



Consolidated Financial Results for the Fiscal Year Ended March 31, 2023
(Under Japanese GAAP)

May 11, 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 of annual general meeting of shareholders: June 28, 2023
 Scheduled date to file annual securities report: June 28, 2023
 Scheduled start date to commence dividend payments: June 14, 2023
 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, 2023 (From April 1, 2022 to March 31, 2023)

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

Fiscal year ended	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent	
	million yen	%	million yen	%	million yen	%	million yen	%
March 31, 2023	10,800	2.6	2,281	43.4	2,192	42.2	1,159	43.6
March 31, 2022	10,528	-11.1	1,591	-22.5	1,541	-23.6	807	-50.3

Note: Comprehensive income For the fiscal year ended March 31, 2023 ¥1,159 million yen (43.3%)
 For the fiscal year ended March 31, 2022 ¥808 million yen (-50.3%)

Fiscal year ended	Net income per share	Diluted earnings per share	Return on equity	Ratio of ordinary income to total assets	Ratio of operating income to net sales
	Yen	Yen	%	%	%
March 31, 2023	40.70	40.62	22.9	20.0	21.1
March 31, 2022	28.29	28.26	19.4	16.0	15.1

Reference: Share of profit (loss) of entities accounted for using equity method
 For the fiscal year ended March 31, 2023 ¥ - million
 For the fiscal year ended March 31, 2022 ¥ - 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, 2023	12,226	5,631	45.6	195.70
March 31, 2022	9,653	4,574	46.9	159.06

Reference: Equity capital As of March 31, 2023 ¥5,579 million
 As of March 31, 2022 ¥4,522 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, 2023	2,665	-2,017	658	6,040
March 31, 2022	1,602	-1,765	-387	4,732



2. Cash dividends

	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, 2022	—	0.00	—	5.00	5.00	145	17.7	3.4
March 31, 2023	—	0.00	—	5.00	5.00	145	12.3	2.8
March 31, 2024 (Forecast)	—	0.00	—	5.00	5.00		13.0	

3. Forecast of consolidated financial results for the fiscal year ending March 31, 2024

(April 1, 2023 – March 31, 2024)

(% increase or decrease from the same period of previous year)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Earnings per share
	million yen	%	million yen	%	million yen	%	million yen	%	yen
Fiscal year ending									
March 31, 2024	15,000	38.9	2,000	-12.3	1,900	-13.3	1,100	-5.1	38.59

* 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 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, 2023	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 March 31, 2023	621,595 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)

Fiscal year ended March 31, 2023	28,482,068 shares
Fiscal year ended March 31, 2022	28,536,540 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.



(Reference) Overview of non-consolidated financial results

1. Non-consolidated financial results for the fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)

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

Fiscal year ended	Net sales		Operating income		Ordinary income		Net income	
	million yen	%	million yen	%	million yen	%	million yen	%
March 31, 2023	9,005	2.2	1,389	30.1	1,540	25.5	744	9.7
March 31, 2022	8,815	-10.9	1,068	-26.1	1,226	-14.7	678	-47.1

Fiscal year ended	Basic earnings per share	Diluted earnings per share
	Yen	Yen
March 31, 2023	26.14	26.09
March 31, 2022	23.79	23.77

(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, 2023	11,048	4,700	42.1	163.15
March 31, 2022	8,916	4,058	45.0	141.01

Reference: Equity As of March 31, 2023: ¥4,651 million
As of March 31, 2022: ¥4,009 million

*Financial statements are not subject to 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 11, 2023. 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 2023.

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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 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 game development and operation, and we develop and operate third-party IP games, game platforms, and original games. In the media business, we publish and sell books and e-books, including novels and comics, for the purpose of acquiring, developing, and nurturing IP. In addition, we have launched new services on a trial basis, utilizing our knowledge of Internet services and advanced technologies, and are conducting trials for commercialization.

