final Fantasy XI* from July 30 to September 10, 2026. The aim is to grow the *Wizardry Variants Daphne* user base and momentum toward second-anniversary initiatives this fall.
4. The company established the indie game studio *DRECOM CREATORS STUDIO* with the aim of creating new IPs. By providing external creators with consistent support from development through long-term IP expansion, the company intends to secure new IPs while managing risk and strengthening its game development expertise. The response has reportedly been substantial.
5. Regarding IP creation, the company has begun disclosing KPIs for investment amounts and target numbers of titles. This represents a disclosure of cash allocation strategy for growth. Going forward, this should enable deeper discussions regarding the allocation of funds and the results.



Source: "First Quarter Financial Results Briefing Materials for the Fiscal Year Ending March 2027" (company materials)

KPIs for Mid-term Growth – Number of IP Titles Created

Area	Item	Fiscal year26/3 Year-end	Progress of cumulative figures →	Fiscal year27/3 Q1 end	Fiscal year27/3 year-end target
Indie Games	Units Released	1 title	+0 titles	1 title	3 titles
	Titles in development	2 titles	+0 titles	2 books	5 titles
	(Ref.) Investment amount		+¥39mn		+¥295mn
Novel	No. of series titles = No. of Vol. 1 titles published	51 Series	+2 series	53 Series	74 Series
	(Ref.) Investment amount		+¥18mn		+¥119mn
Comics	No. of series titles = No. of Vol. 1 titles published	23 Series	+7 series	30 Series	52 Series
	(Ref.) Investment amount		+¥61mn		+¥490mn

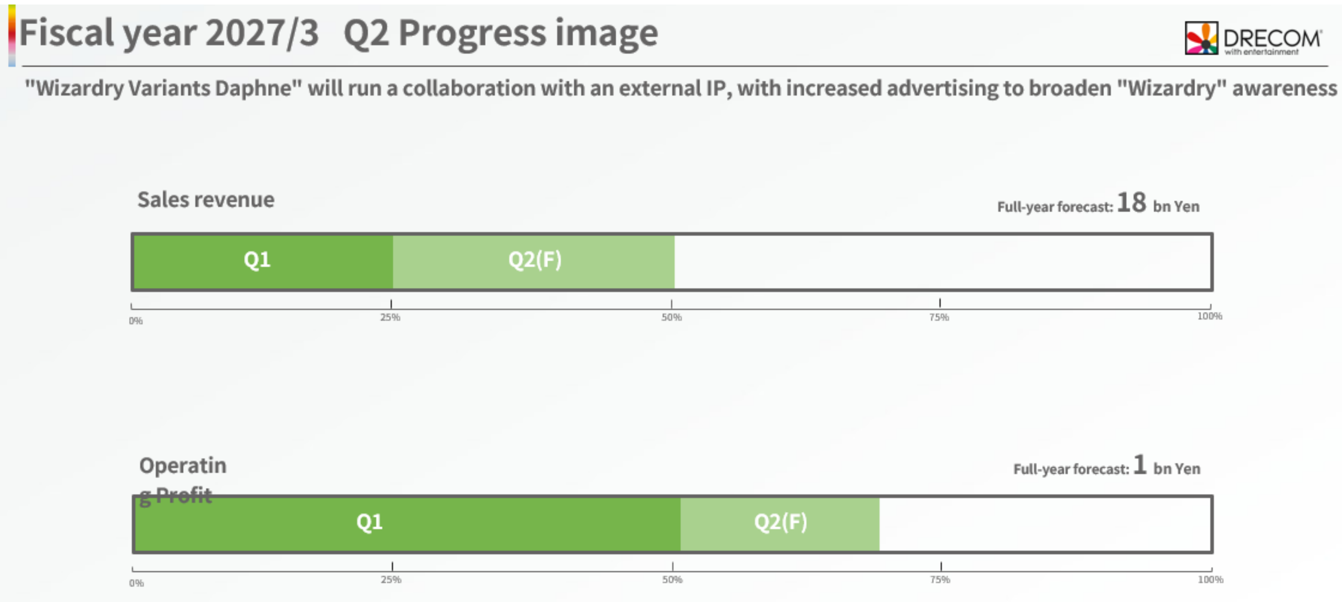
※ Indie games include small- to mid-scale developed or premium(one-time purchase) PC / console titles co-developed with outside creators

※ Indie game investment is R&D expenses; novel/comic investment includes production costs for published titles incl. sequels (amount recorded as work in process)

Source: "First Quarter Financial Results Briefing Materials for the Fiscal Year Ending March 2027" (company materials)

Key Points to Watch Going Forward: Will the Full-Year Earnings Forecast Be Revised Upward?

The company's forecast for the second quarter is as follows. Revenue is expected to remain at the same level as the first quarter, but operating profit growth is expected to slow due to factors such as rising collaboration costs for *Wizardry Variants Daphne*. However, if initiatives such as collaborations prove successful, the user base for *Wizardry Variants Daphne* is expected to grow, which should lead into the second-anniversary initiatives in the third quarter. The impact of this should be clear by the time the second-quarter earnings are announced, and depending on the situation, there is a possibility that the full-year earnings outlook could be revised. We will continue to monitor whether *Wizardry Variants Daphne* can take its performance to the next level.



Source: "First Quarter Financial Results Briefing Materials for the Fiscal Year Ending March 2027" (company materials)

Financial Data (Consolidated: Quarterly)

Statements of Income (Millions of yen)

Accounting Period	FY03/2022	FY03/2023	FY03/2024	FY03/2025	FY03/2026	FY03/2027 Q1	FY03/2027 Full-year CE
Revenue	10,528	10,800	9,779	12,655	17,547	4,355	18,000
YoY	(11%)	3%	(9%)	29%	39%	(3%)	3%
Gross Profit	3,796	4,558	3,404	3,477	5,430	1,580	-
YoY	(5%)	20%	(25%)	2%	56%	23%	-
Gross Profit Margin	36.1%	42.2%	34.8%	27.5%	30.9%	36.3%	-
SG&A	2,205	2,276	2,501	3,365	5,021	1,057	-
YoY	13%	3%	10%	35%	49%	(22%)	-
Operating Profit	1,591	2,281	903	112	409	522	1,000
YoY	(22%)	43%	(60%)	(88%)	265%	Loss to Profit	145%
Operating Profit Margin	15.1%	21.1%	9.2%	0.9%	2.3%	12.0%	5.6%
Ordinary Profit	1,541	2,192	793	53	319	512	900
YoY	(24%)	42%	(64%)	(93%)	498%	Loss to Profit	182%
Profit attributable to owners of parent	807	1,159	104	(1,035)	213	323	600
YoY	(50%)	44%	(91%)	-	-	Loss to Profit	181%
Profit Margin	7.7%	10.7%	1.1%	(8.2%)	1.2%	7.4%	3.3%

Source: Prepared by NexIR 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 NexIR.*

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

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)

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 NexIR based on company securities reports and company IR materials.
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