



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

January 30, 2023

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: February 8, 2023  
 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 nine months ended December 31, 2022 (From April 1, 2022 to December 31, 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	
		%		%		%		%
Nine months ended								
December 31, 2022	8,380	3.7	2,100	47.9	2,025	46.7	1,166	36.7
December 31, 2021	8,078	-11.8	1,419	-15.7	1,380	-16.5	853	-34.3

**Note: Comprehensive income** For the nine months ended December 31, 2022 ¥1,168 million yen (36.7%)  
 For the nine months ended December 31, 2021 ¥854 million yen (-34.3%)

	Quarterly Net earnings per share	Quarterly Diluted net earnings per share
Nine months ended	Yen	Yen
December 31, 2022	40.98	40.91
December 31, 2021	29.87	29.83

(2) Consolidated financial Condition

	Total Assets	Net Assets	Equity-to-asset ratio	Net assets per share
Nine months ended	million yen	million yen	%	Yen
December 31, 2022	12,157	5,640	46.0	196.04
Fiscal year ended				
March 31, 2022	9,653	4,574	46.9	159.06

Reference: **Equity capital** As of December 31, 2022 ¥5,588 million  
 As of March 31, 2022 ¥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	5.00
March 31, 2023	—	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	10,700	1.6	2,200	38.3	2,100	36.2	1,100	36.3	38.59

Note: Revisions to the most recently announced earnings forecasts: Yes

\* 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 (3) Notes on quarterly consolidated financial statements (Change in accounting policy)" on p10 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 December 31, 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 December 31, 2022	621,566 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)

Nine months ended December 31, 2022	28,473,581 shares
Nine months ended December 31, 2021	28,569,388 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 January 30, 2023. 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 Third Quarter Ended December 31, 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 wide 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 developing businesses with the aim of creating the next generation of core businesses. We have launched new services on a trial basis, utilizing our knowledge internet services, and are conducting a series of trials for commercialization.

In the period under review, net sales increased 3.7% year on year to 8,380,181 thousand yen, operating income increased 47.9% to 2,100,620 thousand yen, and ordinary income increased 46.7% to 2,025,427 thousand yen. The impairment loss of one title in operation resulted in an extraordinary loss of 336,259 thousand yen, and net income attributable to owners of the parent amounted to 1,166,723 thousand yen (up 36.7%).

The results for each segment for the nine months ended December 31, 2022 are as follows.

#### Game Business

In the game business, one of our mainstay IP game titles, which marked its 8th anniversary, maintained strong performance driven by an invigorated interest in our IP and contributed to earnings.

Net sales increased year-on-year mainly due to the release of new titles in the previous fiscal year, in addition to the continued strong performance of our mainstay IP titles.

Profits increased from the same period of the previous fiscal year due to the impact of increased revenues from mainstay titles, as well as streamlining of the operation system and the closing of some unprofitable titles.

As a result, segment sales amounted to 8,152,936 thousand yen (up 2.3% year-on-year) and segment income amounted to 2,460,783 thousand yen (up 50.7% 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, "Root," a Twitter-based fan community promotion service, continued to contribute to earnings. In addition, while working on the publishing and video business to develop, acquire, and nurture IP and diversify revenue-generating channels, we started publishing a light novel label, "DRE Novels," in October. In addition, we are focusing on new business development in the Web3 domain.

Net sales increased year-on-year due to the strong performance of "Root," a Twitter-based fan community promotion service, as well as the start of publication of light novels.

As for profit, the loss amount increased from the same period of the previous year due to the ongoing cost advance due to investments in new business areas such as publishing, video, and Web3.

As a result, segment sales amounted to 227,244 thousand yen (up 107.6% year-on-year) and segment loss amounted to 360,162 thousand yen (segment loss of 212,766 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 third quarter of the current consolidated cumulative period totaled 8,208,278 thousand yen, an increase of 1,442,269 thousand yen from the end of the previous consolidated fiscal year. This was mainly due to an increase of 1,534,761 thousand yen in cash and deposits. Noncurrent assets totaled 3,949,283 thousand yen, an increase of 1,061,822 thousand yen from the end of the previous fiscal year. This was mainly due to an increase of 1,442,840 thousand yen in software in progress, despite a decrease of 518,803 thousand yen in software.

As a result, total assets amounted to 12,157,562 thousand yen.

