Wizardry Variants Daphne Remains Steady with Stabilizing Profitability; Awaiting the Next Phase of the Growth Story

Highlights

Drecom announced its "Second Quarter (Interim) Financial Results for the Fiscal Year Ending March 2027" after the market closed on October 29, 2026. Overall, the results leave a positive impression. The profitability of its flagship titles has become fully solid, and the company continues to post revenue growth and remain in the black. The full-year earnings forecast has also been revised upward at every profit line. The company has now entered a phase of creating and cultivating IPs, built on the steady expansion of its own *Wizardry* IP. Going forward, the progress of its growth strategy will be the key focus.

Summary of Second-Quarter Results for the Fiscal Year Ending March 2027: Flagship Titles, Including *Wizardry Variants Daphne,* Continue to Perform Steadily

Drecom announced its "Second Quarter (Interim) Financial Results for the Fiscal Year Ending March 2027" after the market closed on October 29, 2026. The company reported a slight increase in revenue and a return to profitability.

Revenue totaled 8,328 million yen (compared to 8,238 million yen in the same period last year), operating profit of 659 million yen (loss of 574 million yen), EBITDA of 1,220 million yen (104 million yen), ordinary profit of 595 million yen (loss of 616 million yen), and profit attributable to owners of parent of 502 million yen (loss of 2,362 million yen).

In terms of revenue, strong performance from two flagship game titles and increased revenue from the content business nearly offset the revenue decline (660 million yen) resulting from the sale of a subsidiary at the end of the previous fiscal year.
On the profitability side, profitability in the game business has improved, offsetting the widening losses in the content business, which is currently in an upfront investment phase. In the game business, the company ran a collaboration with a third-party IP for its self-published title *Wizardry Variants Daphne*. This was well received, revitalizing the user base, and the second-anniversary initiatives in October also performed well (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 → 2.29 billion yen). Flagship titles distributed by third parties are also performing steadily.

Key Statistics

Key Stock Statistics

Recent Price (10/29/2026)
¥487.00

52 Week High/Low
¥579.00/¥372.00

Shares Outstanding
(Excluding Treasury Stock)
28,406,647 shares

Market Cap
¥13,834 million

PER (Company Forecast)
15.4 times

PBR
2.6 times

PSR (Company Forecast)
0.8 times

Dividend (Dividend Yield)
¥5.00(1.03%)

Sector
Information & Communications

Financials (FY03/2027 CE)

