



Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending March 31, 2023
(Under Japanese GAAP)

October 27, 2022

Listed company name: Drecom Co., Ltd.
 Listing: Tokyo Stock Exchange
 Code number: 3793
 URL: <https://drecom.co.jp/>
 Representative: President and Representative Director: Yuki Naito
 Contact person: Board of Directors: Hideki Goto (TEL) +81 (0)50-3101-9977
 Scheduled date to file quarterly securities report: November 9, 2022
 Scheduled start date to commence dividend payments: —
 Preparation of supplementary materials on quarterly financial results: Yes
 Holding of quarterly financial results briefings: Yes

(Yen amounts are rounded down to millions, unless otherwise noted.)

1. Consolidated Financial Results for the six months ended September 30, 2022 (From April 1, 2022 to September 30, 2022)

(1) Consolidated financial results (cumulative) (% is Year-on-year rate of increase / decrease)

	Net sales		Operating Income		Ordinary income		Net income attributable to owners of parent quarterly	
		%		%		%		%
Six months ended								
September 30, 2022	5,800	11.9	1,607	66.2	1,547	64.4	1,056	72.6
September 30, 2021	5,184	-16.2	967	-8.1	941	-8.8	612	-25.9

Note: Comprehensive income For the six months ended September 30, 2022 ¥1,057 million yen (72.6%)
 For the six months ended September 30, 2021 ¥613 million yen (-25.9%)

	Quarterly Net earnings per share	Quarterly Diluted net earnings per share
Six months ended	Yen	Yen
September 30, 2022	37.13	37.08
September 30, 2021	21.41	21.38

(2) Consolidated financial Condition

	Total Assets	Net Assets	Equity-to-asset ratio	Net assets per share
Six months ended	million yen	million yen	%	Yen
September 30, 2022	12,240	5,529	44.8	192.17
Fiscal year ended				
March 31, 2021	9,653	4,574	46.9	159.06

Reference: **Equity capital** As of September 30, 2022 ¥5,478 million
 As of September 30, 2021 ¥4,522 million

2. Cash dividends

	Annual dividends				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
Fiscal year ended	JPY	JPY	JPY	JPY	JPY
March 31, 2022	—	0.00	—	5.00	0.00
March 31, 2023	—	0.00	—	5.00	0.00
March 31, 2023 (Forecast)	—	—	—	5.00	5.00

Note: Revision to the forecast of cash dividends most recently announced: None



3. Forecast of Consolidated Financial Results for the Fiscal Year Ending March 31, 2023 (April 1, 2022 - March 31, 2023)
(% increase or decrease from the same period of previous year)

	Sales		Operating income		Ordinary income		Profit attributable to owners of parent		Earnings per share
		%		%		%		%	
Fiscal year ending March 31, 2023	13,000	23.5	2,000	25.7	1,900	23.2	1,200	48.6	42.20

Note: Revisions to the most recently announced earnings forecasts: None

* Notes

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): None

New —, (Company name) —, Exclusion —, (Company name) —

(2) Adoption of accounting treatment specific to the preparation of quarterly consolidated financial statements: None

(3) Changes in accounting policies, changes in accounting estimates, and re-display of amendments

(i) Changes in accounting policies due to revisions to accounting standards: Yes

(ii) Changes in accounting policies due to other reasons: None

(iii) Changes in accounting estimates: None

(iv) Retrospective restatement: None

(Note) For details, please refer to "2. Quarterly Consolidated Financial Statements and Key Notes and Main Notes

(4) Notes on quarterly consolidated financial statements (Change in accounting policy)" on p11 of the attached material.

