



Consolidated Financial Results for the First Quarter of the Fiscal Year Ending March 31, 2023
(Under Japanese GAAP)

July 28, 2022

Listed company name: Drecom Co., Ltd.
 Listing: Tokyo Stock Exchange
 Code number: 3793
 URL: <https://drecom.co.jp/>
 Representative: President and Representative Director: Yuki Naito
 Contact person: Board of Directors, Hideki Goto (TEL) +81 (0)50-3101-9977
 Scheduled date to file quarterly securities report: August 10, 2022
 Scheduled start date to commence dividend payments: —
 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 three months ended June 30, 2022 (From April 1, 2022 to June 30, 2022)

(1) Consolidated financial 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	%		%		%
Three months ended								
June 30, 2022	2,927	10.0	817	62.1	810	64.6	521	73.5
June 30, 2021	2,661	-19.4	504	-19.2	492	-19.1	300	-35.6

Note: Comprehensive income For the three months ended June 30, 2022 ¥522 million yen (73.4%)
 For the three months ended June 30, 2021 ¥301 million yen (-35.6%)

	Quarterly Net earnings per share	Quarterly Diluted net earnings per share
	Yen	Yen
Three months ended		
June 30, 2022	18.35	18.34
June 30, 2021	10.53	10.51

(2) Consolidated financial Condition

	Total Assets	Net Assets	Equity-to-asset ratio	Net assets per share
	Million yen	Million yen	%	Yen
Three months ended				
June 30, 2022	9,894	4,949	49.5	172.30
Fiscal year ended				
March 31, 2022	9,653	4,574	46.9	159.06

Reference: **Equity capital** As of June 30, 2022 ¥4,899 million
 As of March 31, 2022 ¥4,522 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, 2022	—	0.00	—	5.00	5.00
March 31, 2023	—				
March 31, 2023 (Forecast)		0.00	—	5.00	5.00

Note: Revision to the forecast of cash dividends most recently announced: None



3. Forecast of Consolidated Financial Results for the Fiscal Year Ending March 31, 2023 (April 1, 2022 - March 31, 2023)
(% increase or decrease from the 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, 2023	13,000	23.5	2,000	25.7	1,900	23.2	1,200	48.6	42.20

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

*Notes

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): 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

(Note) For details, please refer to "2. Quarterly Consolidated Financial Statements and Key Notes (3) Notes on quarterly consolidated financial statements (Change in accounting policy)" on page 10 of the attached materials.

(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, 2022	29,072,696 shares
As of March 30, 2022	29,072,696 shares

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

As of June 30, 2022	637,366 shares
As of March 30, 2022	637,366 shares

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

Three months ended June 30, 2022	28,435,330 shares
Three months ended June 30, 2021	28,550,949 shares

(Note) 613,300 shares of the Company (6,133 voting rights) owned by Custody Bank of Japan, Ltd. (hereinafter referred to as "ESOP Trust Unit") are included in the number of treasury stock at the end of the above period.

*Quarterly financial results reports are exempt from quarterly review conducted by certified public accountants or an audit corporation.

*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 28, 2022. 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, 2022

(1) Explanation of Operating 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 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 the development and operation of games, and we develop and operate third-party IP games, game platforms, and original games. In the media business, we are engaged in business development with the aim of creating the next generation of core businesses. We have launched new services on a trial basis, utilizing our knowledge of Internet services, and are conducting a series of trials for commercialization.

In the first quarter of the current consolidated cumulative period, net sales were 2,927,195 thousand yen (up 10.0% year-on-year), operating income was 817,189 thousand yen (up 62.1% year-on-year), ordinary income was 810,539 thousand yen (up 64.6% year-on-year), and net income attributable to shareholders of the parent company amounted to 521,831 thousand yen (up 73.5% from the same period of the previous year), reaching a record high.

The results for each segment for the first quarter of the consolidated fiscal year under review are as follows.

Game Business

In the game business, one of our mainstay IP game titles, which celebrated its 8th anniversary, performed well globally and contributed to earnings.

Net sales increased year-on-year thanks to strong global sales of our mainstay IP titles, the release of new titles in the last fiscal year, and strong performances of other titles in operation even in the face of tough competition from competing titles.

Profits increased from the same period of the previous fiscal year due to the impact of increased sales of mainstay titles as well as the closure of some unprofitable titles.

