

# **FY03/2025 Q2 Financial Results Presentation**



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**Drecom Co., Ltd.**  
**October 29, 2024**

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

[https://drecom.co.jp/ir/factsheet\\_202503Q2.pdf](https://drecom.co.jp/ir/factsheet_202503Q2.pdf)

# Overview of This Document

## FY03/2025 First Half Results (Apr–Sep Actuals)

- **Existing titles showed weak performance**

- Events for some titles fell short of expectations
- Impairment loss was recognized for one new title released in Q1, resulting in an extraordinary loss of 601 million yen
- Sales 4,018 million yen (-21.1% YoY)  
Operating loss 315 million yen (vs. operating income of 463 million yen in the same period last year)  
EBITDA\*1 -171 million yen (vs. EBITDA of 582 million yen in the same period last year)  
Ordinary loss -354 million yen (vs. ordinary income of 453 million yen in the same period last year)  
Net loss\*2 -1,022 million yen (vs. net loss of -169 million yen in the same period last year)

## Forecast for FY03/2025

- **New title released on October 15th is performing better than expected**

- *Wizardry Variants Daphne* launched. Sales reached approximately 700 million yen (preliminary figures from October 15 to 27)

- **Full-year earnings forecast temporarily withdrawn; a revised forecast will be provided after assessing trends**

- Full-year consolidated earnings forecast (announced on 2024/05/13) has been withdrawn and revised to 'undetermined'
- The company plans to reissue the forecast once appropriate and reasonable figures can be determined

## Medium- Term Goals

- Efforts to establish the company as a global provider of entertainment content centered on IP and technology are progressing, including the announcement of an anime adaptation and the launch of an AI SaaS platform for game development

# **1. Review of Q2 (Jul-Sep) FY03/2025**

## 2. Forecast for FY03/2025

## 3. Medium-Term Goals

## 4. Appendix

# Summary of Business Results for Q2 FY03/2025

In the game business, new titles from Q1 faced ongoing challenges, and existing titles continued to underperform. In the content business, investments for launching new business areas remained underway.

FY03/2025					FY03/2024			
(Unit: millions of yen)	Q1 (Apr-Jun)	Q2 (Jul-Sep)	QoQ	Q2 Total (Apr-Sep)	Q2 (Jul-Sep)	YoY	Q2 Total (Apr-Sep)	YoY (Total)
<b>Net sales</b>	<b>2,122</b>	<b>1,895</b>	<b>-227</b>	<b>4,018</b>	<b>2,745</b>	<b>-849</b>	<b>5,091</b>	<b>-1,073</b>
<b>Operating income</b>	<b>-67</b>	<b>-247</b>	<b>-179</b>	<b>-315</b>	<b>463</b>	<b>-711</b>	<b>472</b>	<b>-787</b>
<i>Operating profit ratio</i>	-	-	-	-	16.9%	-	9.3%	-
<b>EBITDA*</b>	<b>-28</b>	<b>-143</b>	<b>-114</b>	<b>-171</b>	<b>500</b>	<b>-643</b>	<b>582</b>	<b>-754</b>
<i>EBITDA Margin</i>	-	-	-	-	18.2%	-	11.4%	-
<b>Ordinary income</b>	<b>-88</b>	<b>-265</b>	<b>-177</b>	<b>-354</b>	<b>451</b>	<b>-717</b>	<b>453</b>	<b>-807</b>
<b>Net income (loss) attributable to shareholders of the parent company</b>	<b>-153</b>	<b>-868</b>	<b>-714</b>	<b>-1,022</b>	<b>272</b>	<b>-1,140</b>	<b>-169</b>	<b>-852</b>

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

Copyright Drecom Co., Ltd. All Rights Reserved. \* In Q2, an extraordinary loss of 601 million yen was recognized as a software impairment loss

# Q2 FY03/2025 Overview of Each Business Segment

## Game Business

- **Existing titles are trending downwards**
  - Some title events did not meet expectations
- **Q1's new work, *Evil Prince and the Puppet*, continues to face a challenging operating environment despite improvement efforts**
  - While optimizing the operational structure, we aim to establish this as a title/IP that can continue for the long term
  - We also plan to continue expanding the IP into merchandise and live events
- **Funding for *Wizardry Variants Daphne* was secured on a title-by-title basis from DBJ**
  - Details of the funding are given in the Appendix (p.26)

## Content Business\*



**The investment phase for launching new business areas is ongoing**

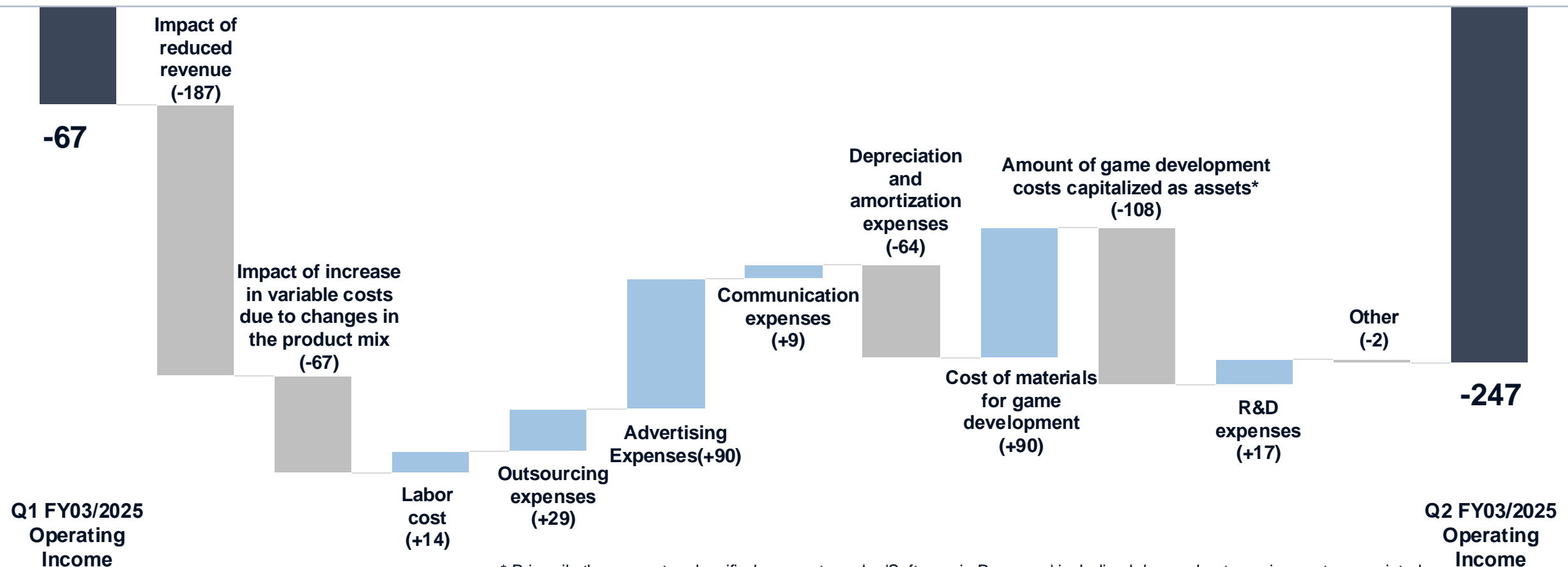
- **Publishing and Video: Novel and comic books published monthly** (paper books/e-books)
  - Romance fantasy works, centered on digital comics, performed well and contributed to segment sales
  - Progress was made on projects to adapt in-house publications into anime, along with investments in anime produced by other companies
- **Technology Solutions: Developing corporate services that leverage expertise from existing businesses**
  - AI SaaS platforms, infrastructure solutions, fan marketing, and more

# Q2 FY03/2025 Operating Income (QoQ comparison, by expense)

Compared to the previous quarter, profits declined primarily due to decreased revenue from existing titles.

