



**Consolidated financial results Third quarter fiscal year Ending March 31, 2024**  
(Under Japanese GAAP)

January 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 date to file quarterly securities report: February 8, 2024  
 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 rounded down to millions, unless otherwise noted.)

1. Consolidated financial results nine months ended September 30, 2023  
 (From April 1, 2023 to December 31, 2023)

(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	%		%		%
Nine months ended September 30, 2023	7,637	-8.9	789	-62.4	729	-64.0	97	-91.7
September 30, 2022	8,380	3.7	2,100	47.9	2,025	46.7	1,166	36.7

**Note: Comprehensive income** For the nine months ended September 30, 2023 101 Million yen (-91.3%)  
 For the nine months ended September 30, 2022 1,168 Million yen (36.7%)

	Quarterly Net earnings per share	Quarterly Diluted net earnings per share
Nine months ended September 30, 2023	Yen 3.41	Yen 3.41
September 30, 2022	40.98	40.91

(2) Consolidated financial condition

	Total Assets	Net Assets	Equity-to-asset ratio	Net assets per share
Nine months ended September 30, 2023	Million yen 13,487	Million yen 5,653	% 41.5	Yen 195.78
Fiscal year ended March 31, 2023	12,226	5,631	45.6	195.70

Reference: **Equity capital** As of December 31, 2023 5,601 Million yen  
 As of March 31, 2023 5,579 Million yen

2. Cash dividends

	Annual dividends				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
Fiscal year ended March 31, 2023	JPY -	JPY 0.00	JPY -	JPY 5.00	JPY 5.00
March 31, 2024	-	0.00	-	-	-
March 31, 2024 (Forecast)				0.00	0.00

Note: Revision to the forecast of cash dividends most recently announced: Yes  
 For details, please refer to the " Notice of Revision of Full-Year Earnings Forecasts and Revision of Dividend Forecasts (No Dividend)" released today (January 30, 2024).

3. Forecast of consolidated financial results for fiscal year ending March 31, 2024 (April 1, 2023 - March 31, 2024)

(% increase or decrease from the fiscal year ending March 31, 2023)

Fiscal year ending March 31, 2024	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Earnings per share
	Million yen 10,000	% -7.4	Million yen 800	% -64.9	Million yen 700	% -68.1	Million yen 100	% -91.4	Yen 3.51

Note: Revision to the forecast of cash dividends most recently announced: Yes  
For details, please refer to the " Notice of Revision of Full-Year Earnings Forecasts and Revision of Dividend Forecasts (No Dividend)" released today (January 30, 2024).

\*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: None

(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 issued shares at end of period (including treasury shares)

As of December 31, 2023	29,224,108 shares
As of March 31, 2023	29,129,591 shares

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

As of December 31, 2023	612,695 shares
As of March 31, 2023	621,595 shares

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

Nine months ended December 31, 2023	28,558,079 shares
Nine months ended December 31, 2022	28,473,581 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.

\*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 January 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 third quarter ended September 30, 2023

### (1) Explanation of operating results

The Group's raison d'être 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 wide variety of entertainment content globally based 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 media business, we publish and sell novels, comics, and other books and e-books with the aim of developing 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 third quarter consolidated cumulative period, net sales were 7,637,627 thousand yen (down 8.9% YoY), operating income was 789,399 thousand yen (down 62.4% YoY), and ordinary income was 729,210 thousand yen (down 64.0% YoY). In addition, the Company posted an extraordinary loss of 609,185 thousand yen due to the closure of two new titles released at the end of fiscal year ended March 31, 2023 and in the first quarter of fiscal year ended March 31, 2024, and the decision to discontinue development of one title under development that had not yet been announced or was in the prototype stage, resulting in an impairment loss of 609,185 thousand yen. As a result, net income attributable to parent company shareholders for the quarter was 97,393 thousand yen (down 91.7% YoY).

The results for each segment for third quarter consolidated fiscal year under review are as follows.

