



# Drecom (3793)

FY03/2023 Fourth Quarter Financial Results  
January 1 – March 31, 2023

## GIR Earnings View



Summary of financial result  
for the fourth quarter,  
FY2023

- The company announced Q4 FY03/23 results and full-year FY03/24 forecasts after the close of trading on May 11, 2023. The sales and profits exceeded the latest forecast that the company revised in the Q3 results announcement.
- Thanks to the strong performance of the mainstay IP title *ONE PIECE Treasure Cruise*, full-year sales were 10.8 billion yen (+3% YoY), operating income was 2.28 billion yen (+43% YoY), recurring income was 2.19 billion yen (+42% YoY), and net income attributable to owners of the parent was 1.16 billion yen (+44% YoY). Operating income and ordinary income reached record highs.
- In the fourth quarter (January-March), sales were 2.4 billion yen (-1% YoY), operating income was 180 million yen (+5% YoY), recurring income was 170 million yen (+4% YoY), and net income attributable to shareholders of the parent company was a loss of 7 million yen. The company's profit was up YoY, despite the high expenses that usually occur in the current quarter.
- The company initially planned to release three new in-house distributed game titles in the fiscal year, whose release dates were changed when it announced results. Of these, *GGGGG* was released at the end of March.
- Considering the profit/loss of each of the 11 titles in operation, the disclosure materials indicate that the company is steadily generating profits except for the latest title mentioned above. The annual dividend per share remains 5 yen per share.

- The company disclosed its full-year forecast for the fiscal year ending March 31, 2024. No interim forecast was disclosed.
- This is an increase in sales and a decrease in profit forecast. Specifically, the company forecasts full-year sales of 15 billion yen (+39% YoY), operating income of 2 billion yen (-12% YoY), recurring income of 1.9 billion yen (-13% YoY), and net income attributable to shareholders of the parent company of 1.1 billion yen (-5% YoY).
- The contributors to the sales growth forecast are (1) the lifecycle management of solid titles in operation for an extended period and (2) the release of the long-awaited new in-house distributed game titles. Of these new titles, *DACHIMEN DENSETSU G* developed by subsidiary Studiorex is scheduled for release in May, following the already released *GGGGG*.

Company forecast for year  
ending March 31, 2024

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## GIR Earnings View (cont.)

- The remaining new title, *Wizardry Variants Daphne* , will be released at a suitable time during the fiscal year. Although the company does not disclose the size of sales of each new title, we believe that the contribution of this title is noteworthy.
- Regarding the decrease in operating income, key factors are: (1) the increase in variable and fixed costs associated with the full-scale launch of new titles of games distributed by the company, and (2) the increase in upfront investment and R&D for new businesses such as publishing, video, and Web3, which are expected to grow continuously in the medium term.
- We believe that the company's plan for higher sales and lower profits should not necessarily be unfavorable, as it is natural for a growing company to allocate top-line growth to investments for sustained growth.

Company forecast for year ending March 31, 2024 (cont.)

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Outlook for the first quarter of the fiscal year ending March 31, 2024

- The company does not disclose quarterly company forecasts, but its IR materials show outlook for the first quarter.
- This quarter's sales and operating income are likely to be lower than usual as a percentage of the full-year forecast, due to the start-up cost of *GGGGG* and *DACHIMEN DENSETSU G* and the increase in costs related to new businesses. This is different from previous years.
- In particular, it should be noted that the first quarter profit figures in the previous fiscal year were strong, setting tough year-over-year comparison.
- However, we would like to think that such advance guidance will reduce the risk of major turmoil in the stock market.



## GIR Earnings View (cont.)

- The first is the release date and revenue potential of new titles, particularly *Wizardry Variants Daphne*. The title has been released in beta and is in the finishing stages. Whether or not this will be a competitive title and lead to revenue traction will be the biggest focus of this fiscal year.
- Second is the progress of new business. Now that the light novel label is on track, the company plans to launch a comic/webtoon label next. It will be very interesting to see if this will be a success and open up prospects for further visualization and game production. We also look forward to the acquisition of knowledge and results in the search for Web3-related commercialization.
- Third is the development and release of future game titles. In particular, *Evil Prince and the Puppet* is scheduled for release by the end of the fiscal year.
- Fourth is risk management. In this regard, if the release schedule of a significant game title distributed by the company were to change, or if the response after release were to deviate from expectations, would the company be able to strike a balance between revenue management and development and continue its growth strategy? We will also draw attention and have high expectations for the company in risk management competency, including dialogue with the stock market participants.

Future highlights

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Summary

- In this new fiscal year ending March 2024, the market will finally see if the company will monetize its three new in-house distributed game titles. The first key point is whether the company can achieve solid sales growth in line with its forecast.
- If the monetization goes smoothly, the company will gain business experience and a financial foothold that would help push itself from a mobile game company to a diversified entertainment company with original IPs and media mix capability. Another important point is whether the business potential of the new business can be further visualized.
- If this scenario becomes more compelling, we would like to think that the stock market would look beyond the company's forecast of higher sales and lower profits.