Revenue
¥17,500 million

Operating Profit Margin (%)
7.4%

EBITDA Margin (%)
12.6%

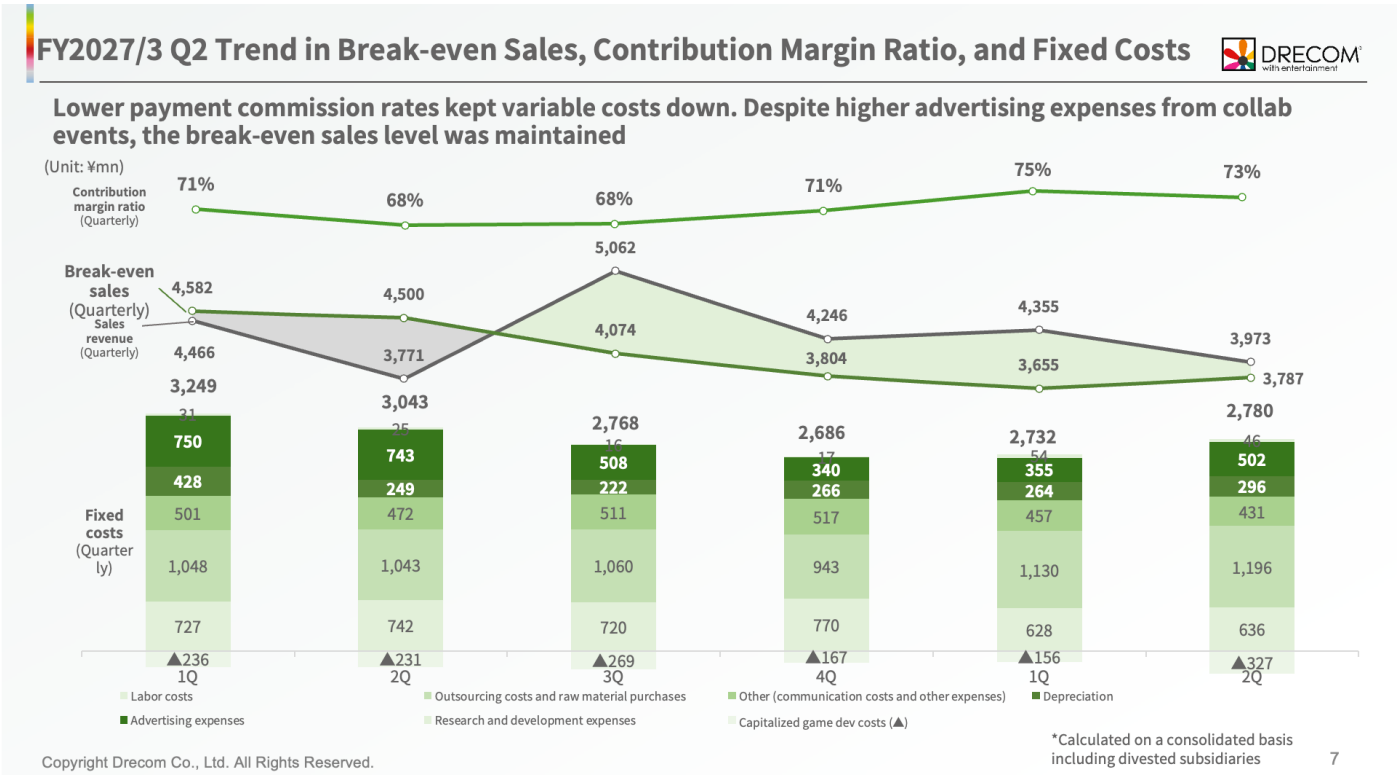
Management

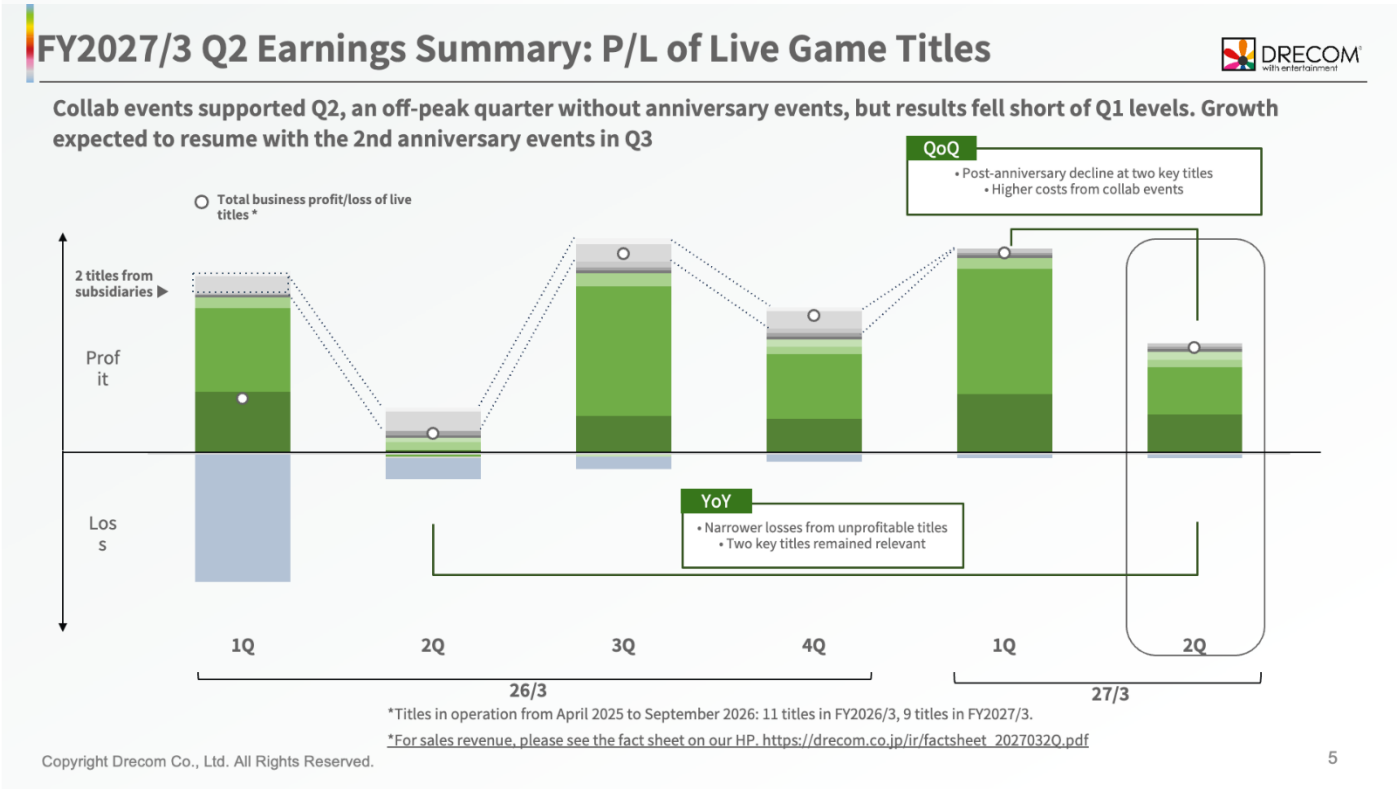
President
Yuki Naito

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

*CE = Company Estimate.

On the expense side, advertising and promotional expenses increased due to collaboration