### (Liabilities)

Current liabilities at the end of the third quarter of the current consolidated cumulative period totaled 3,382,527 thousand yen, an increase of 672,610 thousand yen from the end of the previous consolidated fiscal year. This was mainly due to increases of 173,096 thousand yen in income taxes payable and 342,000 thousand yen in bank loans payable. Noncurrent liabilities totaled 3,134,989 thousand yen, an increase of 765,510 thousand yen from the end of the previous fiscal year. This was mainly due to an increase of 789,000 thousand yen in bank loans.

As a result, total liabilities amounted to 6,517,516 thousand yen.

### (Net assets)

Total net assets as of December 31, 2022 amounted to 5,640,045 thousand yen, an increase of 1,065,970 thousand yen from the end of the previous fiscal year. This was mainly due to the recording of 1,166,723 thousand yen in net income attributable to parent company shareholders.

As a result, the equity ratio was 46.0% (46.9% at the end of the previous fiscal year).

## (3) Explanation of consolidated earnings forecasts and other forward-looking information

Taking into consideration the consolidated business results for the first nine months of the current fiscal year and future prospects, we have revised our consolidated business forecast for the fiscal year ending March 31, 2023 (full year), which was announced on May 12, 2022.

For details, please refer to the "Notice of Revision of Full-Year Earnings Forecasts and Recording of Extraordinary Loss" released today (January 30, 2023).

The consolidated earnings forecasts are based on information available as of the date of publication of this document, and actual results may differ from the forecasts due to various factors in the future.

## 2. Quarterly Consolidated Financial Statements and Key Notes

### (1) Quarterly Consolidated Balance Sheet

(Unit: thousand yen)

	Previous consolidated fiscal year (March 31, 2022)	Nine months ended December 31, 2022 (December 31, 2022)
<b>ASSETS</b>		
Current assets		
Cash and deposits	4,737,225	6,271,986
Accounts receivable	1,485,317	1,642,300
Goods	—	5,137
Work in progress	10,144	20,676
Prepaid expenses	157,555	150,550
Other	375,766	117,626
<b>Total current assets</b>	<b>6,766,009</b>	<b>8,208,278</b>
Fixed assets		
Tangible Fixed Asset		
Buildings	184,236	191,229
Accumulated depreciation	-13,603	-26,601
Buildings (net)	170,632	164,628
Tools, furniture & fixtures	69,030	82,936
Accumulated depreciation	-33,995	-47,968
Tools, furniture & fixtures (net)	35,034	34,968
Lease assets	7,232	7,232
Accumulated depreciation	-2,007	-2,832
Lease assets (net)	5,225	4,400
<b>Total tangible fixed assets</b>	<b>210,891</b>	<b>203,996</b>
Intangible assets		
Software	557,325	38,522
Software in progress account	1,333,425	2,776,266
<b>Total intangible assets</b>	<b>1,890,751</b>	<b>2,814,789</b>
Investments and other assets		
Investment securities	7	59,926
Deferred tax assets	465,737	458,470
Deposit	199,404	199,404
Other	120,668	212,697
<b>Other investments and other assets</b>	<b>785,818</b>	<b>930,498</b>
<b>Total fixed assets</b>	<b>2,887,461</b>	<b>3,949,283</b>
<b>Total assets</b>	<b>9,653,470</b>	<b>12,157,562</b>

(Unit: thousand yen)

	Previous consolidated fiscal year (March 31, 2022)	Nine months ended December 31, 2022 (December 31, 2022)
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable	357,864	423,425
Short-term debit	146,000	100,000
Long-term debt due within one year	808,000	1,196,000
Lease obligations	1,281	1,281
Accounts payable	579,036	620,987
Income taxes payable	142,079	315,176
Bonus payment reserve	138,497	65,363
Other	537,158	660,293
<b>Total current liabilities</b>	<b>2,709,917</b>	<b>3,382,527</b>
Fixed liabilities		
Long-term debt	2,014,000	2,803,000
Lease obligations	4,806	3,845
Asset retirement obligation	100,000	100,000
Other	250,671	228,143
<b>Total fixed liabilities</b>	<b>2,369,478</b>	<b>3,134,989</b>
<b>Total liabilities</b>	<b>5,079,395</b>	<b>6,517,516</b>
Net assets		
Shareholders' equity		
Capital	1,792,991	1,811,311
Capital surplus	2,050,152	2,068,472
Retained earnings	953,681	1,975,162
Treasury stock	-274,029	-266,212
<b>Total shareholders' equity</b>	<b>4,522,796</b>	<b>5,588,734</b>
Accumulated other comprehensive income		
Net unrealized gains (losses) on available-for-sale securities, net of taxes	7	145
Foreign currency translation adjustments	—	-296
<b>Total accumulated other comprehensive income</b>	<b>7</b>	<b>-150</b>
Stock acquisition rights	49,067	49,067
Non-controlling interests	2,203	2,393
<b>Total net assets</b>	<b>4,574,075</b>	<b>5,640,045</b>
<b>Total liabilities and net assets</b>	<b>9,653,470</b>	<b>12,157,562</b>