#### Game business

In the game business, existing titles under operation continued to perform well in the third quarter, exceeding expectations. In this segment, we have been aiming to accumulate earnings by releasing new titles in addition to the titles under operation. However, due to the lower-than-expected revenue of the newly released titles, we reviewed our operation/development portfolio and decided to close two new titles released at the end of fiscal year ended March 31, 2023 and in the first quarter of fiscal year ended March 31, 2023, and to discontinue the development of one title under development that was not yet announced or in the prototype stage.

Net sales decreased from the same period of fiscal year ended March 31, 2023, mainly due to lower sales of other titles under management than in fiscal year ended March 31, 2023, despite strong sales of mainstay IP titles

Profit decreased from the same period of fiscal year ended March 31, 2023 due to the above-mentioned decrease in revenue and an increase in expenses associated with the release of two new in-house distribution titles at the end of fiscal year ended March 31, 2023 and in the first quarter of fiscal year ended March 31, 2024.

As a result, segment sales amounted to 7,300,248 thousand yen (down 10.5% YoY), and segment income amounted to 1,492,361 thousand yen (down 39.4% YoY).

In this segment, our core business, we will continue to strive to maintain stable earnings from titles in operation, review overall strategies for mobile game titles under development, reduce costs, and take other measures to improve the profit-and-loss situation as quickly as possible, aiming to increase sales and profits through contributions from new titles to be released in the future. We will also review the overall strategy of mobile game titles under development and reduce costs to improve profitability as soon as possible.

#### Media business

In the media business, while working on the publishing and video business to develop and nurture IP and diversify revenue-generating channels, we have been publishing monthly from the light novel label "DRE Novels" and the comic label "DRE Comics". In addition, utilizing our knowledge of Internet services and advanced technology, we are developing new businesses in the Web3 domain and providing "Rooot" and "Fanflu," fan marketing support services utilizing SNS, and "Mx.Load," a load testing service.

Net sales increased year-on-year mainly due to the start of publication of "DRE Novels" and "DRE Comics" as well as the NFT collection sales of the blockchain game "Eternal Crypt - Wizardry BC-", which is being developed jointly with another company.

As for profits, new business areas such as publishing, video, and Web3 are making steady progress, but the loss amount increased from the same period of fiscal year ended March 31, 2023 due to the ongoing cost advance.

As a result of the above, segment sales amounted to 337,378 thousand yen (up 48.5% YoY) and segment loss amounted to 702,962 thousand yen (segment loss of 360,162 thousand yen in the same period of fiscal year ended March 31, 2023). In this segment, we will continue to make investments to realize our mid-term goal, but we are reviewing some of our plans as we implement company-wide cost reductions.

Looking ahead, we will work to further improve profitability in our mainstay game business and aim to increase sales and profits through contributions from new titles to be released in the future. In addition, we will continue to invest and focus on business expansion into entertainment areas other than games and the development and nurturing of our own IP, aiming to grow into a comprehensive entertainment company with IP at its core.

## (2) Explanation of financial position

### (Assets)

At the end of the third quarter, the total current assets amounted to 8,008,196 thousand yen, an increase of 159,801 thousand yen from the end of consolidated fiscal year ended March 31, 2023. This was mainly due to increases of 257,959 thousand yen in accounts receivable-trade and 412,934 thousand yen in other current assets, respectively, despite a 559,144 thousand yen decrease in cash and deposits. Fixed assets totaled 5,479,630 thousand yen, an increase of 1,101,628 thousand yen from the end of fiscal year ended March 31, 2023. This was mainly due to an increase of 1,110,555 thousand yen in software in progress.

As a result, total assets amounted to 13,487,827 thousand yen.

### (Liabilities)

At the end of the third quarter, the total current liabilities amounted to 4,238,527 thousand yen, a decrease of 61,967 thousand yen from the end of consolidated fiscal year ended March 31. This was mainly due to a decrease of 450,070 thousand yen in income taxes payable and an increase of 324,150 thousand yen in bank loans payable, respectively. Noncurrent liabilities amounted to 3,595,644 thousand yen, up 1,300,862 thousand yen from the end of consolidated fiscal year ended March 31. This was mainly due to an increase of 1,330,350 thousand yen in bank loans.

As a result, total liabilities amounted to 7,834,171 thousand yen.

