

**Third Quarter Ending March 2022  
Financial Results Presentation Materials**



**DRECOM**<sup>®</sup>  
with entertainment

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**Drecom Co., Ltd.  
January 27, 2022**

- 1. Review of Q3 (Oct. – Dec.) FY2022 results**
- 2. Topics**
- 3. Forecast for FY2022**
- 4. Medium-term (FY2023) goal**
- 5. Appendix**

- 1. Review of Q3 (Oct-Dec) FY2022 results**
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# Summary of Q3 FY2022 Results

Most titles in operation recorded stable profits, but one-time expenses were incurred for the committee style PJ.

(Unit: million yen)

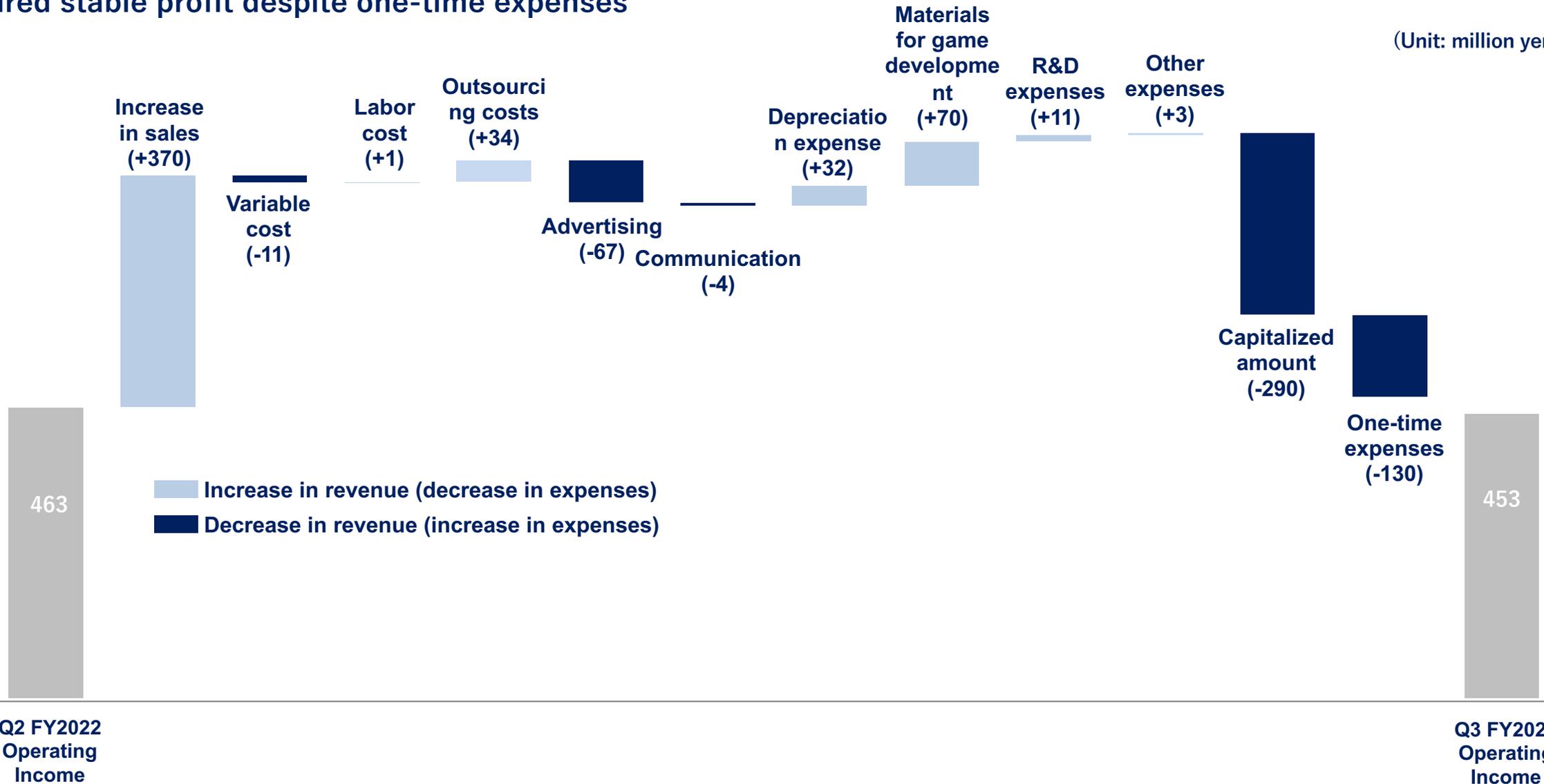
	FY2022 Q3 (Oct-Dec)	FY2022 to date Cumulative Q3 (Apr-Dec)	Q3 (Oct- Dec) FY2021	Q3 (Apr-Dec) FY2021 (cumulative total)	YoY	YoY (cumulative total)	Q2 (Jul-Sep) FY2022	QoQ
Revenue	2,893	8,078	2,971	9,156	-78	-1,078	2,523	+369
Operating income	452	1,419	631	1,683	-179	-263	463	-10
Operating income ratio	15.6%	17.6%	21.3%	18.4%	-	-	18.3%	-
EBITDA*	554	1,823	799	2,140	-244	-316	597	-42
EBITDA Margin	19.2%	22.6%	26.9%	23.4%	-	-	23.6%	-
Ordinary income	439	1,380	621	1,653	-182	-272	448	-9
Quarterly net income attributable to shareholders of the parent compan	241	853	472	1,298	-231	-445	311	-70

\*EBITDA = Operating income + Amortization of goodwill + Depreciation and amortization

# Q3 Results for FY2022 (Operating Income QoQ comparison)

Secured stable profit despite one-time expenses

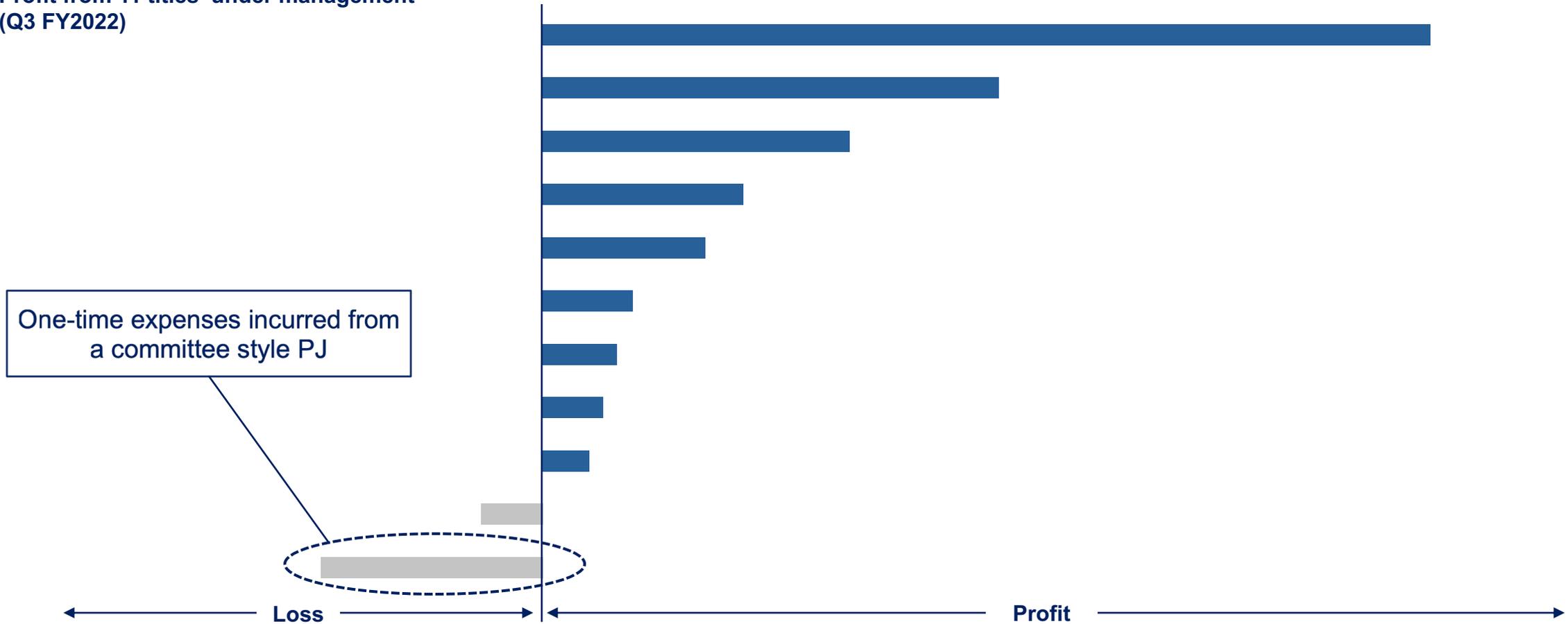
(Unit: million yen)



# Profitability of the Gaming Business

Most of the titles in operation secured stable profit.