As a result, segment sales amounted to 2,852,416 thousand yen (up 8.0% year-on-year) and segment income amounted to 892,398 thousand yen (up 52.1% year-on-year). This segment is our core business, and 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

In the media business, "Rooot," a Twitter-based fan community promotion service, steadily expanded its business scale and contributed to earnings. In addition, in order to focus on the development, acquisition, and nurturing of IP and diversification of monetization channels, we are focusing on new businesses in the entertainment domain other than games, namely publishing and video business. We are also focusing on new business development in the Web3 domain.

Net sales increased year-on-year as "Rooot" steadily expanded its services.

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

As a result, segment sales amounted to 74,778 thousand yen (up 252.7% year-on-year) and segment loss amounted to 75,209 thousand yen (segment loss of 82,698 thousand yen in the same period last year). In this segment, the Company 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 focus on business development in entertainment areas other than games to grow into a comprehensive entertainment company centered on IP. Furthermore, we will promote our growth strategy by integrating our existing businesses with the Web3 domains.

(2) Explanation of Financial Position

(Assets)

Current assets at the end of the first quarter of the current consolidated fiscal year totaled 6,617,684 thousand yen, a decrease of 148,324 thousand yen from the end of the previous consolidated fiscal year. This was mainly due to a decrease of 523,488 thousand yen in cash and deposits. Noncurrent assets totaled 3,276,847 thousand yen, an increase of 389,385 thousand yen from the end of the previous fiscal year. This was mainly due to an increase of 465,613 thousand yen in software temporary account, despite a decrease of 84,402 thousand yen in software.

As a result, total assets amounted to 9,894,532 thousand yen.

(Liabilities)

Current liabilities at the end of the first quarter of the current consolidated fiscal year totaled 2,752,689 thousand yen, an increase of 42,772 thousand yen from the end of the previous consolidated fiscal year. This was mainly due to increases of 66,500 thousand yen in short-term loans payable and 44,921 thousand yen in income taxes payable, respectively, despite a decrease of 82,810 thousand yen in provision for bonuses. Noncurrent liabilities amounted to 2,192,151 thousand yen, down 177,327 thousand yen from the end of the previous fiscal year. This was mainly due to a 175,750 thousand yen decrease in long-term loans payable.

As a result, total liabilities amounted to 4,944,841 thousand yen.

(Net assets)

Total net assets as of June 30, 2022 amounted to 4,949,691 thousand yen, an increase of 375,616 thousand yen from the end of the previous fiscal year. This was mainly due to the recording of 521,831 thousand yen in net income attributable to parent company shareholders for the quarter.

As a result, the equity ratio was 49.5% (46.9% at the end of the previous fiscal year).

2. Quarterly Consolidated Financial Statements and Key Notes

(1) Quarterly Consolidated Balance Sheet

(Unit: thousand yen)

	Previous consolidated fiscal year (March 31, 2022)	Three months ended June 30, 2022 (June 30, 2022)
ASSETS		
Current assets		
Cash and deposits	4,737,225	4,213,736
Accounts receivable	1,485,317	2,054,364
Work in progress	10,144	9,553
Prepaid expenses	157,555	141,781
Other	375,766	198,247
Total current assets	6,766,009	6,617,684
Fixed assets		
Tangible Fixed Asset		
Buildings	184,236	189,829
Accumulated depreciation	-13,603	-17,787
Buildings (net)	170,632	172,041
Tools, furniture & fixtures	69,030	73,424
Accumulated depreciation	-33,995	-39,431
Tools, furniture & fixtures (net)	35,034	33,993
Lease assets	7,232	7,232
Accumulated depreciation	-2,007	-2,282
Lease assets (net)	5,225	4,950
Total tangible fixed assets	210,891	210,985
Intangible assets		
Software	557,325	473,922
Software in progress	1,333,425	1,799,039
Total intangible assets	1,890,751	2,272,962
Investments and other assets		
Investment securities	7	59,926
Deferred tax assets	465,737	385,390
Deposit	199,404	199,404
Other	120,668	148,178
Investments and other assets	785,818	792,899
Total fixed assets	2,887,461	3,276,847
Total assets	9,653,470	9,894,532

(Unit: thousand yen)

