

**Fiscal Year Ended March 31, 2024**  
**Financial Results Presentation Materials**



**DRECOM**<sup>®</sup>  
with entertainment

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**Drecom Co., Ltd.**

**May 13, 2024**

Please refer to the Fact Sheet on our website for consolidated financial results, cost of sales, SG&A expenses, etc., and billing sales in the game business.

[https://drecom.co.jp/ir/factsheet\\_202403Q4.pdf](https://drecom.co.jp/ir/factsheet_202403Q4.pdf)

## Review of FY03/2024 financial results

### Existing titles continue to perform well

- Aiming for sales growth, a year of restructuring was achieved by addressing unprofitable titles.
- Early policy changes helped curb losses. The strong performance of existing titles also led to profits exceeding expectations.
- Full year results: Sales 9,779 million yen Operating income 903 million yen EBITDA\*<sub>1</sub> 1,047 million yen Ordinary income 793 million yen Net income\*<sub>2</sub> 104 million yen

## Forecast for FY2025

### A year aiming to once again strengthen the sales and profit from ground up.

- Aim to increase sales and profit by releasing new titles and expanding the scale of each business area related to IP production
- Consolidated full-year forecasts:  
Sales 13,500 million yen (+38.0% YoY) Operating income 1,000 million yen (+10.7% YoY)  
EBITDA\*<sub>1</sub> 1,797 million yen (+71.6% YoY) Ordinary income 900 million yen (+13.5% YoY)  
Net income\*<sub>2</sub> 400 million yen (+284.4% YoY)

## Topics

### Steady progress in transformation into an IP-based entertainment content company

- After nearly four years of cultivating an IP from a social networking site and fan community, *Evil Prince and the Puppet* is making progress toward release.
- Two titles in the publishing business (novels and comics) in the year and a half since the label was launched have sold a total of 100,000 copies in series.

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# Summary of business results Full-year of FY2024

Aim was sales growth, however it was a year of restructuring achieved by addressing unprofitable titles. Early policy changes helped curb losses. The strong performance of existing titles also led to profits exceeding expectations.

FY03/2024 Full year results					FY03/2023
(Unit: millions of yen)	Forecast at beginning of term (May, 2023)	Revised forecast (July, 2023)	Revised forecast (Jan. 2024)	Result	Result
<b>Net sales</b>	<b>15,000</b>	<b>11,500</b>	<b>10,000</b>	<b>9,779</b>	<b>10,800</b>
<b>Operating income</b>	<b>2,000</b>	<b>500</b>	<b>800</b>	<b>903</b>	<b>2,281</b>
<b>Ordinary income</b>	<b>1,900</b>	<b>450</b>	<b>700</b>	<b>793</b>	<b>2,192</b>
<b>Net income</b> attributable to shareholders of the	<b>1,100</b>	<b>0</b>	<b>100</b>	<b>104</b>	<b>1,159</b>

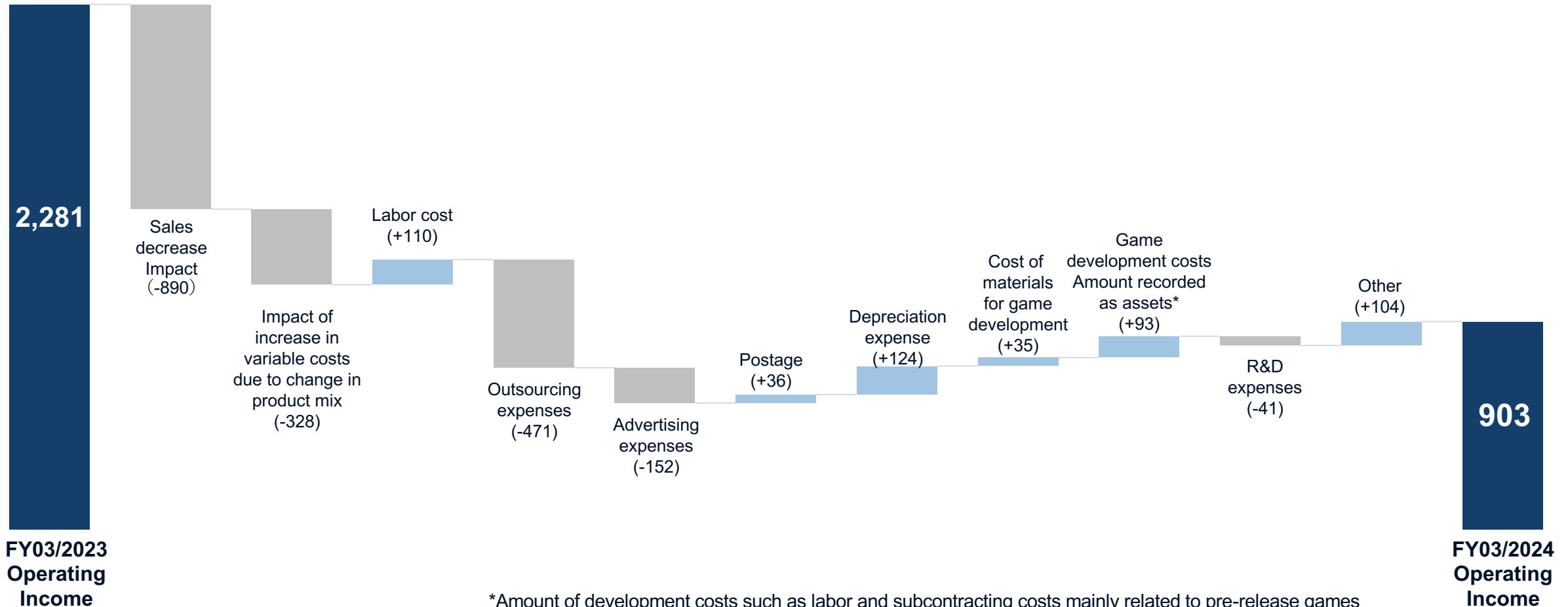
<b>Assumptions for each forecast</b>	<ul style="list-style-type: none"> <li>Four new contributions are planned.</li> </ul>	<ul style="list-style-type: none"> <li>Withdrew one newly released title</li> <li>Changed plans for two titles before release</li> </ul>	<ul style="list-style-type: none"> <li>Changed plans for two titles again, expecting to release them within FY03/2025.</li> </ul>	<ul style="list-style-type: none"> <li>Profit was higher than expected.</li> </ul>
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# FY03/2024 Operating income (YoY comparison)

**Decrease in income due to the impact of reduced revenue from ongoing titles, increased variable costs, and expenses related to the withdrawn new title.**

(Millions of yen)

■ Decrease in revenues (Increase in expenses)  
 ■ Increase in revenues (decrease in expenses)

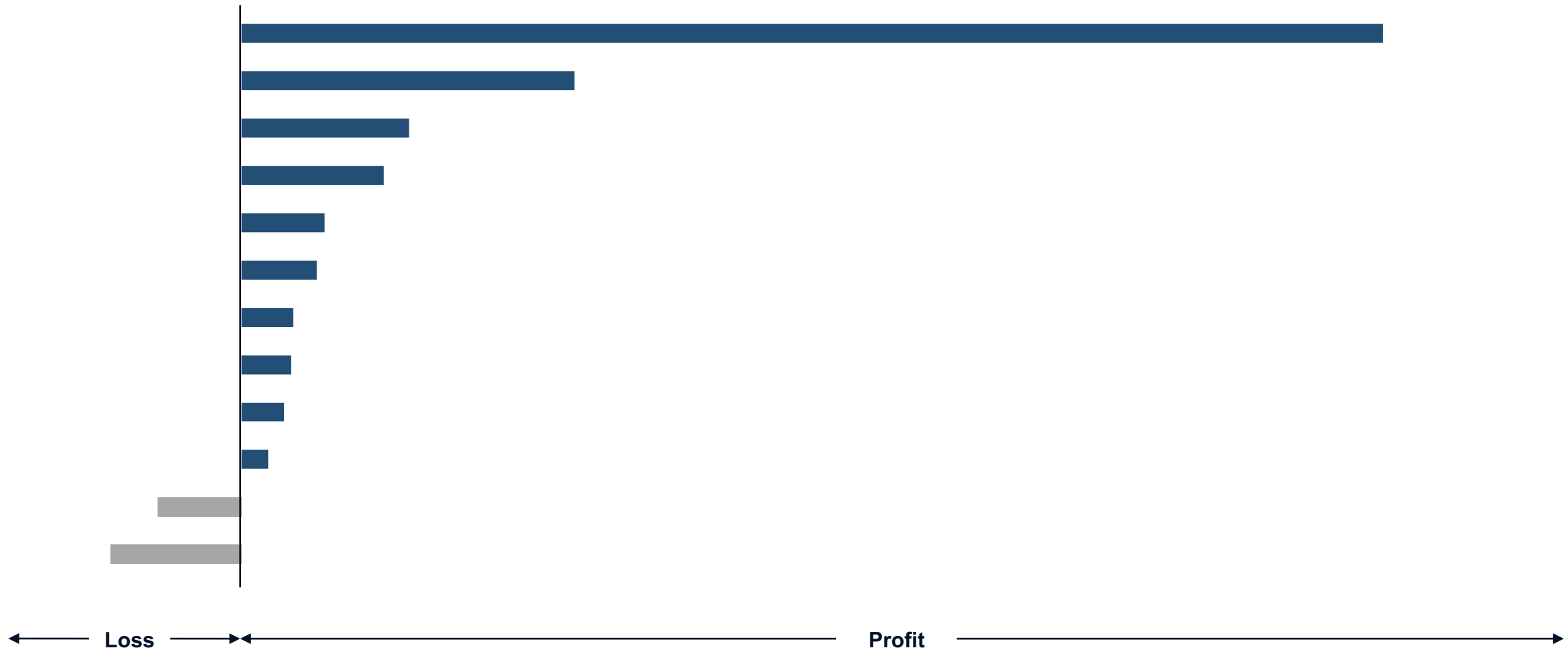


\*Amount of development costs such as labor and subcontracting costs mainly related to pre-release games deducted from manufacturing costs and transferred to assets as "Software in progress".