(4) Number of issued shares (common shares)

(i) Total number of issued shares at the end of the period (including treasury shares)

As of September 30, 2022	29,129,591 shares
As of March 31, 2022	29,072,696 shares

(ii) Number of treasury shares at the end of the period

As of September 30, 2022	619,866 shares
As of March 31, 2022	637,366 shares

(iii) Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)

Six months ended September 30, 2022	28,456,134 shares
Six months ended September 30, 2021	28,584,587 shares

(Note) 595,800 shares of the Company (5,958 voting rights) owned by Custody Bank of Japan, Ltd. (hereinafter referred to as "ESOP Trust Unit") are included in the number of treasury stock at the end of the above period.

*Quarterly financial results reports are exempt from quarterly review conducted by certified public accountants or an audit corporation.

*Proper use of earnings forecasts, and other special matters
(Notes on future descriptions)

The forecasts above are based on information currently available and certain assumptions deemed reasonable by the Company as of the date of release of this document. Actual future results may differ from forecasts figures due to various factors

(How to obtain supplementary explanatory materials for financial results)

The Company is scheduled to hold a financial results briefing for institutional investors and analysts on October 27, 2022. The financial results presentation materials to be distributed at this briefing will be posted on the Company's website immediately after the briefing.

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1. Qualitative Information on Consolidated Financial Results for the Second Quarter Ended September 30, 2022

(1) Explanation of Operating Results

The Group's raison d'être is "with entertainment" and our goal is to continue to create services that exceed people's expectations. We also strive to create unprecedented value and deliver experiences that captivate users. In the medium term, we aim to become a comprehensive entertainment company that provides a variety of digital entertainment content globally, centered on our IP, and to achieve sustainable growth and increase our corporate value.

In the mainstay game business, our main business is the development and operation of games, and we develop and operate third-party IP games, game platforms, and original games. In the media business, we are engaged in business development with the aim of creating the next generation of core businesses. We have launched new services on a trial basis, utilizing our knowledge of Internet services, and are conducting a series of trials for commercialization.

In the first half of the consolidated fiscal year under review, net sales amounted to 5,800,434 thousand yen (up 11.9% year-on-year), operating income was 1,607,859 thousand yen (up 66.2% year-on-year), ordinary income was 1,547,617 thousand yen (up 64.4% year-on-year), and net income attributable to shareholders of the parent company amounted to 1,056,684 thousand yen (up 72.6% year-on-year), reaching a record high.

The results for each segment for the first half of the fiscal year under review are as follows.

Game Business

In the game business, one of our mainstay IP game titles, which celebrated its 8th anniversary, performed well globally driven by the excitement of the IP and contributed to earnings.

Net sales increased year-on-year due to strong global sales of our mainstay IP titles, as well as the release of new titles in the previous fiscal year.

Profits increased from the same period of the previous fiscal year due to increased sales of mainstay titles as well as the closure of some unprofitable titles.

As a result, segment sales amounted to 5,670,326 thousand yen (up 10.8% year-on-year) and segment income amounted to 1,809,758 thousand yen (up 62.9% year-on-year). In this segment, our core business, we will continue to strive to maintain stable earnings from titles in operation and aim to increase sales and profits through the success of several new titles under development.

Media Business

In the media business, "Roooot," a Twitter-based fan community promotion service, steadily expanded its business scale and contributed to earnings. In addition, in order to focus on the development, acquisition, and nurturing of IP and diversification of monetization channels, we are focusing on new businesses in the entertainment domain other than games, namely publishing and video business. We are also focusing on new business development in the Web3 domain.

Net sales increased year-on-year as "Roooot" steadily expanded its services.

Regarding profit, the amount of loss increased from the same period of the previous fiscal year due to the ongoing cost trend as a result of aggressive investment in new business areas, which we see as a great opportunity to expand our business performance.

As a result, segment sales amounted to 130,107 thousand yen (up 98.7% year-on-year) and segment loss amounted to 201,898 thousand yen (segment loss of 143,599 thousand yen in the same period last year). In this segment, the Company will promote aggressive investments to achieve medium- to long-term business growth.

