

First quarter of fiscal year ended March 31, 2025
Financial Results Presentation Materials



DRECOM[®]
with entertainment

Drecom Co., Ltd.
July 30, 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_202503Q1.pdf

**Q1
FY03/2025
(April-June)
Actual**

**Sales of new titles are lower than expected. Currently in operation while improving issues.
Existing mainstay titles will make a stable contribution to earnings through anniversary events.**

- Sales 2,122 million yen(-9.5% YoY)
- Operating loss -67 million yen(vs. operating income of 8 million yen in the same period last year)
- EBITDA*1 -28 million yen(vs. EBITDA of 82 million yen in the same period last year)
- Ordinary loss -88 million yen(vs. Ordinary income of 2 million yen in the same period last year)
- Net loss*2 -153 million yen(vs. Net loss of -441 million yen in the same period last year)

**Forecast for
FY03/2025**

**A year to raise sales and profit base.
Despite the increasing difficulty of achieving the earnings forecast, there is no change at
this time because two new products are scheduled for the second half of the year.**

- Consolidated full-year forecasts (announced on 05/13/2024):
- Sales 13,500 million yen (+38.0% YoY) Operating income 1,000 million yen (+10.7% YoY)
- EBITDA*1 1,797 million yen (+71.6% YoY) Ordinary income 900 million yen (+13.5% YoY)
- Net income*2 400 million yen (+284.4% YoY)

**Medium-
Term Goals**

**Continue efforts to become a global provider of entertainment content based on
IP x technology**

1. Review of Q1 (Apr-Jun) FY03/2025

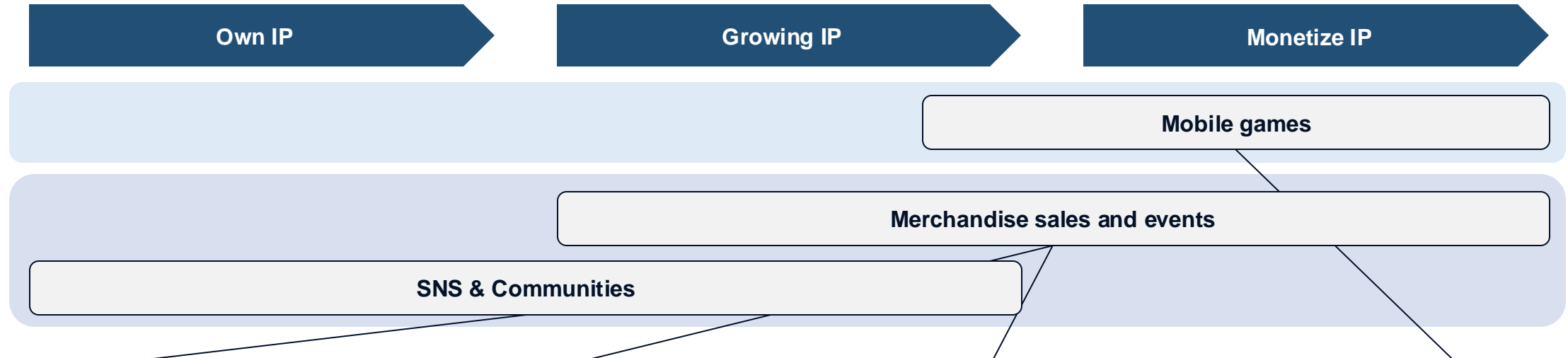
2. Forecast for FY03/2025

3. Medium-Term Goals

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New title *Evil Prince and the Puppet* to be released on June 3

The company has been working to develop a fan community through SNS operations, nurture IP, and expand in various areas, including game development. The game will be released on June 3, 2024. Real events will be held and goods will be sold at the company/other companies.



SNS

- Nov 2019 project announcement
- SNS community building



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Events

- Real events such as exhibiting at AGF* and holding fan meetings



*: Abbreviation for "Animate Girls Festival," an annual autumn event held in Ikebukuro, Tokyo.

Goods

- Merchandise development by the company/other companies
- New official online store at "DRECOM SHOP"



Mobile game

- Released on June 3, 2024



Summary of business results first quarter of FY03/2025

Sales of *Evil Prince and the Puppet* fell short of expectations. Expenses increased with the release. Existing mainstay titles will make a stable contribution to earnings by implementing anniversary events.

FY03/2025	
(Unit: millions of yen)	Q1 (Apr-Jun)
Net sales	2,122
Operating income	-67
<i>Operating profit ratio</i>	-
EBITDA*	-28
<i>EBITDA Margin</i>	-
Ordinary income	-88
Net income (loss) attributable to shareholders of the parent company	-153

FY03/2024			
Q1 (Apr-Jun)	YoY	Q4 (Jan-Mar)	QoQ
2,346	-223	2,141	-18
8	-76	113	-181
0.4%	-	5.3%	-
82	-110	132	-160
3.5%	-	6.2%	-
2	-90	63	-152
-441	+288	6	-160

Topics of each business first quarter of FY03/2025

Game business

Sales of the new title *Evil Prince and the Puppet* are below expectations

- Issues such as in-game billing design are assumed to be the cause.
- The "persistence rate," a key priority confirmed during the CBT, is strong. The game is currently operating while we continue to refine tasks.
- Continue to promote IP goods and real-life events.

Existing titles under management continue to generate stable earnings

- Stable contribution to earnings from anniversary events, centered on mainstay titles.

Content business*

Publishing/Image Area: Monthly publication of light novels and comics (paperback/e-book)

- Published the third volume of comics of mainstay work *BLADE & BASTARD*.
- Romance fantasy works performed well mainly in e-comics, contributing to segment sales.

Merchandise sales area: Expand product lineup of own IP and other companies IP, and sell on in-house e-commerce site

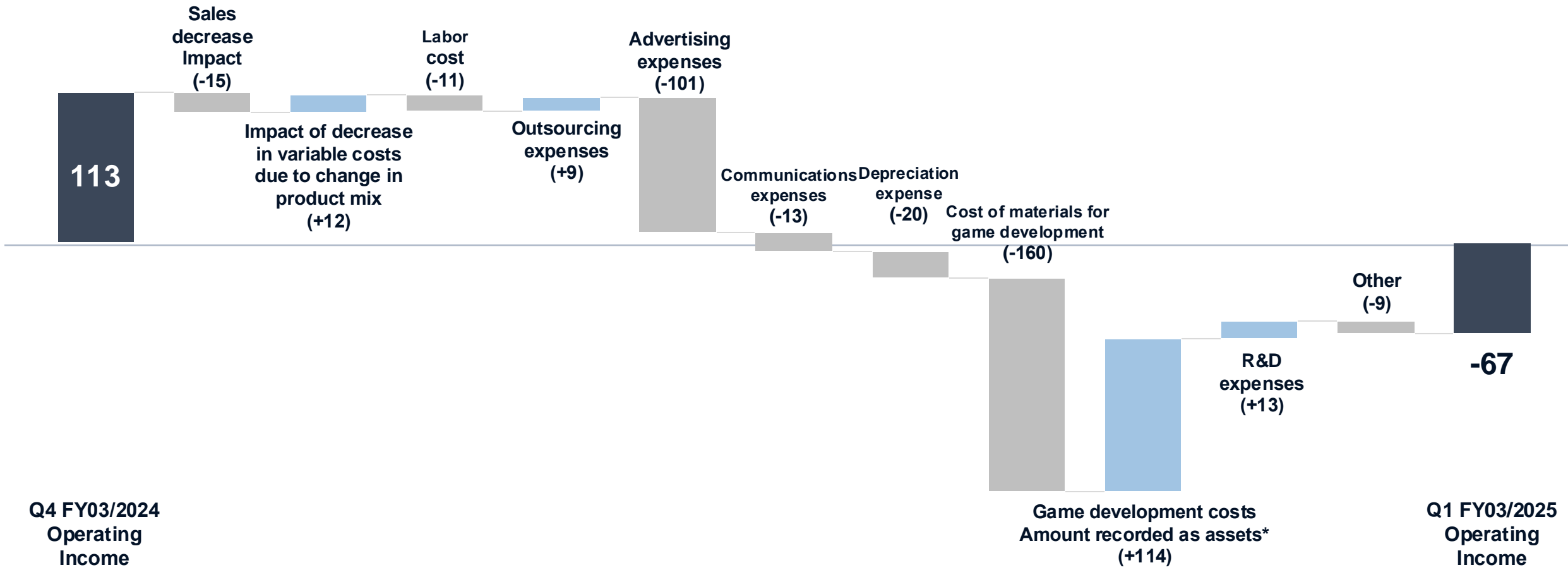
- Developed merchandise for *Wizardry*, *Evil Prince and the Puppet*.