# Game business: FY03/2024 Earnings from Titles in Operation

Stable operation of multiple long-term titles. Withdraw of unprofitable titles by 1H.

Profit/loss of 12 titles under management\* (Cumulative for FY03/2024)



\* Number of operational titles for the FY03/2024 includes 2 enza titles and *BOKU & DRAGONS* as well as closed titles. Excludes *blockchain games*.

# Summary of Q4 Results for FY03/2024

Existing operational titles continue to perform well.

Operating income exceeded expectations due to the efficiency of operational costs.

(Millions of yen)	FY03/2024						FY03/2023	
	Q1 (Apr-Jun)	Q2 (Jul-Sep)	Q3 (Oct-Dec)	Q4 (Jan-Mar)	QoQ	Full year	Q4 (Jan-Mar)	YoY
<b>Net sales</b>	<b>2,346</b>	<b>2,745</b>	<b>2,546</b>	<b>2,141</b>	-404	<b>9,779</b>	<b>2,420</b>	-278
<b>Operating income</b>	<b>8</b>	<b>463</b>	<b>317</b>	<b>113</b>	-203	<b>903</b>	<b>180</b>	-67
<i>Operating profit ratio</i>	<b>0.4%</b>	<b>16.9%</b>	<b>12.5%</b>	<b>5.3%</b>	-	<b>9.2%</b>	<b>7.5%</b>	-
<b>EBITDA</b> ※1	<b>82</b>	<b>500</b>	<b>332</b>	<b>132</b>	-200	<b>1,047</b>	<b>209</b>	-77
<i>EBITDA Margin</i>	<b>3.5%</b>	<b>18.2%</b>	<b>13.1%</b>	<b>6.2%</b>	-	<b>10.7%</b>	<b>8.7%</b>	-
<b>Ordinary income</b> ※2	<b>2</b>	<b>451</b>	<b>275</b>	<b>63</b>	-211	<b>793</b>	<b>167</b>	-103
<b>Net income (loss) attributable to shareholders of the parent company</b> ※3	<b>-441</b>	<b>272</b>	<b>266</b>	<b>6</b>	-260	<b>104</b>	<b>-7</b>	<b>+14</b>

\*1 EBITDA = operating income + amortization of goodwill + depreciation

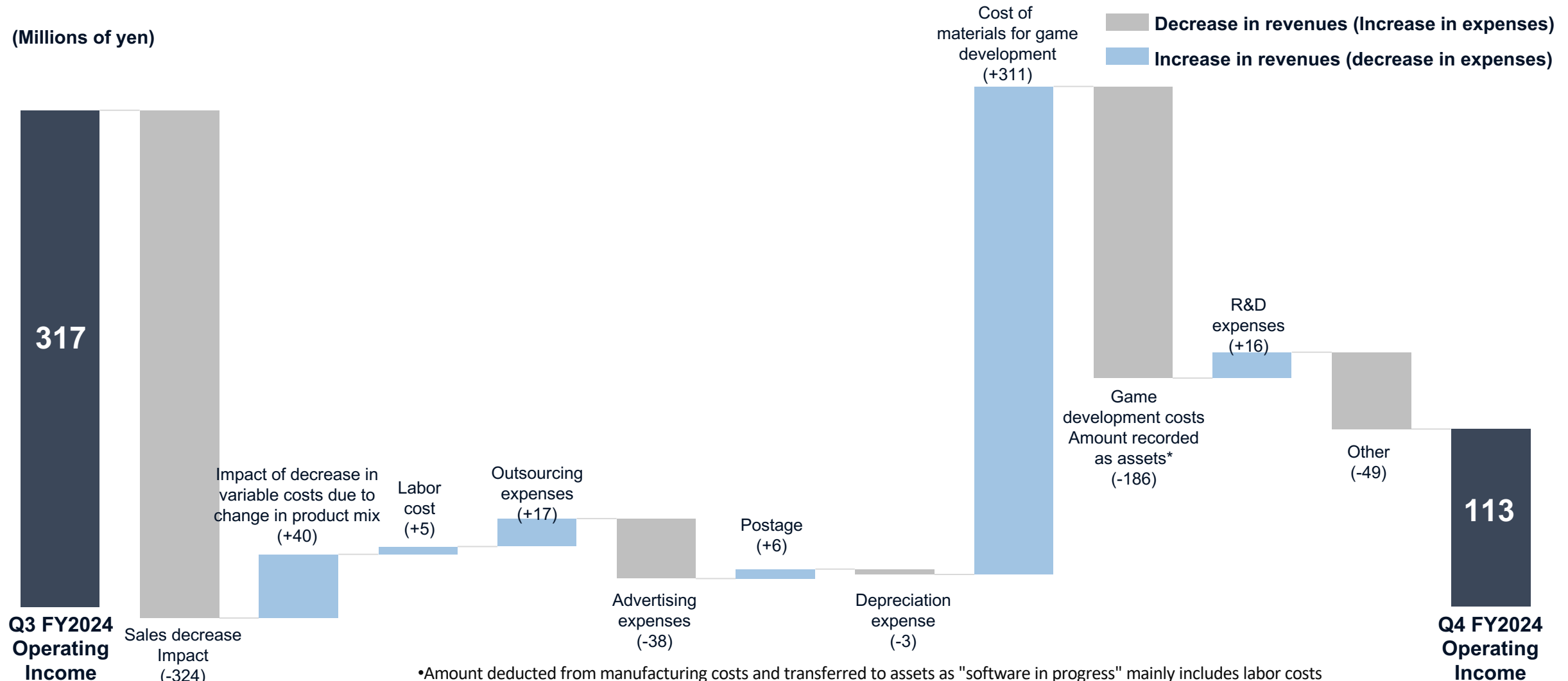
\*2 Non-operating expenses of 31 million yen were recorded in Q4 due to borrowing (syndicated loan contract).

\*3 Reviewing the operation/development portfolio, an extraordinary loss of 746 million yen was recorded in Full-year.

# Q4 FY2024 Operating income (QoQ comparison)

QoQ sales decreased due to temporary NFT sales revenue (INO) in the blockchain game business in Q3 and fewer events in Q4

(Millions of yen)



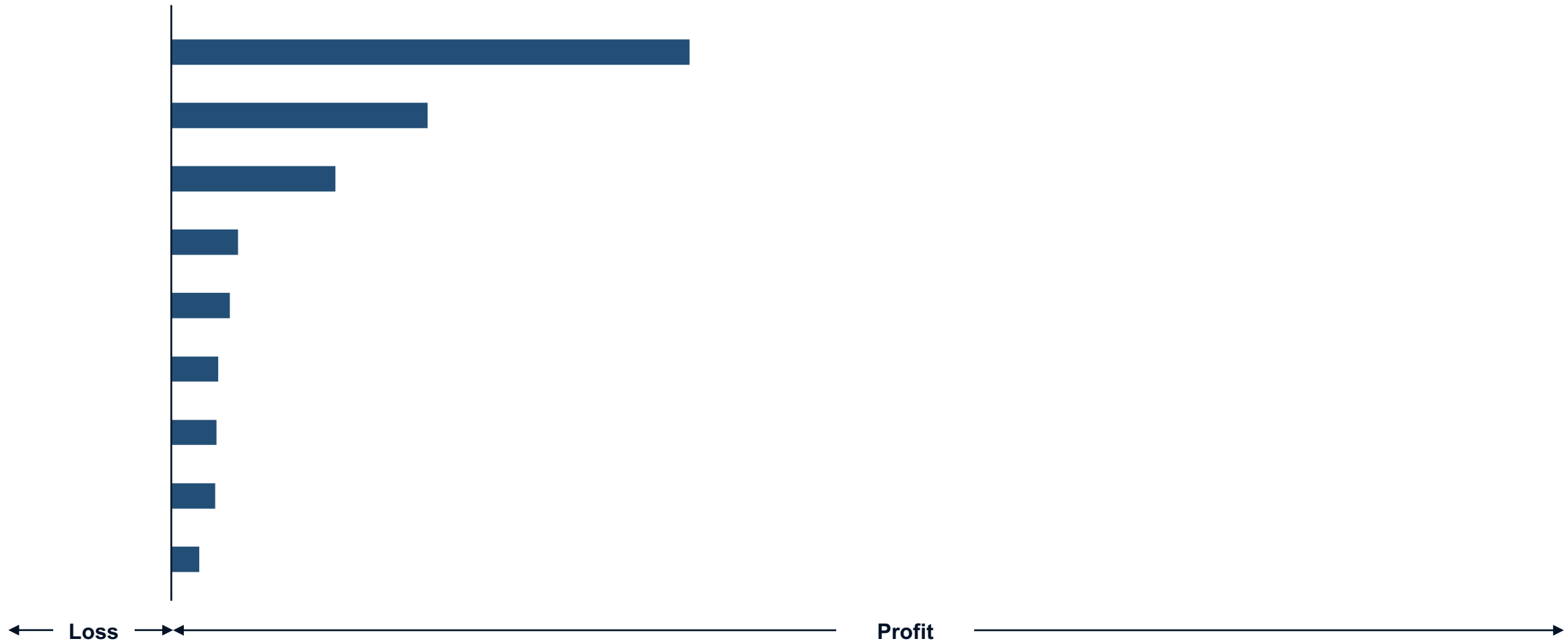
\*Amount deducted from manufacturing costs and transferred to assets as "software in progress" mainly includes labor costs and outsourcing expenses related to the development of games before their release.



