



Consolidated Financial Results for the Fiscal Year Ended March 31, 2022
(Under Japanese GAAP)

May 12, 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 of annual general meeting of shareholders: June 24, 2022
 Scheduled date to file quarterly securities report: June 24, 2022
 Scheduled start date to commence dividend payments: June 10, 2022
 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 fiscal year ended March 31, 2022 (From April 1, 2021 to March 31, 2022)

(1) Consolidated operating results

(% is Year-on-year rate of increase / decrease)

	Net sales		Operating income		Ordinary income		Attributable to owners of parent quarterly net income	
		%		%		%		%
Fiscal year ended								
March 31, 2022	10,528	-11.1	1,591	-22.5	1,541	-23.6	807	-50.3
March 31, 2021	11,840	16.7	2,052	232.7	2,019	217.5	1,624	128.4

Note: Comprehensive income For the fiscal year ended March 31 2022 ¥808 million yen (-50.3%)
 For the fiscal year ended March 31 2021 ¥1,626 million yen (128.0%)

	Net income per share	Diluted earnings per share	Return on equity	Ratio of ordinary profit to total assets	Ratio of operating income to net sales
Fiscal year ended	Yen	Yen	%	%	%
March 31, 2022	28.29	28.26	19.4	16.0	15.1
March 31, 2021	57.00	56.85	55.0	25.2	17.3

Reference: Share of profit (loss) of entities accounted for using equity method

For the fiscal year ended March 31, 2022 ¥ - million

For the fiscal year ended March 31, 2021 ¥ - million

(2) Consolidated financial position

	Total Assets	Net Assets	Equity-to-asset ratio	Net assets per share
As of	million yen	million yen	%	Yen
March 31, 2022	9,653	4,574	46.9	159.06
March 31, 2021	9,610	3,855	39.5	132.91

Reference: Equity capital As of March 31, 2022 ¥4,522 million
 As of March 31, 2021 ¥3,794 million

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
As of	million yen	million yen	%	Yen
March 31, 2022	1,602	-1,765	-387	4,732
March 31, 2021	3,196	-1,140	968	5,283



2. Consolidated cash flows

	Annual dividends					Total cash dividends (Total)	Payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total			
Fiscal year ended	Yen	Yen	Yen	Yen	Yen	million yen	%	%
March 31, 2021	—	0.00	—	0.00	0.00	—	—	—
March 31, 2022	—	0.00	—	5.00	5.00	145	17.7	3.4
March 31, 2023 (Forecast)	—	0.00	—	5.00	5.00		11.8	

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

* Notes

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

(2) 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 p.13 “3. Consolidated Financial Statements and Key Notes (5) Notes to Consolidated Financial Statements”.

(3) Number of issued shares (common shares)

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

As of March 31, 2022	29,072,696 shares
As of March 31, 2021	28,976,700 shares

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

As of March 31, 2022	637,366 shares
As of March 31, 2021	428,366 shares

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

Fiscal year ended March 31, 2022	28,536,540 shares
Fiscal year ended March 31, 2021	28,505,330 shares

(Note) 613,300 shares of the Company (6,133 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.



(Reference) Overview of non-consolidated financial results

1. Non-consolidated financial results for the fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)

(1) Non-consolidated operating results(Percentages indicate year-on-year changes.)

Fiscal year ended	Net income		Operating income		Ordinary income		Net income	
	million yen	%	million yen	%	million yen	%	million yen	%
March 31, 2022	8,815	-10.9	1,068	-26.1	1,226	-14.7	678	-47.1
March 31, 2021	9,890	-1.1	1,444	211.9	1,438	256.5	1,283	85.5

Fiscal year ended	Basic earnings per share	Diluted earnings per share
	Yen	Yen
March 31, 2022	23.79	23.77
March 31, 2021	45.04	44.92

(2) Non-consolidated financial position

As of	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
March 31, 2022	8,916	4,058	45.0	141.01
March 31, 2021	8,898	3,468	38.3	119.43

Reference: Equity As of March 31, 2022: ¥4,009 million
As of March 31, 2021: ¥3,409 million

*Quarterly financial statements are not subject to quarterly review by a certified public accountant or auditing firm.