Q1 FY03/2025 Operating income (QoQ comparison, by expense)

Net Sales were about the same level as the previous quarter. Profit decreased due to an increase in advertising and other expenses associated with the release of new titles.

(Millions of yen)

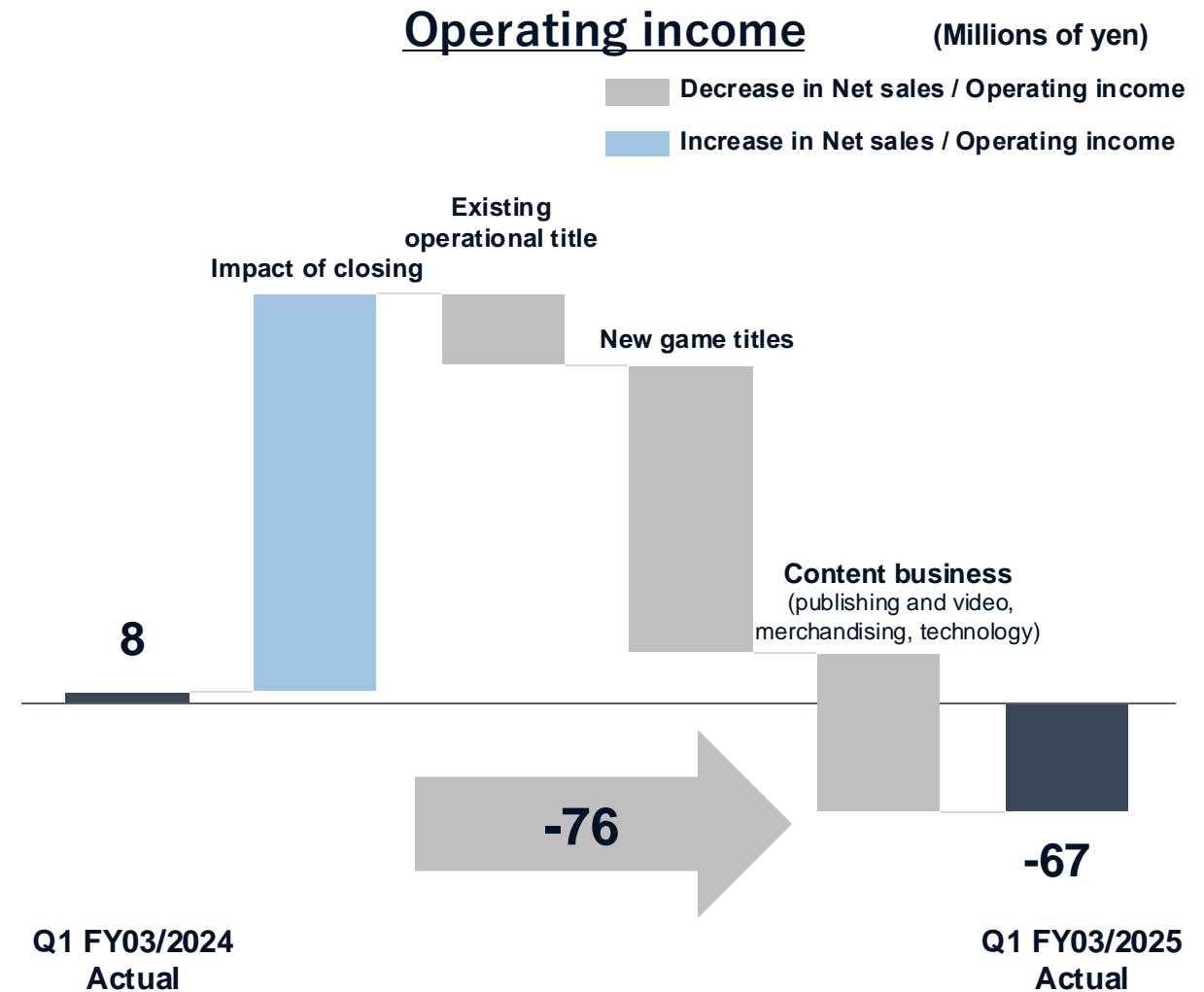
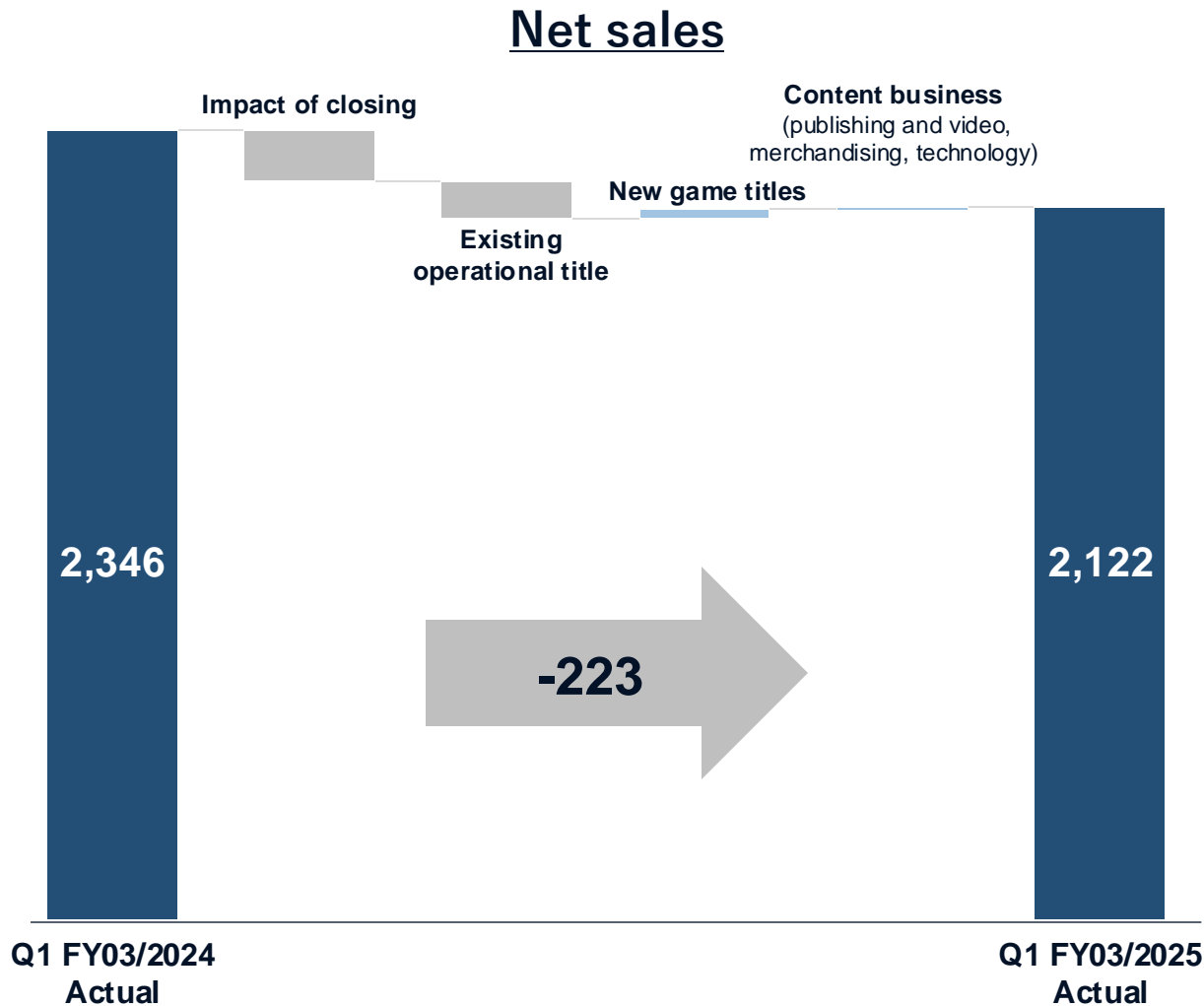
■ Decrease in revenues (Increase in expenses)
 ■ Increase in revenues (decrease in expenses)



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".