initiatives, but payment processing fee rates continued to decline, keeping the cost structure healthy.
The balance sheet remains sound, with a net cash position similar to that at the end of the previous fiscal year.





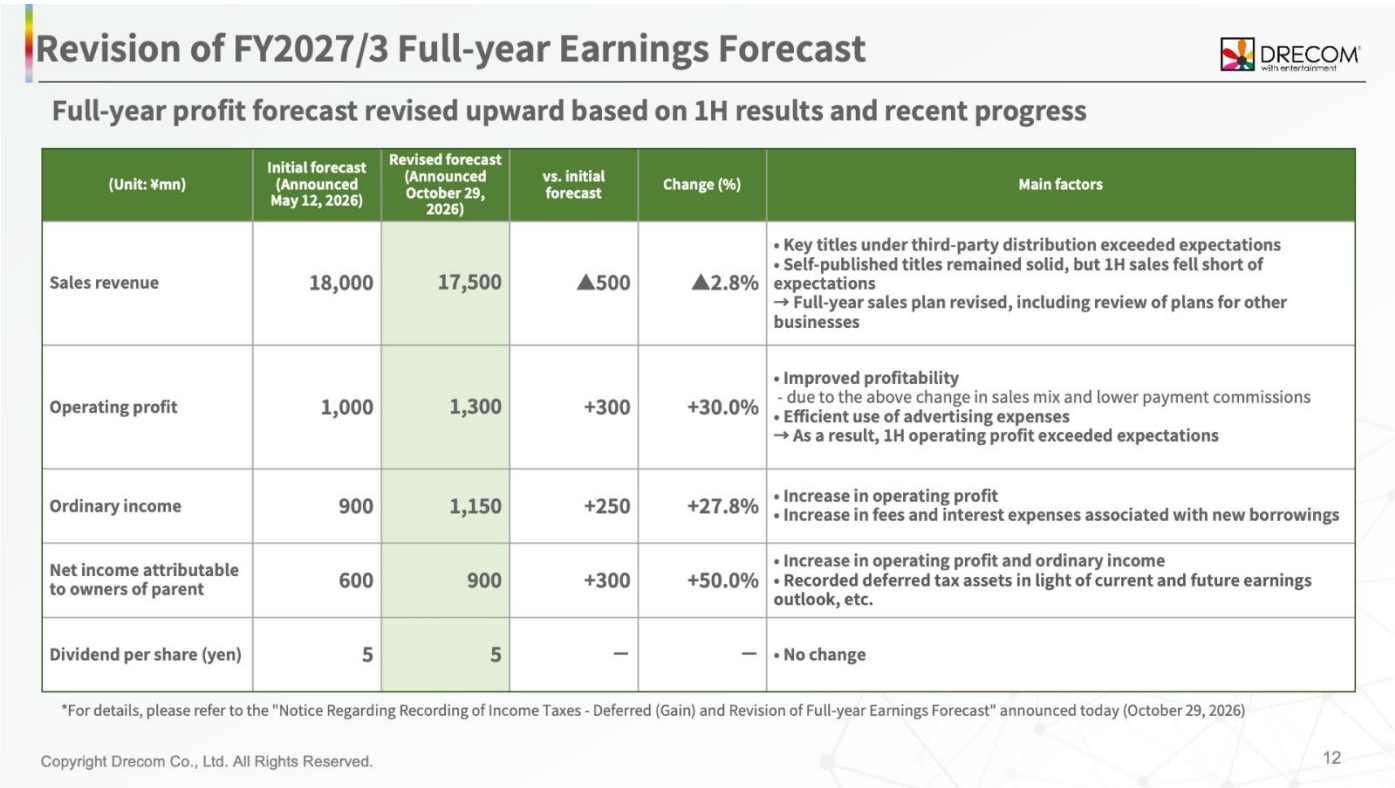
Source: "Second Quarter Financial Results Briefing Materials for the Fiscal Year Ending March 2027" (company materials)