In the current consolidated fiscal year, net sales were 10,800,257 thousand yen (up 2.6% from the previous year), operating income was 2,281,354 thousand yen (up 43.4% from the previous year), and ordinary income was 2,192,519 thousand yen (up 42.2% from the previous year), with operating income and ordinary income reaching record highs. An extraordinary loss of 386,259 thousand yen was incurred due to impairment losses on titles under operation, resulting in net income attributable to shareholders of the parent company of 1,159,125 thousand yen (up 43.6% from the previous year).

The results for each segment are as follows

Game business

During the fiscal year under review, mainstay IP titles performed well throughout the year and contributed to earnings.

Net sales increased from the previous fiscal year, mainly due to the full-year contribution of titles released in the second half of the previous fiscal year, in addition to the continued strong performance of our mainstay IP titles.

Net income increased from the previous fiscal year due to the impact of increased revenues from titles under operation, as well as streamlining of the operation structure and the closure of some unprofitable titles.

As a result, segment sales amounted to 10,517,071 thousand yen (up 1.5% from the previous year) and segment income amounted to 2,903,312 thousand yen (up 55.1% 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, 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 "Rooot," a Twitter-based fan community promotion service, as well as the start of publication of light novels.

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

As a result of the above, segment sales were 284,835 thousand yen (67.7% increase over the previous year) and segment loss was 621,957 thousand yen (segment loss of 280,418 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

Assets, Liabilities and Net Assets

(Assets)

Current assets at the end of the current consolidated fiscal year were 7,848,394 thousand yen, an increase of 1,082,385 thousand yen from the end of the previous consolidated fiscal year. This was mainly due to an increase of 1,307,348 thousand yen in cash and deposits. Noncurrent assets totaled 4,378,002 thousand yen, an increase of 1,490,541 thousand yen from the end of the previous fiscal year. This was mainly due to an increase of 1,693,491 thousand yen in software in progress. As a result, total assets amounted to 12,226,397 thousand yen.

(Liabilities)

Total liabilities at the end of the current consolidated fiscal year amounted to 6,595,277 thousand yen, an increase of 1,515,881 thousand yen from the end of the previous consolidated fiscal year. This was mainly due to a 339,237 thousand yen increase in accrued income taxes and 865,500 thousand yen increase in bank loans.

(Net assets)

Total net assets at the end of the current consolidated fiscal year amounted to 5,631,120 thousand yen, an increase of 1,057,045 thousand yen from the end of the previous consolidated fiscal year. This was mainly due to the recording of 1,159,125 thousand yen in net income attributable to parent company shareholders.

As a result, the equity ratio was 45.6% (46.9% at the end of the previous fiscal year).

(3) Summary of cash flows

Cash and cash equivalents ("cash") at the end of the current consolidated fiscal year increased 1,307,511 thousand yen from the end of the previous consolidated fiscal year to 6,040,496 thousand yen. Cash flows and factors affecting cash flows in the current consolidated fiscal year are as follows.

(Cash flow from operating activities)

Net cash provided by operating activities amounted to 2,665,778 thousand yen. The main cash increase factors were income before income taxes and minority interests of 1,806,259 thousand yen, depreciation and amortization of 269,275 thousand yen, and impairment loss of 386,259 thousand yen, while the main factor for the decrease was income taxes paid amounting to 334,675 thousand yen.

(Cash flow from investing activities)

Net cash used in investing activities was 2,017,183 thousand yen. The main factor was 2,005,229 thousand yen used for the purchase of intangible fixed assets.

(Cash flow from financing activities)

Net cash provided by financing activities was 658,833 thousand yen. The main cash inflow was 2,552,958 thousand yen in proceeds from long-term loans payable, while the main cash outflows were 1,688,500 thousand yen in repayment of long-term loans payable and 144,781 thousand yen in cash dividends paid.