Looking ahead, we will work to further improve profitability in our mainstay game business and aim to grow sales through the release of new titles. In addition, we will focus on business development in entertainment areas other than games to grow into a comprehensive entertainment company centered on IP. Furthermore, we will promote our growth strategy by integrating our existing businesses with the Web3 domains.

(2) Explanation of Financial Position

(Assets)

Current assets at the end of the first half of the current consolidated fiscal year totaled 8,505,795 thousand yen, an increase of 1,739,786 thousand yen from the end of the previous consolidated fiscal year. This was mainly due to increases of 1,441,035 thousand yen in cash and deposits and 584,962 thousand yen in accounts receivable. Noncurrent assets totaled 3,734,232 thousand yen, an increase of 846,771 thousand yen from the end of the previous fiscal year. This was mainly due to an increase of 901,917 thousand yen in software in progress.

As a result, total assets amounted to 12,240,028 thousand yen.

(Liabilities)

Current liabilities at the end of the first half of the current consolidated fiscal year totaled 3,200,478 thousand yen, an increase of 490,562 thousand yen from the end of the previous consolidated fiscal year. This was mainly due to increases of 313,378 thousand yen in income taxes payable and 238,000 thousand yen in current portion of long-term loans payable. Fixed liabilities totaled 3,509,929 thousand yen, an increase of 1,140,451 thousand yen from the end of the previous fiscal year. This was mainly due to an increase of 1,159,000 thousand yen in long-term loans payable.

As a result, total liabilities amounted to 6,710,408 thousand yen.

(Net assets)

Total net assets at the end of the first half of the current consolidated fiscal year amounted to 5,529,619 thousand yen, an increase of 955,544 thousand yen from the end of the previous fiscal year. This was mainly due to the recording of 1,056,684 thousand yen in net income attributable to parent company shareholders.

As a result, the equity ratio was 44.8% (46.9% at the end of the previous fiscal year).

2. Quarterly Consolidated Financial Statements and Key Notes

(1) Quarterly Consolidated Balance Sheet

(Unit: thousand yen)

	Previous consolidated fiscal year (March 31, 2022)	Six months ended September 30, 2022 (September 30, 2022)
ASSETS		
Current assets		
Cash and deposits	4,737,225	6,178,259
Notes and accounts receivable	1,485,317	2,070,279
Accounts receivable	10,144	10,691
Prepaid expenses	157,555	145,313
Other	375,766	101,250
Total current assets	6,766,009	8,505,795
Fixed assets		
Tangible Fixed Asset		
Buildings	184,236	190,229
Accumulated depreciation	-13,603	-22,188
Buildings (net)	170,632	168,040
Tools, furniture & fixtures	69,030	77,225
Accumulated depreciation	-33,995	-43,224
Tools, furniture & fixtures (net)	35,034	34,000
Lease assets	7,232	7,232
Accumulated depreciation	-2,007	-2,557
Lease assets (net)	5,225	4,675
Total tangible fixed assets	210,891	206,716
Intangible assets		
Software	557,325	412,048
Software suspense account	1,333,425	2,235,342
Total intangible assets	1,890,751	2,647,391
Investments and other assets		
Investment securities	7	59,926
Deferred tax assets	465,737	433,736
Deposit	199,404	199,404
Other	120,668	187,057
Other investments and other assets	785,818	880,124
Total fixed assets	2,887,461	3,734,232
Total assets	9,653,470	12,240,028

(Unit: thousand yen)