*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 briefing for financial results targeting institutional investors and analysts on May 12, 2022. The financial results presentation materials to be distributed at this briefing will be posted on the Company's website immediately after the briefing.

(Publication of 'Business Plan and Growth Potential Matters')

The Business Plan and Growth Potential Matters is scheduled to be published in June 2022.

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1. Overview of Business Results, etc.

(1) Summary of Operating Results for the Current Period

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 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 their commercialization.

In the current consolidated fiscal year, net sales amounted to 10,528,500 thousand yen (down 11.1% from the previous year), operating income was 1,591,111 thousand yen (down 22.5% from the previous year), and ordinary income was 1,541,772 thousand yen (down 23.6% from the previous year). In addition, an extraordinary loss of 381,399 thousand yen was incurred due to impairment losses on two titles released during the period, resulting in net income attributable to owners of the parent of 807,301 thousand yen (down 50.3% from the previous period).

The results for each segment are as follows.

Game Business

During the period under review, one of our mainstay titles, a third-party IP game title that marked its 7th anniversary, performed well throughout the year and contributed to earnings. In addition to the release of three new titles, the Company made efforts to close unprofitable titles and streamline operating costs in order to improve profitability.

As for net sales, titles in operation maintained steady growth despite the tough competition from competing titles. In addition, the contribution from new titles released during the period was insufficient to offset the impact of the closure of several titles, resulting in a year-on-year decrease in net sales.

Although there was an improvement in profits due to the closing of unprofitable titles, profits decreased from the previous fiscal year due to an increase in advertising and operation expenses associated with the release of new titles.

As a result, segment sales amounted to 10,358,674 thousand yen (down 11.9% from the previous year), and segment profit amounted to 1,871,529 thousand yen (down 22.6% from the previous 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

During the period under review, "Rooot," a Twitter-based fan community promotion service, steadily expanded its business scale and contributed to earnings. In addition, with the aim of strengthening our IP production capabilities, we launched new businesses in the non-game entertainment domain, namely the publishing/video business and the Web3 business, in order to focus on IP development, acquisition, nurturing, and diversification of monetization channels.

Net sales increased from the previous fiscal year as "Rooot" steadily expanded its services.

Regarding profit, although the company continues to incur expenses in advance due to aggressive investment in new business areas, which it sees as a great opportunity to expand its business performance, the amount of loss decreased from the previous fiscal year due to the effect of increased sales.

As a result, segment sales amounted to 169,825 thousand yen (up 99.7% from the previous year) and segment loss amounted to 280,418 thousand yen (segment loss of 364,451 thousand yen in the previous year). In this segment, we will continue to promote aggressive R&D investment with the aim of achieving 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 aggressively invest in business development in entertainment areas other than games, aiming to grow into a comprehensive entertainment company centered on IP.

(2) Summary of Financial Position for the Current Period

Assets, Liabilities and Net Assets

(Assets)

Current assets at the end of the current consolidated fiscal year were 6,766,009 thousand yen, a decrease of 903,136

thousand yen from the end of the previous consolidated fiscal year. This was mainly due to a decrease of 550,907 thousand yen in cash and deposits and a decrease of 356,622 thousand yen in accounts receivable-trade. Noncurrent assets totaled 2,887,461 thousand yen, an increase of 946,184 thousand yen from the end of the previous fiscal year. This was mainly due to an increase of 862,307 thousand yen in software in progress. As a result, total assets amounted to 9,653,470 thousand yen.

(Liabilities)

Total liabilities at the end of the current consolidated fiscal year amounted to 5,079,395 thousand yen, a decrease of 675,711 thousand yen from the end of the previous consolidated fiscal year. This was mainly due to a decrease of 256,376 thousand yen in income taxes payable and a decrease of 202,000 thousand yen in bank loans payable.