(Millions of yen)

 Decline in revenue (Increase in expenses)  
 Increase in revenue (decrease in expenses)

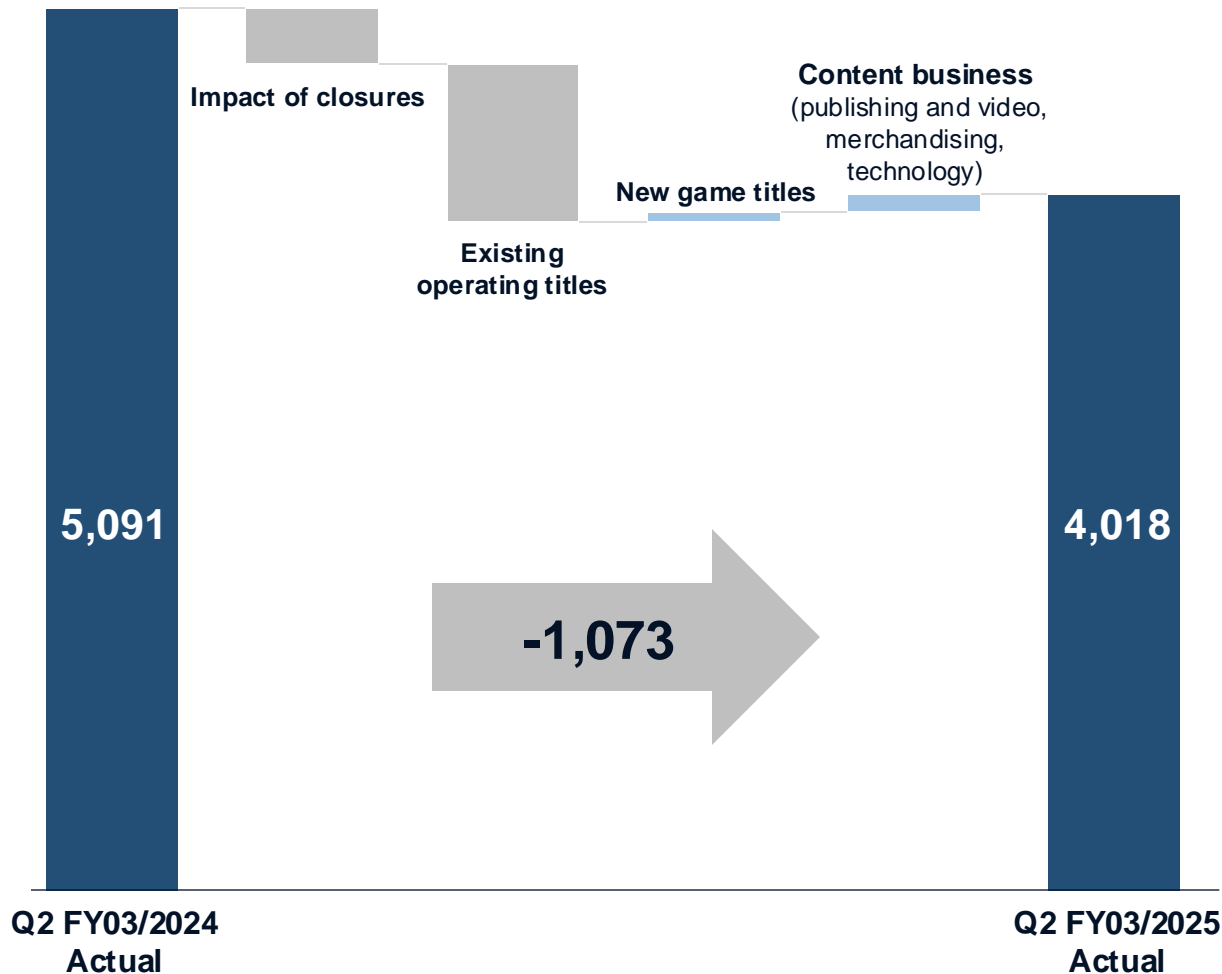


\* Primarily the amount reclassified as assets under 'Software in Progress,' including labor and outsourcing costs associated with pre-release game development, deducted from manufacturing costs

# 1H FY03/2025 Results (YoY by segment)

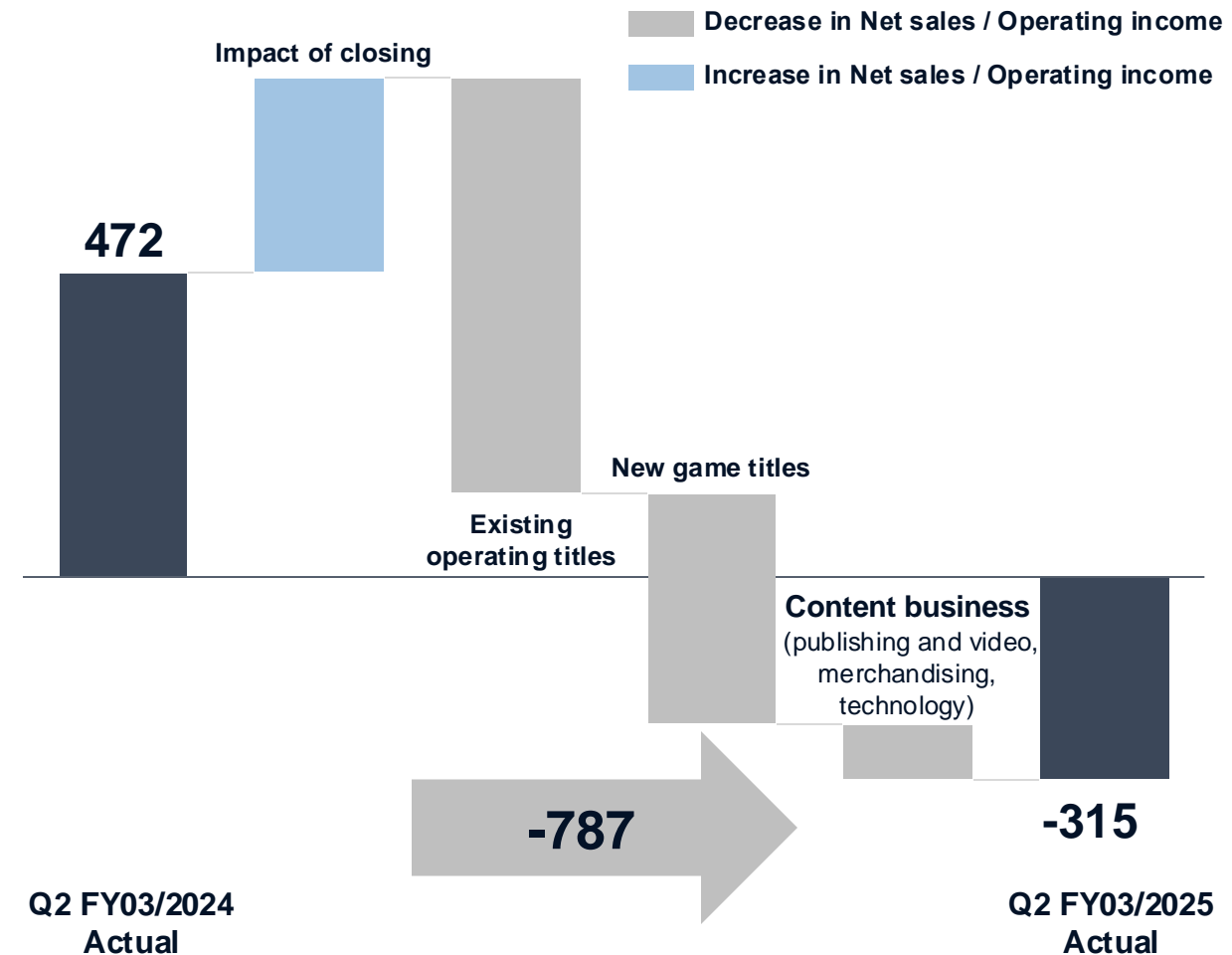
Compared to the same period last year, profits declined due to reduced revenue from existing titles and operating losses from new titles.

## Net sales



## Operating income

(Millions of yen)