Profit from 11 titles\* under management  
(Q3 FY2022)



\*The number of titles in operation as of the end of December 2021. Series titles are counted as 1 titles, including the two titles from "enza" and "Boku & Dragons".

# Differences between financial forecasts and actual results

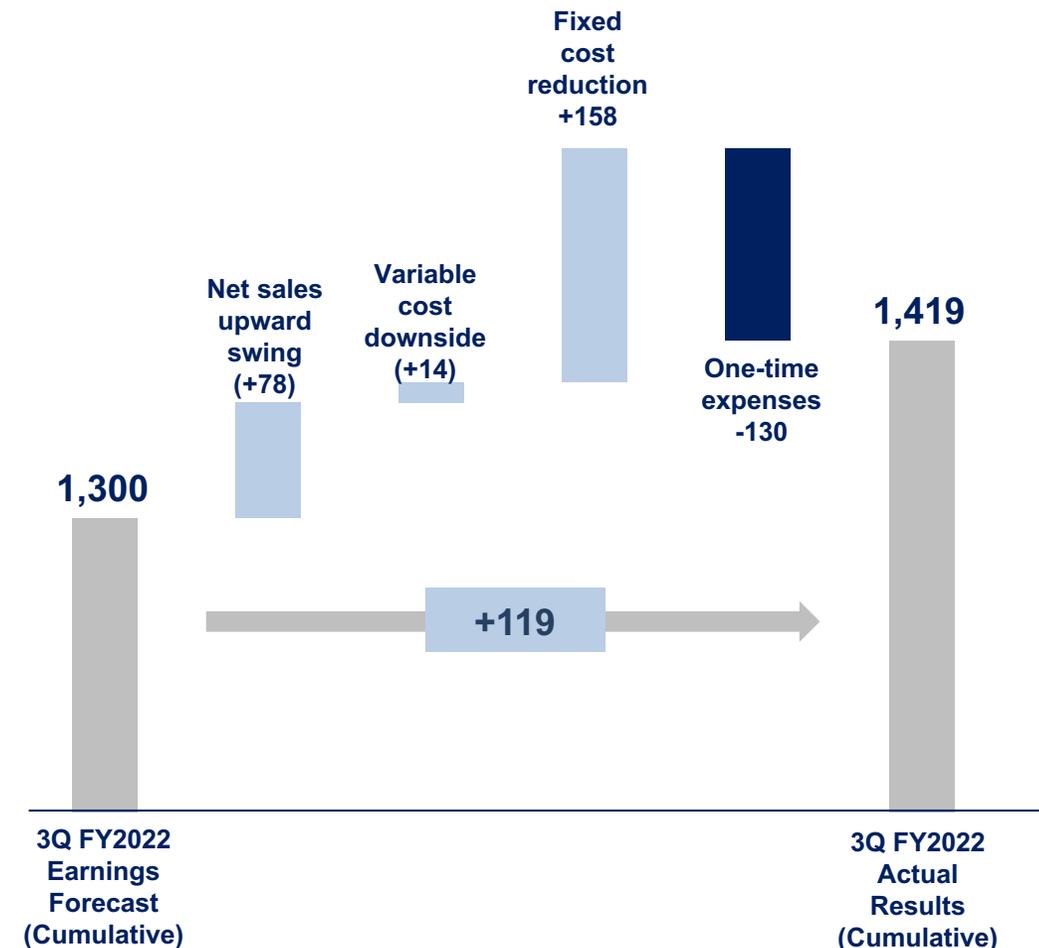
One-time expenses were absorbed by fixed cost reduction. An extraordinary loss was incurred as a result of vacating the office.

(Unit: million yen)

	Earnings Forecast Cumulative Q3 FY2022 Results (Apr -Dec) Released Oct 28, 2021	Cumulative Q3 FY2022 (Apr-Dec)	Compared to forecast	
			Difference	Percentage change
Net sales	8,000	8,078	+78	+1.0
Operating income	1,300	1,419	+119	+9.2
Ordinary income	1,300	1,380	+80	+6.2%
Quarterly net income attributable to shareholders of the parent company	900	853	-46	-5.2%

## Operating Income Variance Factors

(Unit: million yen)



1. Review of Q3 (Oct. – Dec.) FY2022 results

**2. Topics**

3. Forecast for FY2022

4. Medium-term (FY2023) goal

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## Game Business

- IP title with 7 years anniversary since release received favorable reviews at an event held in September 2021. The annual event is well received, reassuring the strength of IP titles and their growth potential. Anniversary event that took place between Oct. – Dec. for IP titles was also a success.
- Released “D\_CIDE TRAUMEREI” on September 30, 2021.
- *New Japan Pro-Wrestling STRONG SPIRITS* is scheduled to be released on February 28, 2022. *mikonote Hare Tokidoki Kegare* is to be released during FY2022.
- New title developed by Studio Rex moves from prototype to full development. 8 titles are under current development.
- January 2022 will mark 11 years since its launch for long-standing title *Chokotto Farm*.



## New Business Development

- Newly established publishing business department to focus on creating in-house IP. Promote business development through collaboration and M&As.
- Orders for "Root," a Twitter-based fan community promotion service continue to increase. Sales increased 370% from the same quarter last year.
- Progress in the development of location-based titles dealing with popular IPs utilizing "AROW", a platform for building AR smartphone applications using location information and 3D real maps.