(Net assets)

Total net assets at the end of the current consolidated fiscal year amounted to 4,574,075 thousand yen, an increase of 718,758 thousand yen from the end of the previous consolidated fiscal year. This was mainly due to the recording of 807,301 thousand yen in net income attributable to parent company shareholders.

As a result, the equity ratio was 46.9% (39.5% at the end of the previous fiscal year).

(3) Summary of cash flows for the period

Cash and cash equivalents ("cash") at the end of the current consolidated fiscal year decreased by 550,907 thousand yen from the end of the previous consolidated fiscal year to 4,732,985 thousand yen. The status of each cash flow and their factors during the current consolidated fiscal year are as follows.

(Cash flow/Net cash used from operating activities)

Cash provided by operating activities amounted to 1,602,824 thousand yen. The main factors leading to increase in cash were income before income taxes and minority interests of 1,164,568 thousand yen, depreciation and amortization of 536,543 thousand yen, impairment loss of 285,108 thousand yen, and a decrease in trade receivables of 356,622 thousand yen, while the main cash factors for the decrease were a decline in accrued consumption taxes of 163,115 thousand yen, an increase in consumption taxes receivable of 151,174 thousand yen, and income taxes paid of 635,967 thousand yen.

(Cash flow/net cash used from investing activities)

Net cash used in investing activities was 1,765,956 thousand yen. The main factor was 1,704,144 thousand yen used for the purchase of intangible fixed assets.

(Cash flow/net cash used from financing activities)

Net cash used in financing activities was 387,775 thousand yen. The main cash inflow was 449,000 thousand yen in proceeds from long-term loans payable, while the main cash outflows were 697,000 thousand yen for repayment of long-term loans payable and 149,948 thousand yen for purchase of treasury stock.

(4) Future outlook

For the fiscal year ending March 31, 2023 and beyond, 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, by aggressively investing and focusing on business development in entertainment areas other than games, we aim to become a comprehensive entertainment company that provides a diverse range of digital entertainment content globally, with IP at its core.

In the fiscal year ending March 31, 2023, we aim to expand earnings by contribution from existing titles in operation in the game business and by steadily releasing three new titles in the second half of the year.

As for new businesses, we will continue to aim for business expansion of "Rooot," a fan community promotion service. In addition, we will continue to invest aggressively in IP creation in the publishing and video businesses and in R&D in the Web3 business.

Based on the above, for the fiscal year ending March 31, 2023, we expect consolidated net sales of 13,000,000 thousand yen, operating income of 2,000,000 thousand yen, ordinary income of 1,900,000 thousand yen, and net income attributable to owners of the parent of 1,200,000 thousand yen.

2. Basic approach to the selection of accounting standards

Most of the Group's stakeholders are domestic shareholders, creditors and business partners, and in order to ensure comparability with other domestic companies in the same industry, Japanese GAAP is applied to accounting standards.

3. Consolidated Financial Statements and Key Notes

(1) Consolidated Balance Sheet

(Unit: thousand yen)

	Previous consolidated fiscal year (March 31, 2021)	Current consolidated fiscal year (March 31, 2022)
ASSETS		
Current assets		
Cash and deposits	5,288,132	4,737,225
Accounts receivable	1,841,939	1,485,317
Work in progress	7,077	10,144
Prepaid expenses	174,067	157,555
Other	357,928	375,766
Total current assets	7,669,146	6,766,009
Fixed assets		
Tangible Fixed Assets		
Buildings	259,203	184,236
Accumulated depreciation	-173,499	-13,603
Buildings (net)	85,704	170,632
Tools, furniture & fixtures	82,817	69,030
Accumulated depreciation	-67,283	-33,995
Tools, furniture & fixtures (net)	15,534	35,034
Lease assets	61,853	7,232
Accumulated depreciation	-48,190	-2,007
Lease assets (net)	13,663	5,225
Total tangible fixed assets	114,901	210,891
Intangible assets		
Software	407,586	557,325
Software suspense account	471,118	1,333,425
Total intangible assets	878,704	1,890,751
Investments and other assets		
Investment securities	7	7
Deferred tax assets	434,953	465,737
Deposit	318,138	199,404
Other	194,571	120,668
Other investments and other assets	947,671	785,818
Total fixed assets	1,941,277	2,887,461
Total assets	9,610,423	9,653,470