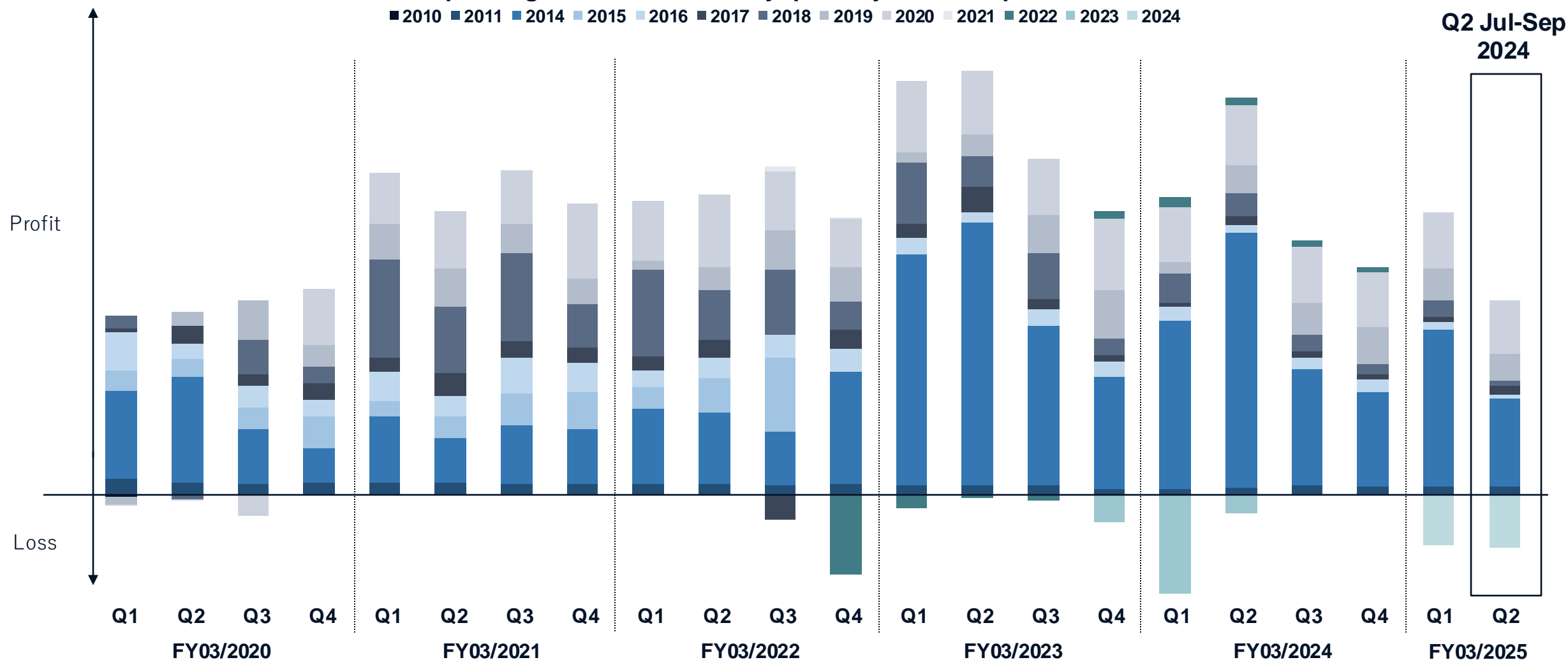


# Revenue Status of Titles in Operation (by release period)

Sales of some existing titles were lower than expected, resulting in a weak performance.

Operating title release dates by quarterly business profit/loss

■ 2010 ■ 2011 ■ 2014 ■ 2015 ■ 2016 ■ 2017 ■ 2018 ■ 2019 ■ 2020 ■ 2021 ■ 2022 ■ 2023 ■ 2024





1. Review of Q2 (Jul-Sep) FY03/2025
- 2. Forecast for FY03/2025**
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# Revision/Withdrawal of FY03/2025 Full-Year Earnings Forecast

- For the first half, significant losses were recorded due to the performance of new titles released in Q1 and existing titles
- On the other hand, the new title *Wizardry Variants Daphne*, released on October 15, has exceeded performance expectations
  - Since its release, cumulative billing revenue has reached approximately 700 million yen (preliminary figures from October 15-27)
- Given these circumstances, we have determined that making a reasonable and appropriate calculation is challenging, and have therefore temporarily withdrawn our full-year earnings forecast
  - Significant uncertainty exists around the sustainability of future KPIs and potential additional investments in operating and advertising expenses for new titles
- We plan to promptly disclose revised forecast figures as soon as a reasonable and accurate calculation becomes feasible

(Millions of yen)	Net sales	Operating income	Ordinary income	Net income attributable to shareholders of the parent company
Previous forecast (announced 13 May 2025)	13,500	1,000	900	400
Revised forecast (announced 29 October 2025)	TBA	TBA	TBA	TBA

# FY03/2025 Full-Year Performance Progress

A year focused on strengthening the revenue and profit base. Fixed costs, including advertising expenses, are expected to rise with new releases in the second half.

FY03/2025				FY03/2024
(Millions of yen)	Q1(Apr-Jun) Actual	Q2(Jul-Sep) Actual	1H(Apr-Sep) Actual	Actual
Net sales	2,122	1,895	4,018	9,779
Variable cost	368	397	765	1,583
Fixed cost	1,821	1,745	3,567	7,293
Advertising expenses	189	99	289	361
R&D expenses	64	46	110	396
Depreciation and amortization	39	104	143	144
Game development costs charged to assets*1	-569	-463	-1,032	-2,093
Operating income	-67	-247	-315	903
Operating income ratio	-	-	-	9.2%
EBITDA*2	-28	-143	-171	1,047
EBITDA margin	-	-	-	10.7%
Ordinary income	-88	-265	-354	793
Net income attributable to shareholders of the parent company	-153	-868	-1,022	104

## Game Business: Progress on Two Titles Releasing in the Second Half (1)

***Wizardry Variants Daphne* was released in Q3 FY03/2025 (15th October 2024).**



### Wizardry Variants Daphne Game Overview

- Genre: 3D dungeon RPG
- Supported platforms: iOS/Android \*Steam version also planned
- Price: Free to play (in-game purchases available)
- Development/distribution/operation: Drecom Co., LTD.
- Distribution countries: Worldwide (Japan and overseas)
- Distribution date: 15th October 2024
- Supported languages: Japanese/English \*At the time of distribution start
- Copyright notice: ©Drecom Co., Ltd.

- We have acquired the rights to 'Wizardry,' a game IP with over 40 years of history in the U.S., and developed it as the latest title in the series
- Sales have surpassed expectations, with cumulative billing revenue since the release totaling approximately 700 million yen (preliminary figures from October 15 to 27)
  - Since this title is distributed by our company, sales are recorded on a gross basis. Settlement fees and revenue distributions to investors are classified as variable costs
- Immediately after release, maintenance was performed due to communication errors and other issues. In-game glitches continue to occur, and we are currently increasing staff to address them
- Moving forward, we plan to launch the PC version (Steam) to target further user acquisition, including international markets

## Game Business: Progress on Two Titles Releasing in the Second Half (2)

We plan to release '*Disney STEP*' in Q4 of FY03/2025, with the preview experience concluding in early October.



### Disney STEP Game Overview

- Title: *Disney STEP*
- Genre: Real-life treasure hunting game
- Release date: Spring 2025 (planned)
- Supported OS: iOS/Android
- Play fee: Free to play (in-app purchases available)
- Official website: <https://step-official.jp>
- Official SNS (X): @stepofficialjp(<https://x.com/stepofficialjp>)
- Rights notation: © Disney © Disney/Pixar

\*This title is developed, distributed and operated by Drecom under license from Disney.

- Real-Life treasure hunt game utilizing location-based features
- Information was released on August 27, initiating participant recruitment for the preview experience, which will occur from September to October. The response on social media has been overwhelmingly positive
- Currently in development and scheduled for release during FY03/2025



# A Three-Year Plan to Scale Up

For FY03/2025, we anticipate a low profit margin due to costs associated with new releases. Starting in FY03/2026, we aim to achieve both growth and profitability.

## FY03/2024

Sales: 9.7 billion yen  
 Operating income: 900 million yen  
 Operating income margin: 9.2%

### A year of restructuring

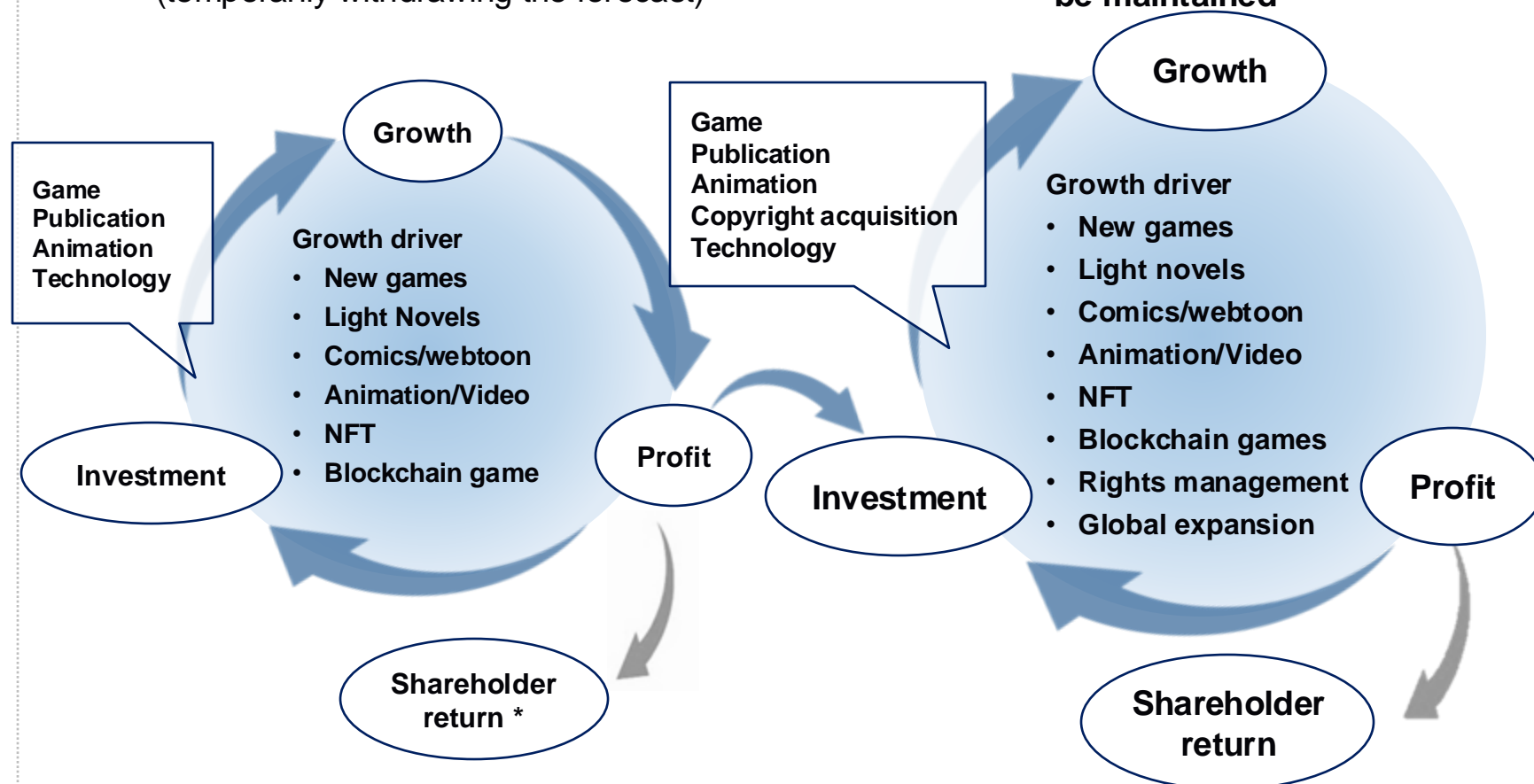
- Improvement of Existing Business Profitability
- Review of investment plans
- Company-wide cost reduction
- Collaboration Involving Project-based Investment Acceptance