# Project Summary (1)

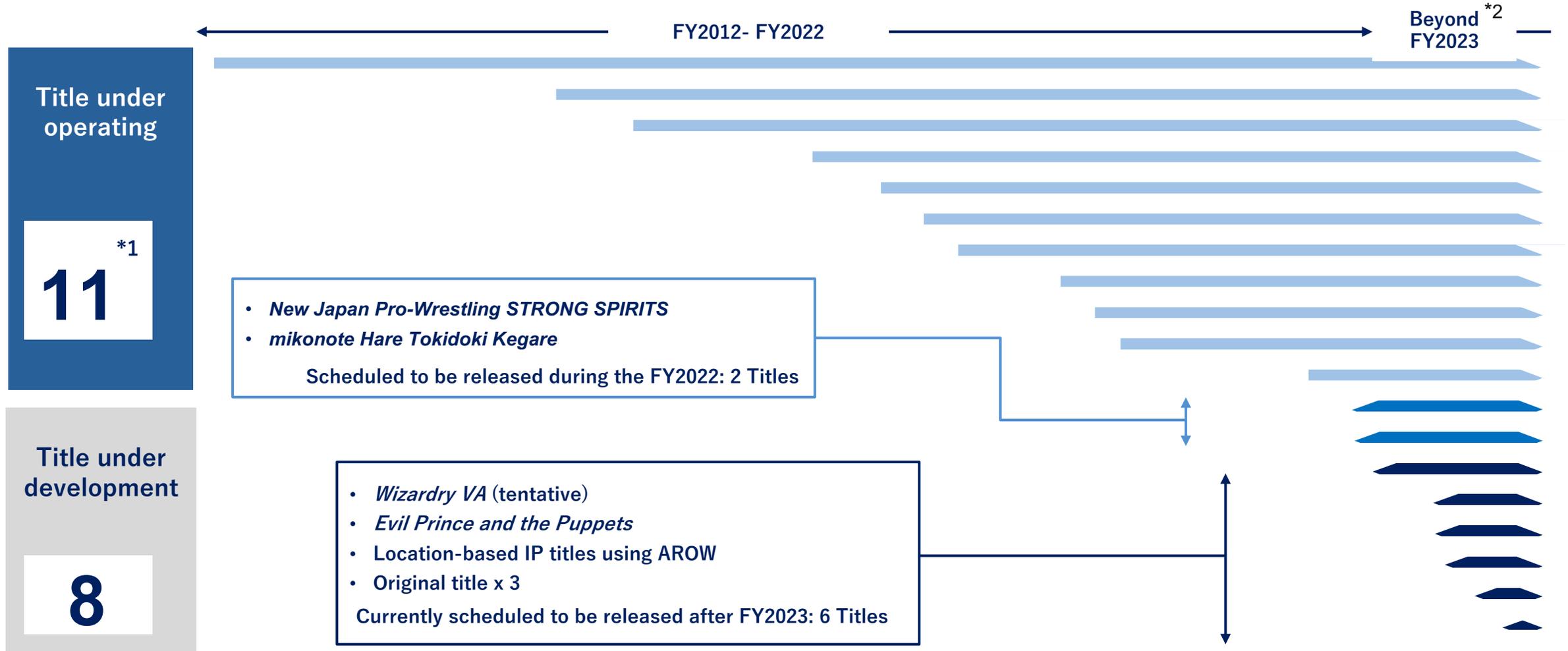
There are 10 projects underway as of the end December 2021

Business	Status	Definition	Number of projects	Details	
Gaming Business	Operation	Titles in operation	11	<ul style="list-style-type: none"> <li>➤ Distribution by other companies: 7 Title*</li> <li>➤ In-house distribution: 4 Title</li> </ul>	
	Development	Commercialized development	Titles under development with a prospect for release	8	<ul style="list-style-type: none"> <li>➤ Distribution by other companies <ul style="list-style-type: none"> <li>• <i>New Japan Pro-Wrestling STRONG SPIRITS</i></li> </ul> </li> <li>➤ In-house distribution <ul style="list-style-type: none"> <li>• <i>mikonote Hare Tokidoki Kegare</i></li> <li>• <i>Wizardry VA (tentative)</i></li> <li>• <i>Evil Prince and the Puppets</i></li> </ul> </li> <li>➤ Unpublished <ul style="list-style-type: none"> <li>• Location-based IP titles using “AROW”</li> <li>• Original title x 3</li> </ul> </li> </ul>
		Prototype	Pre-development stage title in works	—	<ul style="list-style-type: none"> <li>➤ 1 title moved from prototype to full development phase.</li> </ul>
New Business Development	Operation	Services under operation	3	<ul style="list-style-type: none"> <li>➤ "Load Testing Service"</li> <li>➤ "Rooot"</li> <li>➤ "AKROGLAM"</li> </ul>	
	Development	Service under development with prospect for near release	2	<ul style="list-style-type: none"> <li>➤ New services in the music field</li> <li>➤ Publishing Business</li> </ul>	

\* Series titles and titles developed overseas are counted as 1titles.

# Project Summary (2)

We plan to release two new titles in FY 2022. More new titles are scheduled to be released FY2023 and beyond.



\*1: Series titles and titles developed overseas are counted as one title.

\*2: The figures for the fiscal year ending March 31, 20233 and thereafter are current plans and may differ from the actual figures.

## Popular IP that turned into Game Title:

### *New Japan Pro Wrestling STRONG SPIRITS*

New Japan Pro-Wrestling STRONG SPIRITS", co-developed by Bushiroad Inc. , will be released on Feb 29, 2022 worldwide simultaneously.



- “New Japan Pro Wrestling” is an organization with a long-standing history of 50 years. Its contents powered by strong branding and charismatic athletes raising popularity in this IP title. In recent years, the number of female and family fans has been increasing. It is also expanding its customer base by holding shows overseas, mainly in North America.
- We aim to create games that will please IP fans by utilizing our strengths in the development and operation of many IP titles.
- The number of pre-registered users has exceeded 200,000 as of the January 21, 2022 release date of this report.

#### Overview

Title: *New Japan Pro-Wrestling STRONG SPIRITS*  
 Genre: Ultimate professional wrestler training game  
 Release date: March 28, 2022 (scheduled)  
 Distribution: Bushiroad Inc.  
 Development and Operation: Bushiroad Inc. and Drecom Inc.  
 Country of distribution: Worldwide distribution (Japan and other countries)

# Collaboration with overseas companies:

## *mikonote Hare Tokidoki Kegare*

Formed a capital and business alliance with MADORCA Inc. Collaborative title *mikonote Hare Tokidoki Kegare* is scheduled to be released during FY2022.



- **MADORCA Inc.** is a mobile game development company headquartered in Seoul, South Korea, that specializes in the development of subculture games targeting the Asian market, particularly Japan and China.
- For the collaborative title *mikonote Hare Tokidoki Kegare*, we are developing a title that can be enjoyed by fans of anime, manga and light novels by using famous illustrators who are highly regarded in the light novel field and popular voice actors.
- Drecom will continue to focus on expanding its presence not only in the domestic market but also in overseas markets, aiming to become a global-scale mobile game developer and operator.

### Overview

Title: *mikonote Hare Tokidoki Kegare*  
 Genre: Fantasy about everyday life  
 Release: This winter (during FY2022)  
 Distribution: Drecom Inc.  
 Development and operation: Drecom Corporation,  
 MADORCA Inc.  
 Country of distribution: Japan

# Pipeline for FY 2023 and beyond

In addition to 3 titles listed below, and unannounced 3 titles, total of 6 titles under development.



## Wizardry VA (tentative)

- Acquired copyright and domestic and international trademark rights\* to the RPG masterpiece *Wizardry*.
- Developing a new mobile game.

Copyright of 'Wizardry 6', 'Wizardry 7', 'Wizardry 8' and 'Wizardry Gold' from the *Wizardry* series and domestic and international trademark rights of "Wizardry".



## Evil Prince and the Puppets

- As a result of prior marketing through social networking sites, the use of famous voice actors and concept art has become a hot topic and has already gained a large number of fans.
- Parallel game development in progress.



## Location-based IP titles using AROW

- Titles using "AROW", a platform for building AR smartphone applications with location information and 3D real maps
- We are developing a location-based game that can be enjoyed by a wide range of people both in Japan and overseas.

# Long running titles

A long-term operation title distributed by Drecom and its group companies. These long running titles keep securing stable earnings.



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## Chokotto Farm

- Since its birth in 2011, it has gained wide popularity, especially among women in their 20s through 50s.
- The GREE version will celebrate its 11<sup>th</sup> anniversary in January 2022.
- Our longest running title in the world.



©2016ParityBit

## Derby Stallion: Masters

- A smartphone game in the "Derby Stallion" horse racing simulation game series
- With the support of many fans, the service celebrated its 5<sup>th</sup> anniversary November 2021.



©studiorex Co., Ltd.

## BOKU & DRAGONS

- Original titles of the group company Studio Rex
- Cooperative battle RPG game
- Celebrating 7 years since start of service in February 2022.

# New Business Development Initiatives

“Rooot” a Twitter-based fan community promotion service, has steadily expanded its business scale. Sales multiplied by 4.7 times from the same period last year.