# Q4 FY2024 Revenue from operational game titles

One title was closed in Q4. All 9 titles currently in operation are long-term titles.

Profit/loss of operational 9 titles\* (Q4 Jan-Mar 2024)



\* Number of operational titles as of March 31, 2024 includes 2 enza titles and *BOKU & DRAGONS*. Excludes *blockchain games*.

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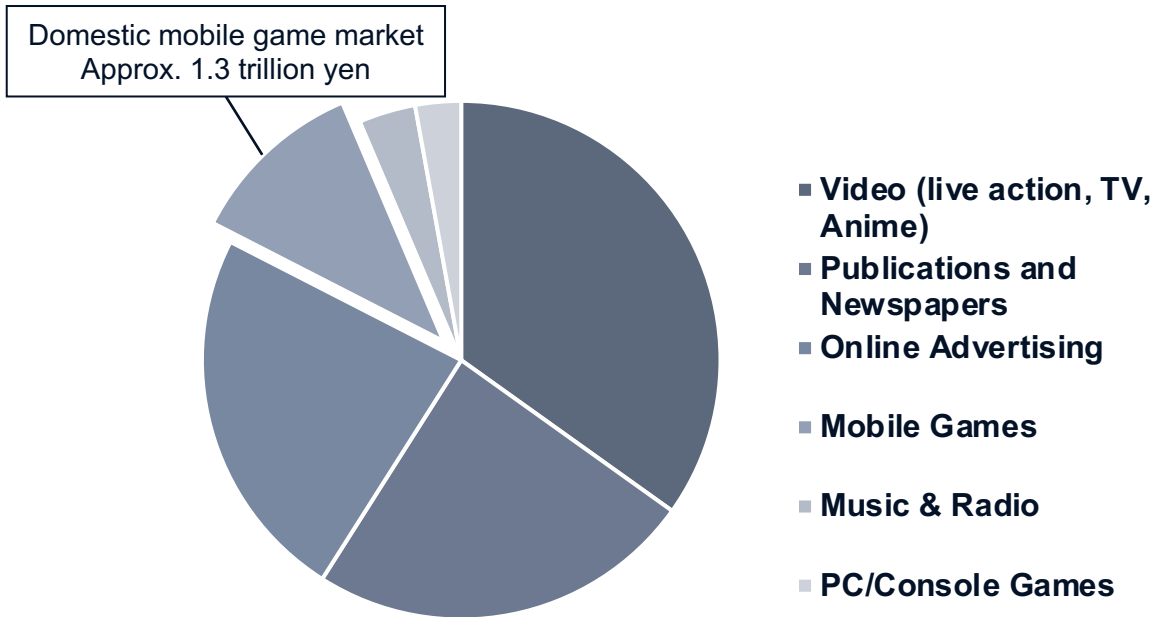
# The market to which we belong: Entertainment Content Market

Reframing the market in which our company operates as the entertainment content market.

In response to globally expanding opportunities in this market, we aim to become a company that provides entertainment content centered on IP x technology.

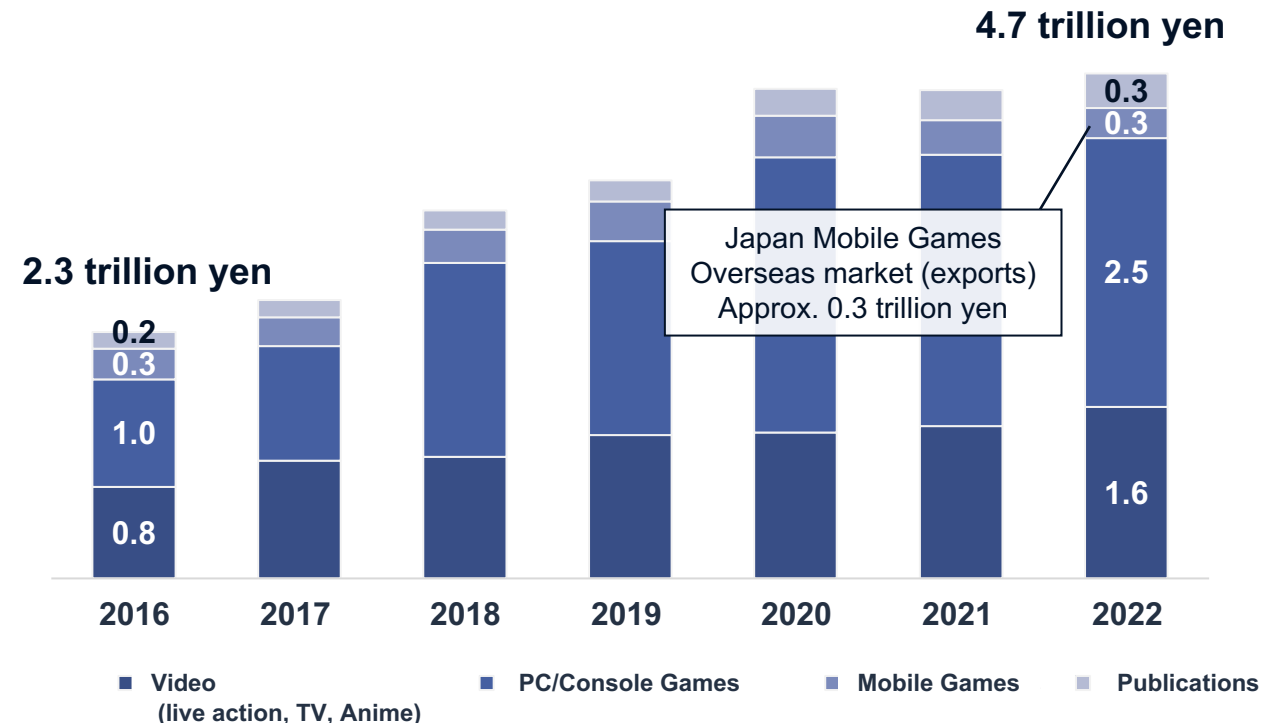
## Domestic Content Industry Market Size (2022)