(4) Future outlook

In the fiscal year ending March 31, 2024 and beyond, we will strive to secure long-term stable earnings by making additional investments in titles under management and strengthening our business structure in order to build a stronger business foundation in our mainstay game business, while aiming for sales growth through the release of new titles and diversification and layering of revenue sources.

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, 2024, we aim to secure long-term stable earnings from titles in operation in the game business, achieve sales growth through the steady success of three newly released titles, and diversify and stack revenue sources.

In the media business, we aim to expand the scale of business by continuing to publish "DRE Novels," a light novel label in the publishing and video domain that was launched last October for the purpose of acquiring, developing, and nurturing IP, and by launching a comic and webtoon label in the fiscal year ending March 2024. We aim to expand the

scale of our business by continuing to publish the "DRE Novels" novel label and launching a comic and webtoon label in the fiscal year ending March 2024. In addition, we will aggressively pursue the ongoing development/provision of new services that leverage the know-how and advanced technology of our existing businesses.

Based on the above, for the fiscal year ending March 31, 2024, we project consolidated net sales of 15,000,000 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 1,100,000,000 yen.

2. Basic approach to the selection of accounting standards

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

3. Consolidated statements and key notes

(1) Consolidated Balance Sheet

(Unit: thousand yen)

	Previous consolidated fiscal year (March 31, 2022)	Current consolidated fiscal year (March 31, 2023)
ASSETS		
Current assets		
Cash and deposits	4,737,225	6,044,573
Accounts receivable	1,485,317	1,484,658
Goods	—	5,268
Work in progress	10,144	17,482
Prepaid expenses	157,555	148,928
Other	375,766	147,482
Total current assets	6,766,009	7,848,394
Fixed assets		
Tangible Fixed Assets		
Buildings	184,236	191,229
Accumulated depreciation	-13,603	-31,029
Buildings (net)	170,632	160,200
Tools, furniture & fixtures	69,030	85,502
Accumulated depreciation	-33,995	-53,143
Tools, furniture & fixtures (net)	35,034	32,358
Lease assets	7,232	7,232
Accumulated depreciation	-2,007	-3,107
Lease assets (net)	5,225	4,125
Total tangible fixed assets	210,891	196,683
Intangible assets		
Software	557,325	201,601
Software suspense account	1,333,425	3,026,917
Total intangible assets	1,890,751	3,228,519
Investments and other assets		
Investment securities	7	59,926
Deferred tax assets	465,737	491,226
Deposit	199,404	199,404
Other	120,668	202,242
Other investments and other assets	785,818	952,800
Total fixed assets	2,887,461	4,378,002
Total assets	9,653,470	12,226,397

(Unit: thousand yen)

	Previous consolidated fiscal year (March 31, 2022)	Current consolidated fiscal year (March 31, 2023)
LIABILITIES		
Current liabilities		
Accounts payable	357,864	449,977
Short-term debit	146,000	100,000
Long-term debt due within one year	808,000	1,780,750
Lease obligations	1,281	1,281
Accounts payable	579,036	554,851
Income taxes payable	142,079	481,316
Bonus payment reserve	138,497	129,549
Other	537,158	802,766
Total current liabilities	2,709,917	4,300,494
Fixed liabilities		
Long-term debt	2,014,000	1,952,750
Lease obligations	4,806	3,524
Asset retirement obligation	100,000	100,000
Other	250,671	238,507
Total fixed liabilities	2,369,478	2,294,782
Total liabilities	5,079,395	6,595,277
Net assets		
Shareholders' equity		
Capital	1,792,991	1,811,311
Capital surplus	2,050,152	2,068,472
Retained earnings	953,681	1,967,564
Treasury stock	-274,029	-266,237
Total shareholders' equity	4,522,796	5,581,111
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	7	-2,079
Foreign currency translation adjustments	—	82
Total accumulated other comprehensive income	7	-1,997
Stock acquisition rights	49,067	49,067
Non-controlling interests	2,203	2,938
Total net assets	4,574,075	5,631,120
Total liabilities and net assets	9,653,470	12,226,397

