



Consolidated financial results for the First quarter of the fiscal year Ending March 31, 2025
(Under Japanese GAAP)

July 30, 2024

Listed company name: Drecom Co., Ltd.
 Listing: Tokyo Stock Exchange
 Code number: 3793
 URL: <https://drecom.co.jp/>
 Representative: Representative Director: Yuki Naito
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 Scheduled start date to commence dividend payments: -
 Preparation of supplementary materials on quarterly financial results: Yes
 Holding of quarterly financial results briefings: Yes

(Rounded down to nearest million yen)

1. Consolidated Financial Results for the three months ended June 30, 2024 (From April 1, 2024 to June 30, 2024)

(1) Consolidated operating results (cumulative)

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

	Net sales		Operating Income		Ordinary income		Attributable to owners of parent quarterly net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Three months ended								
June 30, 2024	2,122	-9.5	-67	-	-88	-	-153	-
June 30, 2023	2,346	-19.8	8	-99.0	2	-99.7	-441	-

Note: Comprehensive income For the three months ended June 30, 2024 -¥131 million (-%)
 For the three months ended June 30, 2023 -¥439 million (-%)

	Quarterly Net earnings per share	Quarterly Diluted net earnings per share
Three months ended	Yen	Yen
June 30, 2024	-5.37	-
June 30, 2023	-15.50	-

(2) Consolidated financial condition

	Total Assets	Net Assets	Equity-to-asset ratio	Net assets per share
Three months ended	Million yen	Million yen	%	Yen
June 30, 2024	13,776	5,542	39.9	192.08
Fiscal year ended				
March 31, 2024	14,148	5,668	39.7	196.29

Reference: **Equity capital** As of June 30, 2024 ¥5,498 million
 As of March 31, 2024 ¥5,615 million

2. Cash dividends

	Annual dividends				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
Fiscal year ended	JPY	JPY	JPY	JPY	JPY
March 31, 2024	-	0.00	-	0.00	0.00
March 31, 2025	-	-	-	-	-
March 31, 2025 (Forecast)	-	0.00	-	-	-

Note: Revision to the forecast of cash dividends most recently announced: None
The year-end dividend forecast for March 2025 has not yet been determined.

3. Forecast of consolidated financial results for the fiscal year ending March 31, 2025 (April 1, 2024 - March 31, 2025)

(% increase or decrease from the 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, 2025	13,500	38.0	1,000	10.7	900	13.5	400	284.4	13.98

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

*Notes

(1) Significant changes in the scope of consolidation during the period: None

New -, (Company name) -, Exclusion -, (Company name) -

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

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

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

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

(iii) Changes in accounting estimates: None

(iv) Retrospective restatement: None

(4) Number of issued shares (common shares)

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

As of June 30, 2024	29,244,108 shares
As of March 31, 2024	29,224,108 shares

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

As of June 30, 2024	615,695 shares
As of March 31, 2023	615,695 shares

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

Three months ended June 30, 2024	28,624,457 shares
Three months ended June 30, 2023	28,506,875 shares

Note: 581,600 shares of the Company's stock (5,816 voting rights) held by The 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.

*Review of the accompanying quarterly consolidated financial statements by a certified public accountant or auditing firm: None

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

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

(How to obtain supplementary explanatory materials for financial results)

The Company is scheduled to hold a financial results briefing for institutional investors and analysts on July 30, 2024.

The financial results presentation materials to be distributed at this briefing will be posted on the company's website immediately after the briefing.

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1. Qualitative information on consolidated financial results for the first quarter ended June 30, 2024

(1) Explanation of business results

The Group's raison d'etre is "with entertainment" and our goal is to continue to create services that exceed people's expectations. We also strive to create value that has never existed before and deliver experiences that captivate users. In the medium term, we aim to become a comprehensive entertainment company that provides a wide variety of entertainment centered on IP and technology and to achieve sustainable growth and increase 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 content business, we publish and sell novels, comics, and other books and e-books with the aim of owning and nurturing IP. We are also experimentally launching new services that utilize our knowledge of Internet services and advanced technologies and are conducting trials toward commercialization.