Approx. 13.1 trillion yen



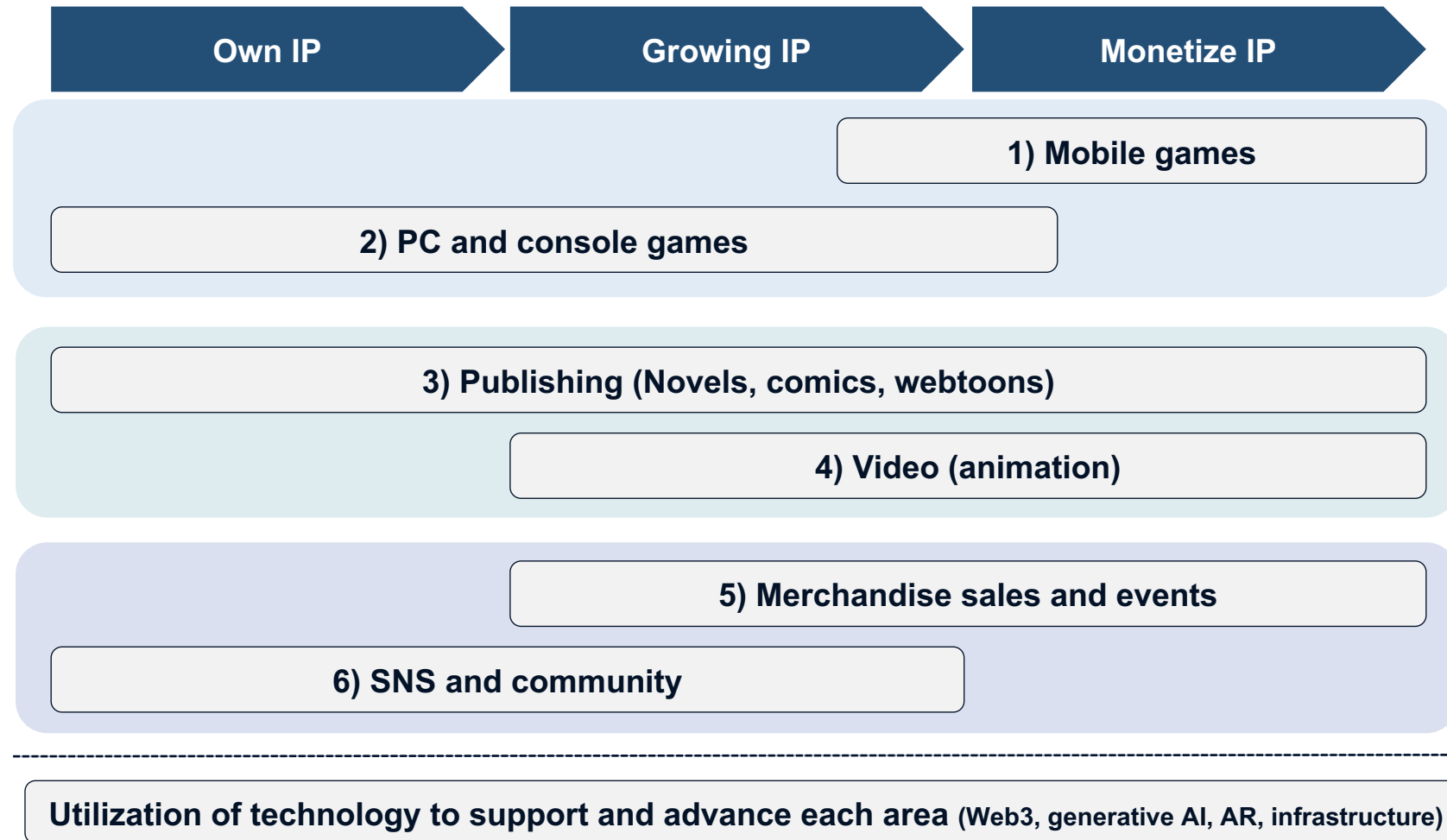
## Overseas market (export) size of Japanese content (2022)

Approx. 4.7 trillion yen



# Business Model of Entertainment Content Market and Objectives of Each Business

In the process of owning, developing, and monetizing IP, we have organized the positioning of each area according to the characteristics of each business. Then determine the business areas that our company should focus on in the medium term.



## Major Initiatives

- 1) Mobile games**
  - *Evil Prince and the Puppet*
  - *Wizardry Variants Daphne*
  - *Location-based IP titles*
- 2) PC and console games**
  - *Tokyo Stories*

- 3) Publishing (novels, comics, webtoons)**
  - Book publication of web and original novels
  - Comic adaptation of own novels
  - Original comic books and webtoons
- 4) Video (animation)**
  - Animation planning for in-house productions
  - Investment in production committees of other companies' works and front desk operation

- 5) Merchandise sales and events**
  - Selling goods of own IP/other IP
  - Holding events for IP fans
- 6) SNS and Community**
  - *Evil Prince and the Puppet*
  - *Tokyo Stories*

# Our Strengths and Competitive Advantages

In the entertainment content market, where opportunities are expanding, we will seize the moment, despite being a latecomer, leverage our strengths to enter the market, and aim for sustainable growth and increased corporate value.

## Strength 1

### ■ Leverage technology to create new experiences/markets/opportunities

- Quickly catch up and leverage new technology trends  
Blogging, online advertising, social games, AR, blockchain, generative AI, etc.

## Strength 2

### ■ More than 10 years of experience in IP content business

- Understanding the appeal of IP and developing content business for IP fans  
Development and long-term operation of many mobile games of popular and historical IPs

## Strength 3

### ■ Management Guidelines Focusing on Continuing Challenges

- Organizational knowledge from many challenges and failures since the foundation of the company  
Our management approach is to emphasize on not fearing a failure, taking on challenges, and quickly getting back on our feet if we stumble.

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# Summary of Forecasts for FY03/2025

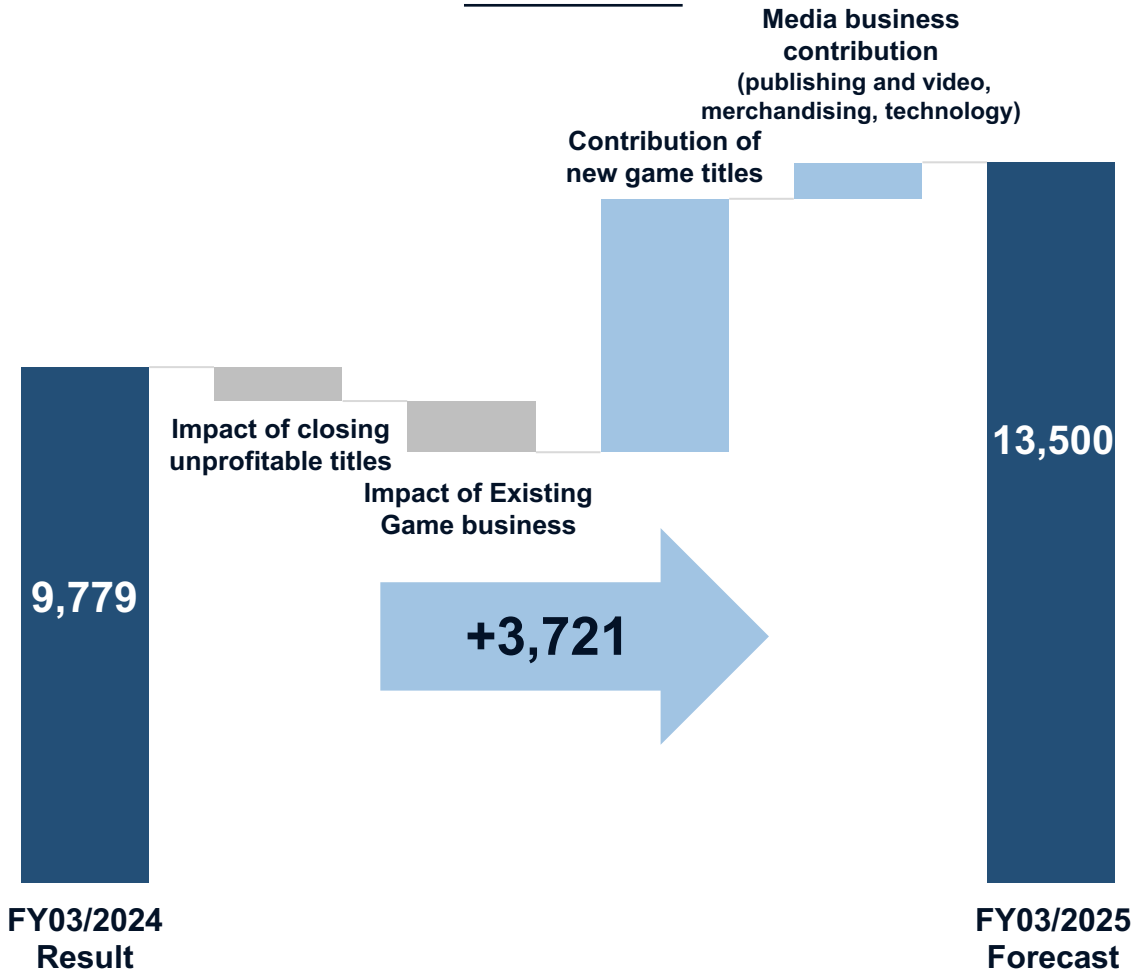
A year aimed at once again to level up the sales and profit foundation

FY03/2025			FY03/2024
(Millions of yen)	Full year	YoY	Result
Net sales	13,500	+38.0%	9,779
Variable cost	3,550	+124.3%	1,583
Fixed cost	8,950	+22.7%	7,293
Advertising expenses	890	+146.7%	361
R&D expenses	377	-4.6%	396
Depreciation and amortization	797	+450.7%	144
Game development costs recorded as assets*	-1,454	-30.5%	-2,093
Operating income	1,000	+10.7%	903
<i>Operating income ratio</i>	7.4%	-	9.2%
EBITDA* <sub>2</sub>	1,797	+71.6%	1,047
<i>EBITDA ratio</i>	13.3%	-	10.7%
Ordinary income	900	+13.5%	793
Net income attributable to shareholders of the parent company	400	+284.4%	104