	Previous consolidated fiscal year (March 31, 2022)	Three months ended June 30, 2022 (June 30, 2022)
LIABILITIES		
Current liabilities		
Accounts payable	357,864	380,149
Short-term debit	146,000	212,500
Long-term debt due within one year	808,000	803,000
Lease obligations	1,281	1,281
Accounts payable	579,036	497,878
Income taxes payable	142,079	187,000
Bonus payment reserve	138,497	55,687
Other	537,158	615,192
Total current liabilities	2,709,917	2,752,689
Fixed liabilities		
Long-term debt	2,014,000	1,838,250
Lease obligations	4,806	4,486
Asset retirement obligation	100,000	100,000
Other	250,671	249,415
Total fixed liabilities	2,369,478	2,192,151
Total liabilities	5,079,395	4,944,841
Net assets		
Shareholders' equity		
Capital	1,792,991	1,792,991
Capital surplus	2,050,152	2,050,152
Retained earnings	953,681	1,330,270
Treasury stock	-274,029	-274,029
Total shareholders' equity	4,522,796	4,899,385
Accumulated other comprehensive income (loss)		
Valuation difference on available-for-sale securities	7	7
Total accumulated other comprehensive income (loss)	7	7
Subscription rights to shares	49,067	49,067
Non-controlling interests	2,203	1,230
Total net assets	4,574,075	4,949,691
Total liabilities and net assets	9,653,470	9,894,532

(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, 2022)

(Unit: Thousand yen)

	Three months ended June 30, 2021 (April 1, 2021 to June 30, 2021)	Three months ended June 30, 2022 (April 1, 2022 to June 30, 2022)
Net sales	2,661,328	2,927,195
Cost of sales	1,621,178	1,618,881
Gross profit	1,040,149	1,308,314
Selling, general and administrative expenses	535,996	491,125
Operating income	504,153	817,189
Non-operating revenue		
Interest received	0	0
Gain on investments in capital	98	4,106
Other	3	524
Total non-operating income	102	4,631
Non-operating expenses		
Interest expense	11,039	10,051
Commission fee	250	729
Foreign exchange loss	524	-
Other	-	500
Total non-operating expenses	11,814	11,281
Ordinary income	492,441	810,539
Net income before income taxes and minority interests	492,441	810,539
Corporate, inhabitant and enterprise taxes	67,379	207,758
Income taxes-deferred	123,768	80,346
Total income taxes	191,147	288,105
Quarterly net income	301,293	522,433
Net income attributable to noncontrolling interests	580	601
Net income attributable to owners of the parent	300,713	521,831

Consolidated quarterly statements of comprehensive income

(Cumulative period for consolidated first quarter, three months ended June 30, 2022)

(Unit: Thousand yen)

	Three months ended June 30, 2021 (April 1, 2021 to June 30, 2021)	Three months ended June 30, 2022 (April 1, 2021 to June 30, 2022)
Quarterly net income or loss	301,293	522,433
Quarterly comprehensive income	301,293	522,433
(Breakdown)		
Quarterly comprehensive income for owners of parent company	300,713	521,831
Quarterly comprehensive income for non-controlling shareholders	580	601

(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.

(Change in accounting policy)

(Application of Accounting Standard for Revenue Recognition)

The "Guidance on Accounting Standard for Measurement of Fair Value" (ASBJ Guidance No. 31, June 17, 2021, hereinafter referred to as "Guidance on Accounting Standard for Measurement of Fair Value") is applied from the beginning of the first quarter of the current fiscal year. The new accounting policy stipulated in the Guidance on Accounting Standard for Fair Value Estimation will be applied prospectively in accordance with the transitional treatment stipulated in Paragraph 27-2 of the Guidance. The new accounting policy is applied prospectively. There is no impact from this change.

(Information by Segment)

Segment Information

I. Previous three months ended, from April 30, 2021 to June 30, 2021, consolidated period

Information on the sales, profits or losses per reporting segment

(Unit: Thousand yen)

	Reporting Segment			Adjustment	Quarterly consolidated income statement amount
	Game business	Media Business	Total		
Sales					
Sales to external customers	2,640,125	21,202	2,661,328	—	2,661,328
Sales or transfers inside or between segments	—	—	—	—	—
Total	2,640,125	21,202	2,661,328	—	2,661,328
Segment profit or Loss	586,851	-82,698	504,153	—	504,153

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

II. Three months ended, from April 1, 2022 to June 30, 2022, consolidated period

Information on the sales, profits or losses per reporting segment

(Unit: Thousand yen)

	Reporting Segment			Adjustment	Quarterly consolidated income statement amount
	Game business	Media Business	Total		
Sales					
Sales to external customers	2,852,416	74,778	2,927,195	—	2,927,195
Sales or transfers inside or between segments	—	—	—	—	—
Total	2,852,416	74,778	2,927,195	—	2,927,195
Segment profit or Loss	892,398	-75,209	817,189	—	817,189

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

(Significant subsequent events)

Not applicable