Q1 FY03/2025 Results (YoY by segment)

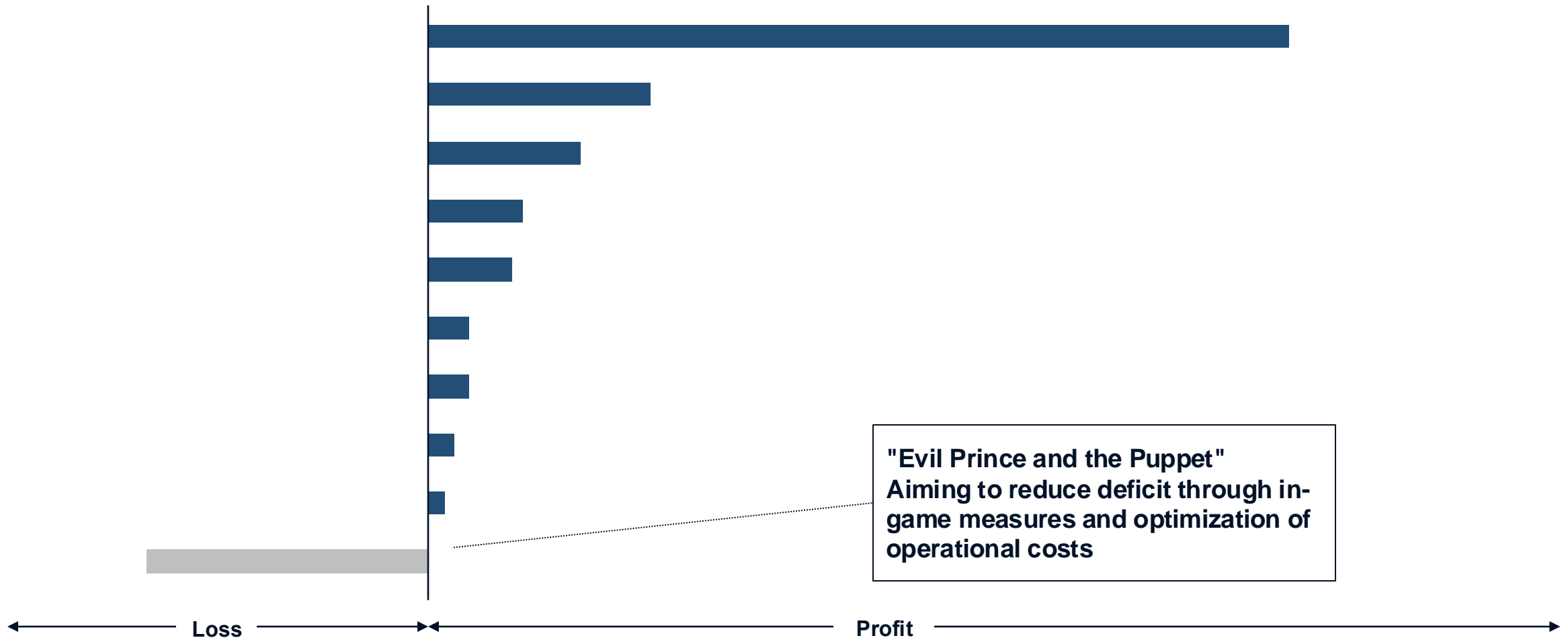
**Game business is stable despite decreasing revenue due to maturation and closures.
New titles and content business requiring upfront investment.**



Q1 FY03/2025 Revenue from Titles in Operation

The number of titles under management was 10 as of Q1. Existing long-term titles remain strong.

Profit/loss of 10 titles* under management (Q1 Apr-Jun 2024)



* Number of operational titles as of June 30, 2024. Includes 2 enza titles and BOKU & DRAGONS. Excludes blockchain games.

1. Review of Q1 (Apr-Jun) FY03/2025
- 2. Forecast for FY03/2025**
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Summary of full-year forecasts for FY03/2025

A year to raise the level of sales and profit base. Despite the increasing difficulty of achieving the earnings forecast, there is no change at this time because two new products are scheduled for 2H.

Forecasts for FY03/2025				FY03/2024
(Millions of yen)	Q1(Apr-Jun) Actual	Rate of progress	Full Year Forecast	Actual
Net sales	2,122	15.7%	13,500	9,779
Variable cost	368	10.4%	3,550	1,583
Fixed cost	1,821	20.4%	8,950	7,293
Advertising expenses	189	21.3%	890	361
R&D expenses	64	17.0%	377	396
Depreciation and amortization	39	4.9%	797	144
Game development costs charged to assets*1	-569	39.1%	-1,454	-2,093
Operating income	-67	-	1,000	903
Operating income ratio	-	-	7.4%	9.2%
EBITDA*2	-28	-	1,797	1,047
EBITDA margin	-	-	13.3%	10.7%
Ordinary income	-88	-	900	793
Net income attributable to shareholders of the parent company	-153	-	400	104

Game business: Progress of three titles to be released during this fiscal year

Since the previous fiscal year, more emphasis has been placed on pre-release verification and evaluation in user testing in the development of new titles. Implementing strategies for the other two titles based on the results of *Evil Prince and the Puppet*.