# Analysis of full-year results forecast for FY 03/2025 versus previous fiscal year

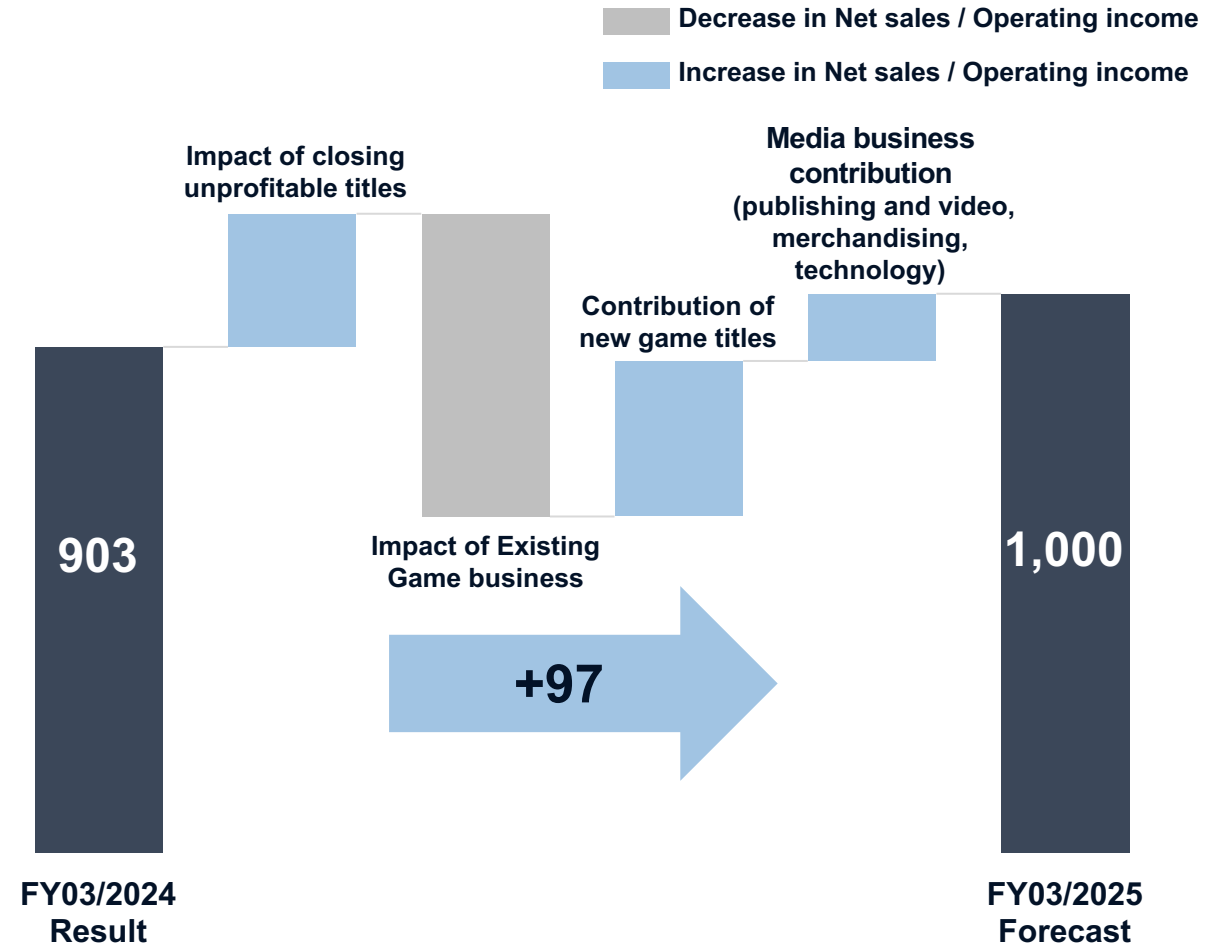
The company aims to increase sales and profits by releasing new titles and expanding the scale of each business area related to IP production. New titles are expected to contribute to profits mainly from FY2026 onward.

## Net sales



## Operating income

(Millions of yen)





# FY03/2025 Full-Year Results Approach

## Game business

### Existing:

- Unprofitable titles were withdrawn during the fiscal year ending March 31, 2024. Decrease in sales due to the closure of one other title and the termination of a contracted development project, etc.
- For long-term operational titles, stable profits were secured through continuous improvements and operational efficiency.

### New:

- **Three new mobile game titles to be released**
- *Evil Prince and the Puppet* and *Wizardry Variants Daphne* are self-distributed titles, so they will have a significant impact on sales.
- Due to the increase in operating costs, advertising expenses, software amortization, etc., following the release of each title, contribution to profit is expected to be mainly from FY03/2026 onward.
- Discussions are in progress with several companies regarding collaboration involving investment on a project-by-project basis, and the investment will be treated as a reduction of software assets at the time of release.
  - Plans to continue to develop multiple titles for PCs and consoles in small to medium scale.

## Media business

**Business operating expenses and R&D expenses are expected to increase as the scale of each business area expands.**

**Publication:** Continued publication of novels and comics, publication of works by popular authors, etc., with the aim of creating hit titles.

**Animation:** Planning to develop animated cartoon versions of our own works and to invest in animation production committees for other companies' works.

**Merchandise sales and events:** Expanding merchandise and exhibiting at events centered on the company's IP.

**Technology:** Plans include the operation of blockchain games and the use of generative AI to improve operational efficiency.

## Game business: Progress of three new titles to be distributed during this fiscal year

In the development of new titles since the previous fiscal year, more emphasis has been placed on pre-release verification and evaluation in user testing. Three new titles in the current fiscal year have been confirmed to perform well in CBT, and preparations for their release are underway.

**CBT(1)  
(private)**

**CBT(2)  
(Invitation only)**

**Pre-registration  
begins**

**Service launch**

***Evil Prince and the Puppet*  
Progress Status**

- Conducted at the end of 2023
- Improve issues based on results

- Conducted in March 2024
- Good results confirmed

- Starts at the end of April 2024
- Steady growth in registrations

- Scheduled for release on June 3, 2024

***Wizardry Variants Daphne*  
Progress Status**

- Conducted in spring 2023
- Improve issues based on results

- Conducted in October 2023
- Good results confirmed

- Additional development underway to expand post-operational content
- Release date to be announced soon

***Location-based IP Titles*  
Progress Status**

- Conducted in spring 2024
- Good results confirmed

- Implementation decided

## Game business: Impact of three new titles to be distributed during current fiscal year

Expenses associated with the release of the new product will make a small contribution to profit during FY2025, with profit contribution expected to start from FY2026 onward.

	FY03/2024	FY03/2025	FY03/2026	FY03/2027	Assumption
<b>Net sales</b>	-	<b>18-month contribution</b>	<b>36-month contribution</b>	<b>36-month contribution</b>	<ul style="list-style-type: none"> <li>• New titles for 18 months will contribute to the total in FY2025.</li> <li>• Three titles will contribute to the full year in FY2026 and beyond.</li> </ul>
<b>Variable cost</b>	-	More variable costs such as commissions paid compared to existing operational titles			<ul style="list-style-type: none"> <li>• For titles distributed in-house, a 30% platform fee is recorded as a variable cost.</li> <li>• In addition, revenue share and other payments are incurred depending on the title.</li> </ul>
<b>Fixed cost of operation</b>	-	<b>18 months booked</b>	<b>36 months booked</b>	<b>36 months booked</b>	<ul style="list-style-type: none"> <li>• Operational fixed costs increased from the month of release</li> </ul>
<b>Advertising expenses</b>	Prior period expenditures	<b>Expenditures just before/after release</b>	Expenditures in line with operational status		<ul style="list-style-type: none"> <li>• Expenditures will be made mostly in FY03/2025 when the first three titles are released, and thereafter, expenditures will be in line with operating conditions.</li> </ul>
<b>Software amortization expense</b>	-	<b>18 months booked</b>	<b>36 months booked</b>	<b>18 months booked</b>	<ul style="list-style-type: none"> <li>• The amount capitalized as "software in progress" during the development period is amortized over 24 months from the month of release.</li> <li>• Peak in FY03/2026</li> </ul>
<b>Operating income</b>	Negative impact of advertising expenses in pre-term	<b>Small contribution to profit due to advertising costs immediately before/after release</b>	<b>Increased profit contribution due to full-year sales contribution</b>	<b>Decrease in software amortization costs and increase in profit contribution</b>	<ul style="list-style-type: none"> <li>• <b>Low profit margin due to increased expenses in FY2025.</b></li> <li>• <b>Assumption is that sales of new products will make a full-year contribution from FY03/2026, and profit margins will improve.</b></li> </ul>

## Image of progress in the first quarter of FY03/2025

**Q1 (April-June): Anniversary event of mainstay title and release of one new in-house distributed title planned. Overall, the forecast is biased toward the second half of the fiscal year.**

### ■ Progress image in Q1

**Sales** : Anniversary events are scheduled to be held for mainstay titles.

New in-house distributed title *Evil Prince and the Puppet* to be released in June

**Operating income** : Expect an increase in advertising expenses for new titles

### Net sales

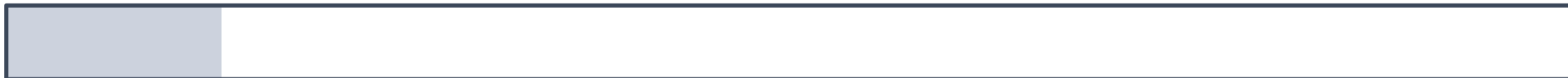
Full-year forecast: 13,500 million yen



Q1 Progress image

### Operating income

Full-year forecast: 1,000 million yen



Q1 Progress image

# Three years to scale up

We expect low profit margins in FY03/2025 due to expenses associated with the release of new products. Aim to achieve both growth and profit from FY2026 onward.