Revision to Full-Year Earnings Forecast for the Fiscal Year Ending March 2027

The company has effectively revised its full-year earnings forecast for the fiscal year ending March 2027 upward, which is a positive development.

Revenue has been revised downward by 500 million yen, primarily due to first-half revenue from the company's self-published titles falling short of initial expectations and the rescheduling of new title releases.

On the earnings front, projections for all profit lines, from operating profit onward, have been revised upward. This revision is based on performance progress to date, and the likelihood of achieving these targets is considered high. Several factors support the upward revision: preliminary October sales for *Wizardry Variants Daphne* are expected to reach 1.5 billion yen, representing an increase of approximately 16% year-on-year; other flagship titles are performing steadily; payment processing fees continue to decline; and advertising and promotional spending has become more efficient. The full-year dividend forecast remains unchanged.



Revision of FY2027/3 Full-year Earnings Forecast

DRECOM with entertainment

Full-year profit forecast revised upward based on 1H results and recent progress

(Unit: ¥mn)	Initial forecast (Announced May 12, 2026)	Revised forecast (Announced October 29, 2026)	vs. initial forecast	Change (%)	Main factors
Sales revenue	18,000	17,500	▲500	▲2.8%	• Key titles under third-party distribution exceeded expectations • Self-published titles remained solid, but 1H sales fell short of expectations → Full-year sales plan revised, including review of plans for other businesses
Operating profit	1,000	1,300	+300	+30.0%	• Improved profitability - due to the above change in sales mix and lower payment commissions • Efficient use of advertising expenses → As a result, 1H operating profit exceeded expectations
Ordinary income	900	1,150	+250	+27.8%	• Increase in operating profit • Increase in fees and interest expenses associated with new borrowings
Net income attributable to owners of parent	600	900	+300	+50.0%	• Increase in operating profit and ordinary income • Recorded deferred tax assets in light of current and future earnings outlook, etc.
Dividend per share (yen)	5	5	—	—	• No change

*For details, please refer to the "Notice Regarding Recording of Income Taxes - Deferred (Gain) and Revision of Full-year Earnings Forecast" announced today (October 29, 2026)