## FY03/2025

Sales: -  
 Operating income: -  
 (temporarily withdrawing the forecast)

## FY03/2026 – FY03/2027

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

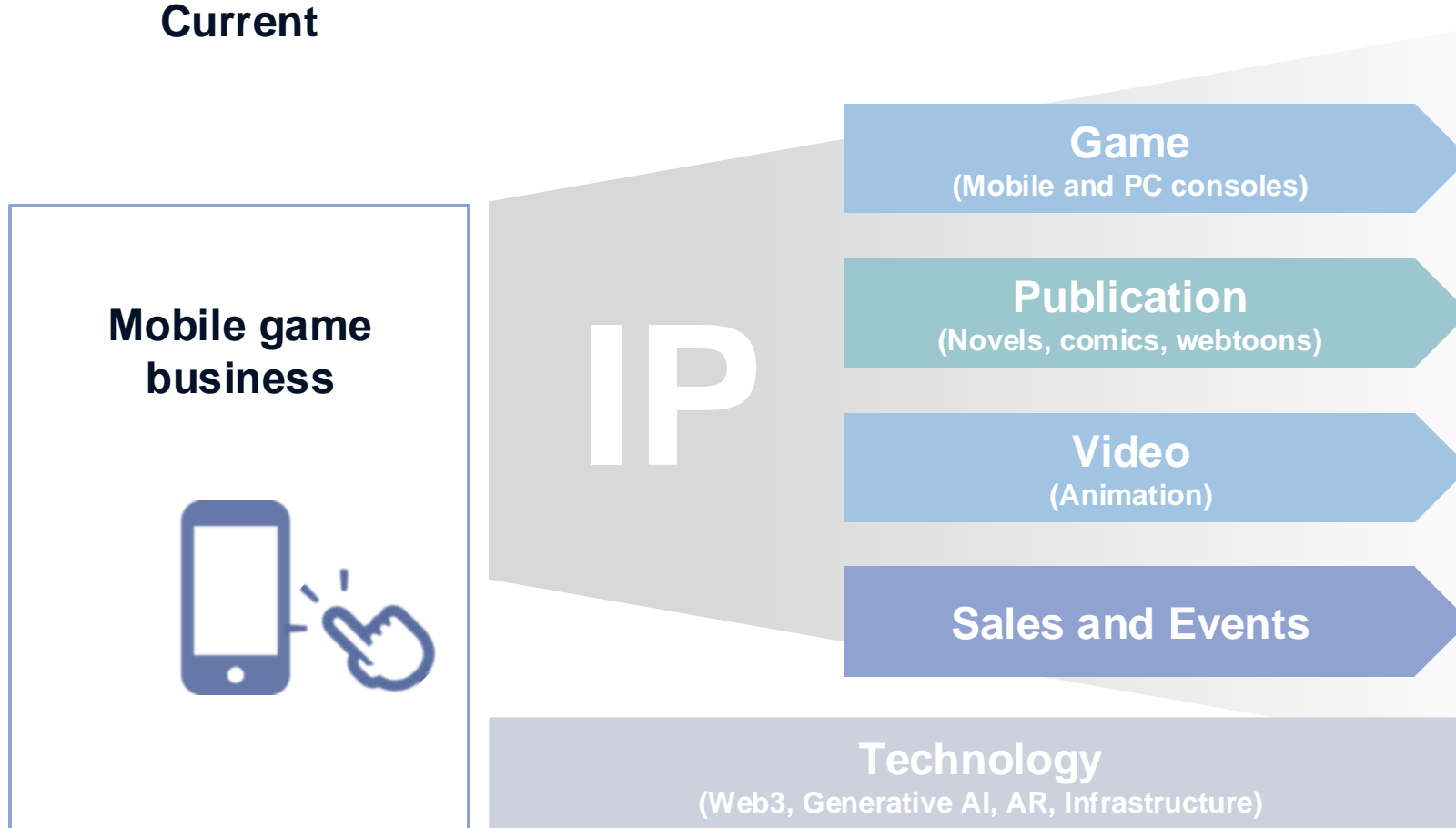


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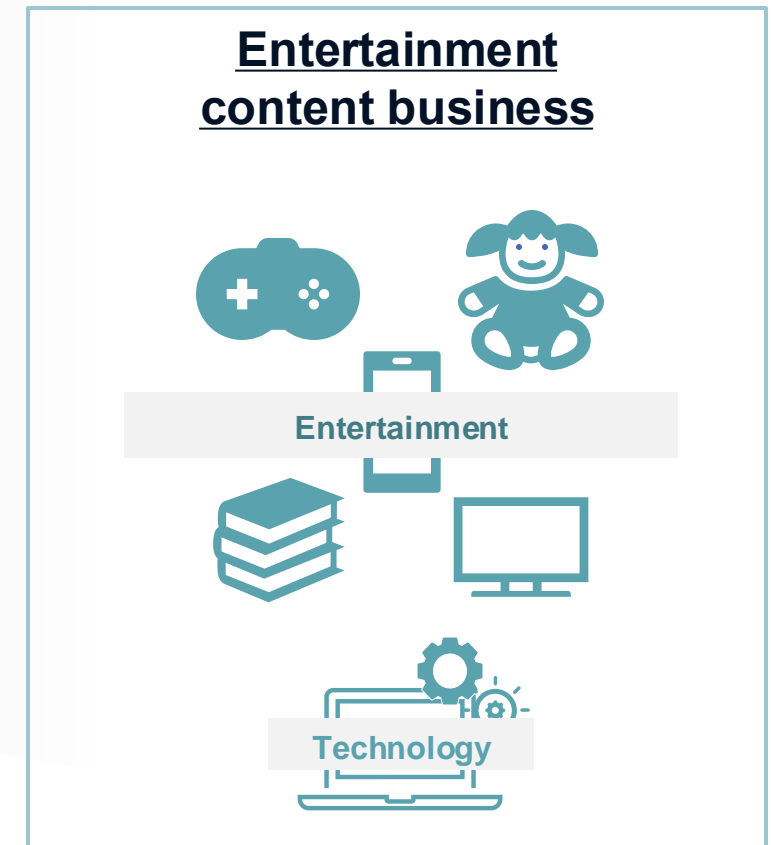
# Medium-Term Goals

Aiming to become a company that provides entertainment content globally,  
centered around IP and technology.