## FY03/2024

Sales: 9.7 billion yen  
 Operating income: 9.0 million yen  
 Operating income margin: 9.2%

+38% revenue growth

## FY03/2025

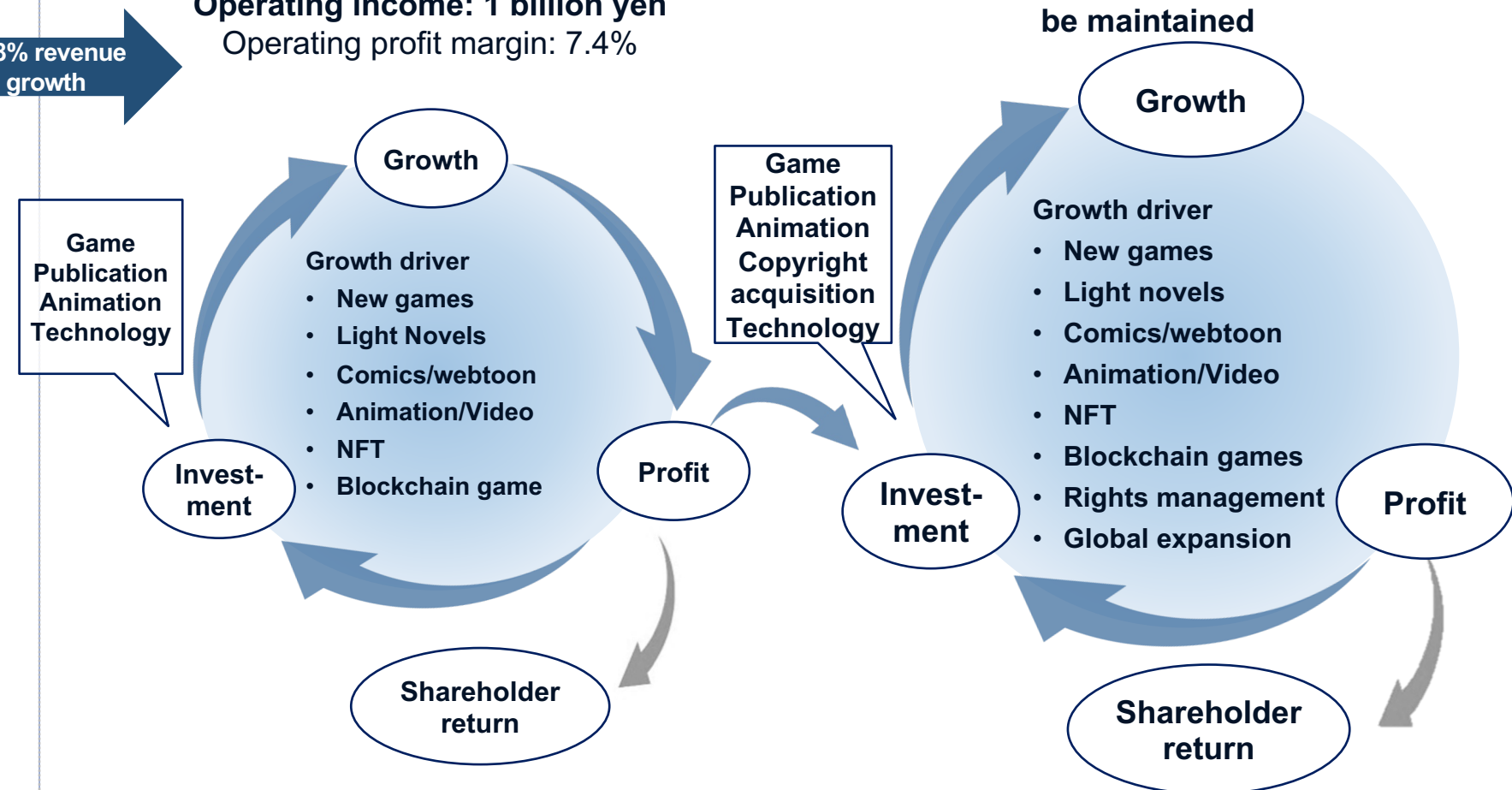
Sales: 13.5 billion yen  
 Operating income: 1 billion yen  
 Operating profit margin: 7.4%

## FY03/2026 – FY03/2027

Sales growth: CAGR 20% or more  
 Operating profit margin: 15% or more to be maintained

### A year of restructuring

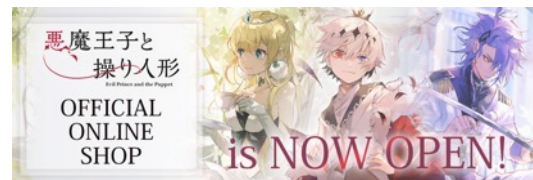
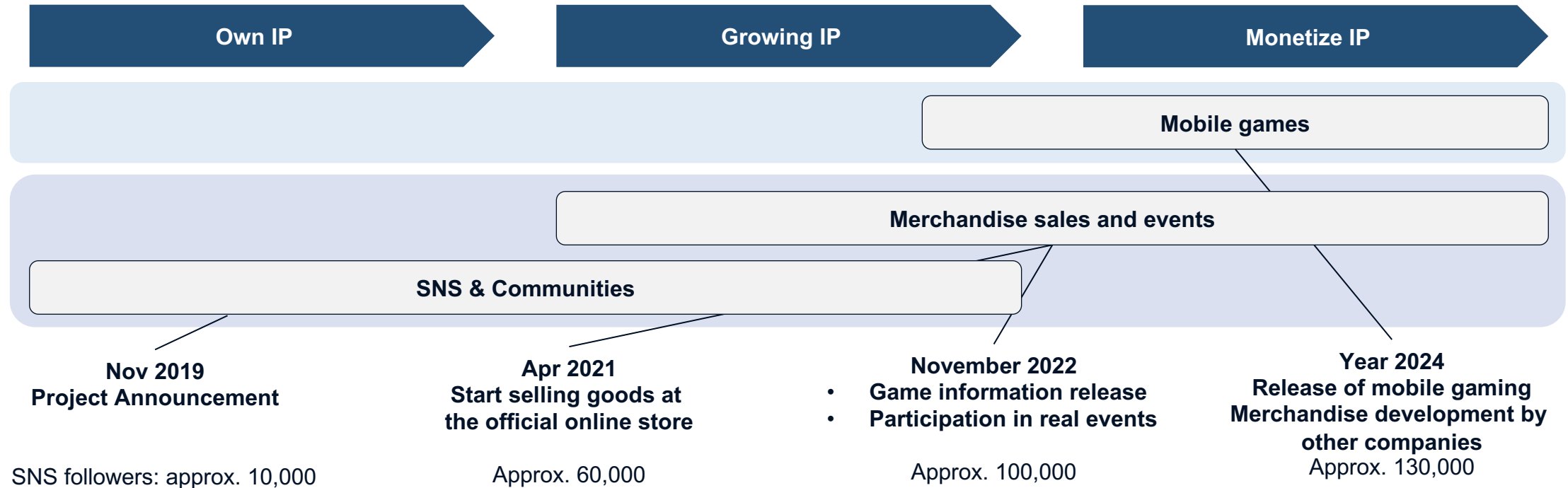
- Improve profitability of existing businesses
- Review of investment plans
- Company-wide cost reduction
- Collaboration with project-based investment



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# Status of developing own IP: *Evil Prince and the Puppet*

The company has been working to develop a fan community through SNS operations, nurture IP, and expand in various areas, including game development.

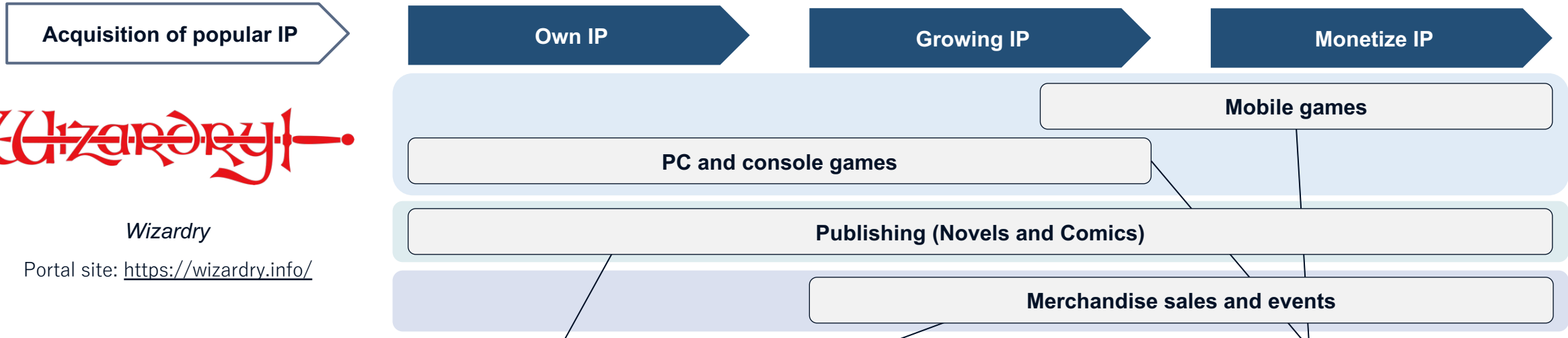




# Status of development of in-house IP: *Wizardry*

Acquire copyrights and trademarks of popular IPs and make them into in-house IPs, and then increase IP value through multimedia development.