(Unit: thousand yen)

	Previous consolidated fiscal year (March 31, 2021)	Current consolidated fiscal year (March 31, 2022)
LIABILITIES		
Current liabilities		
Accounts payable	363,542	357,864
Short-term debit	100,000	146,000
Long-term debt due within one year	640,000	808,000
Lease obligations	14,773	1,281
Accounts payable	660,610	579,036
Income taxes payable	398,455	142,079
Bonus payment reserve	174,055	138,497
Asset retirement obligations	150,414	—
Other	680,033	537,158
Total current liabilities	3,181,884	2,709,917
Fixed liabilities		
Long-term debt	2,430,000	2,014,000
Lease obligations	6,387	4,806
Asset retirement obligation	34,060	100,000
Other	102,774	250,671
Total fixed liabilities	2,573,222	2,369,478
Total liabilities	5,755,106	5,079,395
Net assets		
Shareholders' equity		
Capital	1,761,208	1,792,991
Capital surplus	2,017,979	2,050,152
Retained earnings	146,380	953,681
Treasury stock	-131,058	-274,029
Total shareholders' equity	3,794,509	4,522,796
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	-92	7
Total accumulated other comprehensive income	-92	7
Stock acquisition rights	58,651	49,067
Non-controlling interests	2,247	2,203
Total net assets	3,855,316	4,574,075
Total liabilities and net assets	9,610,423	9,653,470

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

Consolidated Statement of Income

(Unit: Thousand yen)

	Previous consolidated fiscal year (April 1, 2020 to March 31, 2021)	Current consolidated fiscal year (April 1, 2021 to March 31, 2022)
Sales	11,840,739	10,528,500
Cost of sales	7,843,744	6,731,898
Gross profit	3,996,994	3,796,602
Selling, general and administrative expenses		
Salary supplement	403,251	463,599
Provision for bonuses	147,814	107,764
Commission fee	103,697	113,793
Advertising expenses	71,055	243,741
R&D expenses	366,142	345,240
Other	852,167	931,352
Total selling, general and administrative expenses	1,944,128	2,205,491
Operating income	2,052,865	1,591,111
Non-operating revenue		
Interest received	31	52
Dividends received	8,072	—
Gain on investment in capital	16,986	609
Subsidy income	10,360	—
Other	2,262	359
Total non-operating income	37,712	1,020
Non-operating expenses		
Interest expense	30,295	44,747
Commission payable	24,155	1,249
Interest on bonds	259	—
Foreign exchange loss	16,484	4,080
Other	153	281
Total non-operating expenses	71,347	50,359
Ordinary income	2,019,231	1,541,772
Extraordinary profits		
Gain on reversal of subscription rights to shares	—	4,195
Total extraordinary income	—	4,195
Extraordinary loss		
Loss on valuation of investment securities	—	96,290
Impairment loss	—	285,108
Total extraordinary loss	—	381,399
Net income before income taxes and minority interests	2,019,231	1,164,568
Corporate, inhabitant and enterprise taxes	514,034	386,520
Income tax adjustments	-121,229	-30,828
Total income taxes	392,804	355,692
Net income	1,626,426	808,876
Net income attributable to noncontrolling interests	1,743	1,574
Net income attributable to owners of the parent	1,624,683	807,301

Consolidated statements of comprehensive income

(Unit: Thousand yen)