## Overview of the Rooot service

### Service Summary

A service that allows users who "like" or "RT" a tweet with a specific hashtag on Twitter to receive points.



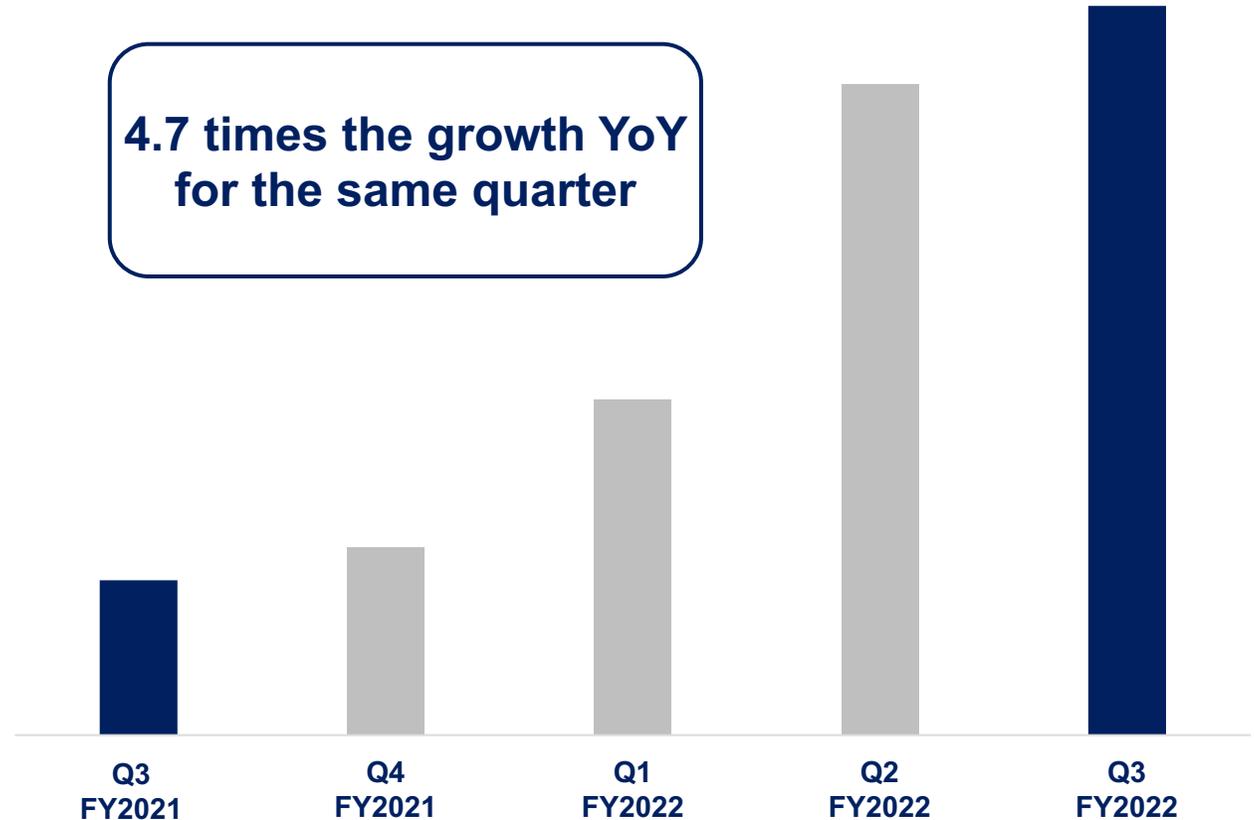
ハッシュタグ付きのツイートにいいね / RTしたユーザーにポイントをプレゼント

Roootが制作した特設サイト内でポイントを表示

特設サイト内でポイントを使って抽選に応募

## Quarterly Sales Trends

4.7 times the growth YoY for the same quarter



## Examples of main game titles to be introduced



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# Management Policy FY2022



## Game Business

- Turned unprofitable titles to a profit during the first half of FY2022 and maintain profitability.
- Aim to strike a hit for the new titles scheduled to be released during FY2022.
- New titles are expected to contribute to earnings in the second half of FY2022. Aim for earnings growth from the second half of the year.



## New Business Development

- We focus on the Webtoon and light novel domains.
- Secure know-hows and talents through alliances and collaborations, including M&As.
- Stabilize the existing game business and invest in the profits generated to create new entertainment services in game peripheral areas.



## Other

- The office was relocated to accommodate remote work style. We are focusing on creating a strong and flexible organization that will not waver even in the midst of major changes, such as developing a working environment that can secure great talents and ensure diverse working styles.
- Continue to focus on expanding business performance and business growth of the entire group through further collaboration with group companies

# Summary of Financial Forecast

Plan to release two new titles in Q4. Increasing advertising investment associated with the release and new investment in the publishing business to create IP.

(Unit: million yen)

	FY2022				
	Q1 (Apr-Jun) Actual	Q2 (Jul-Sep) Actual	Q3 (Oct-Dec) Actual	Q4 (Jan-Mar) Forecast	Full year Forecast
Net sales	2,661	2,523	2,893	2,821	10,900
Variable cost	394	380	391	504	1,670
Fixed cost	1,762	1,680	2,048	2,037	7,529
Advertising expenses	16	21	88	192	318
Capitalized*	496	692	485	663	2,338
R & D expenses	117	91	80	72	363
Operating income	504	463	452	280	1,700
Ordinary income	492	448	439	270	1,650
Net income attributable to shareholders of the parent company	300	311	241	140	1,000

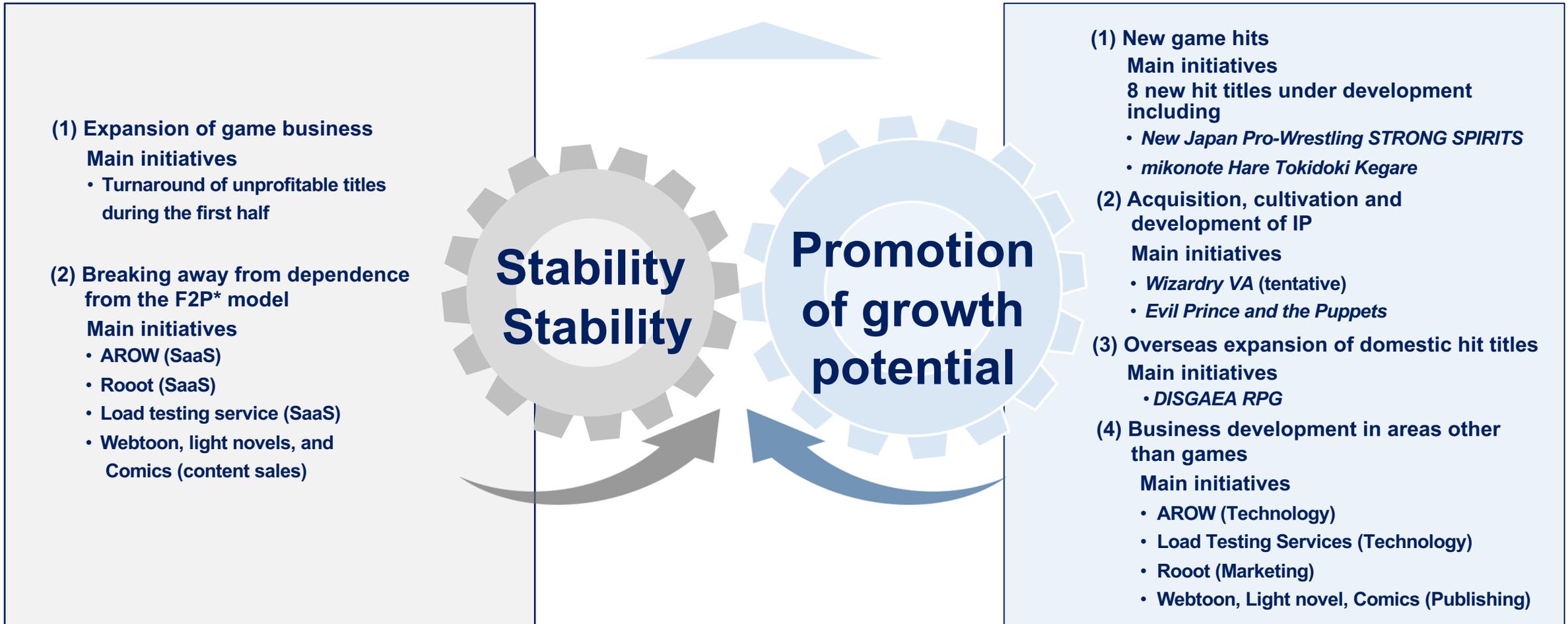
	Q3 FY2022		1Q-4Q FY2021			
	QoQ	%	YoY	%		
Net sales	2,893	-71	-2.5%	11,840	-940	-7.9%
Variable cost	391	+112	+28.9%	1,795	-125	-6.9%
Fixed cost	2,048	-11	-0.5%	7,993	-463	-5.8%
Advertising expenses	88	+104	+118.2%	71	+246	+367.6%
Capitalized*	485	+178	+36.7%	759	+1,579	+208.0%
R & D expenses	80	-8	-10.1%	366	-2	-0.8%
Operating income	452	-172	-38.1	2,052	-352	-17.2%
Ordinary income	439	-170	-38.5%	2,019	-369	-18.3%
Net income attributable to shareholders of the parent company	241	-94	-39.2%	1,624	-624	-38.4%