In Q4, IP content is offered through merchandise sales and blockchain game distribution.



Wizardry

Portal site: <https://wizardry.info/>

From 1981

- First software released for PC
- Series development until around 2001

From 2009

- Gamepot acquired trademark rights
- Derivative series development

From 2020

- Drecom acquired trademark rights
- Mobile game development announced

From October 2022



*Blade & Bastard*  
(Novels and Comics)

From January 2024



Goods & Apparel

From 2024



*Eternal Crypt - Wizardry BC* -  
(Blockchain Gaming)



*Wizardry Variants Daphne*  
(Mobile Gaming)

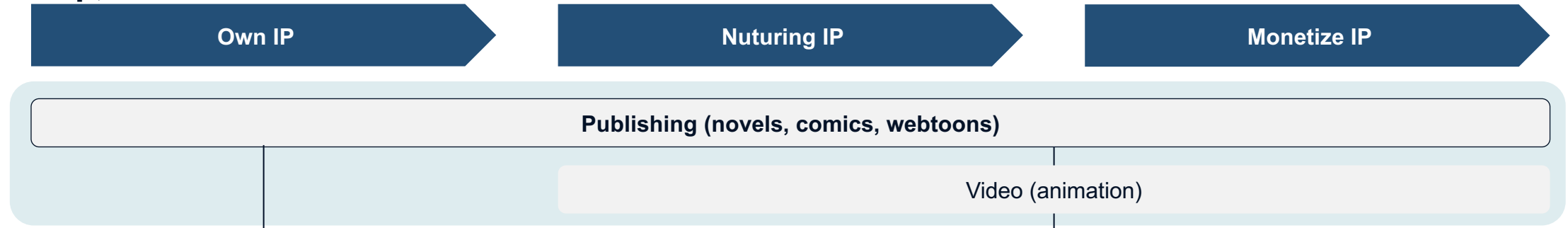
PC games by other companies (remakes and derivative works)  
 • *Wizardry: Proving Grounds of the Mad Overlord* \*Others



# Ownership and cultivation of own IP: Publishing and video business "Drecom Media"



## Book publication of web novels, comic book adaptation, and publication of original works to own, develop, and monetize IP.



Number of series (as of April 2024, with duplicates)

**Novell: 23 Series**

**Comics / webtoon: 10 series / 4 series**



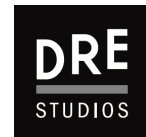
Continuously hold contests to discover leading artists and works



New initiative to judge only by plot  
The DRE Novels Hyper Plot Contest



- 99 times condemned looped daughter series sold more than 100,000 copies. Second work to sell over 100,000 copies after *BLADE & BASTARD*.



- Webtoon: Began distributing multiple works, including those co-produced with other companies.



Advance distribution on Piccoma  
*The Young Lords of Finlandz*.



Co-production with TV Tokyo  
*Revenge Presidential Guard*



Co-production with Korean studio Contents Lab. Blue Tokyo  
*The Savior's Survivor*

# Entertainment x Technology Area: Web3 and Generative AI

Initiatives aimed at leveraging technologies that have a high affinity with entertainment content and help advance each business. In Q4, Web3, blockchain, and generative AI initiatives progressed.

## Web3 - Blockchain



### ■ Development of Blockchain Game Using "Wizardry" IP

- INO to officially release in March 2024 after a pre-release period
- Experimental effort aimed at designing a token economy that is interesting and sustainable as a game, rather than play to earn
- **In-game currency (\$BC token) is already listed on two overseas exchanges. Aiming to expand domestic and overseas exchanges handling \$BC tokens in the future.**
- Marketing aspect is an issue. Aim for improvement by strengthening domestic and overseas partnerships and collaborating with IP and other web3 projects.

## Generative AI



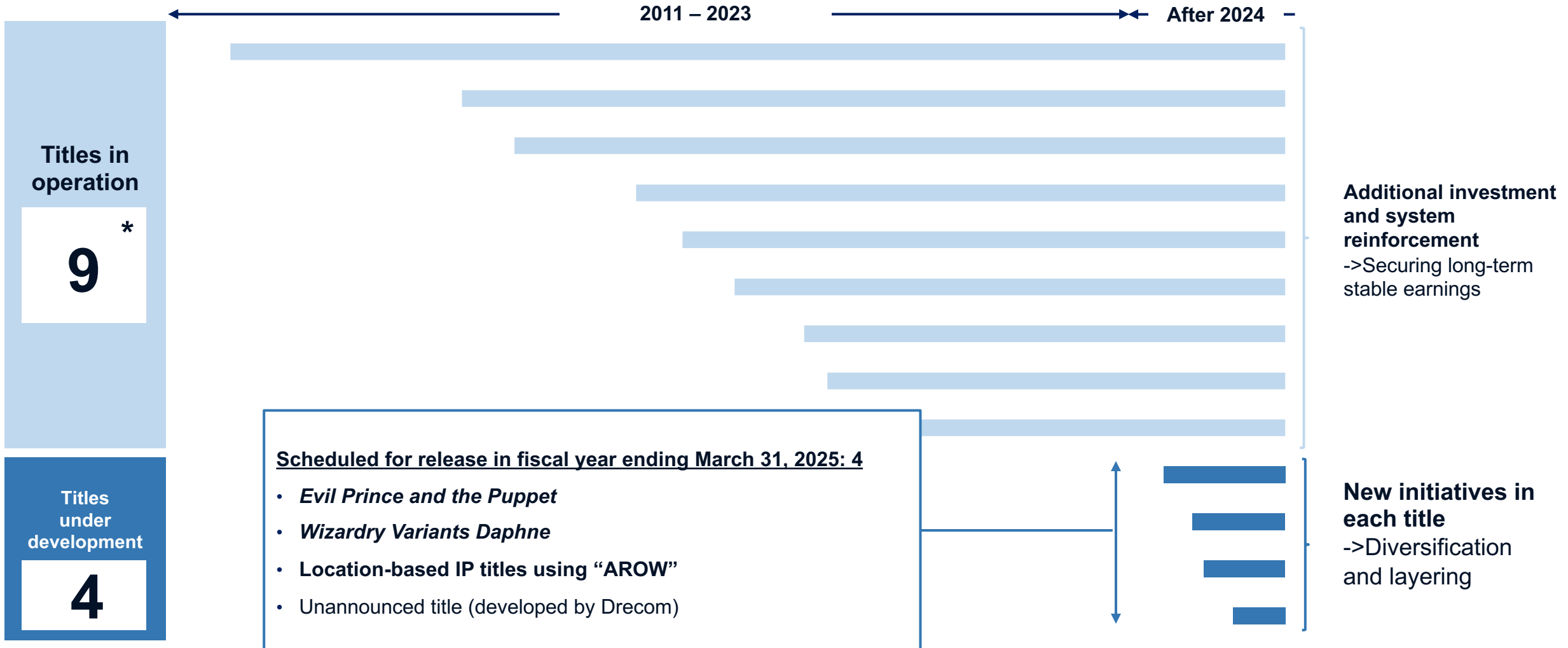
### ■ Beginning experiments using AI to improve operational efficiency and reduce costs

- Expand into areas such as translation, text generation, image processing, and customer support
- Aiming to reduce man-hours onsite by accumulating/relearning internal data and optimizing output for each content, based on the premise of a secure environment that prevents data leakage outside the company.

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# Game business: Pipeline of operational and development titles

Operational titles will undergo additional investment and strengthening of systems to ensure long-term revenue. We aim for diversification and layering through the release of new titles.



\* Series titles and titles developed overseas are counted as one title. Titles for PC and consoles are not included.

## Game business: Pipeline of operational and under development titles

Business	Status	Definition	Number of projects	Details	
Game	Operation	Titles in operation	9 *	<ul style="list-style-type: none"> <li>➤ Other company distribution: 4 titles</li> <li>➤ In-house distribution: 5 titles</li> </ul>	
	Development	Commercialized development	Titles under development with prospect for release	4	<ul style="list-style-type: none"> <li>• <i>Evil Prince and the Puppets</i> -&gt; Dark fantasy adventure</li> <li>• <i>Wizardry Variants Daphne</i> -&gt; 3D dungeon RPG</li> <li>• Location-based IP titles using “AROW”</li> <li>• Unannounced title (developed by Drecom Co., Ltd.)</li> </ul>
			Titles for Smartphones		
			Titles for PC and consoles	2	<ul style="list-style-type: none"> <li>• Tokyo Stories -working title-</li> <li>• Unannounced title</li> </ul>
	Prototype	Pre-development stage title in works	Several	<ul style="list-style-type: none"> <li>➤ Multiple projects in progress</li> </ul>	

\* Series titles and titles developed overseas are counted as one title. “Blockchain games” are not included.