	Previous consolidated fiscal year (March 31, 2022)	Six months ended September 30, 2022 (September 30, 2022)
LIABILITIES		
Current liabilities		
Accounts payable	357,864	314,876
Short-term debit	146,000	145,000
Long-term debt due within one year	808,000	1,046,000
Lease obligations	1,281	1,281
Accounts payable	579,036	512,180
Income taxes payable	142,079	455,457
Bonus payment reserve	138,497	138,335
Other	537,158	587,347
Total current liabilities	2,709,917	3,200,478
Fixed liabilities		
Long-term debt	2,014,000	3,173,000
Lease obligations	4,806	4,165
Asset retirement obligation	100,000	100,000
Other	250,671	232,764
Total fixed liabilities	2,369,478	3,509,929
Total liabilities	5,079,395	6,710,408
Net assets		
Shareholders' equity		
Capital	1,792,991	1,811,311
Capital surplus	2,050,152	2,068,472
Retained earnings	953,681	1,865,123
Treasury stock	-274,029	-266,212
Total shareholders' equity	4,522,796	5,478,695
Accumulated other comprehensive income (loss)		
Valuation difference on available-for-sale securities	7	7
Total accumulated other comprehensive income	7	7
Stock acquisition rights	49,067	49,067
Non-controlling interests	2,203	1,848
Total net assets	4,574,075	5,529,619
Total liabilities and net assets	9,653,470	12,240,028

(2) Quarterly Consolidated Statements of Income and Quarterly Consolidated Comprehensive Income Statements

Quarterly Consolidated Statement of Income
(Six months ended September 30, 2022)

(Unit: Thousand yen)

	Six months ended September 30, 2021 (April 1, 2021 to September 30, 2021)	Six months ended September 30, 2022 (April 1, 2022 to September 30, 2022)
Sales	5,184,850	5,800,434
Cost of sales	3,187,220	3,171,491
Gross profit	1,997,629	2,628,942
Selling, general and administrative expenses	1,030,259	1,021,083
Operating income	967,370	1,607,859
Non-operating revenue		
Interest received	25	23
Dividends received	-	3,066
Gain on investments in capital	-	2,080
Other	247	1,179
Total non-operating income	272	6,349
Non-operating expenses		
Interest expense	22,791	19,688
Payment fee	500	46,332
Foreign exchange loss	2,050	-
Other	1,013	570
Total non-operating expenses	26,354	66,591
Ordinary income	941,288	1,547,617
Extraordinary loss		
Impairment loss	4,957	-
Total extraordinary loss	4,957	-
Net income before income taxes and minority interests	936,331	1,547,617
Corporate, inhabitant and enterprise taxes	162,402	457,711
Income taxes-deferred	160,933	32,001
Total income taxes	323,335	489,712
Quarterly net income	612,996	1,057,904
Net income attributable to noncontrolling interests	934	1,220
Net income attributable to owners of the parent	612,061	1,056,684

Consolidated quarterly statements of comprehensive income

(Cumulative period for consolidated second quarter, six months ended September 30, 2022)

	(Unit: Thousand yen)	
	Six months ended September 30, 2021 (April 1, 2021 to September 30, 2021)	Six months ended September 30, 2022 (April 1, 2022 to September 30, 2022)
Quarterly net income or loss	612,996	1,057,904
Other comprehensive income		
Other securities valuation difference	93	-
Total other comprehensive income	93	-
Quarterly comprehensive income	613,089	1,057,904
(Breakdown)		
Quarterly comprehensive income for owners of parent	612,154	1,056,684
Quarterly comprehensive income for non-controlling shareholders	934	1,220

(3) Quarterly Consolidated Statement of Cash Flows

(Unit: Thousand yen)