\*Amount recorded as assets: Excluding inventories of work in process at the end of the period

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# Medium-Term Goals

**A comprehensive entertainment company that provides a variety of digital entertainment content based on IP.**



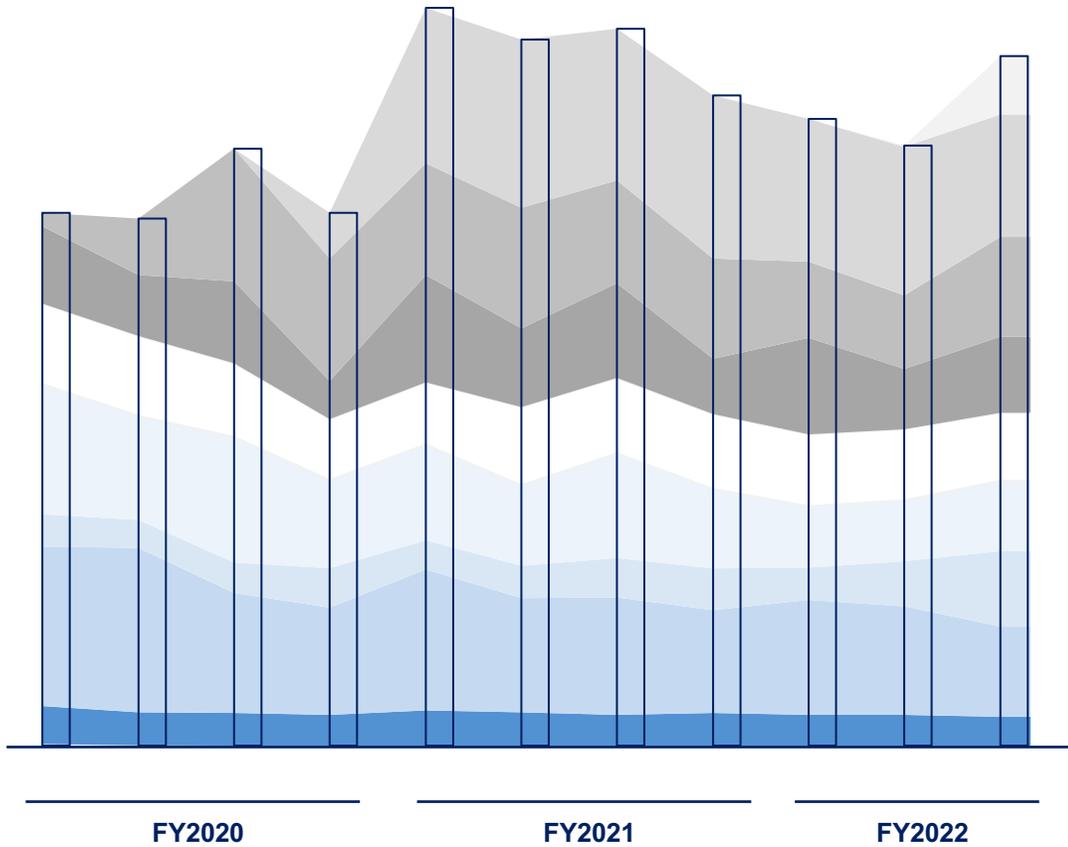
\*F2P: Abbreviation for free to play. An online game that can be played basically for free.

# Medium-Term Goals

Breaking away from the dependence on few hit titles to a portfolio that earns stable revenue from multiple hit titles