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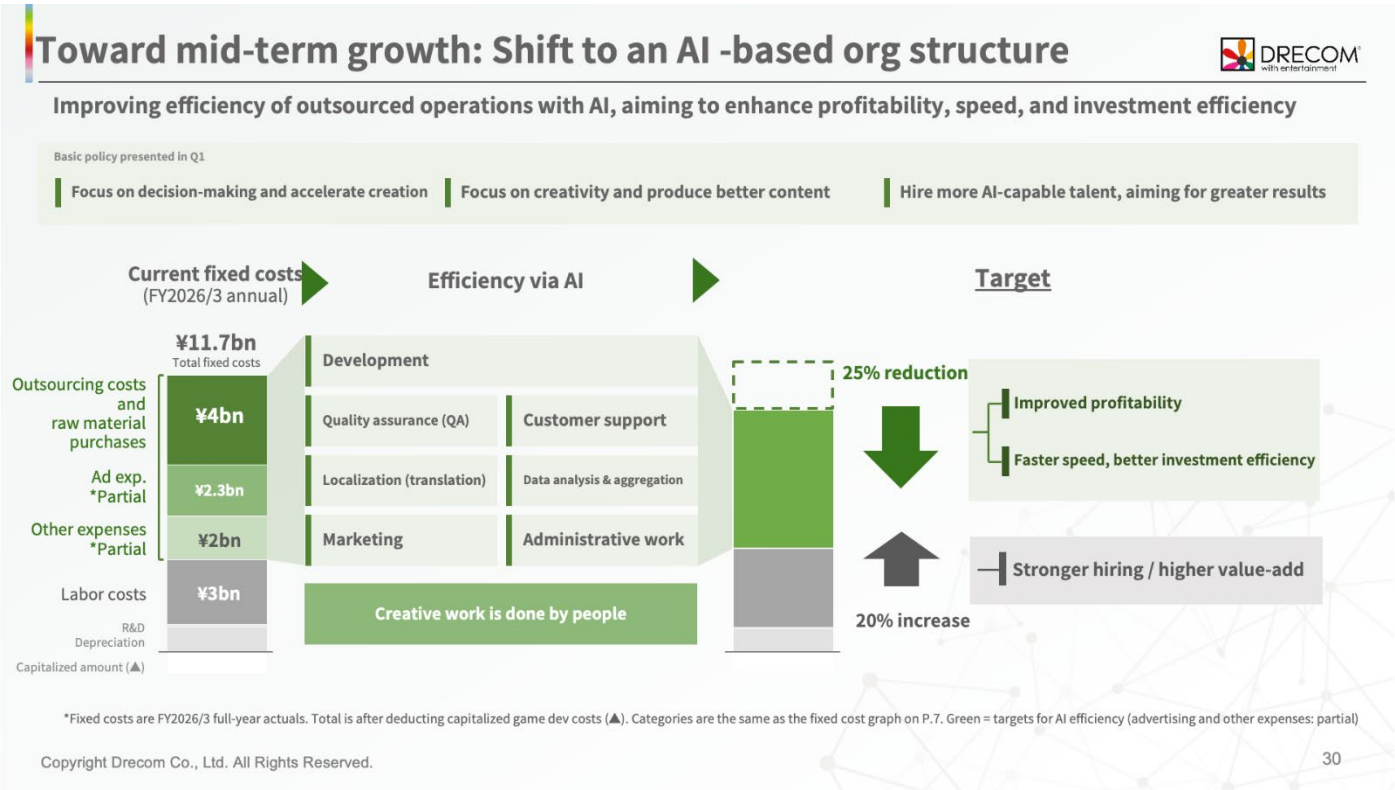
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Source: "Second Quarter Financial Results Briefing Materials for the Fiscal Year Ending March 2027" (company materials)