### (Net assets)

At the end of the third quarter, the total net assets amounted to 5,653,655 thousand yen, an increase of 22,535 thousand yen from the end of consolidated fiscal year ended March 31. This was mainly due to an increase of 31,048 thousand yen in capital stock and capital surplus, respectively, and net income attributable to parent company shareholders of 97,393 thousand yen for the period, while shareholders' dividends decreased by 145,518 thousand yen.

As a result, the equity ratio was 41.5% (45.6% at the end of consolidated fiscal year ended March 31).

## (3) Explanation of consolidated earnings forecasts and other forward-looking information

Taking into consideration the consolidated financial results for the first nine months ended March 31, 2024 and the outlook for the future, we have revised our consolidated financial forecast for the fiscal year ending March 31, 2024 (full year), which was announced on July 27, 2023.

For details, please refer to the " Notice of Revision of Full-Year Earnings Forecasts and Revision of Dividend Forecasts

(No Dividend)" released today (January 30, 2024).

The consolidated forecasts are based on information available as of the date of publication of this document, and actual results may differ from the forecasts due to various factors in the future.

## 2. Quarterly consolidated financial statements and key notes

### (1) Quarterly consolidated balance sheet

(Unit: thousand yen)

	Fiscal year ended March 31, 2023	Nine months ended December 31, 2023
<b>Assets</b>		
Current assets		
Cash and deposits	6,044,573	5,485,429
Accounts receivable	1,484,658	1,742,618
Goods	5,268	12,089
Work in progress	17,482	47,767
Prepaid expenses	148,928	159,873
Other	147,482	560,416
Total current assets	7,848,394	8,008,196
Fixed assets		
Tangible fixed assets		
Building	191,229	191,229
Accumulated depreciation	-31,029	-44,313
Buildings, net	160,200	146,916
Tools, furniture and fixtures	85,502	87,636
Accumulated depreciation	-53,143	-64,457
Tools, furniture and fixtures, net	32,358	23,178
Leased assets	7,232	7,232
Accumulated depreciation	-3,107	-3,932
Lease assets, net	4,125	3,300
Total tangible fixed assets	196,683	173,395
Intangible fixed assets		
Software	201,601	32,134
Software in progress	3,026,917	4,137,473
Total intangible fixed assets	3,228,519	4,169,607
Investments and other assets		
Investments in securities	59,926	69,926
Deferred tax asset	491,226	546,696
(Security) deposit	199,404	199,404
Other	202,242	320,600
Total investments and other assets	952,800	1,136,627
Total fixed assets	4,378,002	5,479,630
Total assets	12,226,397	13,487,827

(Unit: thousand yen)

	Fiscal year ended March 31, 2023	Nine months ended December 31, 2023
<b>Liabilities</b>		
Current liabilities		
Accounts payable	449,977	697,621
Short-term debt	100,000	100,000
Current portion of long-term debt	1,780,750	2,104,900
Lease obligations	1,281	1,388
Accounts payable - other	554,851	663,387
Accrued income taxes	481,316	31,246
Allowance for bonuses	129,549	41,538
Other	802,766	598,444
Total current liabilities	4,300,494	4,238,527
Fixed liabilities		
Long-term debt	1,952,750	3,283,100
Lease obligations	3,524	2,563
Asset retirement obligations	100,000	100,000
Other	238,507	209,981
Total long-term liabilities	2,294,782	3,595,644
Total liabilities	6,595,277	7,834,171
<b>Total net assets</b>		
Capital stock		
Capital stock	1,811,311	1,842,360
Capital surplus	2,068,472	2,099,521
Retained earnings	1,967,564	1,919,438
Treasury stock	-266,237	-259,894
Total shareholders' equity	5,581,111	5,601,426
Accumulated other comprehensive income		
Net unrealized gains (losses) on available-for-sale securities, net of taxes	-2,079	-641
Foreign currency translation adjustments	82	790
Total accumulated other comprehensive income	-1,997	149
Subscription warrant	49,067	49,067
Noncontrolling interest	2,938	3,012
Total net assets	5,631,120	5,653,655
<b>Total liabilities and net assets</b>	<b>12,226,397</b>	<b>13,487,827</b>