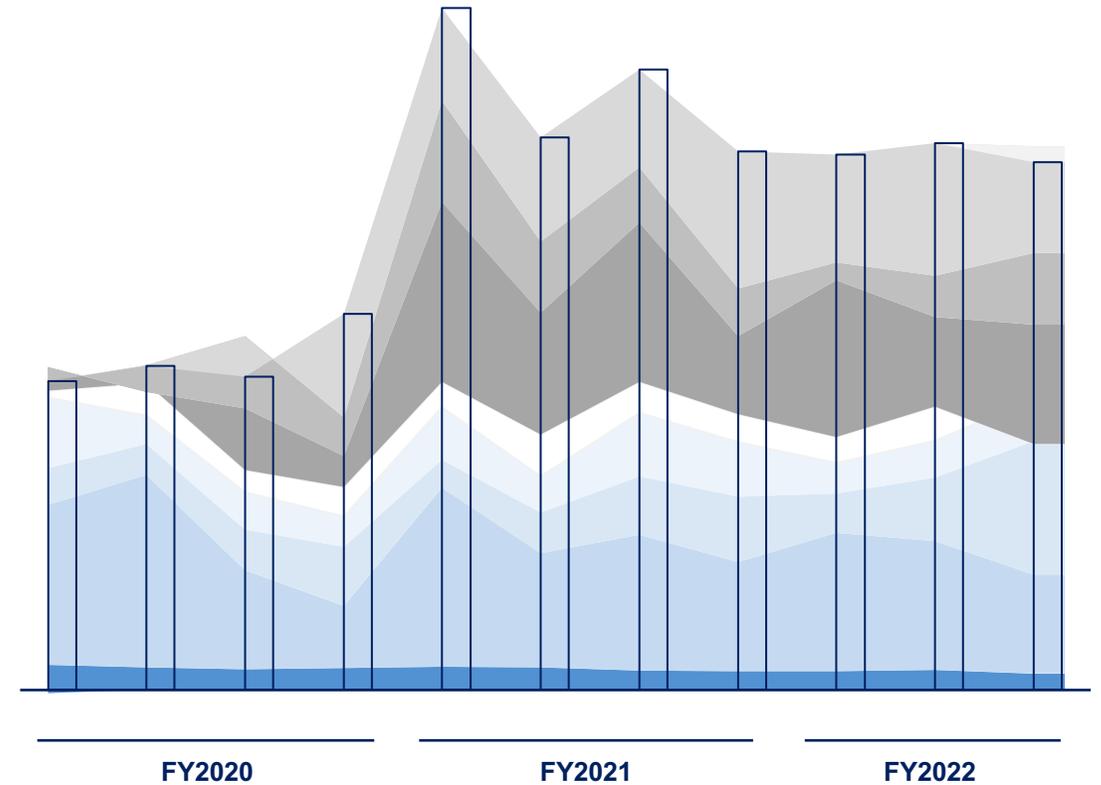
Total sales of titles under management

■ 2011 ■ 2014 ■ 2015 ■ 2016 ■ 2017 ■ 2018 ■ 2019 ■ 2020 ■ 2021



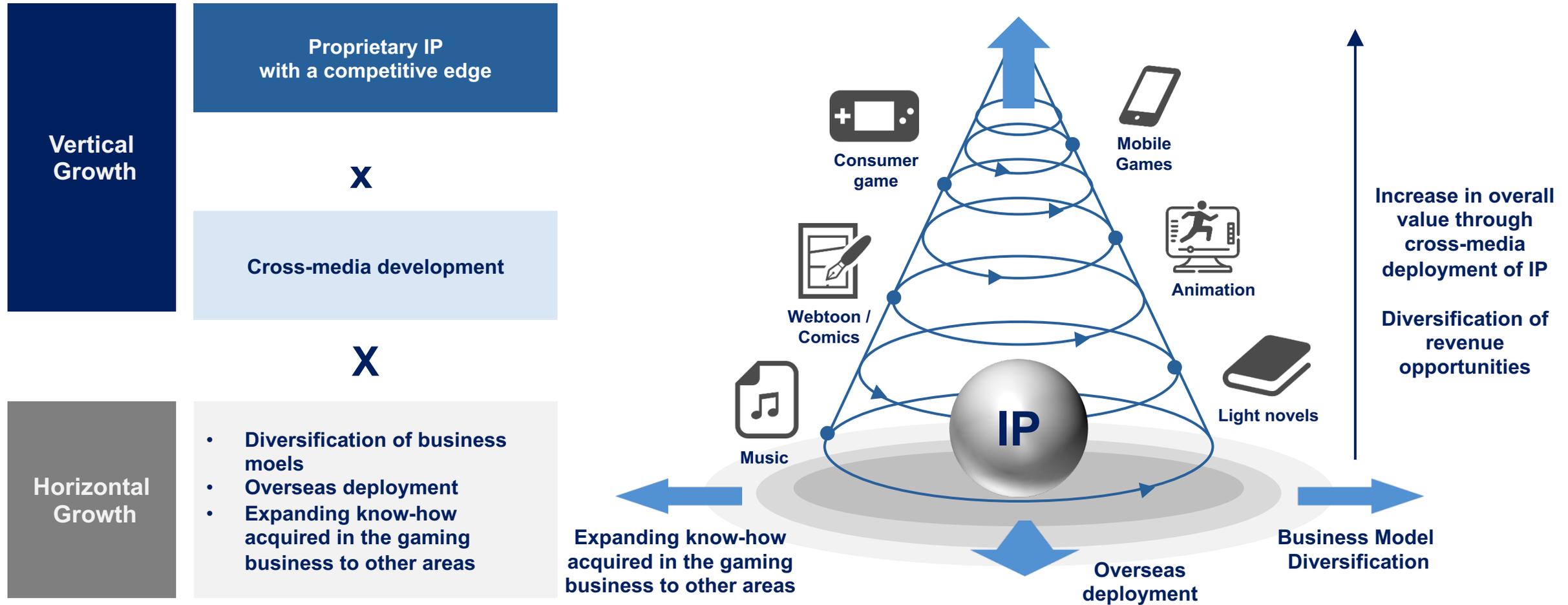
Total business profit of titles under management

■ 2011 ■ 2014 ■ 2015 ■ 2016 ■ 2017 ■ 2018 ■ 2019 ■ 2020 ■ 2021



# IP spiral strategy

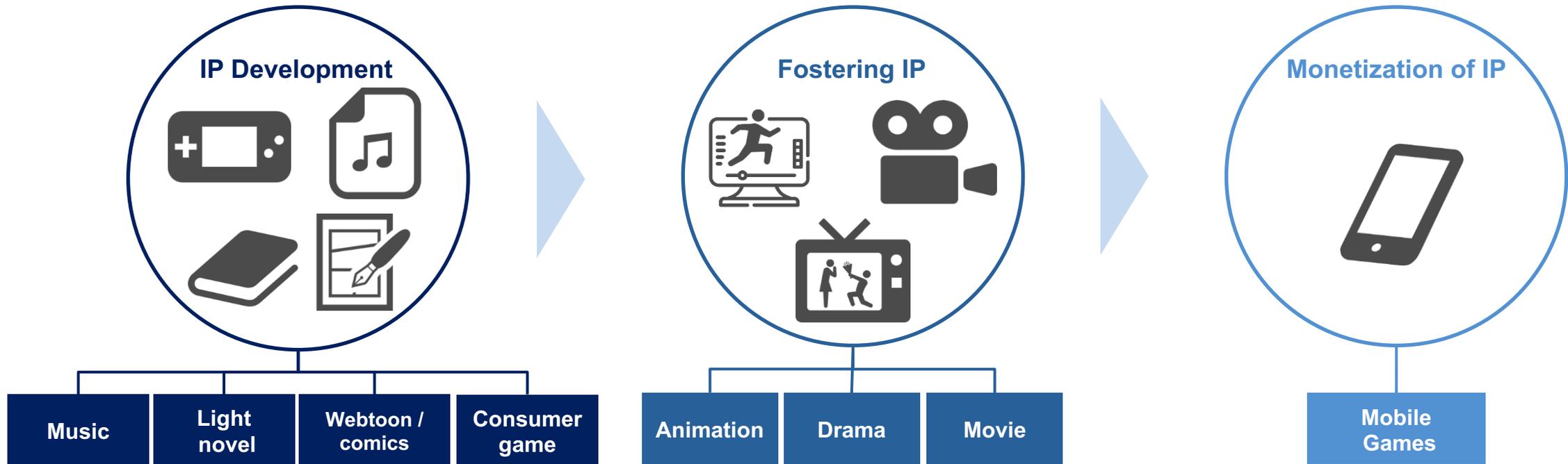
Aiming for "spiral growth" with IP at the core



# Flow of IP development, cultivation, and monetization

Organize features of each entertainment domain, from IP development to monetization.

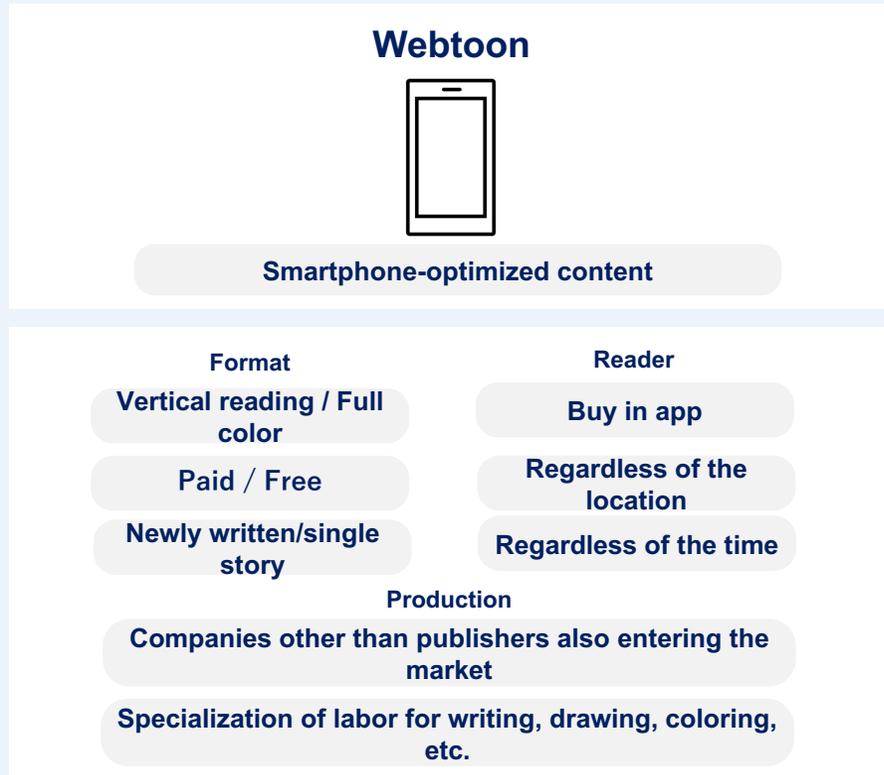
Seek development that matches the features of each domain.