Financial Data (Consolidated: Quarterly)													
Statements of Income													(Millions of yen)
Accounting period	FY	FY	FY03/2022					FY03/2023					FY
	03/2020	03/2021	Q1	Q2	Q3	Q4	Q1-Q4	Q1	Q2	Q3	Q4	Q1-Q4	03/24
	Q1-Q4	Q1-Q4	Q1	Q2	Q3	Q4	Q1-Q4	Q1	Q2	Q3	Q4	Q1-Q4	CE
Sales	10,150	11,841	2,661	2,523	2,893	2,450	10,528	2,927	2,873	2,579	2,420	10,800	15,000
YoY	-5.0%	17.0%	-19.0%	-12.0%	-3.0%	-9.0%	-11.0%	10.0%	14.0%	-11.0%	-1.0%	3.0%	39.0%
Net sales	2,192	3,997	1,040	957	1,023	776	3,797	1,308	1,321	1,058	871	4,558	-
YoY	53.0%	82.0%	-3.0%	8.0%	-9.0%	-16.0%	-5.0%	26.0%	38.0%	3.0%	12.0%	20.0%	-
Net sales margin	21.6	33.8	39.1%	38.0%	35.4%	31.7	36.1%	44.7%	46.0%	41.0%	36.0%	42.2%	-
SG&A	1,575	1,944	536	494	570	605	2,205	491	530	566	690	2,277	-
YoY	-22.0%	23.0%	21.0%	7.0%	17.0%	10.0%	13.0%	-8.0%	7.0%	-1.0%	14.0%	3.0%	-
Operating income	617	2,053	504	463	452	171	1,591	817	790	492	180	2,281	2,000
YoY	-	233.0%	-19.0%	8.0%	-28.0%	-54.0%	-22.0%	62.0%	71.0%	9.0%	5.0%	43.0%	-12.0%
Operating income margin	6.1%	17.3%	18.9%	18.4%	15.6%	7.0%	15.1%	27.9%	27.5%	19.1%	7.5%	21.1%	13.3%
Ordinary income	636	2,019	492	448	439	160	1,541	810	737	477	167	2,192	1,900
YoY	-	218.0%	-19.0%	6.0%	-29.0%	-56.0%	-24.0%	64.0%	65.0%	9.0%	4.0%	42.0%	-13.0%
Net income	711	1,625	300	311	241	-45	807	521	534	110	-7	1,159	1,100
YoY	-	128.0%	-36.0%	-13.0%	-49.0%	-114.0%	-50.0%	74.0%	72.0%	-54.0%	-	44.0%	-5.0%
Net Income Ratio	7.0%	13.7%	11.3%	12.3%	8.3%	-1.8%	7.7%	17.8%	18.6%	4.3%	-0.3%	10.7%	7.3%

Source: Prepared by Global IR, Inc. based on company securities reports and company IR materials.

Note: Rounded to the nearest million yen, rounded to one decimal place \*Calculated by Global IR, Inc.

Financial Data (Consolidated: Full Year)								
Per Share Data								(Consolidated)
accounting period	FY03/2017	FY03/2018	FY03/2019	FY03/2020	FY03/2021	FY03/2022	FY03/2023	
Total number of shares issued and outstanding (thousand shares)	14,371	28,742	28,819	28,894	28,976	29,073	29,130	
EPS	29.7	-7.2	-60.5	25.0	57.0	28.3	40.6	
EPS Adjusted	29.7	-	-	25.0	56.9	28.3	40.6	
BPS	113.2	106.7	47.9	74.2	132.9	159.1	195.7	
DPS	0.0	0.0	0.0	0.0	0.0	5.0	5.0	

Cash flows								(Millions of yen)
accounting period	FY03/2017	FY03/2018	FY03/2019	FY03/2020	FY03/2021	FY03/2022	FY03/2023	
Depreciation and amortization	214	299	462	382	627	537	269	
Cash flows from operating activities	846	-79	78	691	3196	1603	2666	
Cash flows from investing activities	-456	-1,958	-123	-101	-1140	-1766	-2017	
Cash flows from financing activities	1,345	2,288	-271	-1,188	969	-388	659	

Financial Data								(%)
accounting period	FY03/2017	FY03/2018	FY03/2019	FY03/2020	FY03/2021	FY03/2022	FY03/2023	
Return on Assets (ROA)	16.7	-0.4	-16.8	9.5	25.2	16.0	20.0	
Return on Equity (ROE)	35.5	-6.6	-78.3	41.0	55.0	19.4	22.9	
Capital adequacy ratio	47.0	33.2	19.6	32.9	39.5	46.9	45.6	

Source: Prepared by Global IR, Inc. based on company securities reports.

Note: Rounded to the nearest million yen, rounded to one decimal place \*Calculated by Global IR, Inc.





*Integrity & Sustainability*

May 12, 2023

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