## Current



## Medium-Term Goals



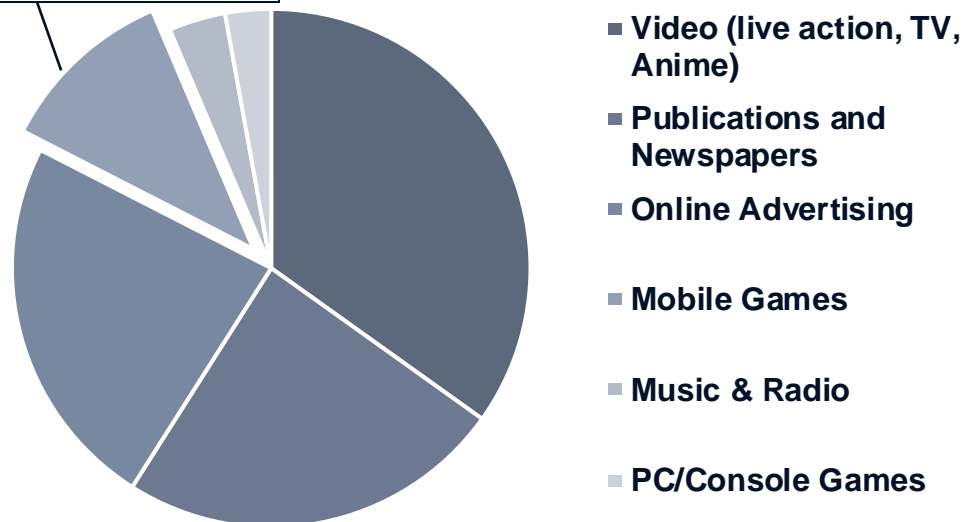


# Our Market: Entertainment and Content Industry

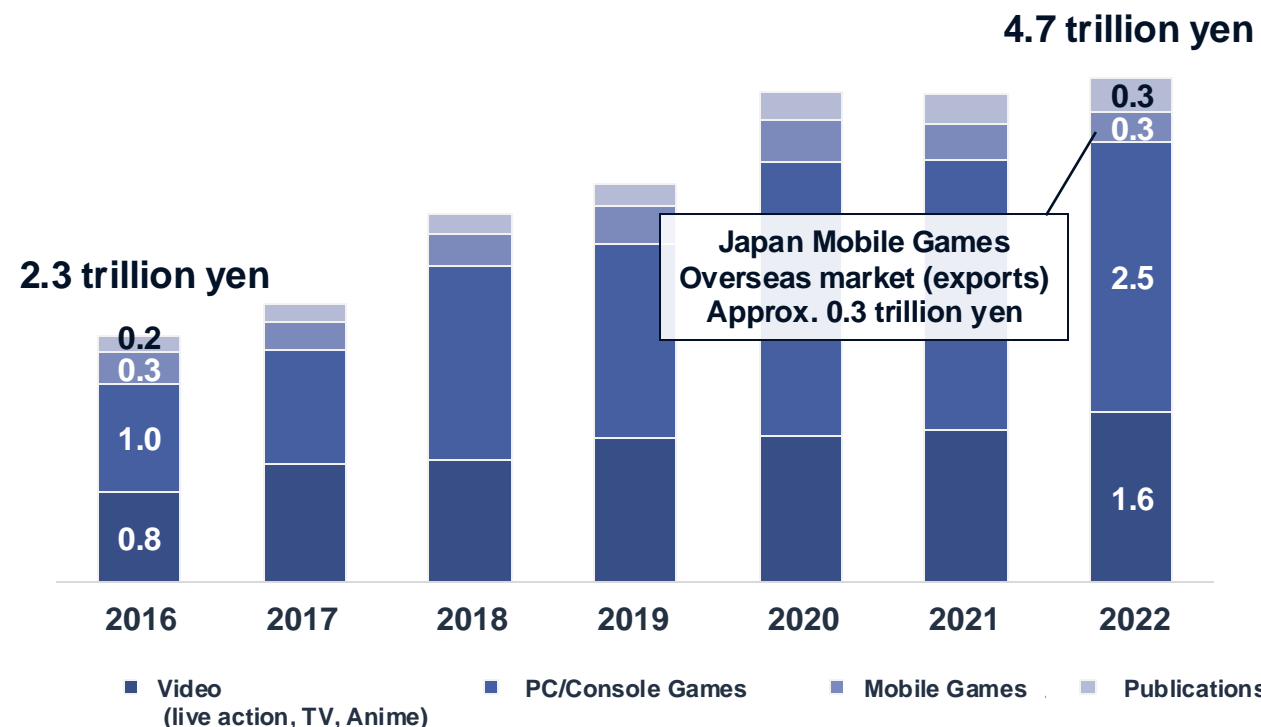
With the rise of video streaming services and digital sales, the popularity of Japanese content, particularly anime and PC/console games, is gaining significant traction worldwide. The overseas export of Japanese content has reached a scale of 4.7 trillion yen, comparable to the steel industry and approaching the semiconductor industry.

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

Domestic mobile game market  
 Approx. 1.3 trillion yen



**Overseas Market Size of Japanese Content (Exports) (2022):**  
 Approximately 4.7 trillion yen



## Our Strengths and Competitive Advantages

Opportunities in the entertainment content market are expanding. As a latecomer, we will capitalize on this momentum by leveraging our strengths to enter the market, aiming for sustainable growth and enhanced corporate value.

### Strength 1

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

- Quickly adapting to and capitalizing on emerging technology trends such as blogs, digital advertising, social gaming, augmented reality, blockchain, generative AI, and more

### Strength 2

#### ■ Over 10 years of experience in IP content business

- Understanding the Appeal of IP and Expanding Content Business for IP Fans. Developed and maintained a wide range of mobile games based on popular and historically significant IPs

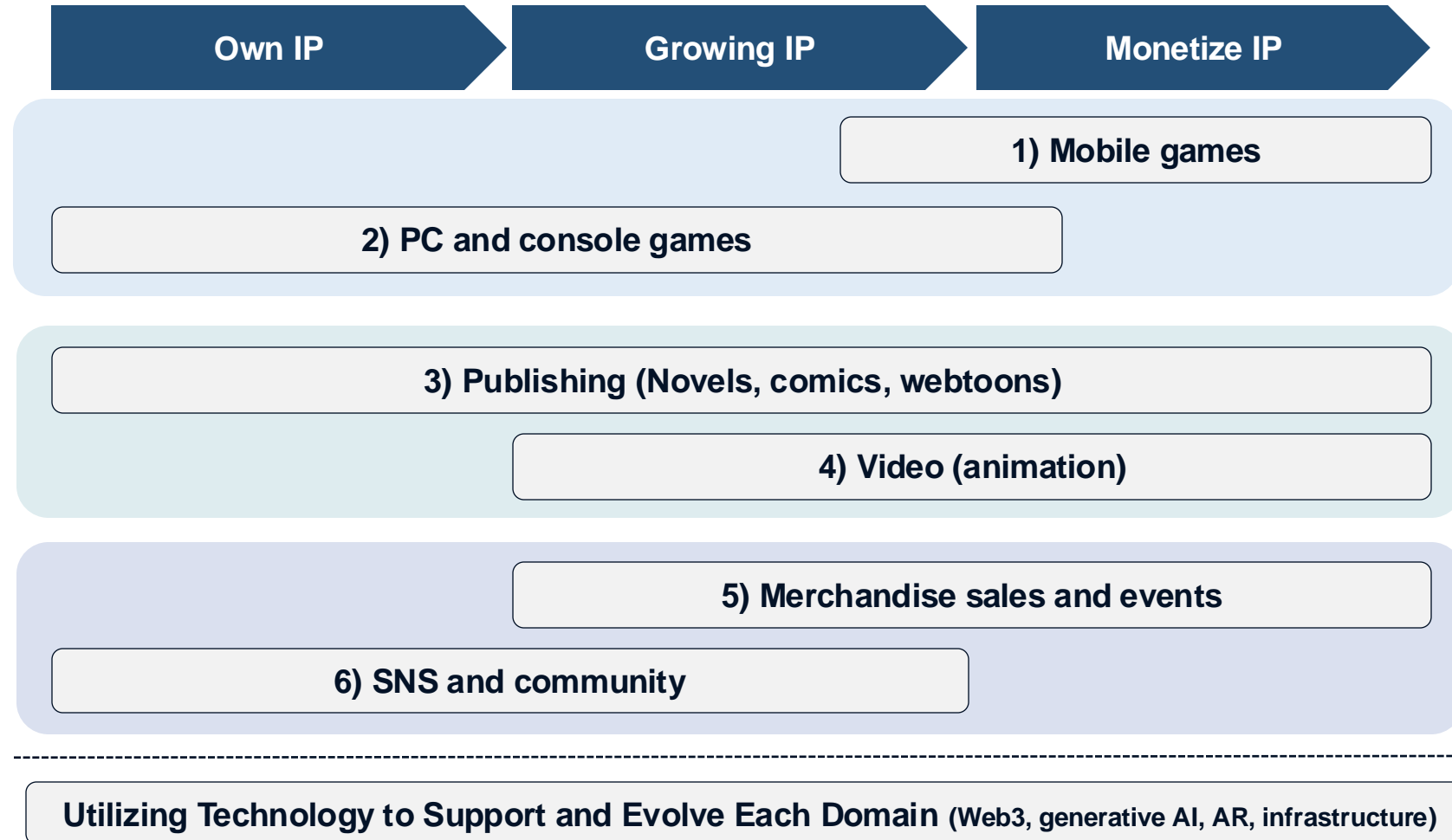
### Strength 3

#### ■ Management policy emphasizing continued challenges

- Organizational knowledge gained from numerous challenges and failures since the company's founding. Our management approach emphasizes embracing challenges without fear of failure and swiftly recovering from setbacks

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

As we own, nurture, and monetize IPs, we will clarify the positioning of each area based on the unique characteristics of our businesses. This will enable us to identify the business domains to prioritize in the medium term.