For the first three months of the fiscal year under review, the Company reported net sales of 2,122,621 thousand yen (down 9.5% year-on-year), operating loss of 67,786 thousand yen (operating income of 8,487 thousand yen for the same period last year), ordinary loss of 88,452 thousand yen (ordinary income of 2,328 thousand yen for the same period last year) and net loss attributable to shareholders of the parent company of 153,628 thousand yen (net loss attributable to shareholders of the parent company of 441,807 thousand yen for the same period last year). Net loss attributable to owners of the parent was 153,628 thousand yen (net loss attributable to owners of the parent of 441,807 thousand yen for the same period last year).

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

Game Business

In the game business, we released a new in-house distributed title, *Evil Prince and the Puppet*. The number of mobile game titles in operation now stands at 10 titles, and the Company is earning stable revenues from several titles.

Net sales decreased from the same period of the previous year due to the termination of contracted development projects, the impact of titles closed in the previous fiscal year, and the fact that some titles in operation fell below the level of the previous year.

Profit increased compared to the same period last year, despite a decline in revenue and higher expenses from releasing a new in-house distributed title in the first quarter. This growth was primarily driven by the closure of two unprofitable titles in the previous fiscal year, which more than offset these challenges.

As a result, segment sales amounted to 2,034,614 thousand yen (down 10.3% year-on-year), and segment profit amounted to 254,262 thousand yen (up 7.7% year-on-year). In this segment, our core business, we will continue to strive to maintain stable earnings from titles in operation and aim to increase sales and profits through contributions from new titles to be released in the future.

Content business

In the content business, while focusing on owning, nurturing, and monetizing IP through our publishing and video ventures, we have been consistently releasing works under the light novel label "DRE Novels" and the comic label "DRE Comics" on a monthly basis. In addition, utilizing our knowledge of Internet services and advanced technologies, we are developing new businesses in the Web3 domain and providing "Roooot" and "Fanflu," fan marketing support services utilizing SNS, and "Mx.Load," a load testing service.

Net sales increased year-on-year as we started publishing "DRE Comics" last fall in addition to "DRE Novels" and have been able to produce several popular titles exceeding 100,000 copies in total for the series.

As for profits, losses increased from the same period of the previous fiscal year due to ongoing cost overruns as the company invests in new business areas such as publishing, video, and Web3.

As a result, segment sales amounted to 90,906 thousand yen (up 17.6% year-on-year) and segment loss amounted to 322,049 thousand yen (segment loss of 227,531 thousand yen in the same period last year). In this segment, we will continue to make investments to realize our mid-term goal.

Looking ahead, in the game business, in order to create a stronger business foundation, we will strive to secure long-term stable earnings through additional investment in titles under operation and reinforcement of the system, as well as to achieve sales growth through the release of new titles and diversification and layering of revenue sources. In the game business, we will also develop original titles for PCs and consoles with the aim of owning and nurturing IP.

In the content business, the Company aims to grow the business initiated with the objective of owning, nurturing and monetizing IP to a certain scale. In addition, we will actively promote the use of advanced technologies that create new experiences and markets.

(Note) Effective from the first quarter of the current fiscal year, the reporting segment name "Media Business" has been changed to "Content Business. This change in segment name has no impact on segment information.

(2) Explanation of financial position

(Assets)

Current assets at the end of the first quarter of the current consolidated fiscal year totaled 7,544,617 thousand yen, a decrease of 822,246 thousand yen from the end of the previous consolidated fiscal year. This was mainly due to a decrease of 856,840 thousand yen in cash and deposits. Noncurrent assets totaled 6,232,004 thousand yen, an increase of 450,445 thousand yen from the end of the previous fiscal year. This was mainly due to a 751,714 thousand yen increase in software and a 306,778 thousand yen decrease in software in progress.

As a result, total assets amounted to 13,776,621 thousand yen.

(Liabilities)

Current liabilities at the end of the first quarter of the current consolidated fiscal year totaled 3,739,575 thousand yen, an increase of 191,475 thousand yen from the end of the previous consolidated fiscal year. This was mainly due to a 12,899 thousand yen increase in accounts payable-trade and a 46,653 thousand yen increase in accounts payable-other. Noncurrent liabilities amounted to 4,494,416 thousand yen, down 437,782 thousand yen from the end of the previous fiscal year. This was mainly due to a decrease of 434,650 thousand yen in long-term loans payable.