	Previous consolidated fiscal year (April 1, 2020 to March 31, 2021)	Current consolidated fiscal year (April 1, 2021 to March 31, 2022)
Net income or loss	1,626,426	808,876
Other comprehensive income		
Other securities valuation difference	-40	100
Total other comprehensive income	-40	100
Comprehensive income	1,626,385	808,976
(Breakdown)		
Comprehensive income for owners of parent	1,624,642	807,401
Comprehensive income for non-controlling shareholders	1,743	1,574

(3) Consolidated Statement of Changes in Net Assets

Previous fiscal year (April 1, 2020 to March 31, 2021)

(Unit: Thousand yen)

	Capital stock				
	Capital	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of current period	1,735,288	1,991,623	-1,478,302	-136,203	2,112,405
Changes of items during the period					
Issuance of new shares	25,920	25,920			51,840
Net income attributable to owners of the parent			1,624,683		1,624,683
Disposal of treasury stock		435		5,144	5,580
Net changes of items other than shareholders' equity					
Total changes of items during the period	25,920	26,355	1,624,683	5,144	1,682,103
Balance at the end of current period	1,761,208	2,017,979	146,380	-131,058	3,794,509

	Accumulated other comprehensive income		Share warrant	Non-controlling interests	Total net assets
	Unrealised gains (losses) on available-for-sale securities	Accumulated other comprehensive income Total			
Balance at the beginning of current period	-51	-51	53,752	2,436	2,168,542
Changes of items during the period					
Issuance of new shares					51,840
Net income attributable to owners of the parent					1,624,683
Disposal of treasury stock					5,580
Net changes of items other than shareholders' equity	-40	-40	4,899	-189	4,669
Total changes of items during the period	-40	-40	4,899	-189	1,686,773
Balance at the end of current period	-92	-92	58,651	2,247	3,855,316

Current consolidated fiscal year (April 1, 2021 to March 31, 2022)

(Unit: Thousand yen)

	Capital stock				
	Capital	Capital surplus	Retained earnings	treasury stock	Total shareholders' equity
Balance at the beginning of current period	1,761,208	2,017,979	146,380	-131,058	3,794,509
Changes of items during the period					
Issuance of new shares	31,783	31,783			63,566
Net income attributable to owners of the parent			807,301		807,301
Acquisition of treasury stock				-149,948	-149,948
Disposal of treasury stock		389		6,977	7,366
Net changes of items other than shareholders' equity					
Total changes of items during the period	31,783	32,172	807,301	-142,970	728,287
Balance at the end of current period	1,792,991	2,050,152	953,681	-274,029	4,522,796

	Accumulated other comprehensive income		Share warrant	Non-controlling interests	Total net assets
	Unrealized gains (losses) on available-for-sale securities	Accumulated other comprehensive income Total			
Balance at the beginning of current period	-92	-92	58,651	2,247	3,855,316
Changes of items during the period					
Issuance of new shares					63,566
Net income attributable to owners of the parent					807,301
Acquisition of treasury stock					-149,948
Disposal of treasury stock					7,366
Net changes of items other than shareholders' equity	100	100	-9,584	-43	-9,528
Total changes of items during the period	100	100	-9,584	-43	718,758
Balance at the end of current period	7	7	49,067	2,203	4,574,075

(4) Consolidated Statements of Cash Flows

(Unit: Thousand yen)