### Major Initiatives

#### 1) Mobile games

- *Evil Prince and the Puppet*
- *Wizardry Variants Daphne*
- *Disney STEP*

#### 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

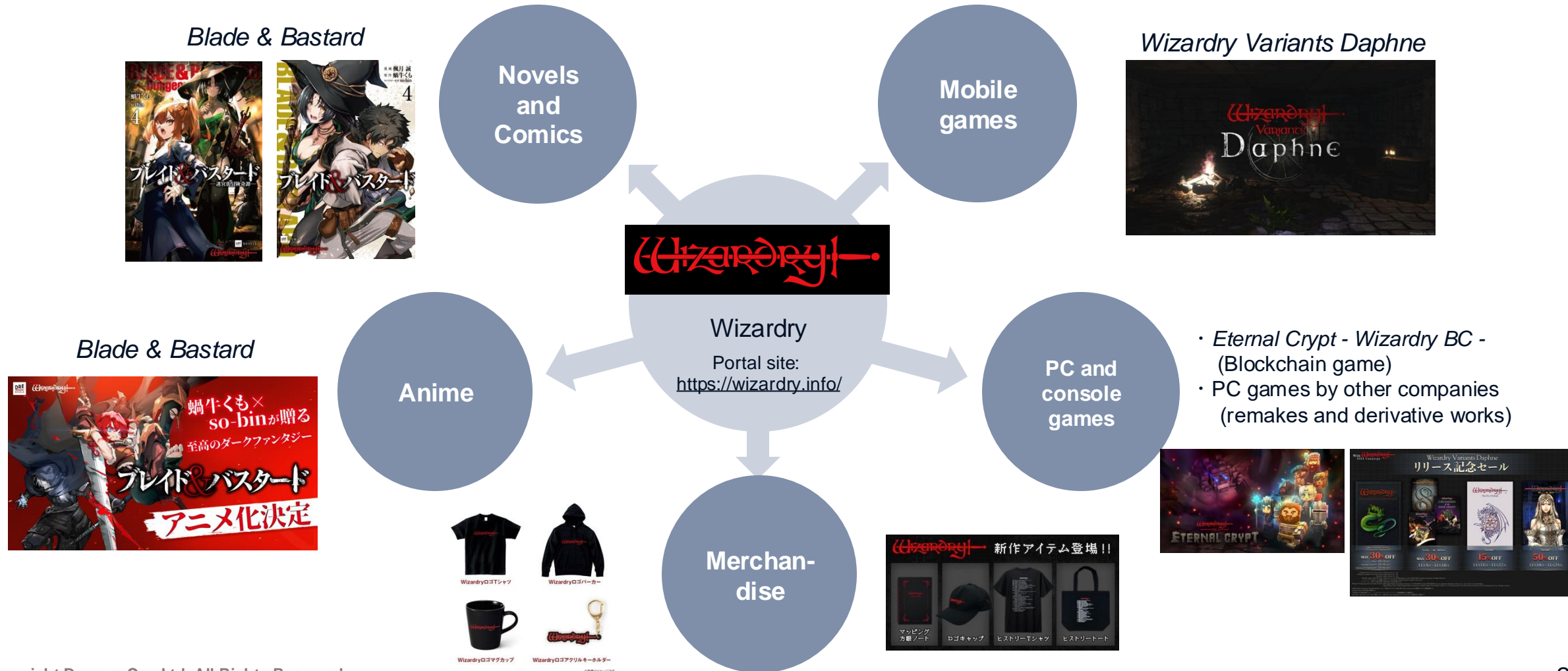
- Selling goods of own IP/other IP
- Holding events for IP fans

#### 6) SNS and Community

- *Evil Prince and the Puppet*
- *Tokyo Stories*

# IP-Centered Multimedia Development: *Wizardry*

Efforts to acquire copyrights and trademarks for popular IPs, converting them into in-house IP and enhancing their value through multimedia development. The latest series installment, *Wizard Daphne*, has been released, and *BlaBas* has been adapted into an anime, marking a phase of IP re-growth.



# Status of In-House IP Development: 'Drecom Media'

Efforts to enhance and monetize IP through web novel publications, comic adaptations, and original works. In about two years since launching, we have produced four titles with a cumulative total exceeding 100,000 copies, and two have been confirmed for anime adaptation, demonstrating strong progress.

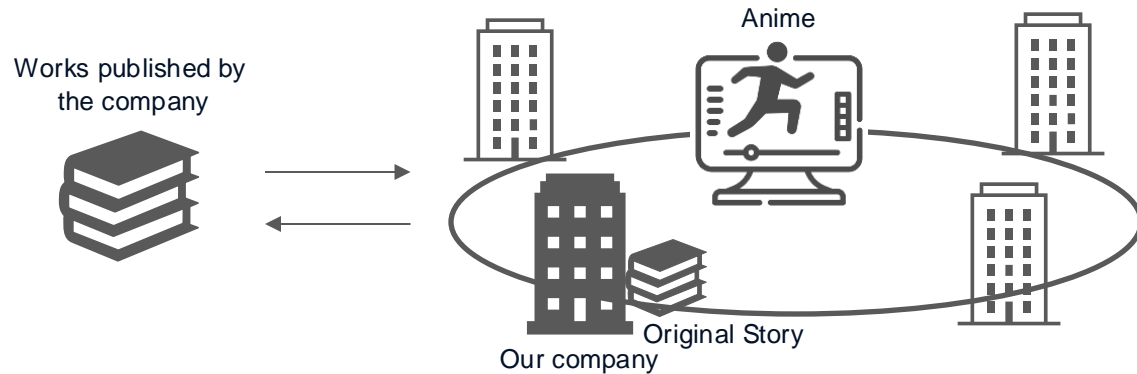




# About the Video (Anime) Business

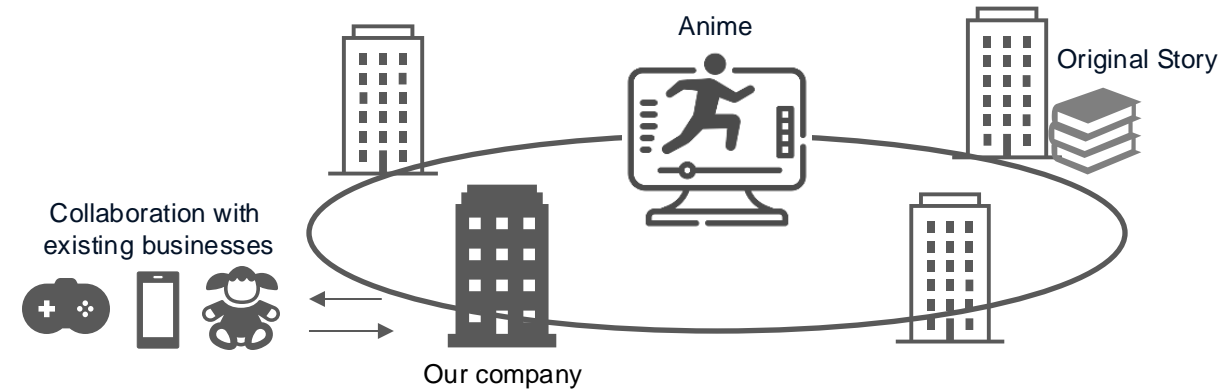
In addition to publishing, we have launched a comprehensive initiative in the anime business, expanding its global market. We are engaged in anime production projects to develop and monetize our own IP, while also investing in production committees to acquire partial rights to IP from other companies.

## Anime Adaptation Projects for In-House Works



- ✓ We plan to produce anime in collaboration with multiple companies, selecting from our own high-potential published works and forming a production committee
- ✓ Our goal is to achieve greater investment returns from the overall growth of the IP rather than solely from the anime's performance
- ✓ We also aim to build a strong track record and collaborate with leading anime production partners

## Investment in Production Committees for Third-Party Works



- ✓ We determine our investment in a project by evaluating the work's potential and its synergy with our existing business
- ✓ Alongside our investment, we aim to maximize the value of the work and generate profits from our involvement
- ✓ Our goal is to build a strong track record, engage in compelling projects, and strengthen the foundations for adapting our own IP into anime

# 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. Further progress is being made in Web3, blockchain, and generative AI initiatives.