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

## Quarterly consolidated statement of income

(Cumulative period for consolidated third quarter, nine months ended December 31, 2023)

(Unit: thousand yen)

	Nine months ended December 31, 2022 <small>(April 1, 2022 to December 31, 2022)</small>	Nine months ended December 31, 2023 <small>(April 1, 2023 to December 31, 2023)</small>
Net sales	8,380,181	7,637,627
Cost of sales	4,692,793	4,939,665
Gross profit	3,687,388	2,697,961
Selling, general and administrative expenses	1,586,767	1,908,561
Operating income	2,100,620	789,399
Non-operating income		
Interest income	24	29
Dividends received	3,066	2,979
Gain on investment in capital	-	1,739
Other	2,156	90
Total non-operating income	5,247	4,837
Non-operating expenses		
Interest expense	30,984	30,564
Fees and commissions	47,003	33,133
Other	2,452	1,329
Total non-operating expenses	80,440	65,027
Ordinary income	2,025,427	729,210
Extraordinary loss		
Impairment loss	336,259	609,185
Total extraordinary loss	336,259	609,185
Income before income taxes and minority interests	1,689,168	120,024
Corporate, inhabitant and enterprise taxes	513,472	76,351
Income taxes-deferred	7,206	-56,104
Total income taxes	520,679	20,247
Net income	1,168,489	99,777
Net income attributable to noncontrolling interests	1,765	2,384
Net income attributable to owners of the parent	1,166,723	97,393



Consolidated quarterly statements of comprehensive income  
(Cumulative period for consolidated third quarter, nine months ended December 31, 2023)

(Unit: thousand yen)

	Nine months ended December 31, 2022 <small>(April 1, 2022 to December 31, 2022)</small>	Nine months ended December 31, 2023 <small>(April 1, 2023 to December 31, 2023)</small>
Net income	1,168,489	99,777
Other comprehensive income		
Net unrealized gains (losses) on available-for-sale securities, net of taxes	138	1,438
Foreign currency translation adjustments	-296	708
Total other comprehensive income	-157	2,146
Comprehensive income	1,168,331	101,923
(Breakdown)		
Comprehensive income attributable to owners of the parent	1,166,565	99,539
to owners of the parent	1,765	2,384

(3) Notes to quarterly consolidated financial statements

(Notes on going concern assumptions)

Nothing applicable.

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

Nothing applicable.

(Information by Segment)

Segment information

I. Previous nine months ended, from April 30, 2022 to December 31, 2022 consolidated period

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

(Unit: Thousand yen)

	Reporting Segment			Adjustment	Quarterly consolidated income statement amount (Note)
	Game business	Media business	Total		
Sales					
(1) Sales to external customers	8,152,936	227,244	8,380,181	-	8,380,181
(2) Sales or transfers inside or between segments	-	-	-	-	-
Total	8,152,936	227,244	8,380,181	-	8,380,181
Segment profit or Loss	2,460,783	-360,162	2,100,620	-	2,100,620

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

2. Information on Impairment Loss on Fixed assets and Goodwill by Reportable Segment

Impairment losses were recorded in the "Game business" segment. The amount of impairment loss recorded was 336,259 thousand yen for the third quarter of Fiscal year ended March 31, 2023.

II. Nine months ended, from April 1, 2023 to December 31, 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 (Note)
	Game business	Media business	Total		
Sales					
(1) Sales to external customers	7,300,248	337,378	7,637,627	-	7,637,627
(2) Sales or transfers inside or between segments	-	3,600	3,600	-3,600	-
Total	7,300,248	340,978	7,641,227	-3,600	7,637,627
Segment profit or Loss	1,492,361	-702,962	789,399	-	789,399

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

2. Information on Impairment Loss on Fixed assets and Goodwill by Reportable Segment

Impairment losses were recorded in the "Game business" segment. The amount of impairment loss recorded was 609,185 thousand yen for the third quarter of Fiscal year ended March 31, 2024.

(Significant subsequent events)

Not applicable