# Launch of publishing division

Reminiscing growing mobile gaming market, aggressive investment is made in publication division for massive growth potential

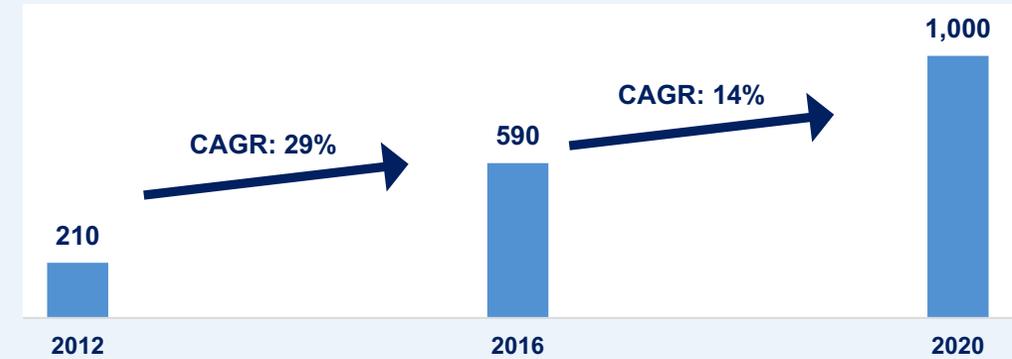
## Changes in the environment surrounding the publishing industry



With the emergence of webtoons, user behavior has also changed. Recognizing that major changes are also underway in the industrial structure

## The Potential of Webtoon and E-comics

< Webtoon >  
Webtoon Market Size in the Republic of Korea (Unit: Billions of yen)



In the Republic of Korea, the webtoon market will grow at a CAGR of 14%<sup>※1</sup> during 2016-2020, reaching 100 billion yen in 2020. Further growth is expected in the future and similar growth in Japan as well.

### < Electronic Comics >

The e-comics market in Japan has been growing at a rate of 33.8%<sup>※2</sup> in 2019-2020, and is the driving force behind the growth of the e-book market.

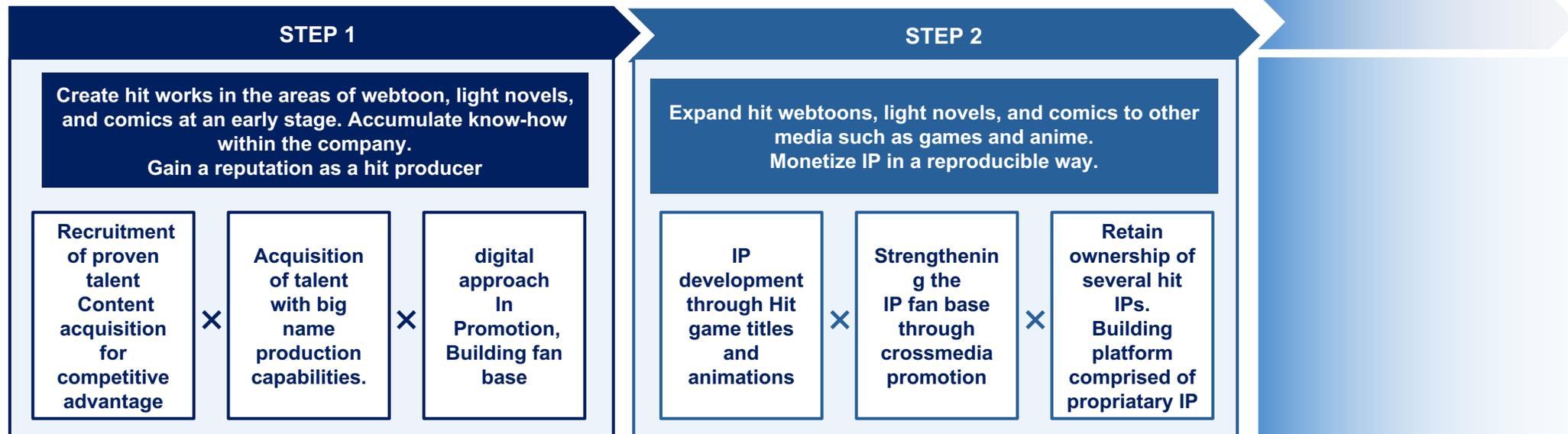
Webtoon market is expected to grow significantly in Japan.

# Launch of publishing division

Established a new business unit to develop new services, focusing on IP development and production in the areas of webtoon, light novels and comics.

## Medium-term Strategy

- Ownership of world-class IP and acquisition of production capabilities (IP acquisition, cultivation and development)
- Development of business in multiple entertainment domains (business development in domains other than games)
- Multi-layered revenue model (break away from dependence on F2P\* model)



From the second half of the FY2023, we plan to sequentially release more than 10 titles from the publishing division

## S

### 1) Establish a working environment that takes into account human rights, diversity, and flexibility

In addition to prohibiting discrimination in the workplace and implementing appropriate labor management, we are focusing on maintaining the health of our employees and creating a working environment that considers and respects the life events and life stages of our employees by introducing remote work and encouraging male employees to take childcare leave.

### 2) Support for employees' health promotion and skill development

We are taking the following measures to create an environment where employees can exercise their full potential in good health.

- Installation of massage rooms
- Cafe space in partnership with a popular cafe
- Support for holding knowledge-sharing events and dissemination of technology-related information



### 3) Support for entrepreneurial communities

As a pioneer in the field of IT venture and student entrepreneurship, we are undertaking the following initiatives to contribute to the development of future entrepreneurs and the further revitalization of entrepreneurship in Japan.



- Holding programming classes for junior and senior high school students
- Speaking at and supporting various entrepreneurship-related events
- Support students by sponsoring programming classes
- Providing office space for study groups and seminars

## G

In order to achieve sustainable growth and maximize shareholder value, and to ensure sound and appropriate management, Drecom is focusing on strengthening governance, especially the appointment of female directors, the appointment of many independent outside directors with different professional backgrounds, and active discussions.

### 1) Actively appoint female directors

As of July 2021, the ratio of female directors is 20%.

### 2) Balance between internal directors and independent outside directors

As of July 2021, the ratio of independent outside directors to all directors is 60%.

### 3) Diversity of Independent Outside Directors

The Company appoints experts in various fields, such as certified public accountants, lawyers, and university professors, as independent outside directors.

### 4) Regular Board of Directors meetings and high attendance rate

The Board of Directors meets regularly on a monthly basis to share information on business conditions and management issues in a timely manner and engage in active discussions. 24 Board of Directors meetings are held annually for FY2021 and 28 meetings are held annually for FY2020.