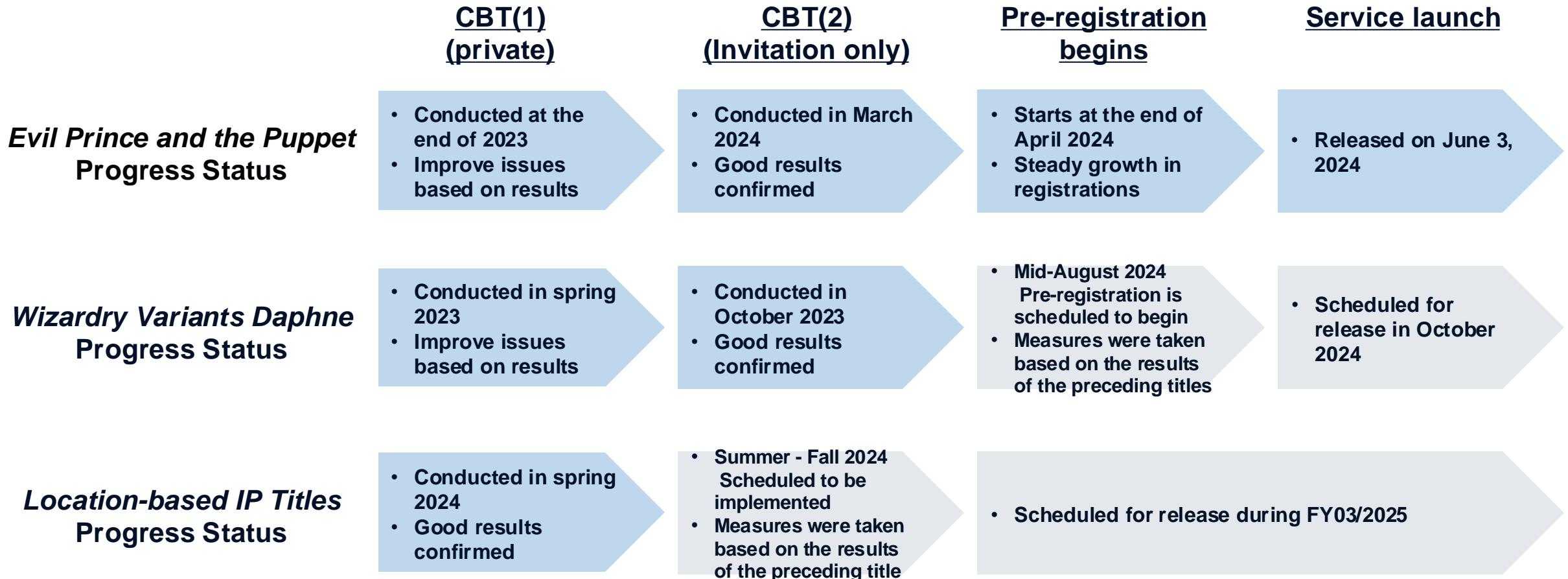


Image of progress in the second quarter of FY03/2025

The company expects to see a steady transition toward the release of new titles in 2H FY2025.

Overall earnings forecast is expected to be biased towards 2H FY03/2025.

■ Progress Image in Q2

Sales : Seasonal events and other events are scheduled to be held in the titles under management.

Operating income : Operating income is expected to be flat in 1H due to an expected increase in advertising and other expenses related to new titles to be released in Q3.

Net sales

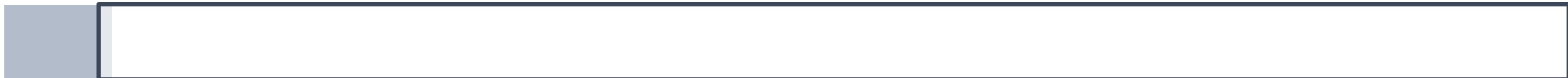
Full-year forecast: **13,500 million yen**



Q2 Progress image

Operating income

Full-year forecast: **1,000 million yen**



Q2 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 FY03/2026 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: 1.0 billion yen
 Operating profit margin: 7.4%