	Previous consolidated fiscal year (April 1, 2020 to March 31, 2021)	Current consolidated fiscal year (April 1, 2021 to March 31, 2022)
Cash flows from operating activities		
Income before income taxes and minority interests	2,019,231	1,164,568
Depreciation and amortization	626,679	536,543
Amortization of goodwill	25,461	-
Impairment loss	-	285,108
Stock compensation expense	41,266	41,720
Interest and dividend income	-8,103	-52
Loss (gain) on valuation of investment securities	-	96,290
Commission fee	24,155	-
Interest expense	30,295	44,747
Interest on corporate bonds	259	-
Decrease (increase) in trade receivables	-109,752	356,622
Decrease (increase) in inventories	-7,136	-2,809
(Increase) decrease in consumption taxes receivable	-	-151,174
Decrease (increase) in prepaid expenses	202,024	-18,678
Increase (decrease) in accounts payable	-61,589	-5,678
Increase (decrease) in accounts payable-other	84,377	42,453
Increase (decrease) in accrued consumption taxes	150,506	-163,115
(Increase) decrease in consumption taxes receivable	136,190	-136,190
Decrease (increase) in prepaid expenses	103,296	740
Other	146,124	182,111
Subtotal	3,403,286	2,273,207
Interest and distributions received	9,597	973
Interest expenses paid	-34,594	-43,956
Income taxes paid	-181,823	-635,967
Income taxes refunded	0	8,567
Cash flows from operating activities	3,196,465	1,602,824
Cash flows from investing activities		
Payments for purchase of property, plant and equipment	-11,742	-70,500
Payments for acquisition of intangible fixed assets	-536,254	-1,704,144
Payments for purchase of investment securities	-	-96,290
Purchase of investments in subsidiaries resulting in change in scope of consolidation	-326,000	-129,813
Proceeds from collection of lease and guarantee deposits	-	177,310
Payment for lease and guarantee deposits	-215,704	-4,010
Proceeds from transfer of business	-	94,779
Other	-50,469	-33,287
Cash flows from investing activities	-1,140,170	-1,765,956
Cash flows from financing activities		
Net increase (decrease) in short-term loans	-1,080,000	46,000
Proceeds from long-term loans payable	3,125,845	449,000

(Unit: Thousand yen)

	Previous consolidated fiscal year (April 1, 2020 to March 31, 2021)	Current consolidated fiscal year (April 1, 2021 to March 31, 2022)
Repayment of long-term loans payable	-1,011,663	-697,000
Payments for redemption of bonds	-45,000	-
Payments for purchase of treasury stock	-	-149,948
Other	-20,291	-35,827
Net cash provided by (used in) financing activities	968,890	-387,775
Net increase (decrease) in cash and cash equivalents	3,025,185	-550,907
Cash and cash equivalents at beginning of period	2,258,707	5,283,892
Cash and cash equivalents at end of year	5,283,892	4,732,985

(5) Notes to Consolidated Financial Statements

(Notes on premise of a going concern)

Nothing applicable.

(Change in accounting policy)

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

The "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020. ("Accounting Standard for Revenue Recognition"). and others are applied from the beginning of the current fiscal year, and revenue is recognized at the amount expected to be received in exchange for the promised goods or services when control of the promised goods or services is transferred to the customer. As a result, the Company changed its accounting method for billing revenues from users from recognizing sales at the time in-game currency is consumed to recognizing sales based on the nature of the items provided. The items that the Group provides to users are generally consumable items (items that are consumed by certain actions of the user and do not bring continuous benefits to the user). The Group recognizes sales at the time the items are sold because the period between purchase and consumption of the items is extremely short.

The application of the revenue recognition accounting standard, etc., in accordance with the transitional treatment stipulated in the provision of paragraph 84 of the revenue recognition accounting standard, etc., has no effect on retained earnings and profit and loss at the beginning of the current fiscal year.

(Application of Accounting Standard for Measurement of Fair Value, etc.)

The "Accounting Standard for Calculation of Fair Value" (ASBJ Statement No. 30, July 4, 2019. ("Accounting Standard for Fair Value Calculation"). The new accounting policy stipulated in the "Accounting Standard for Fair Value Calculation" (ASBJ Statement No. 30, July 4, 2019) is applied from the beginning of the current fiscal year, and the transitional treatment stipulated in Paragraph 19 of the "Accounting Standard for Fair Value Calculation" and Paragraph 44-2 of the "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019) is followed. The Company has decided to apply the new accounting policies prescribed by the Accounting Standard for Fair Value Calculation and others prospectively in accordance with the treatment. There is no impact from this change.

(Information by Segment, etc.)