## Web3 - Blockchain



### ■ "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
- In October 2024, the domestic exchange (Coincheck) began handling the currency **(NEW)**
- Moving forward, we aim to expand further by strengthening domestic and international partnerships, as well as collaborating with IPs and other Web3 projects

## Generative AI



### ■ Commercialization of the AI platform developed in-house **(NEW)**

- We conducted experiments with AI in the game business to enhance operational efficiency and reduce costs. Having achieved promising results, **we have begun offering it as a SaaS solution for game development companies**
- Expand into areas such as translation, text generation, image processing, and customer support
- We aim to reduce onsite man-hours by accumulating and relearning internal data, optimizing output for each content, all within a secure environment that prevents data leakage outside the company
- Press Release: <https://drecom.co.jp/news/2024/08/20240822-01.php>

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# FY03/2025 Full-Year Performance Outlook (announced on May 13, 2024)



## Game Business

### Existing:

- Unprofitable titles were withdrawn during the fiscal year ending March 31, 2024. Sales decreased due to the closure of another title and the termination of a contracted development project
- 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)
- All three titles are self-published with gross revenue recognition, resulting in a substantial impact on revenue and variable costs compared to existing core titles
- Due to increased operating costs, including advertising expenses and software amortization following the release of each title, we expect contributions to profit to primarily begin from FY03/2026 onward
- We have made progress in discussions with several companies regarding collaboration on a project-by-project investment basis to increase the likelihood of success and mitigate risk
  - We plan to continue developing multiple titles for PC and console platforms on a small to medium scale

## Content Business\*

**As the scale of each business area expands, we expect an increase in business operating expenses and R&D expenditures.**

**Publishing:** Aiming to create hits through ongoing releases of novels and comics, including works by popular authors

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

**Merchandising & 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

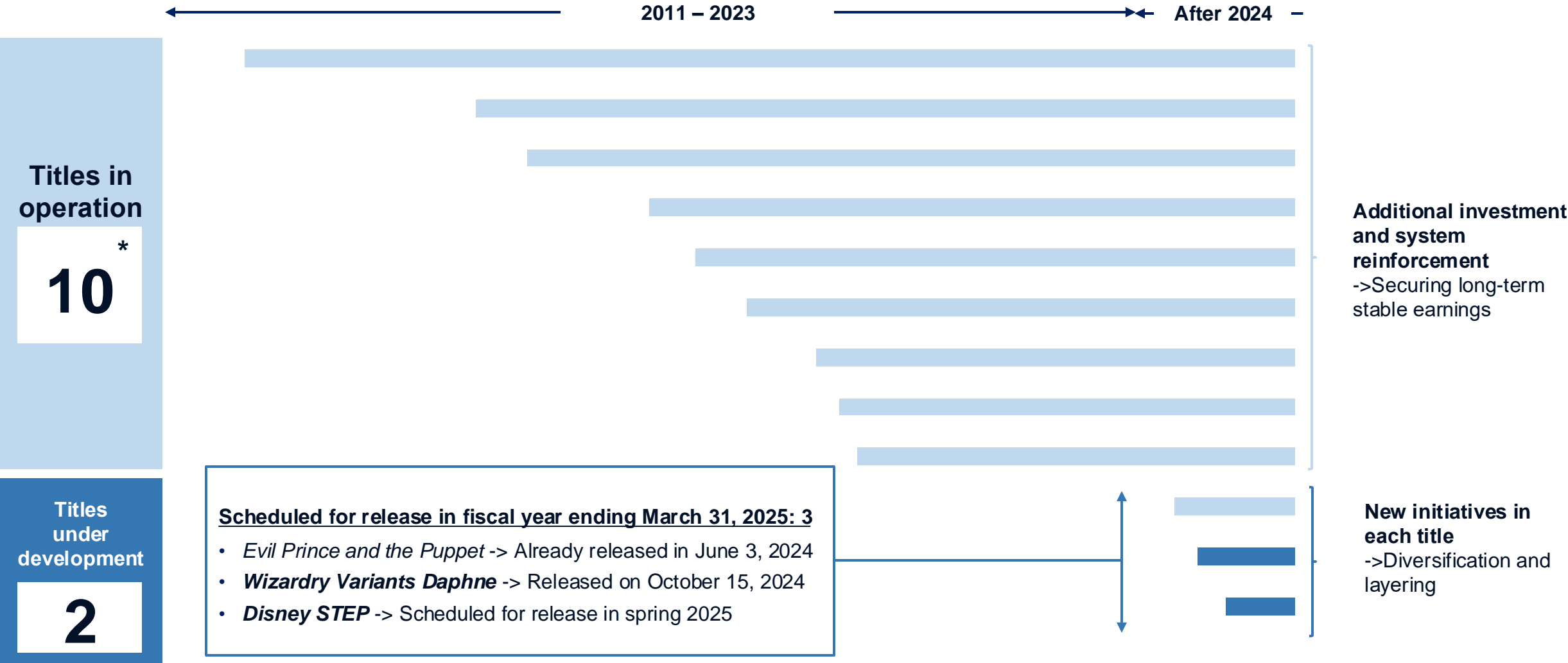
# Financing Agreement with DBJ for Profit Sharing Rights

To mitigate the risks associated with highly volatile businesses and to continue embracing challenges, we accept investments on a project-by-project basis.

Item	Details
Procurement source	Development Bank of Japan Inc.
Procurement method	We have established profit-sharing rights for the game <i>Wizardry Variants Daphne</i> (hereinafter referred to as 'the Project') for DBJ, and we will secure funding as payment for these profit-sharing rights
Procurement amount	500 million yen
Use of funds	Allocated to investment funds for the Project (development costs, advertising costs, etc.)
Investment ratio	Investment amount (500 million yen) ÷ Total investment amount for the Project (not disclosed)
Method of profit distribution	From the month of the game's release, the amount of the distribution will be calculated based on the previously agreed formula (not disclosed) in proportion to the investment ratio and paid as a revenue distribution * Cash flow: billing revenue - operating expenses
Date of board of directors' resolution	August 30, 2024
Date of contract conclusion	August 30, 2024
Procurement execution	Immediately before release (October 2024)
Call option	After 5 years from the start of investment, our company can exercise the call option at the higher of the following prices. (1) 1 yen (2) investment amount – cumulative profit distribution
Put option	After 5 years from the start of investment, DBJ can exercise the put option at 1 yen
Termination clause	(1) If both parties agree (2) If the put/call option is exercised (3) If the project ends in the red
Presence or absence of collateral	Unsecured
Timely disclosure	<a href="https://drecom.co.jp/ir/140120240827577303.pdf">https://drecom.co.jp/ir/140120240827577303.pdf</a>

# Game Business: Pipeline of Operational and Development Titles

Operational titles will receive additional investments and system enhancements to secure long-term revenue. We aim to diversify and layer our offerings through the release of new titles.



\* As of September 30, 2024. Series titles and titles developed overseas are counted as one title. Titles for PC and consoles are not included.

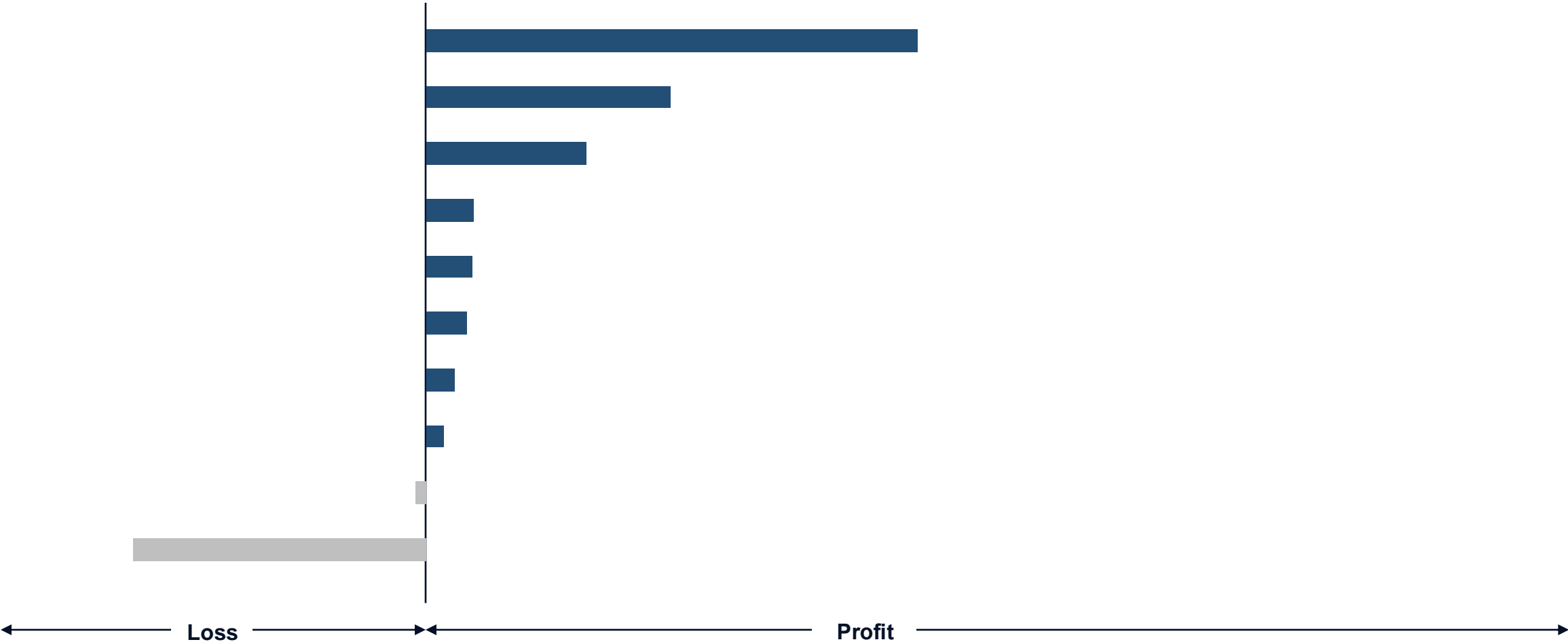
# Game Business: Pipeline of Operational and Development Titles