Laying the Groundwork for a Growth Strategy and the Use of AI

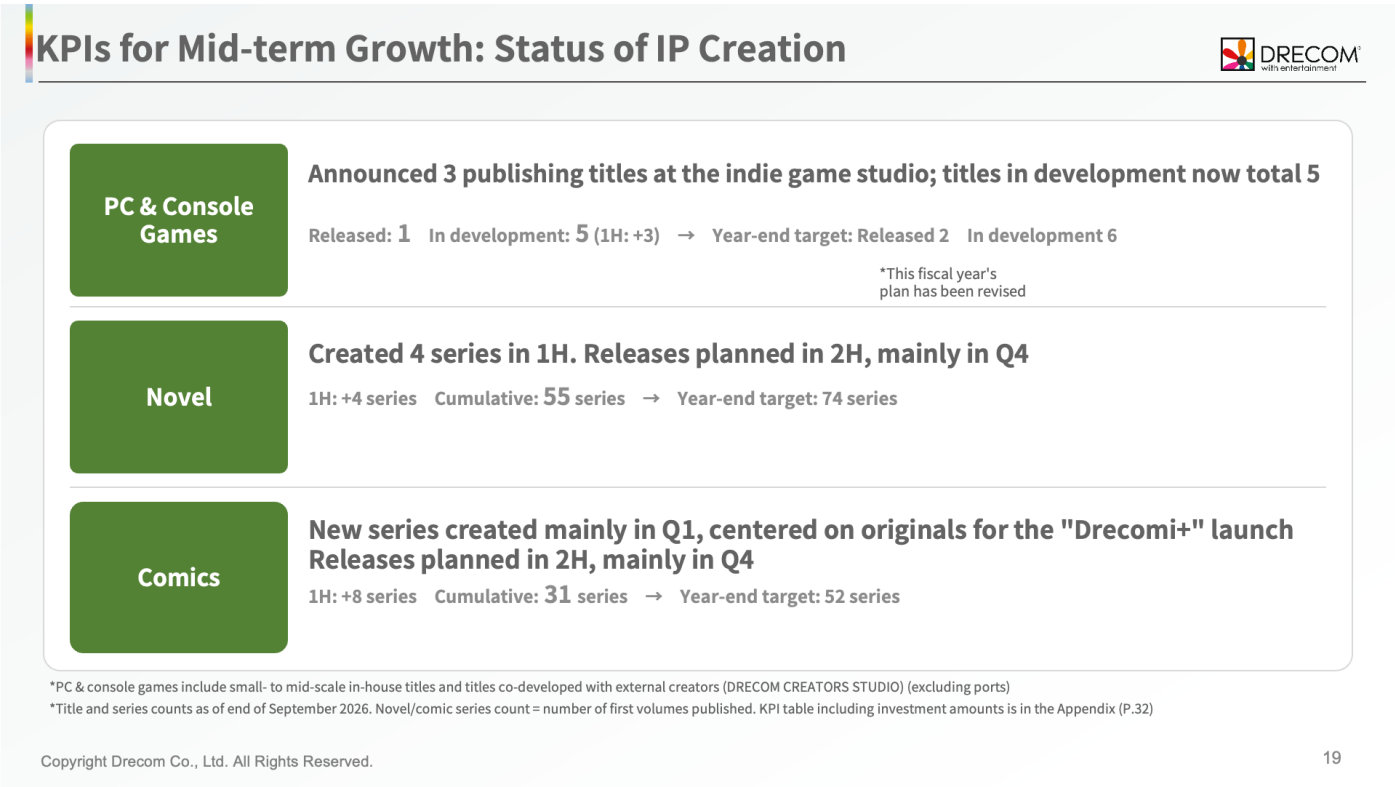
As noted in our previous report, the company has set a vision to "expand the economic scale of its own IP while building a system for continuously creating and cultivating IPs" by the fiscal year ending March 2031, and is targeting a 20% CAGR in revenue growth and an operating profit margin of 15% or higher.

In this earnings report, the company explained its strategy to use AI to streamline non-core operations and improve profitability, speed, and investment efficiency. In particular, if this leads to improvements in the speed, frequency, and accuracy of releasing additional content for *Wizardry Variants Daphne*, it will further solidify the company's revenue base. We look forward to positive developments.



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

The latest update on IP creation, as shown in the following document, indicates that progress is on track. Compared to the previous report, the year-end targets for PC and console games have been revised: titles already released have been adjusted from 3 to 2, and titles currently in development from 5 to 6.



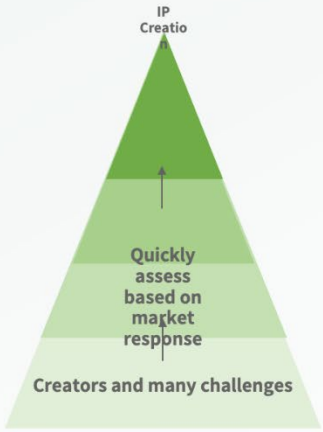
Source: "Second Quarter Financial Results Briefing Materials for the Fiscal Year Ending March 2027" (company materials)

IP Value Chain: About Creation

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Mainly from game and publishing areas, create IP through many small challenges

Create



Game: Creating IP from premium PC & console games

"Hungry Meem" (June 2025)



- Ranked No. 10 in AnimeJapan 2026's "Indie Games Fans Most Want to See Animated"

"Demons' Night Fever" (October 2026)



"Tokyo Stories" (In development)



Indie game studio (launched May 2026)