(2) Consolidated statements of income and consolidated comprehensive income statements

Consolidated statement of income

(Unit: Thousand yen)

	Previous consolidated fiscal year (April 1, 2021 to March 31, 2022)	Current consolidated fiscal year (April 1, 2022 to March 31, 2023)
Net Sales	10,528,500	10,800,257
Cost of sales	6,731,898	6,242,019
Gross profit	3,796,602	4,558,237
Selling, general and administrative expenses		
Salary supplement	463,599	504,516
Provision for bonuses	107,764	106,357
Commission fee	113,793	120,582
Advertising expenses	243,741	208,520
R&D expenses	345,240	354,539
Other	931,352	982,367
Total selling, general and administrative expenses	2,205,491	2,276,882
Operating income	1,591,111	2,281,354
Non-operating revenue		
Interest received	52	54
Dividends received	—	3,066
Gain on investment in capital	609	-
Other	359	1,938
Total non-operating income	1,020	5,059
Non-operating expenses		
Interest expense	44,747	41,437
Commission payable	1,249	47,673
Foreign exchange loss	4,080	482
Other	281	4,301
Total non-operating expenses	50,359	93,895
Ordinary income	1,541,772	2,192,519
Extraordinary income		
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	386,259
Total extraordinary loss	381,399	386,259
Net income before income taxes and minority interests	1,164,568	1,806,259
Corporate, inhabitant and enterprise taxes	386,520	669,392
Income tax adjustments	-30,828	-24,567
Total income taxes	355,692	644,824
Net income	808,876	1,161,435
Net income attributable to noncontrolling interests	1,574	2,309
Net income attributable to owners of the parent	807,301	1,159,125

Consolidated statements of comprehensive income

(Unit: Thousand yen)

	Previous consolidated fiscal year (April 1, 2021 to March 31, 2022)	Current consolidated fiscal year (April 1, 2022 to March 31, 2023)
Net income or loss	808,876	1,161,435
Other comprehensive income		
Other securities valuation difference	100	-2,087
Foreign currency translation adjustments	—	82
Total other comprehensive income	100	-2,005
Comprehensive income	808,976	1,159,430
(Breakdown)		
Comprehensive income for owners of parent	807,401	1,157,120
Comprehensive income for non-controlling shareholders	1,574	2,309

(3) Consolidated statement of changes in net assets

Previous 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 the 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 the 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 the 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 the period	7	7	49,067	2,203	4,574,075

Current consolidated fiscal year (April 1, 2022 to March 31, 2023)

(Unit: Thousand yen)

	Capital stock				
	Capital	Capital surplus	Retained earnings	treasury stock	Total shareholders' equity
Balance at the beginning of current period	1,792,991	2,050,152	953,681	-274,029	4,522,796
Changes of items during the period					
Issuance of new shares	18,320	18,320			36,640
Net income attributable to owners of the parent			1,159,125		1,159,125
Acquisition of treasury stock				-24	-24
Disposal of treasury stock				7,816	7,816
Dividends from surplus			-145,243		-145,243
Net changes of items other than shareholders' equity					-
Total changes of items during the period	18,320	18,320	1,013,882	7,792	1,058,314
Balance at the end of current period	1,811,311	2,068,472	1,967,564	-266,237	5,581,111

	Accumulated other comprehensive income			Share warrant	Non-controlling interests	Total net assets
	Unrealized gains (losses) on available-for-sale securities	Foreign currency translation adjustments	Accumulated other comprehensive income total amount			
Balance at the beginning of current period	7	-	7	49,067	2,203	4,574,075
Changes of items during the period						
Issuance of new shares						36,640
Net income attributable to owners of the parent						1,159,125
Acquisition of treasury stock						-24
Disposal of treasury stock						7,816
Dividends from surplus						-145,243
Net changes of items other than shareholders' equity	-2,087	82	-2,005		735	-1,269
Total changes of items during the period	-2,087	82	-2,005	-	735	1,057,045
Balance at the end of current period	-2,079	82	-1,997	49,067	2,938	5,631,120