Business	Status		Definition	Number of projects	Details
Game Business	Operation		Titles in operation	10*	<ul style="list-style-type: none"><li>➤ Other company distribution: 4 titles</li><li>➤ In-house distribution: 6 titles</li></ul>
	Development	Commercialized development	Development is underway with a release in sight	2	<ul style="list-style-type: none"><li>• <i>Wizardry Variants Daphne</i> -&gt; 3D dungeon RPG <u>Released on October 15, 2024</u></li><li>• <i>Disney STEP</i> -&gt; A real-life treasure hunt game that utilizes location information functions</li></ul>
			Titles for Smartphones		
		Prototype	Titles for PC and consoles	3	<ul style="list-style-type: none"><li>• <i>Tokyo Stories -working title-</i></li><li>• <u>Unannounced title (developed by Drecom)</u> -&gt; Change from smartphone to PC/console</li><li>• Unannounced title</li></ul>
			Pre-development stage title in works		Several

\* As of September 30, 2024. Series titles and titles developed overseas are counted as one title. "Blockchain games" are not included.

# Q2 FY03/2025 Revenue from Titles in Operation

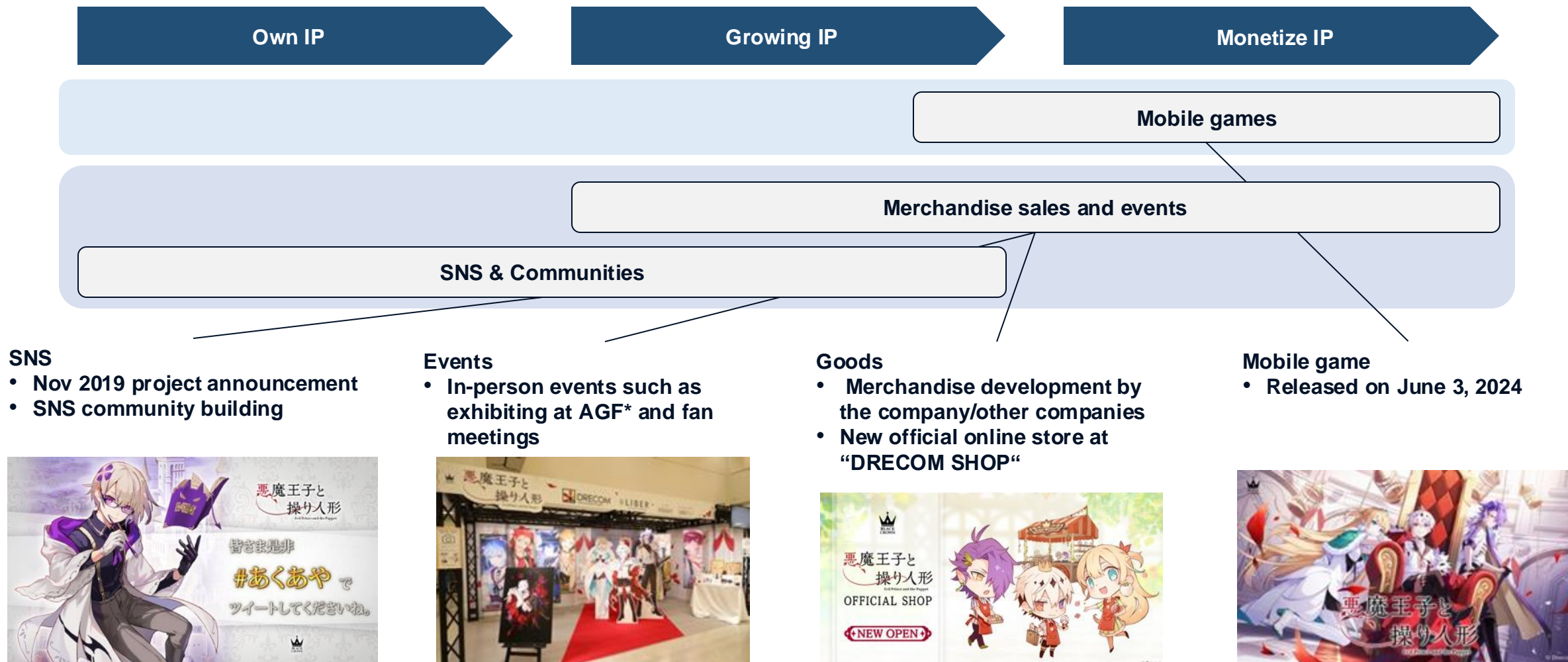
Profit and loss for 10 titles in operation\* (Q2 FY03/2025, Jul-Sep)



\* Number of active titles as of the end of September 2024, including two enza titles and Boku to Dragon. 'Blockchain games' are not included.  
\* For information on profit and loss trends, please see page 8, and for information on sales trends, please see the fact sheet on our website.  
[https://drecom.co.jp/ir/factsheet\\_202503Q2.pdf](https://drecom.co.jp/ir/factsheet_202503Q2.pdf)

# Status of Development of In-House IP: *Evil Prince and the Puppet*

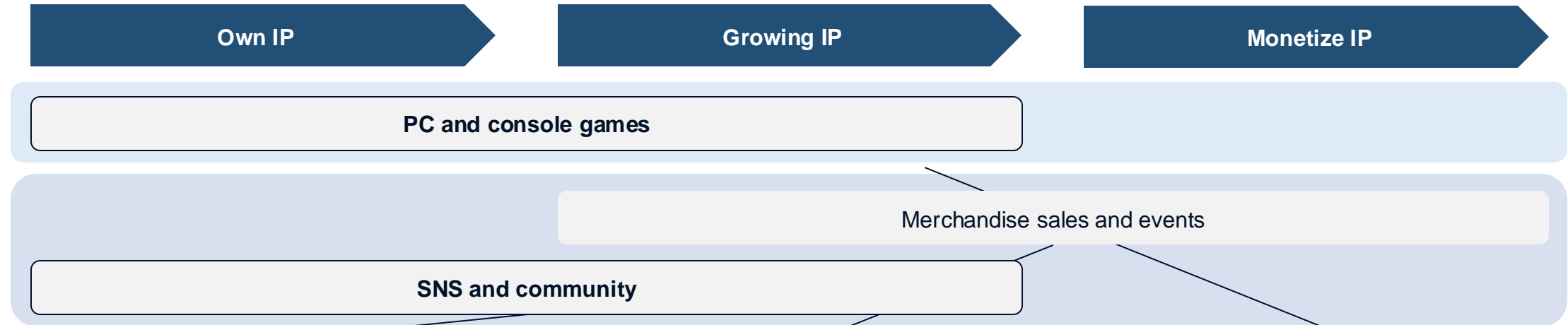
The company is focused on developing a fan community through social media operations, nurturing IP, and expanding into various areas, including game development. The game is set to be released on June 3, 2024, with real events planned and merchandise to be sold by the company and other partners.





## Status of In-House IP Development: *Tokyo Stories*

Launched via social media, this project aims to develop IP through buy-to-own games for PC and console. It has garnered strong international recognition, with over 100,000 followers on X.



### SNS

- Project announced in July 2022



### Events

- Domestic and international event participation



### Game

- Under development for PC and console game release



# List of Operational Game Titles (As of September 2024)

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 &amp; DRAGONS</i>	studiorex Co., Ltd.* <sup>1</sup>	Feb 2015 (March 2020)
<i>Derby Stallion: Masters</i>	Drecom Co., Ltd.	Nov 2016
<i>Everybody's Golf</i>	Aniplex Inc.	Jul 2017
<i>THE IDOLM@STER SHINYCOLORS</i>	Bandai Namco Entertainment Inc	Apr 2018
<i>NEKO &amp; DRAGONS</i>	studiorex Co., Ltd.* <sup>1</sup>	Apr 2019 (March 2020)
<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

\*1 studiorex Co., Ltd. joined our group in March 2020.

\*2 *Wizardry Variants Daphne* was released on October 15, 2024. Distributed by Drecom Co., Ltd.



**For details on trends in consolidated performance, cost and SG&A expenses, and billing revenue for the game business, please refer to the fact sheet available on our website**

**[https://drecom.co.jp/ir/factsheet\\_202503Q2.pdf](https://drecom.co.jp/ir/factsheet_202503Q2.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.**