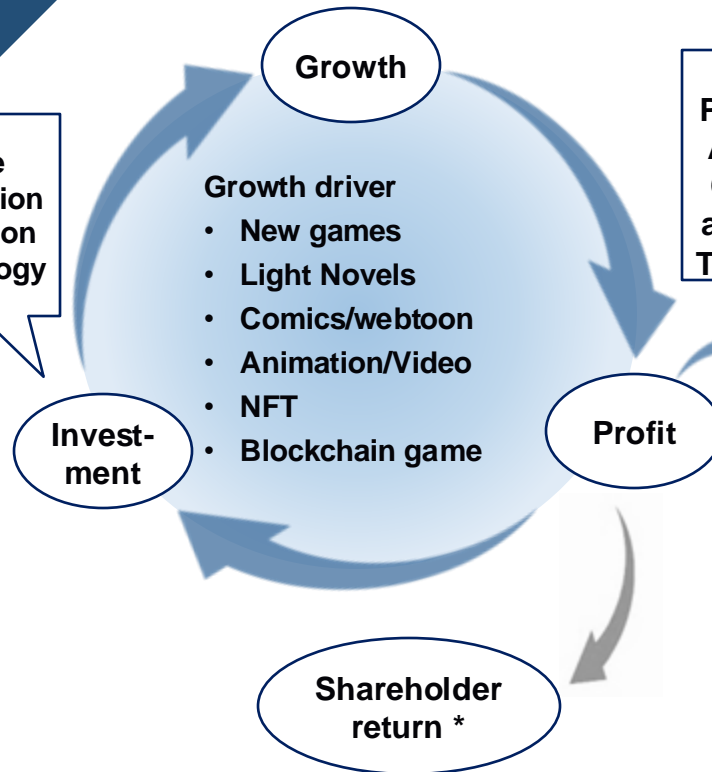
FY03/2026 – FY03/2027

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

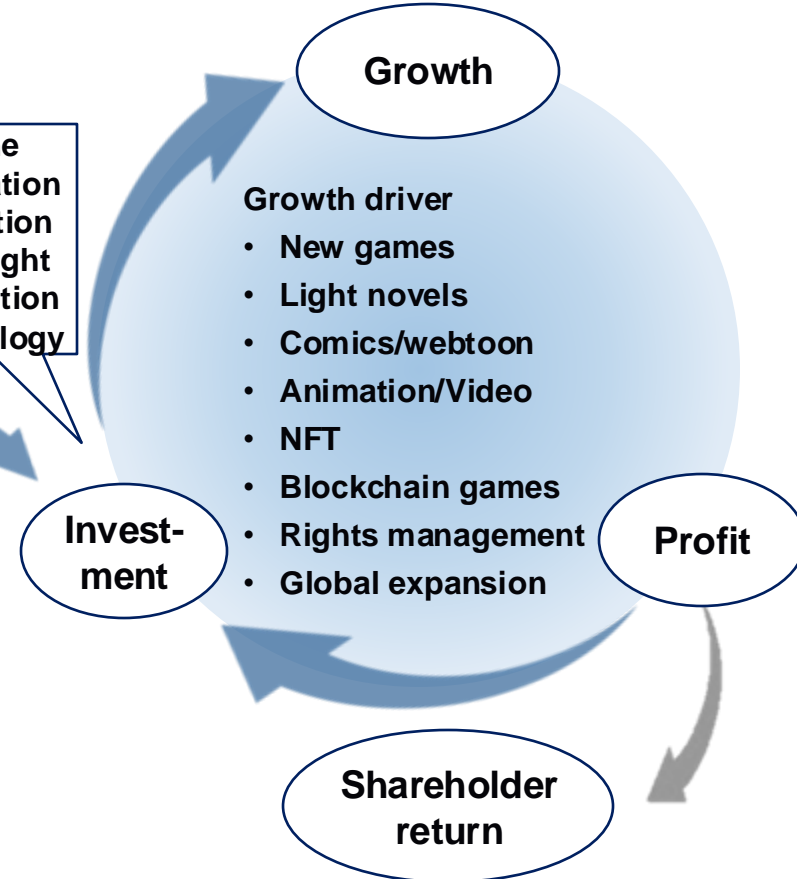
A year of restructuring

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

Game
 Publication
 Animation
 Technology



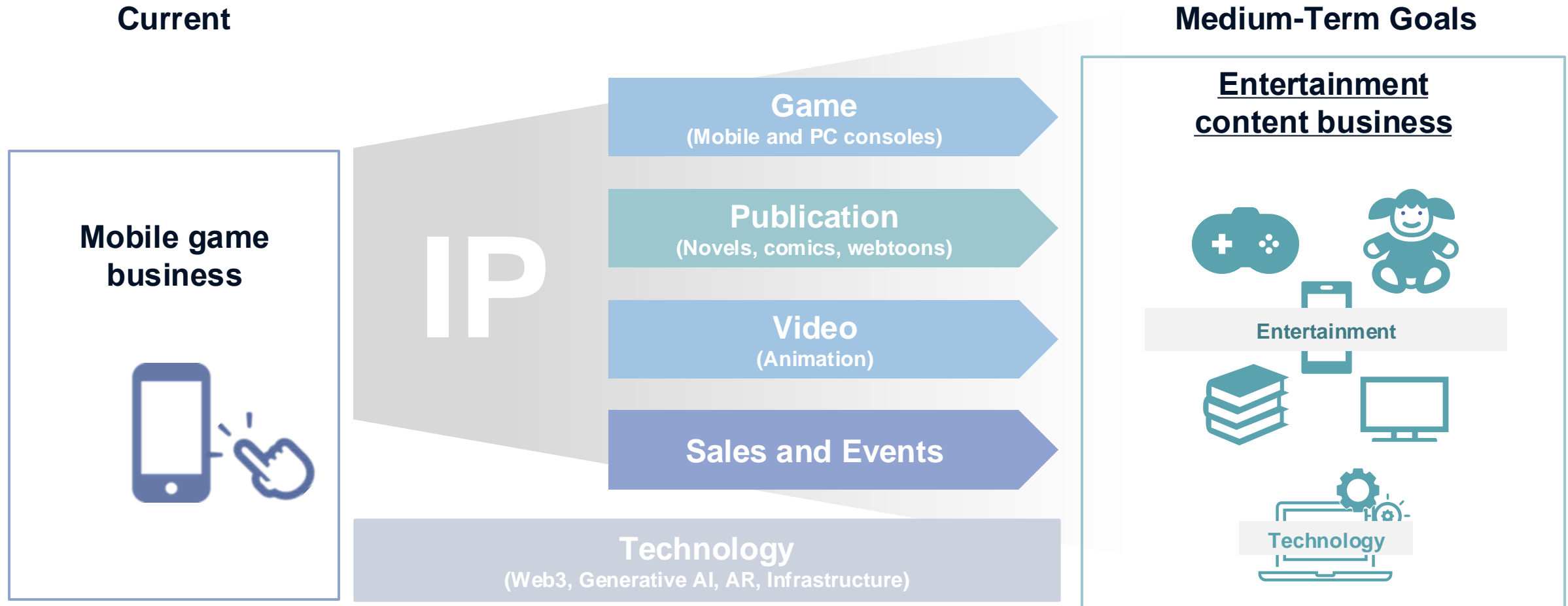
Game
 Publication
 Animation
 Copyright
 acquisition
 Technology



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Medium-Term Goals

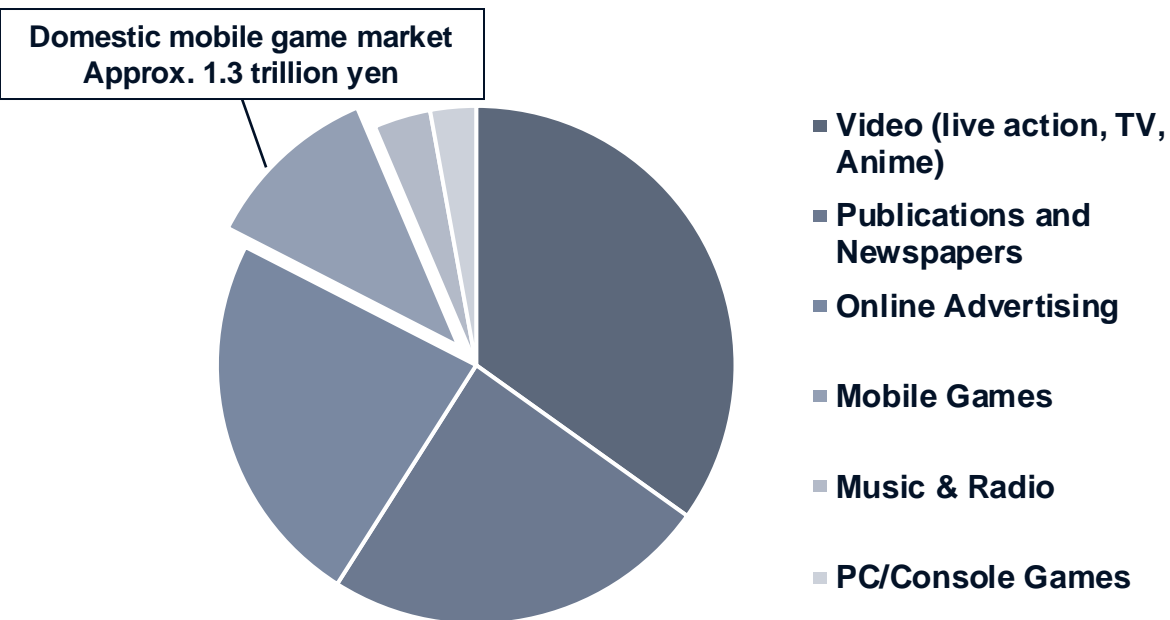
Aiming to become a global provider of entertainment content based on IP x technology



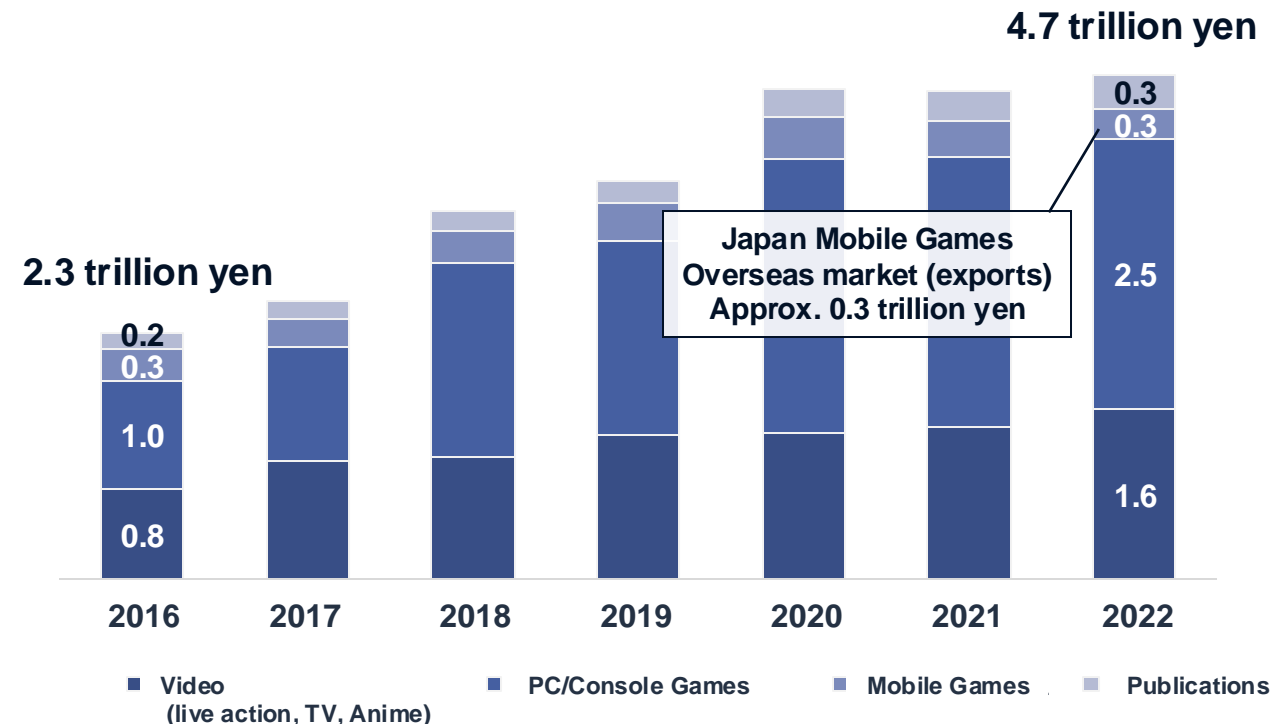
The market to which we belong: Entertainment Content Market

The popularity of Japanese contents, especially animations and PC/console games, has been increasing worldwide due to the spread of video distribution services and digital sales. Overseas exports of Japanese content are equivalent to the steel industry and close to the semiconductor industry at 4.7 trillion yen.