Publishing : Create IP from comics & novels

"Thou Shalt Love thy Unwise King" (August 2025)



- Ranked No. 1 in its category in "Kono Light Novel ga Sugoi! 2026"

Novel Contest



Original Comic Label



WEB Manga Site



- Continued novel contests and also started creating IP from original comics

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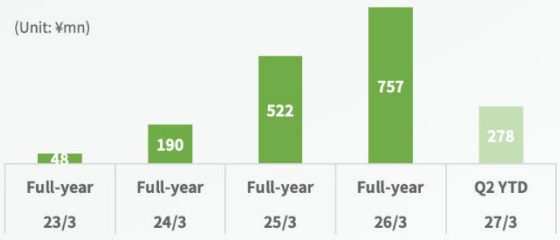
Source: "Second Quarter Financial Results Briefing Materials for the Fiscal Year Ending March 2027" (company materials)

Progress in creation/development : Publishing & Anime Business

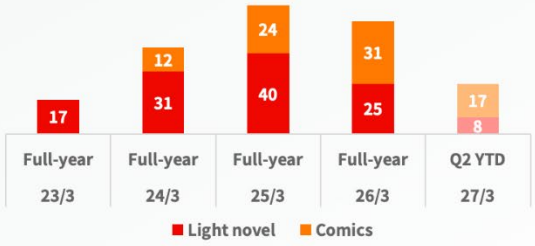
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Published Vol. 4 of our key IP "Thou Shalt Love thy Unwise King" in September. Comic adaptation serialization began in October

Publishing & Anime Business Sales Trend



Annual title releases trend



Publishing & Anime Business IP Rollout Schedule

<Key IP Publication Schedule>

October 2026
- DRE Comics "Blade & Bastard" Vol. 9
- DRE Comics "Wizardry Variants Daphne: The Final Nameless Adventure" Vol. 2

November 2026
- DRE Comics "The Royal Rebound" Vol. 6
- DRE Comics "The 100th Time's the Charm" Vol. 7

Strong titles: considering anime adaptation, etc.

At anime airing, aim to boost sales of related publications

<Anime Schedule>

Aired
- "The Holy Grail of Eris"

Scheduled for 2027
- "Blade & Bastard"

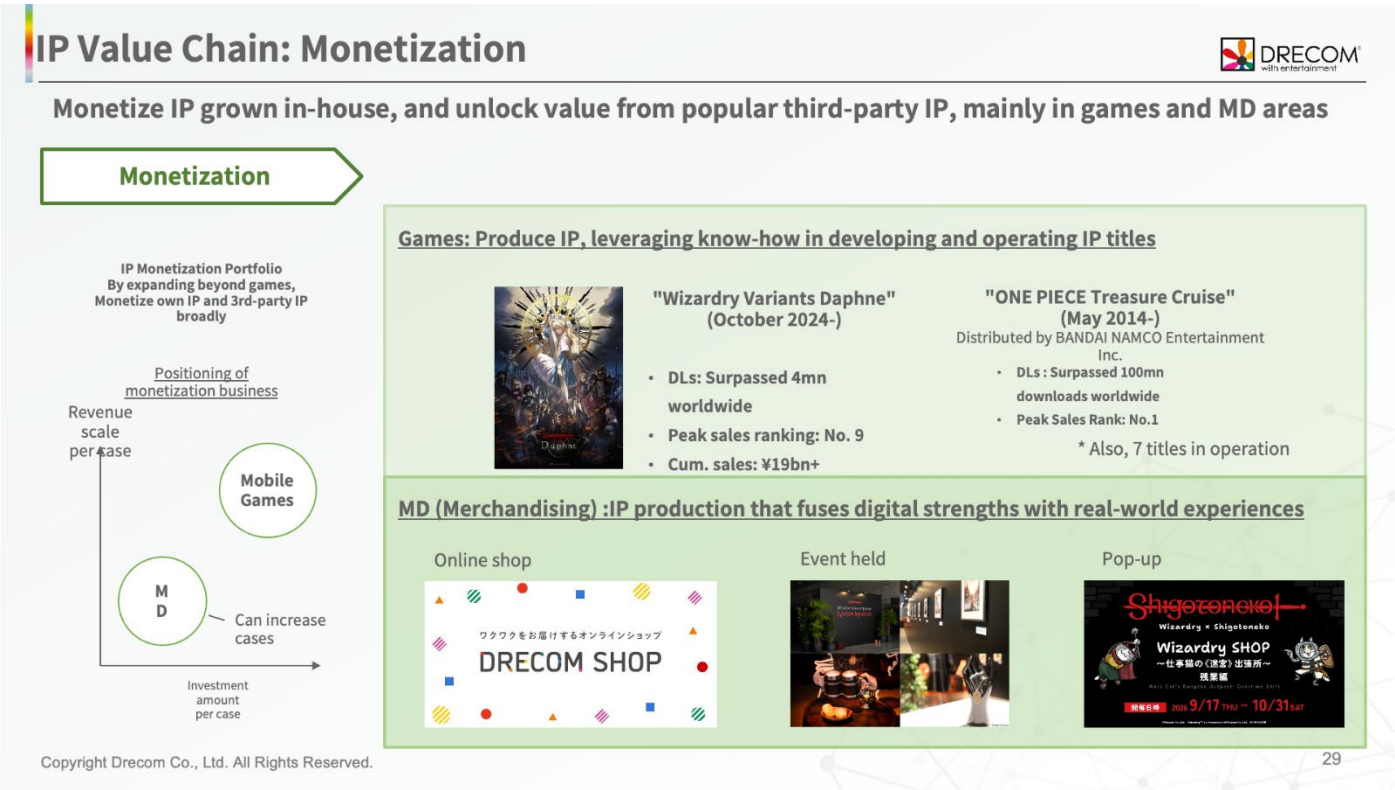
Timing not yet announced
- "The 100th Time's the Charm"
- "Monster Master Girl"