As a result, total liabilities amounted to 8,233,991 thousand yen.

(Net assets)

Total net assets as of June 30, 2024 amounted to 5,542,629 thousand yen, a decrease of 125,494 thousand yen from the end of the previous fiscal year. This was mainly due to the net loss attributable to parent company shareholders of 153,628 thousand yen.

As a result, the equity ratio was 39.9% (39.7% at the end of the previous consolidated fiscal year).

2. Quarterly consolidated financial statements and key notes

(1) Quarterly consolidated balance sheet

(Unit: thousand yen)

	Fiscal year ended March 31, 2024	Three months ended June 30, 2024
Assets		
Current assets		
Cash and deposits	5,937,126	5,080,286
Accounts receivable	1,657,924	1,644,111
Goods	7,990	7,031
Work in progress	44,689	51,667
Prepaid expenses	155,917	168,257
Other	563,215	593,263
Total current assets	8,366,863	7,544,617
Fixed assets		
Tangible fixed assets		
Buildings	191,229	191,229
Accumulated depreciation	-48,741	-53,122
Buildings, net	142,488	138,106
Tools, furniture and fixtures	87,906	87,831
Accumulated depreciation	-68,350	-69,592
Tools, furniture and fixtures, net	19,555	18,239
Leased assets	7,232	7,232
Accumulated depreciation	-4,207	-4,482
Lease assets, net	3,025	2,750
Total tangible fixed assets	165,068	159,095
Intangible fixed assets		
Software	18,279	769,994
Software in progress	4,359,472	4,052,693
Total intangible fixed assets	4,377,751	4,822,688
Investments and other assets		
Investments in securities	69,926	69,926
Deferred tax asset	650,038	599,198
(Security) deposit	199,404	199,404
Other	319,369	381,691
Total investments and other assets	1,238,738	1,250,220
Total fixed assets	5,781,559	6,232,004
Total assets	14,148,422	13,776,621

(Unit: thousand yen)

	Fiscal year ended March 31, 2024	Three months ended June 30, 2024
Liabilities		
Current liabilities		
Accounts payable	329,599	342,498
Short-term debt	100,000	100,000
Current portion of long-term debt	1,743,850	1,743,850
Lease obligations	1,281	1,281
Accounts payable - other	604,044	650,698
Accrued income taxes	61,235	3,080
Allowance for bonuses	86,949	41,478
Other	621,140	856,688
Total current liabilities	3,548,100	3,739,575
Fixed liabilities		
Long-term debt	4,627,300	4,192,650
Lease obligations	2,243	1,922
Asset retirement obligations	100,000	100,000
Other	202,655	199,843
Total long-term liabilities	4,932,198	4,494,416
Total liabilities	8,480,298	8,233,991
Total net assets		
Capital stock		
Capital stock	1,842,360	1,850,320
Capital surplus	2,099,521	2,107,481
Retained earnings	1,926,096	1,772,468
Treasury stock	-259,894	-259,894
Total shareholders' equity	5,608,084	5,470,376
Accumulated other comprehensive income		
Net unrealized gains (losses) on available-for-sale securities, net of taxes	6,611	27,614
Foreign currency translation adjustments	790	1,008
Total accumulated other comprehensive income	7,402	28,623
Subscription warrant	49,067	42,357
Noncontrolling interest	3,570	1,273
Total net assets	5,668,124	5,542,629
Total liabilities and net assets	14,148,422	13,776,621

(2) Quarterly consolidated statements of income and quarterly consolidated comprehensive income statements

Quarterly consolidated statement of income

(Cumulative period for consolidated first quarter, three months ended June 30, 2024)

(Unit: Thousand yen)