Domestic Content Industry Market Size (2022)
Approx. 13.1 trillion yen



Overseas market (export) size of Japanese content (2022)
Approx. 4.7 trillion yen



Our Strengths and Competitive Advantages

Opportunities are expanding in the entertainment content market. Despite being a latecomer, we will seize the moment by leveraging 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

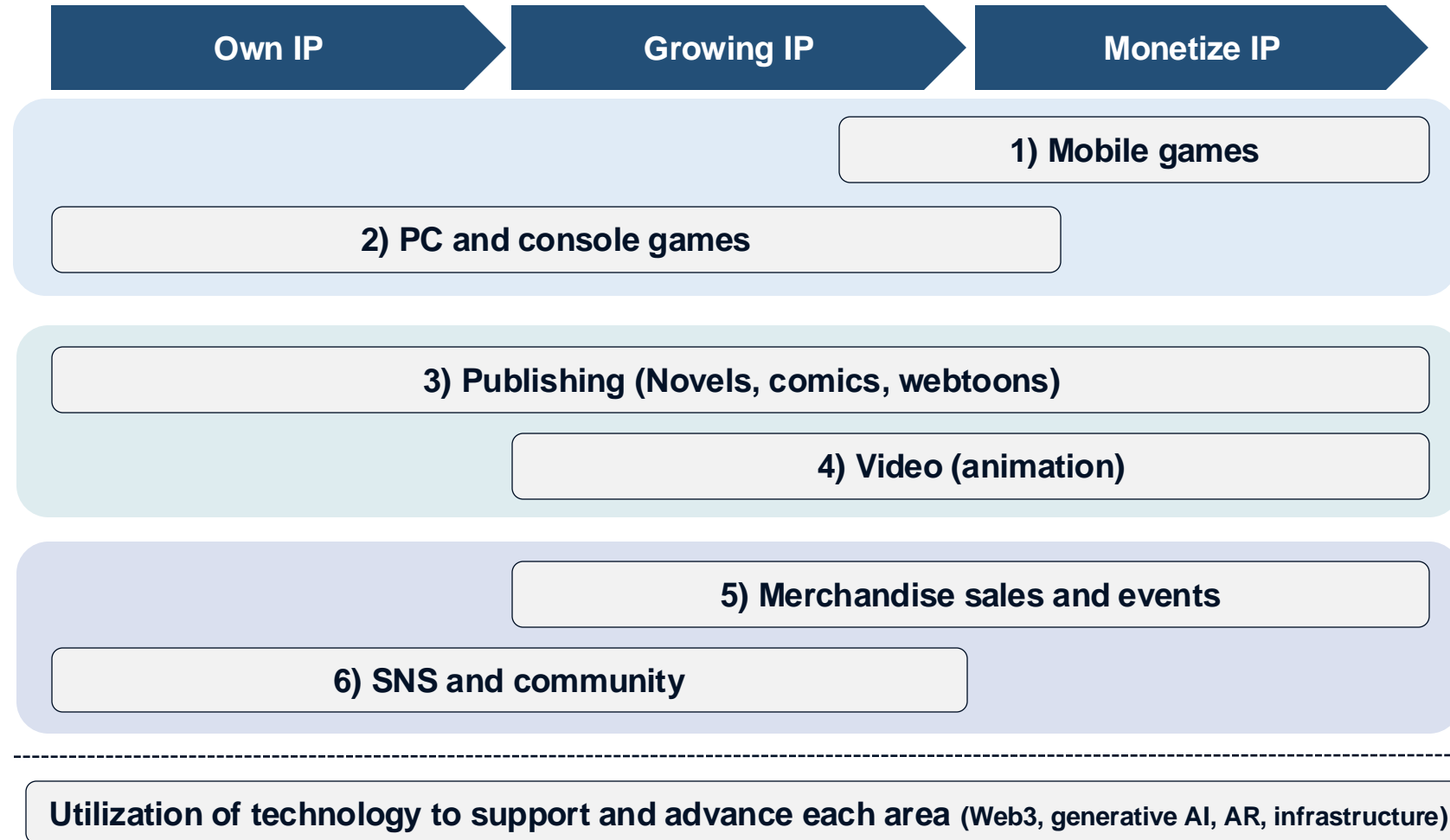
Strength 3

■ Management Guidelines Focusing on Continuing Challenges

- Organizational knowledge gained from many challenges and failures since the foundation of the company
Our management approach emphasizes embracing challenges without fear of failure and swiftly recovering when setbacks occur

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*

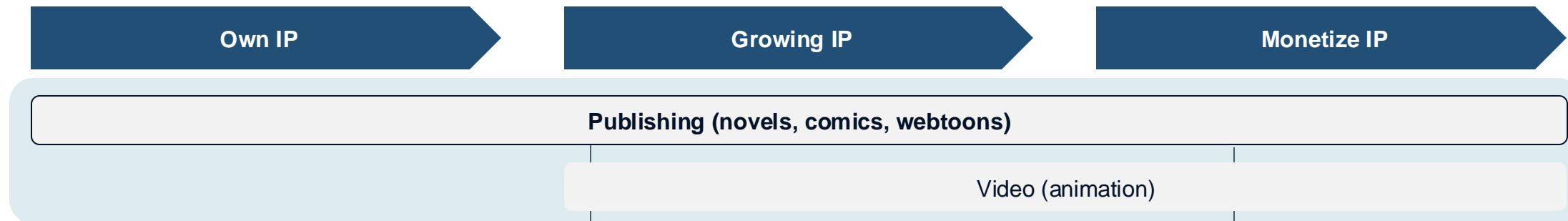
Status of development of in-house IP: *Wizardry*

Acquire copyrights and trademarks of popular IPs and make them into in-house IPs, and then increase IP value through multimedia development. The latest in the series, *Wizardry Variants Daphne*, is scheduled for release in October 2024.

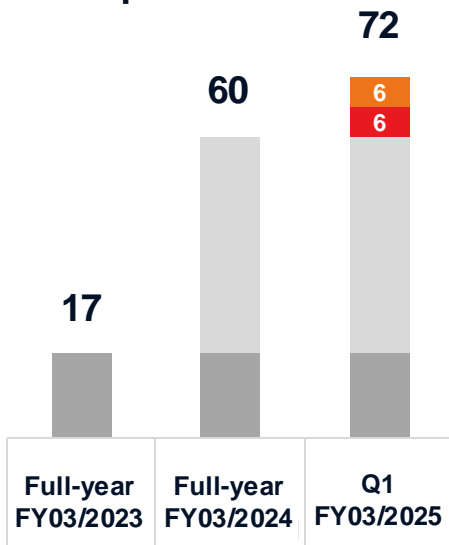


Status of development of in-house IP: "Drecom Media"

Book publication of web novels, comic book adaptation, and publication of original works to own, develop, and monetize IP. In the two years since the business was launched, four series have sold more than 100,000 copies, including one that has sold more than 250,000 copies. Strong Progress



Total number of publications



Number of series (as of June 2024, duplicates available)



**Novell:
27 Series**

- New edition of "The Holy Grail of Eris" to be released
A new edition of the work, transferred from another company, will be published by DRE Novels from November. At the same time, media mix development such as drama CDs and goods will be carried out.



**Comics / webtoon:
10 series / 5 series**



- Series has sold more than 250,000 copies
BLADE & BASTARD
- Series has sold over 100,000 copies
99 times condemned looped daughter
A persecuted daughter of the countryside
My fiancée eloped with unfaithful lover



- Author of popular TV animation: Shikoshoto x Animation production company: J.C.STAFF,
"The Beginner, Formerly Ranked Number One in the World" distribution start



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. Progress is being made in Web3, blockchain, and generative AI initiatives.

Web3 - Blockchain



Generative AI



- **"Wizardry": Developing a Blockchain Game Using IP**
 - INO, pre-release period, then to official release in March 2024
 - **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.
 - Major update "Ver 2.0" released in July, 2024.