# Title for PC and Consoles: *Tokyo Stories*

An initiative to develop original titles for PCs and consoles on outright purchase basis

Highly regarded internationally, X has over 100,000 followers

## *Tokyo Stories -working title-*

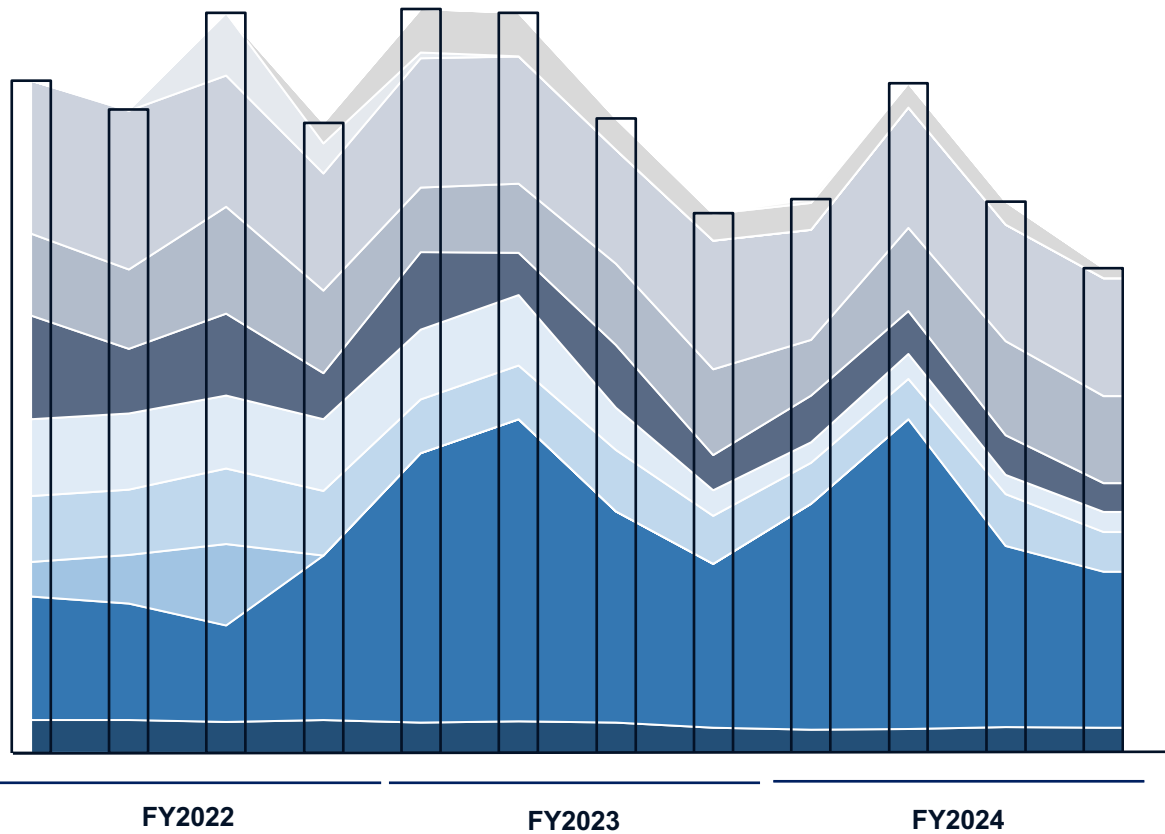


- **Genre:** Adventure
- **Compatibility:** PC (Steam) / Console (platform to be determined)
- **Release date:** Undecided
- **Price:** Undecided
- **Planning/Development/Sales:** Drecom Co., Ltd.
- **Country of distribution:** Worldwide (Japan and overseas)
- **Language:** Undecided
- **Copyright Notice:** ©Drecom Co, Ltd.

# Revenue status of titles in operation (by release date)

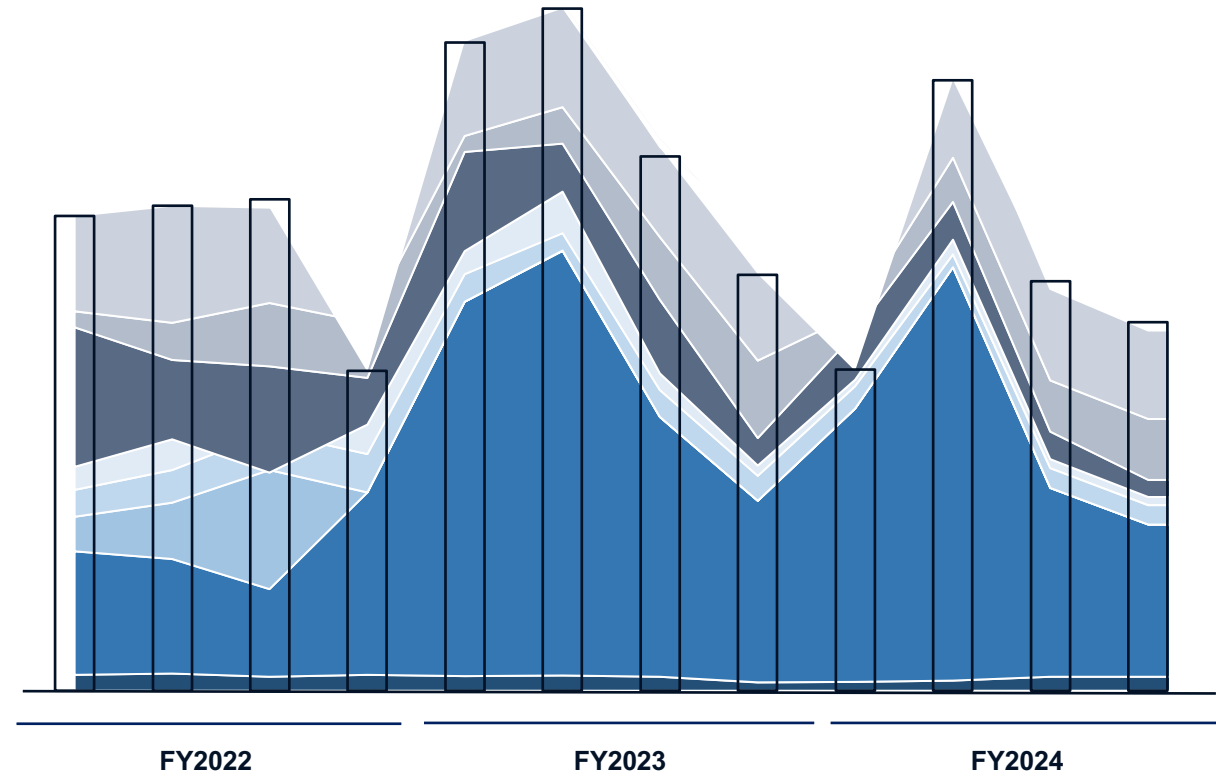
Total sales of titles under operation

■ 2011 ■ 2014 ■ 2015 ■ 2016 ■ 2017 ■ 2018 ■ 2019 ■ 2020 ■ 2021 ■ 2022 ■ 2023



Total business profit transition of titles under management

■ 2011 ■ 2014 ■ 2015 ■ 2016 ■ 2017 ■ 2018 ■ 2019 ■ 2020 ■ 2021 ■ 2022 ■ 2023



\*Please refer to fact sheet posted on our website for consolidated business performance trends, cost of sales, SG&A expenses, and game business billing sales trends.

# Game titles in operation

Game title	Distributor	Service start date
<i>Chokotto Farm</i>	Drecom Co., Ltd.	Jan 2011
<i>ONE PIECE Treasure Cruise</i>	BANDAI NAMCO Entertainment Inc.	May 2014
<i>BOKU &amp; DRAGONS</i>	studiorex Co., Ltd. *	Feb 2015
<i>Derby Stallion: Masters</i>	Drecom Co., Ltd.	Nov 2016
<i>Everybody's Golf</i>	Forward Works Corporation	Jul 2017
<i>THE IDOLM@STER SHINY COLORS</i>	BANDAI NAMCO Entertainment Inc.	Apr 2018
<i>NEKO &amp; DRAGONS</i>	studiorex Co., Ltd.*	Apr 2019
<i>Super Robot Wars DD</i>	BANDAI NAMCO Entertainment Inc.	Aug 2019
<i>Disgaea: Hour of Darkness RPG</i>	Drecom Co., Ltd.	Nov 2019

\* studiorex, Co., Ltd. joined our group in March 2020.



**For trends in consolidated financial results, cost of sales/ SG&A expenses, and sales of game business billing,  
Please see the fact sheet posted on our website.**

**[https://drecom.co.jp/ir/factsheet\\_202403Q4.pdf](https://drecom.co.jp/ir/factsheet_202403Q4.pdf)**



**Among the perceptions, strategies, plans, described in this document, the outlook is not a historical fact but contains uncertain elements. Actual results may differ materially from those in the forward-looking statements for a number of reasons. Important factors that may affect actual business results include, but are not limited to, economic conditions surrounding our business, social trends, and changes in relative competitiveness due to demand trends for the services we provide.**