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

Quarterly Consolidated Statement of Income  
(Nine months ended December 31, 2022)

(Unit: Thousand yen)

	Nine months ended December 31, 2021 (April 1, 2021 to December 31, 2021)	Nine months ended December 31, 2022 (April 1, 2022 to December 31, 2022)
Sales	8,078,020	8,380,181
Cost of sales	5,057,371	4,692,793
Gross profit	3,020,648	3,687,388
Selling, general and administrative expenses	1,600,665	1,586,767
Operating income	1,419,983	2,100,620
Non-operating revenue		
Interest received	26	24
Dividends received	—	3,066
Other	276	2,156
Total non-operating income	302	5,247
Non-operating expenses		
Interest expense	34,096	30,984
Payment fee	—	47,003
Foreign exchange loss	4,085	-
Other	1,271	2,452
Total non-operating expenses	39,454	80,440
Ordinary income	1,380,831	2,025,427
Extraordinary income		
Gain on reversal of subscription rights to shares	4,195	—
Total extraordinary income	4,195	—
Extraordinary loss		
Impairment loss	75,399	336,259
Total extraordinary loss	75,399	336,259
Net income before income taxes and minority interests	1,309,627	1,689,168
Corporate, inhabitant and enterprise taxes	303,214	513,472
Income taxes-deferred	151,909	7,206
Total income taxes	455,124	520,679
Quarterly net income	854,503	1,168,489
Net income attributable to noncontrolling interests	1,246	1,765
Net income attributable to owners of the parent	853,257	1,166,723



Consolidated quarterly statements of comprehensive income  
(Cumulative period for consolidated Third Quarter, Nine months ended December 31, 2022)

(Unit: Thousand yen)

	Nine months ended December 31, 2021 (April 1, 2021 to December 31, 2021)	Nine months ended December 31, 2022 (April 1, 2022 to December 31, 2022)
Quarterly net income or loss	854,503	1,168,489
Other comprehensive income		
Net unrealized gains on available-for-sale securities, net of taxes	100	138
Foreign currency translation adjustments	—	-296
Total other comprehensive income	100	-157
Quarterly comprehensive income	854,603	1,168,331
(Breakdown)		
Quarterly comprehensive income for owners of parent	853,357	1,166,565
Quarterly comprehensive income for non-controlling shareholders	1,246	1,765

(3) 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 "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 "Accounting Standard for Measurement of Fair Value" will be applied prospectively in accordance with the transitional treatment stipulated in Paragraph 27-2 of "Accounting Standard for Measurement of Fair Value." The new accounting policy is applied prospectively. There is no impact from this change.

(Information by Segment)

Segment Information

I. Previous consolidated nine months ended (April 1, 2021 to December 31, 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	7,968,562	109,457	8,078,020	—	8,078,020
(2) Intersegment sales and transfers	—	—	—	—	—
Total	7,968,562	109,457	8,078,020	—	8,078,020
Segment profit or Loss	1,632,750	-212,766	1,419,983	—	1,419,983

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

II. Current consolidated nine months ended (April 1, 2022 to December 31, 2022)

1. 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	8,152,936	227,244	8,380,181	—	8,380,181
(2) Intersegment sales and transfers	—	—	—	—	—
Total	8,152,936	227,244	8,380,181	—	8,380,181
Segment profit or Loss	2,460,783	-360,162	2,100,620	—	2,100,620

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

2. Information on Impairment Loss on Noncurrent Assets and Goodwill by Reportable Segment

Impairment losses were recorded in the "Game Business" segment. The amount of such impairment loss recorded was 336,259 thousand yen for the third quarter of the current consolidated cumulative period.

(Significant subsequent events)

Nothing applicable.