【Segment Information】

1. Overview of reportable segments

The Group's reportable segments are components of the Company for which separate financial information is available and which are subject to periodic review by the Board of Directors for the purpose of determining the allocation of management resources and evaluating performance.

Therefore, the Company is composed of segments by service and has two reportable segments: "Game Business" and "Media Business."

In the Game Business, we plan, develop, and operate social games that are played mainly on smartphones. In the Media Business, we are working to create new businesses that will drive our medium and long-term growth by applying the know-how we have accumulated in the past and the cutting-edge technologies we possess.

2. Calculation of net sales, profit or loss, assets, liabilities and other items by reportable segment

Profit by reportable segment is based on operating income.

Intersegment transactions and transfers are based on prevailing market prices.

3. Information on net sales, income or loss, assets, liabilities and other items by reportable segment

Previous fiscal year (April 1, 2020 to March 31, 2021)

(Unit: Thousand yen)

	Reporting Segment			Adjustment*1	Amount recorded in consolidated financial statements*2
	Game business	Media Business	Total		
Sales					
Sales to external customers	11,756,206	84,533	11,840,739	—	11,840,739
Intersegment sales and transfers	—	496	496	-496	—
Total	11,756,206	85,030	11,841,236	-496	11,840,739
Segment profit or loss	2,417,814	-364,451	2,053,362	-496	2,052,865
Segment assets	3,816,128	71,208	3,887,336	5,723,086	9,610,423
Other Items					
Depreciation and amortization	614,987	11,691	626,679	—	626,679
Amortization of goodwill	25,461	—	25,461	—	25,461
Increase in Tangible Fixed Assets and Intangible Assets	568,136	504	568,641	—	568,641

Note: *1. Adjustments to segment assets mainly consist of cash and deposits and deferred tax assets that do not belong to the reportable segments.

*2. Segment income (loss) is consistent with operating income in the consolidated statements of income.

Current Consolidated Fiscal Year (April 1, 2021 to March 31, 2022)

(Unit: Thousand yen)

	Reporting Segment			Adjustment*1	Amount recorded in consolidated financial statements*2
	Game business	Media Business	Total		
Sales					
Sales to external customers	10,358,674	169,825	10,528,500	—	10,528,500
Intersegment sales and transfers	—	—	—	—	-
Total	10,358,674	169,825	10,528,500	—	10,528,500
Segment profit or loss	1,871,529	-280,418	1,591,111	—	1,591,111
Segment assets	4,354,514	95,993	4,450,508	5,202,962	9,653,470
Other Items					
Depreciation and amortization	531,396	5,146	536,543	—	536,543
Amortization of goodwill	280,012	5,096	285,108	—	285,108
Increase in Tangible Fixed Assets and Intangible Assets	1,863,670	23,902	1,887,573	—	1,887,573

Note: *1: Adjustments to segment assets mainly consist of cash and deposits and deferred tax assets that do not belong to the reportable segments.

*2: Segment income (loss) is consistent with operating income in the consolidated statements of income.

【Related Information】

Previous fiscal year (April 1, 2020 to March 31, 2021)

1. Information by product and service

This information is omitted because the same information is disclosed in the segment information.

2. information by region

(1) Net sales

This information is omitted because sales to external customers in Japan account for more than 90% of the net sales in the consolidated statements of income.

(2) Tangible fixed assets

The amount of property, plant and equipment located in Japan exceeds 90% of the amount of property, plant and equipment on the consolidated balance sheet, so this information is omitted.

3. Information by major customer

(Unit: Thousand yen)

Name or title of customer	Net sales	Related Segment Name
Bandai Namco Entertainment Inc.	3,624,547	Game Business
Bandai Namco Nexus Inc.	2,639,924	Game Business
Apple Inc.	1,950,152	Game Business

Current Consolidated Fiscal Year (April 1, 2021 to March 31, 2022)

1. Information by product and service

This information is omitted because the same information is disclosed in the segment information.

2. information by region

(1) Net sales

This information is omitted because sales to external customers in Japan account for more than 90% of the net sales in the consolidated statements of income.