(4) Consolidated statements of cash flows

(Unit: Thousand yen)

	Previous consolidated fiscal year (April 1, 2021 to March 31, 2022)	Current consolidated fiscal year (April 1, 2022 to March 31, 2023)
Cash flows from operating activities		
Income before income taxes and minority interests	1,164,568	1,806,259
Depreciation and amortization	536,543	269,275
Impairment loss	285,108	386,259
Stock compensation expense	41,720	40,728
Interest and dividend income	-52	-3,121
Loss (gain) on valuation of investment securities	96,290	—
Commission fee	—	47,673
Interest expense	44,747	41,437
Decrease (increase) in notes and accounts receivable-trade	356,622	658
Decrease (increase) in inventories	-2,809	-12,725
Decrease (increase) in consumption taxes receivable	-151,174	162,542
Decrease(increase) in prepaid expenses	-18,678	3,257
Decrease(increase) in notes and accounts payable-trade	-5,678	92,113
Increase (decrease) in accrued liabilities	42,453	-12,938
Increase (decrease) in accrued consumption taxes	-163,115	26,595
Increase (decrease) in advances received	-136,190	207,569
Increase (decrease) in accrued bonuses	740	536
Other	182,111	-22,926
Subtotal	2,273,207	3,033,198
Interest and distributions received	973	5,112
Interest expenses paid	-43,956	-37,856
Income taxes paid	-635,967	-334,675
Income taxes refunded	8,567	-
Cash flows from operating activities	1,602,824	2,665,778
Cash flows from investing activities		
Payments for purchase of tangible fixed assets	-70,500	-21,288
Payments for purchase of intangible fixed assets	-1,704,144	-2,005,229
Payments for purchase of investment securities	-96,290	-59,920
Purchase of investments in subsidiaries resulting in change in scope of consolidation	-129,813	—
Proceeds from collection of lease and guarantee deposits	177,310	118,734
Payment for lease and guarantee deposits	-4,010	-1,000
Proceeds from transfer of business	94,779	—
Other	-33,287	-48,479
Cash flows from investing activities	-1,765,956	-2,017,183

(Unit: Thousand yen)

	Previous consolidated fiscal year (April 1, 2021 to March 31, 2022)	Current consolidated fiscal year (April 1, 2022 to March 31, 2023)
Cash flows from financing activities		
Net increase (decrease) in short-term loans	46,000	-46,000
Proceeds from long-term loans payable	449,000	2,552,958
Repayment of long-term loans payable	-697,000	-1,688,500
Payments for purchase of treasury stock	-149,948	-24
Dividends paid	—	-144,781
Other	-35,827	-14,818
Cash flows from financing activities	-387,775	658,833
Cash and cash equivalent translation adjustment	—	82
Increase (decrease) in cash and cash equivalents	-550,907	1,307,511
Cash and cash equivalents at beginning of period	5,283,892	4,732,985
Cash and cash equivalents at end of year	4,732,985	6,040,496

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

The Game business is engaged in the planning, development and operation of games played mainly on smartphones. In the Media business, we publish and sell novels, comics, and other books, as well as e-books. We are also working to create new businesses that will support our medium- and long-term growth by applying the know-how we have cultivated in the past and the cutting-edge technologies we possess.

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

Income 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, 2021 to March 31, 2022)

(Unit: Thousand yen)

	Reporting Segment			Adjustment*1	Amount recorded in consolidated financial statements*2
	Game business	Media business	Total		
Net 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 income 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
Impairment loss	280,012	5,096	285,108	—	285,108
Increase in Tangible and Intangible Fixed 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.