- **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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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* was already released in June)
- *Evil Prince and the Puppet* and *Wizardry Variants Daphne* are self-distributed titles, and their sales are recorded in gross, therefore the impact on net sales and variable costs is larger than for existing mainstay titles. (the distributor of the other title is not yet disclosed).
- 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.
- Progress made in discussions with several companies regarding collaboration involving investment on a project-by-project basis in order to increase the probability of success and reduce risk.
 - Plans to continue to develop multiple titles for PCs and consoles in small to medium scale.

Content 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.

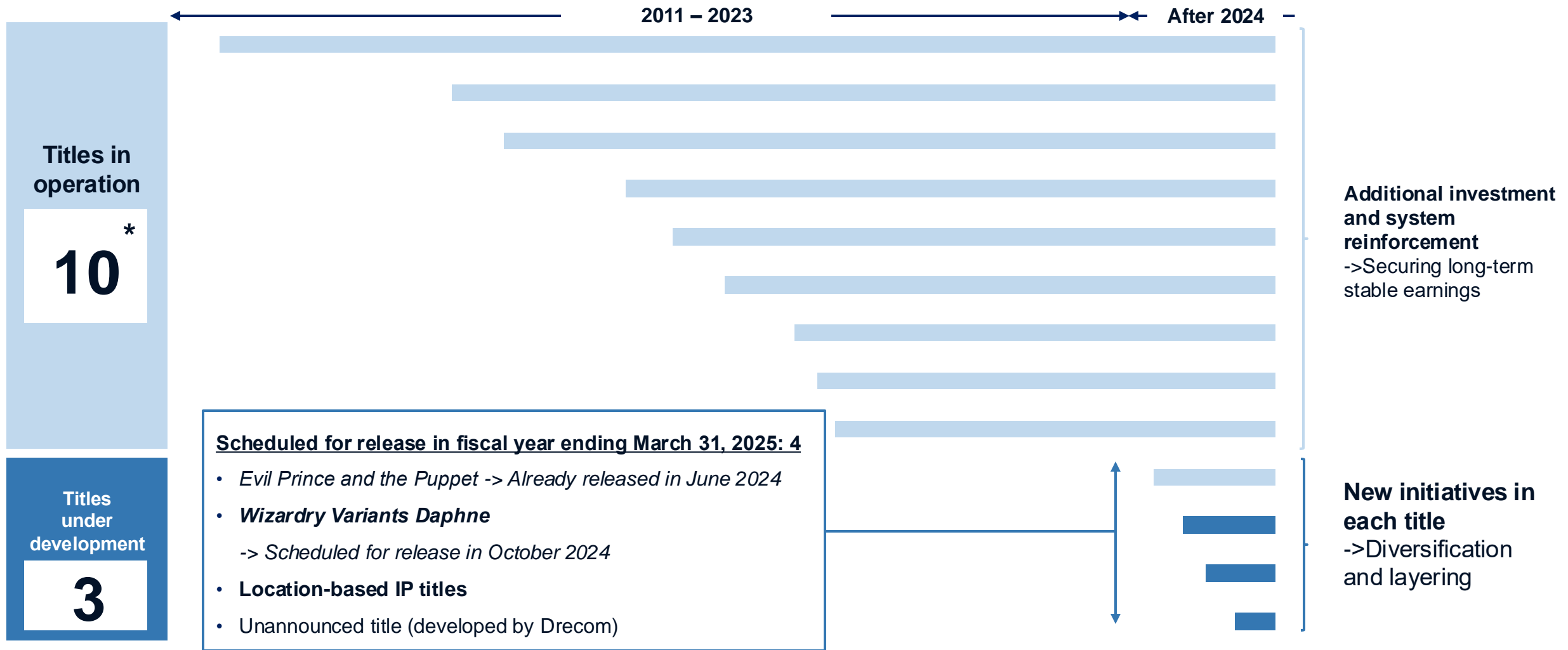
Game business: Impact of three titles to be distributed during current fiscal year

Expenses associated with the release of the new product will make a small contribution to profit during FY03/2025, with profit contribution expected to start from FY03/2026 onward.

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

Game business: Pipeline of operational and development titles

Operational titles will undergo additional investment and strengthening of systems to ensure long-term revenue. 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.

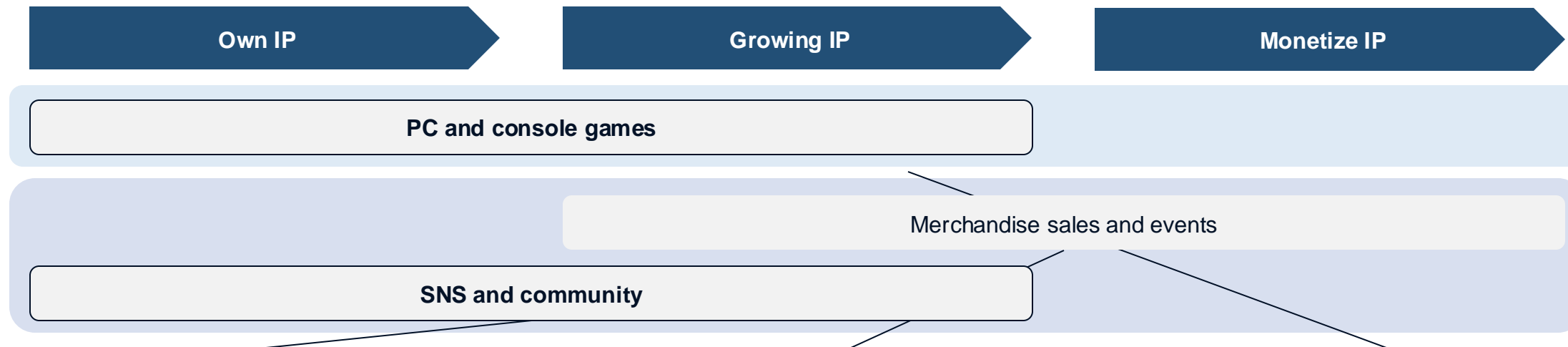
Game business: Pipeline of operational and under development titles

Business	Status	Definition	Number of projects	Details	
Game	Operation	Titles in operation	10*	<ul style="list-style-type: none"> ➤ Other company distribution: 4 titles ➤ In-house distribution: 6 titles 	
	Development	Commercialized development	Titles under development with prospect for release	3	<ul style="list-style-type: none"> • <i>Wizardry Variants Daphne</i> -> 3D dungeon RPG • Location-based IP titles • Unannounced title (developed by Drecom Co., Ltd.)
			Titles for Smartphones		
			Titles for PC and consoles	2	<ul style="list-style-type: none"> • <i>Tokyo Stories</i> -working title- • Unannounced title
	Prototype	Pre-development stage title in works	Several	<ul style="list-style-type: none"> • Multiple projects in progress 	

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

Status of development of in-house IP: Tokyo Stories

SNS originated project. Plans to develop IP by developing games for PCs and consoles on a one-time purchase basis. Highly acclaimed internationally, X has over 100,000 followers