	Six months ended September 30, 2021 (April 1, 2021 to September 30, 2021)	Six months ended September 30, 2022 (April 1, 2022 to September 30, 2022)
Csh flow from operations		
Quarterly net income before taxes	936,331	1,547,617
Depreciation and amortization	301,275	177,073
Stock compensation expense	21,600	20,002
Impairment loss	4,957	-
Interest and dividend income	-25	-3,090
Fees and commissions	-	45,083
Interest expense	22,791	19,688
Increase/decrease in trade receivables	239,740	-584,962
Increase/decrease in inventories	-29,927	-699
Increase/decrease in accounts receivable-other	-126,423	14,480
Increase /decrease in in consumption taxes receivable	-	169,624
Increase/decrease in prepaid expenses	9,894	-17,005
Increase/decrease in notes and accounts payable	132,181	-42,987
Increase (decrease) in accrued liabilities	-22,415	-61,233
Increase/decrease in accrued consumption taxes	-195,413	66,817
Increase/decrease in advances received	-136,190	1,980
Increase/decrease in accrued bonus	-52,584	-21,699
Other	-23,056	3,113
Subtotal	1,082,734	1,333,805
Receipts of interest and dividends	270	3,635
Interest payments	-22,478	-15,235
Payment of corporate taxes, etc.	-395,264	-154,761
Income taxes refunded	8,567	-
Cash flow from operating activities	673,829	1,167,443
Cash flow from investment activities		
Payments for acquisition of tangible fixed assets	-49,692	-12,651
Payments for acquisition of intangible fixed assets	-777,680	-916,245
Payments for purchase of investment securities	-96,290	-59,920
Payments for acquisition of shares in subsidiaries resulting in change in scope of consolidation	-129,813	-
Other	-11,917	69,254
Cash flows from investing activities	-1,065,394	-919,562
Cash flow from financial activities		
Net increase / decrease in short-term loans payable	100,000	-1,000
Proceeds from long-term loans payable	299,000	2,449,400
Payments for long-term debt	-340,500	-1,103,000
Dividends paid	-	-144,407
Other	-5,622	-7,838
Cash flows from financing activities	52,877	1,193,153
Cash and cash equivalents increased or decreased	-338,686	1,441,034
Cash and cash equivalents at beginning of period	5,283,892	4,732,985
Cash and cash equivalents at the end of the quarter	4,945,206	6,174,019

(4) Notes on quarterly consolidated financial statements

(Notes on going concern assumptions)

Nothing applicable.

(Notes on significant changes in the amount of shareholders' equity)

Nothing applicable.

(Change in accounting policy)

(Application of Accounting Standard for Revenue Recognition, etc.)

The "Guidance on Accounting Standard for Measurement of Fair Value" (ASBJ Guidance No. 31, June 17, 2021; hereinafter referred to as "Guidance on Accounting Standard for Measurement of Fair Value") is applied from the beginning of the first quarter of the current fiscal year. The new accounting policy stipulated in the Guidance on Accounting Standard for Measurement of Fair Value will be applied prospectively in accordance with the transitional treatment stipulated in Paragraph 27-2 of the. The new accounting policy is applied prospectively. There is no impact from this change.

(Information by Segment)

Segment Information

I. Previous consolidated six months ended (April 1, 2021 to September 30, 2021)

Information on the sales, profits or losses per reporting segment

(Unit: Thousand yen)

	Reporting Segment			Adjustment	Quarterly consolidated income statement amount
	Game business	Media Business	Total		
Sales					
(1) Sales to external customers	5,119,378	65,471	5,184,850	-	5,184,850
(2) Intersegment sales and transfers	-	-	-	-	-
Total	5,119,378	65,471	5,184,850	-	5,184,850
Segment profit or Loss	1,110,970	-143,599	967,370	-	967,370

Note: Segment income /loss is adjusted with operating income in the quarterly consolidated statements of income.

II. Current consolidated six months ended (April 1, 2022 to September 30, 2022)

Information on the sales, profits or losses per reporting segment

(Unit: Thousand yen)

	Reporting Segment			Adjustment	Quarterly consolidated income statement amount
	Game business	Media Business	Total		
Sales					
(1) Sales to external customers	5,670,326	130,107	5,800,434	-	5,800,434
(2) Intersegment sales and transfers	-	-	-	-	-
Total	5,670,326	130,107	5,800,434	-	5,800,434
Segment profit or Loss	1,809,758	-201,898	1,607,859	-	1,607,859

Note: Segment income / loss is adjusted with operating income in the quarterly consolidated statements of income.

(Significant subsequent events)

Nothing applicable.