Current Consolidated Fiscal Year (April 1, 2022 to March 31, 2023)

(Unit: Thousand yen)

	Reporting Segment			Adjustment*1	Amount recorded in consolidated financial statements*2
	Game business	Media business	Total		
Net Sales					
Sales to external customers	10,517,071	283,185	10,800,257	—	10,800,257
Intersegment sales and transfers	—	1,650	1,650	-1,650	—
Total	10,517,071	284,835	10,801,907	-1,650	10,800,257
Segment income or loss	2,903,312	-621,957	2,281,354	-	2,281,354
Segment assets	5,257,941	242,456	5,500,398	6,725,999	12,226,397
Other Items					
Depreciation and amortization	236,283	1,880	238,163	31,112	269,275
Impairment loss	386,259	—	386,259	—	386,259
Increase in Tangible and Intangible Fixed Assets	1,992,925	16,537	2,009,463	18,335	2,027,799

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, 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 fixed tangible assets in Japan exceeds 90% of the fixed tangible assets 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
Bandai Namco Nexus Inc.	2,048,344	Game business
Apple Inc.	1,628,897	Game business

Current Consolidated Fiscal Year (April 1, 2022 to March 31, 2023)

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 fixed tangible assets located in Japan exceeds 90% of the amount of fixed tangible assets 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.	4,372,063	Game business, Media business
Bandai Namco Nexus Inc.	1,543,257	Game business
Apple Inc.	1,487,120	Game business

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

Previous 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

Current Consolidated Fiscal Year (April 1, 2022 to March 31, 2023)

(Unit: Thousand yen)

	Game business	Media business	Corporate and elimination	Total
Impairment loss	386,259	—	—	386,259

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

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

Not applicable

Current Consolidated Fiscal Year (April 1, 2022 to March 31, 2023)

Not applicable

【Information on gain on negative goodwill by reportable segment】

Not applicable

(Per share data)

	Previous consolidated fiscal year (From April 1, 2021 to March 31, 2022)	Current consolidated fiscal year (From April 1, 2022 to March 31, 2023)
Net assets per share	159.06 yen	195.70 yen
Net income per share	28.29 yen	40.70 yen
Diluted net income per share	28.26 yen	40.62 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, 2021 to March 31, 2022)	Current consolidated fiscal year (From April 1, 2022 to March 31, 2023)
Net income per share		
Net income attributable to owners of the parent (thousand yen)	807,301	1,159,125
Amount not attributable to common shareholders (thousand yen)	—	—
Net income attributable to parent company shareholders related to common stock (thousand yen)	807,301	1,159,125
Average number of shares of common stock during the period (shares)	28,536,540	28,482,068
Diluted net income per share		
Adjustment of net income attributable to owners of the parent (thousands of yen)	—	—
Increase in common stock (shares)	26,652	51,138
(of which stock acquisition rights (shares))	(26,652)	(51,138)
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, 2022)	Current Consolidated Fiscal Year (March 31, 2023)
Total net assets (thousands of yen)	4,574,075	5,631,120
Amount deducted from total net assets (thousand yen)	51,270	52,006
(of which stock acquisition rights (thousand yen))	(49,067)	(49,067)
(of which, noncontrolling interests (thousand yen))	(2,203)	(2,938)
Net assets related to common stock at the end of the period (thousand yen)	4,522,804	5,579,114
Number of shares of common stock used in the calculation of net assets per share at the end of the fiscal year (shares)	28,435,330	28,507,996

3. The number of the Company's shares held by the ESOP Trust Account, which are recorded as treasury stock in shareholders' equity, is included in the number of treasury stock deducted from the average number of shares during the period for the calculation of net income per share (479,421 shares in the previous consolidated fiscal year and 601,314 shares in the current consolidated fiscal year). Also, in the calculation of net assets per share, 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 (613,300 shares in the previous consolidated fiscal year and 595,800 shares in the current consolidated fiscal year).

(Significant Subsequent Events)

Not applicable

4. Other

Not applicable