SNS

- Project announced in July 2022



Events

- Exhibit at domestic/international events
- Novelty merchandise distribution



Game

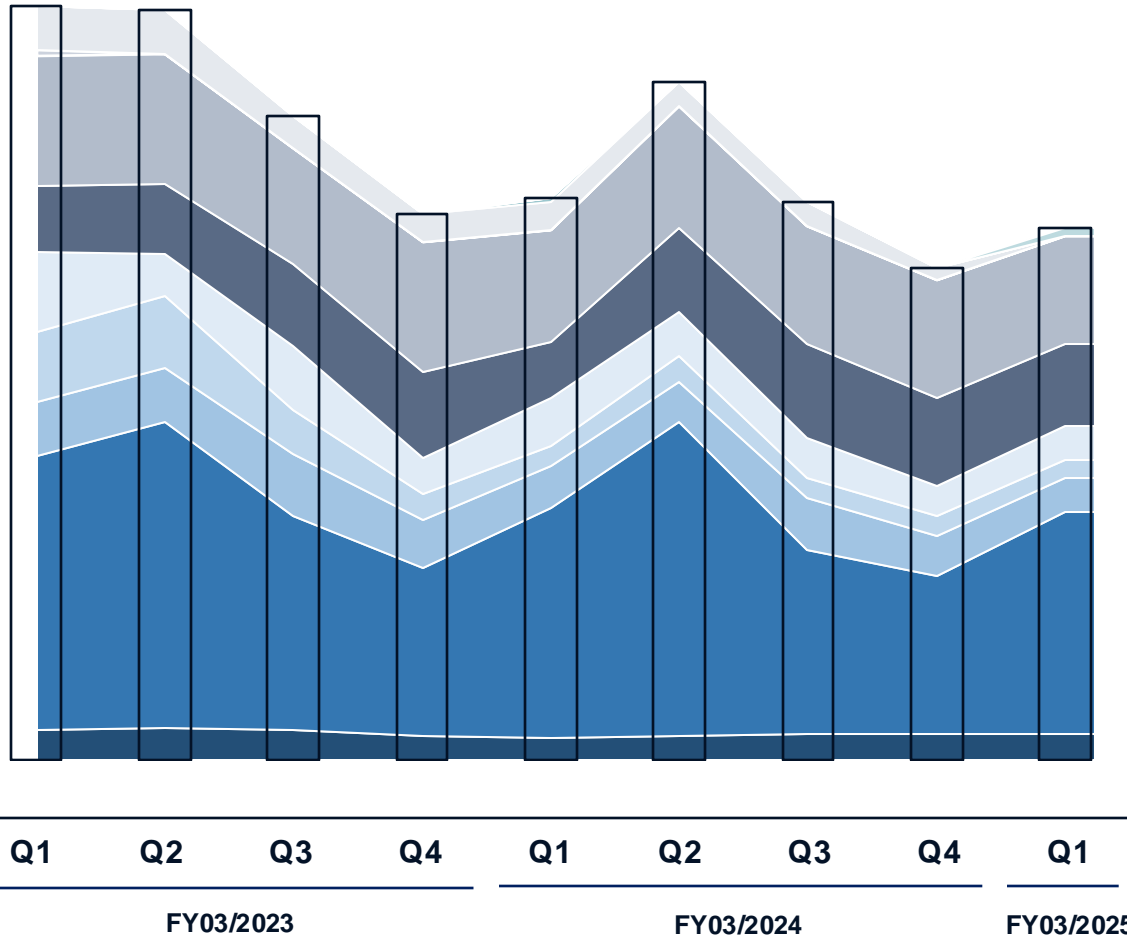
- Under development for PC and console game release



Revenue status of titles in operation (by release date)

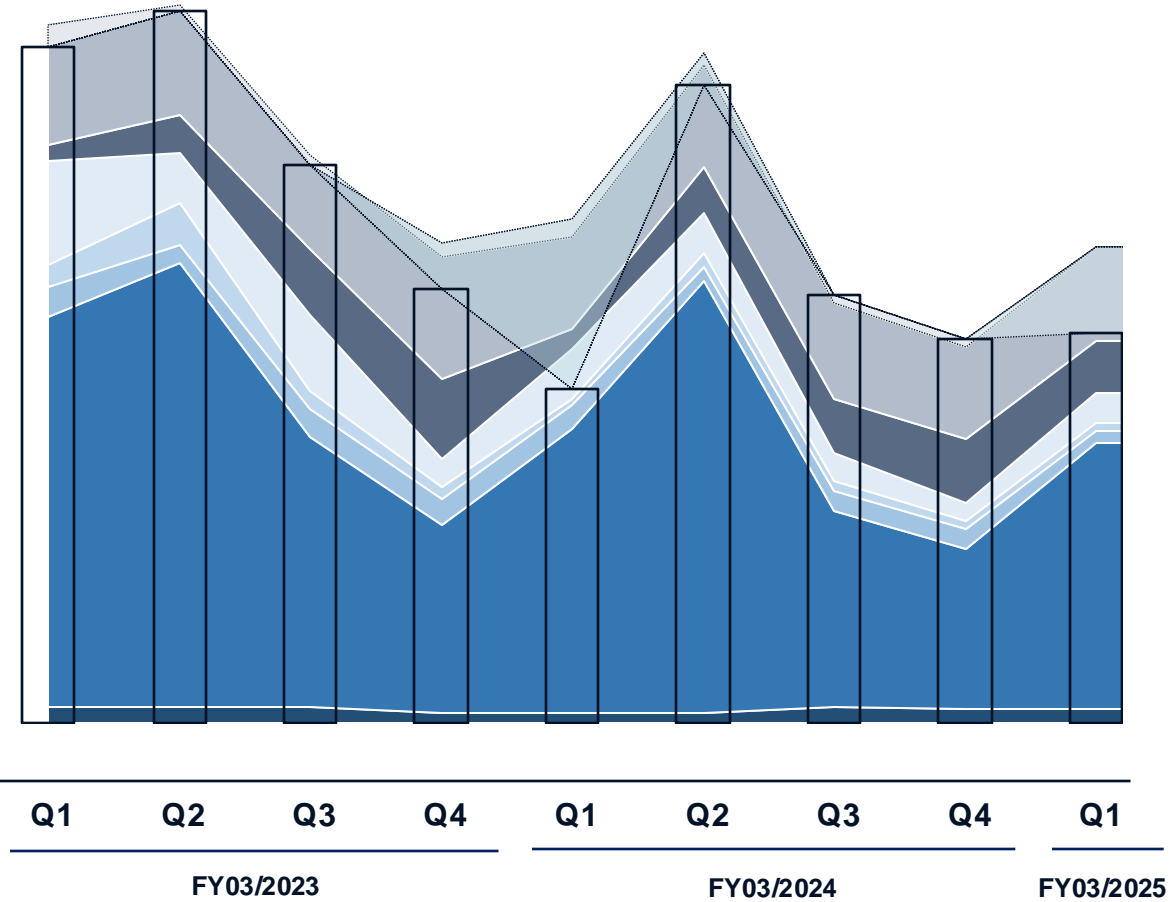
Total sales of titles under operation

■ 2011 ■ 2014 ■ 2016 ■ 2017 ■ 2018 ■ 2019 ■ 2020 ■ 2021 ■ 2022 ■ 2023 ■ 2024



Total business profit transition of titles under management

■ 2011 ■ 2014 ■ 2016 ■ 2017 ■ 2018 ■ 2019 ■ 2020 ■ 2021 ■ 2022 ■ 2023 ■ 2024



Game titles in operation

Game title	Distributor	Service start date
<i>Chocotto Farm</i>	Drecom Co., Ltd.	Jan 2011
<i>ONE PIECE Treasure Cruise</i>	BANDAI NAMCO Entertainment Inc.	May 2014
<i>BOKU & DRAGONS</i>	studiorex Co., Ltd. *	Feb 2015
<i>Derby Stallion: Masters</i>	Drecom Co., Ltd.	Nov 2016
<i>Everybody's Golf</i>	ForwardWorks Corporation	Jul 2017
<i>THE IDOLM@STER SHINYCOLORS</i>	BANDAI NAMCO Entertainment Inc.	Apr 2018
<i>NEKO & DRAGONS</i>	studiorex Co., Ltd.*	Apr 2019
<i>Super Robot Wars DD</i>	BANDAI NAMCO Entertainment Inc.	Aug 2019
<i>DISGAEA RPG</i>	Drecom Co., Ltd.	Nov 2019
<i>Evil Prince and the Puppet</i>	Drecom Co., Ltd.	Jun 2024

* 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_202503Q1.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.