(2) Tangible fixed assets

The amount of property, plant and equipment located in Japan exceeds 90% of the amount of property, plant and equipment on the consolidated balance sheet, so this information is omitted.

3. Information by major customer

(Unit: Thousand yen)

Name or title of customer	Net sales	Related Segment Name
Bandai Namco Entertainment Inc.	3,409,932	Game Business, Media Business
Bandai Namco Nexus Inc.	2,048,344	Game Business
Apple Inc.	1,628,897	Game Business

【Information on Impairment Losses on Fixed Assets by reportable segment】

Previous Consolidated Fiscal Year (April 1, 2020 to March 31, 2021)

Not applicable

Current Consolidated Fiscal Year (April 1, 2021 to March 31, 2022)

(Unit: Thousand yen)

	Game Business	Media Business	Corporate and elimination	Total
Impairment loss	280,012	5,096	-	285,108

【Information on amortization and unamortized balance of goodwill by reportable segment】

Previous Consolidated Fiscal Year (April 1, 2020 to March 31, 2021)

(Unit: Thousand yen)

	Game Business	Media Business	Corporate and elimination	Total
Reimbursement of the period	25,461	-	-	25,461
Residual high at the end of the period	-	-	-	-

Current Consolidated Fiscal Year (April 1, 2021 to March 31, 2022)

Not applicable

【Information on gain on negative goodwill by reportable segment】

Not applicable

(Per share data)

	Previous consolidated fiscal year (From April 1, 2020 to March 31, 2021)	Current consolidated fiscal year (From April 1, 2021 to March 31, 2022)
Net assets per share	132.91 yen	159.06 yen
Net income per share	57.00 yen	28.29 yen
Diluted net income per share	56.85 yen	28.26 yen

Note: 1. Basis for calculation of net income per share and diluted net income per share is as follows.

	Previous consolidated fiscal year (From April 1, 2020 to March 31, 2021)	Current consolidated fiscal year (From April 1, 2021 to March 31, 2022)
Net income per share		
Net income attributable to owners of the parent (thousand yen)	1,624,683	807,301
Amount not attributable to common shareholders (thousand yen)	—	—
Net income attributable to parent company shareholders related to common stock (thousand yen)	1,624,683	807,301
Average number of shares of common stock during the period (shares)	28,505,330	28,536,540
Diluted net income per share		
Adjustment of net income attributable to owners of the parent (thousands of yen)	—	—
Increase in common stock (shares)	72,034	26,652
(of which stock acquisition rights (shares))	(72,034)	(26,652)
Summary of potential stock not included in the calculation of diluted net income per share due to the absence of dilutive effects	—	—

2. Basis for calculation of net assets per share is as follows

	Previous consolidated fiscal year (March 31, 2021)	Current Consolidated Fiscal Year (March 31, 2022)
Total net assets (Thousands of yen)	3,855,316	4,574,075
Amount deducted from total net assets (thousand yen)	60,898	51,270
(of which stock acquisition rights (thousand yen))	(58,651)	(49,067)
(of which, noncontrolling interests (thousand yen))	(2,247)	(2,203)
Net assets related to common stock at the end of the period (thousand yen)	3,794,417	4,522,804
Number of shares of common stock used in the calculation of net assets per share at the end of the fiscal year (shares)	28,548,334	28,435,330

3. The number of the Company's shares held by the ESOP Trust Account, which are recorded as treasury stock in shareholders' equity, are included in treasury stock, which is deducted from the average number of shares outstanding during the period for the calculation of net income per share (407,300 shares in the previous consolidated fiscal year and 613,300 shares in the current consolidated fiscal year). The number of treasury stock is included in the number of shares deducted from the total number of shares issued and outstanding at the end of the period for the calculation of net assets per share (407,300 shares in the previous consolidated fiscal year and 613,300 shares in the current consolidated fiscal year).

(Significant Subsequent Events)

Not applicable

4. Other

Not applicable