	Three months ended June 30, 2023 (April 1, 2023 to June 30, 2023)	Three months ended June 30, 2024 (April 1, 2024 to June 30, 2024)
Net sales	2,346,198	2,122,621
Cost of sales	1,662,472	1,498,695
Gross profit	683,726	623,925
Selling, general and administrative expenses	675,238	691,712
Operating income	8,487	-67,786
Non-operating income		
Interest income	0	2
Dividends received	2,979	-
Gain on investment in capital	3,345	-
Other	76	38
Total non-operating income	6,401	40
Non-operating expenses		
Interest expense	10,666	18,981
Fees and commissions	644	996
Foreign exchange loss	-	156
Other	1,250	571
Total non-operating expenses	12,560	20,706
Ordinary income	2,328	-88,452
Extraordinary loss		
Impairment loss	416,328	-
Total extraordinary loss	416,328	-
Income (loss) before income taxes and minority interests	-413,999	-88,452
Corporate, inhabitant and enterprise taxes	19,942	22,959
Income taxes-deferred	7,038	41,571
Total income taxes	26,980	64,530
Quarterly Net income (loss)	-440,980	-152,983
Net income attributable to noncontrolling interests	827	644
Net income (loss) attributable to owners of the parent	-441,807	-153,628

Consolidated quarterly statements of comprehensive income

(Cumulative period for consolidated first quarter, three months ended June 30, 2024)

(Unit: Thousand yen)

	Three months ended June 30, 2023 (April 1, 2023 to June 30, 2023)	Three months ended June 30, 2024 (April 1, 2024 to June 30, 2024)
Quarterly Net income (loss)	-440,980	-152,983
Other comprehensive income		
Net unrealized gains (losses) on available- for-sale securities, net of taxes	1,977	21,002
Foreign currency conversion adjustments	-3	218
Total other comprehensive income	1,973	21,220
Comprehensive income	-439,006	-131,762
(Breakdown)		
Comprehensive income attributable to owners of the parent	-439,834	-132,407
Comprehensive income attributable to noncontrolling interests	827	644

(3) Notes on quarterly consolidated financial statements

(Notes on going concern assumptions)

Nothing applicable.

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

Nothing applicable.

(Notes to Quarterly Consolidated Statements of Cash Flows)

Quarterly consolidated statements of cash flows for three months ended June 30, 2024 have not been prepared.

Depreciation and amortization (including amortization related to intangible assets) for three months ended June 30, 2024 is as follows,

	Three months ended June 30, 2023 (April 1, 2023 to June 30, 2023)	Three months ended June 30, 2024 (April 1, 2024 to June 30, 2024)
Depreciation and amortization	73,989 thousand yen	39,406 thousand yen

(Information by Segment)

Segment information

I. Previous three months ended, from April 30, 2023 to June 30, 2023, consolidated period

1. Information on the sales, profits or losses per reporting segment

(Unit: Thousand yen)

	Reporting Segment			Adjustment	Quarterly consolidated income statement amount
	Game business	Content Business	Total		
Sales					
Sales to external customers	2,268,870	77,328	2,346,198	-	2,346,198
Sales or transfers inside or between segments	-	-	-	-	-
Total	2,268,870	77,328	2,346,198	-	2,346,198
Segment profit or Loss	236,019	-227,531	8,487	-	8,487

Note: Segment income or loss (-) is the same as operating income in the quarterly consolidated statements of income.

2. Information on Impairment Losses on Noncurrent Assets by Reportable Segment

Impairment losses were recorded in the "Game business" segment. The amount of impairment loss recorded was 416,328 thousand yen for three months ended June 30, 2024.

II. Three months ended, from April 1, 2024 to June 30, 2024, consolidated period

1. Information on the sales, profits or losses per reporting segment

(Unit: Thousand yen)

	Reporting Segment			Adjustment	Quarterly consolidated income statement amount
	Game business	Content Business	Total		
Sales					
Sales to external customers	2,034,614	88,006	2,122,621	-	2,122,621
Sales or transfers inside or between segments	-	2,900	2,900	-2,900	-
Total	2,034,614	90,906	2,125,521	-2,900	2,122,621
Segment profit or Loss	254,262	-322,049	-67,786	-	-67,786

Note: Segment income or loss (-) is the same as operating income in the quarterly consolidated statements of income.

2. Information on impairment losses related to fixed assets per reporting segment

Nothing applicable.

3. Matters related to changes in reportable segments

(Change in the name of reportable segment)

Effective from the first quarter of Fiscal year ended March 31, 2025, the name of the reportable segment that had been "Media Business" has been changed to "Content Business. This change is a change in segment name and has no impact on segment information. The segment information for the first quarter of Fiscal year ended March 31, 2024 is also presented under the new name.

(Significant subsequent events)

Not applicable