*"The Holy Grail of Eris" was transferred from another publisher. New edition published by DRE Novels in November 2024

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



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Key Points to Watch Going Forward: Awaiting the Emergence of New Earnings Drivers from Next Fiscal Year Onward

In the short term, the key will be how well second-half profits hold up year-on-year. However, from a stock price perspective, what is more important is the emergence of new pillars to drive earnings in the fiscal year ending March 2028, and the establishment of a winning formula (media mix and global expansion of self-created IP). Since KPIs for IP creation are already showing progress, we will be watching closely for the emergence of a driver capable of taking earnings to the next level. If positive momentum emerges, we can also expect progress in the company's shareholder return policies, such as dividends. We plan to monitor these developments on a quarterly basis.

Financial Data (Consolidated: Quarterly)

Statement of Income (Millions of yen)

Accounting Period	FY03/22	FY03/23	FY03/24	FY03/25	FY03/26	FY03/27 Q1	FY03/27 Q2	FY03/27 Full-year CE
Revenue	10,528	10,800	9,779	12,655	17,547	4,355	3,973	17,500
YoY	(11%)	3%	(9%)	29%	39%	(3%)	5%	0%
Gross Profit	3,796	4,558	3,404	3,477	5,430	1,580	1,344	-
YoY	(5%)	20%	(25%)	2%	56%	23%	45%	-
Gross Profit Margin	36.1%	42.2%	34.8%	27.5%	30.9%	36.3%	33.8%	-
SG&A	2,205	2,276	2,501	3,365	5,021	1,057	1,207	-
YoY	13%	3%	10%	35%	49%	(22%)	(15%)	-
Operating Profit	1,591	2,281	903	112	409	523	136	1,300
YoY	(22%)	43%	(60%)	(88%)	265%	Loss to Profit	Loss to Profit	218%
Operating Profit Margin	15.1%	21.1%	9.2%	0.9%	2.3%	12.0%	3.4%	7.4%
Ordinary Profit	1,541	2,192	793	53	319	512	83	1,150
YoY	(24%)	42%	(64%)	(93%)	498%	Loss to Profit	Loss to Profit	261%
Profit attributable to owners of parent	807	1,159	104	(1,036)	213	323	179	900
YoY	(50%)	44%	(91%)	-	-	Loss to Profit	Loss to Profit	321%
Profit Margin	7.7%	10.7%	1.1%	(8.2%)	1.2%	7.4%	4.5%	5.1%

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

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