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# What DRECOM is aiming for

## Mission

with entertainment  
~ **Exceeding Your Expectations** ~

## Vision

**Striving to invent "with entertainment"**

## Three Values

**Have integrity**

**Be essence-  
driven**

**Be a challenger**

## Medium-term policy

**A comprehensive entertainment company that provides diverse digital entertainment content with a focus on IP**

# Balance Sheet Summary (Consolidated)

	Q4 FY2021 (End of March, 2021)	Q1 FY2022 (End of June, 2021)	Q2 FY2022 (End of Sept, 2021)	Q3 FY2022 (End of Dec, 2021)	Note
<b>Current assets</b>	7,669	7,630	7,108	7,041	
Cash equivalent	5,288	5,299	4,949	4,603	
Trade receivables	1,841	1,756	1,602	1,912	Linked to changes in sales
Other	539	574	556	525	
<b>Fixed assets</b>	1,941	2,158	2,563	2,728	
Tangible Fixed Assets	114	266	273	197	Buildings, tools, furniture and fixtures. Mainly office equipment.
Intangible fixed assets	878	1,065	1,388	1,783	Mainly released game apps and apps under development
Investments and other assets	947	827	901	747	
Deferred tax assets	434	311	273	282	
Other	512	515	627	464	
<b>Total assets</b>	9,610	9,789	9,672	9,770	
<b>Current liabilities</b>	3,181	2,924	2,525	2,592	
Accounts payable and accrued expenses	1,024	1,051	1,013	996	
Loans and bonds	740	1,012	877	917	Bank loans / bond issuance
Other	1,417	860	634	679	
<b>Fixed liabilities</b>	2,573	2,706	2,614	2,557	
Loans and bonds	2,430	2,429	2,350	2,310	Bank loans / bond issuance
Other	143	277	263	247	
<b>Net assets</b>	3,855	4,158	4,532	4,619	
<b>Total assets / Total liabilities and net assets</b>	9,610	9,789	9,672	9,770	

# Cost / SG&A Summary (Consolidated)

(Unit: million yen)

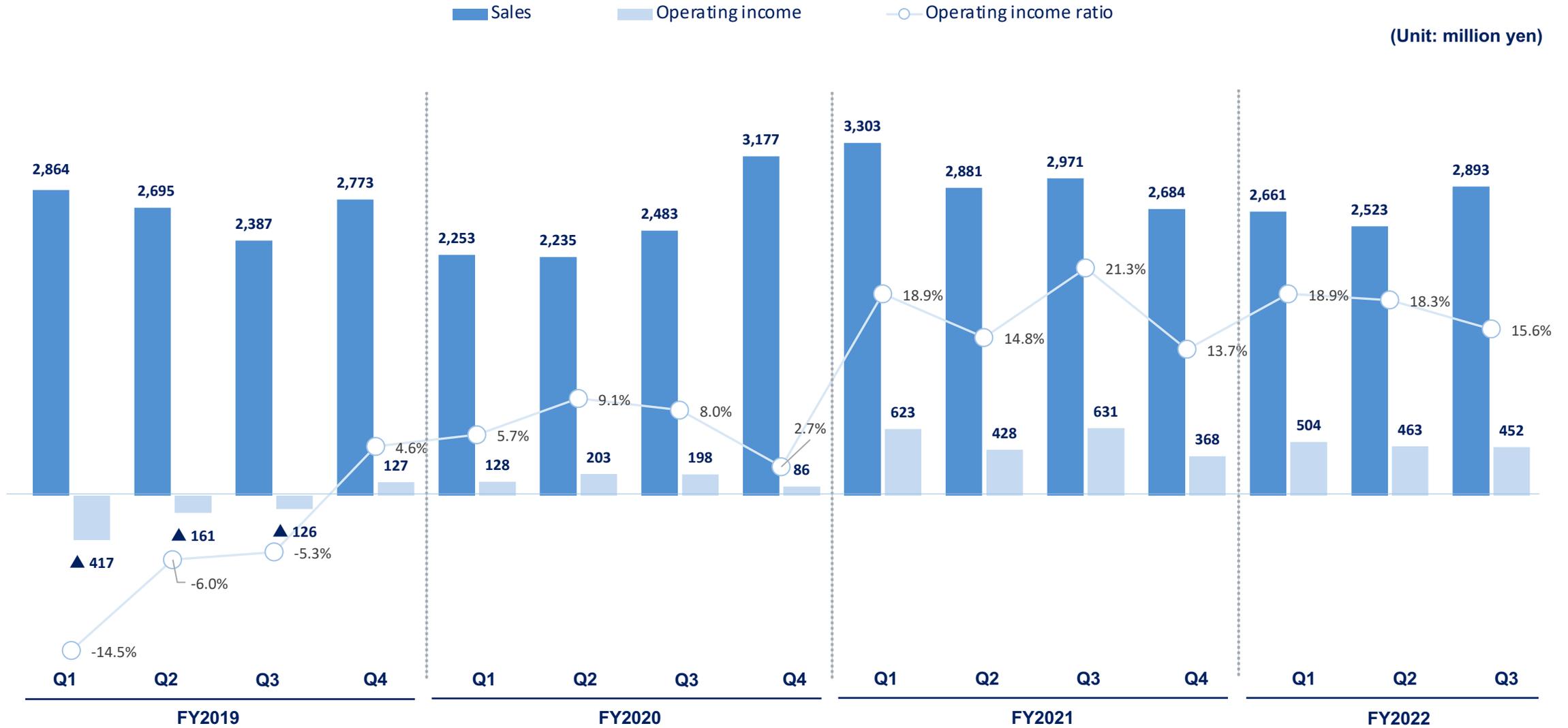
	FY2022			Change from previous quarter QoQ	FY2021		Year-on-year change YoY	Details
	Q1 (Apr.-Jun.)	Q2 (Jul-Sep)	Q3 (Oct.-Dec.)		Q3	YoY		
Net sales	2,661	2,523	2,893	+369	2,971	-78		
Total cost	1,621	1,566	1,870	+304	1,851	+18		
Payment fee	220	222	227	+5	271	-43	Variable cost: fees paid to platforms	
Copyright fee	55	54	73	+18	75	-2	Variable costs: linked to sales with copyrights	
Labor cost	551	566	561	-5	544	+17	Personnel expenses for development and planning personnel	
Outsourcing costs	533	573	539	-34	451	+88	Outsourcing expenses for development	
Communication	139	141	148	+6	0	+14	Data Center Cost	
Software amortization	139	122	91	-30	133	-53	Depreciation of game applications	
Depreciation and amortization	20	6	6	+0	144	+0	Depreciation and amortization of development-related equipment	
Purchases of raw materials	366	480	425	-54	6	+151	In-game graphics, etc.	
Transfer to other accounts	-614	-784	-566	+218	274	-296	Transfer of development apps to assets or R&D expenses	
Goods in process	1	-31	31	+63	-269	+35		
Other	207	214	331	+116	-3	+109		
Gross profit	1,040	957	1,023	+65	1,208	-97		
Total SG&A expenses	535	494	570	+76	488	+82		
Payment fee	28	28	29	+0	26	+2	Variable costs: Mainly commissions paid to telecommunications carriers	
Advertising expenses	16	21	88	+66	21	+66	Marketing costs for game apps	
Labor cost	184	216	196	-20	179	+17	Personnel expenses for indirect personnel such as administrative departments	
Recruitment costs	36	20	15	-5	9	+5		
Research and Development expenses	117	91	80	-10	98	-17	Research and development for smart phone applications	
Depreciation and amortization	6	5	4	+0	3	+1	Depreciation and amortization of indirect equipment	
Amortization of goodwill	0	0	0	+0	12	-12		
Other	144	110	155	+45	136	+18		
Operating income	504	463	452	-10	631	-179		

# Financial Results (Consolidated)

(Unit: million yen)

	FY2017	FY2018	FY2019	FY2020	FY2021
Net sales	8,388	13,192	10,720	10,150	11,840
Cost of sales	5,332	10,096	9,286	7,957	7,843
Cost to sales ratio	63.6 %	76.5 %	86.6 %	78.4 %	66.2 %
Gross profit	3,055	3,095	1,434	2,192	3,996
sales, general, and administrative expenses	2,123	2,905	2,011	1,575	1,944
Operating income	932	190	-577	617	2,052
<i>Operating income ratio</i>	11.1 %	1.4 %	-5.4%	6.1%	17.1%
Ordinary income	844	-29	-1,349	635	2,019
Net income attributable to shareholders of the parent company	814	-204	-1,712	711	1,624
<i>Net income ratio</i>	9.7%	-1.5%	-16.0%	7.0%	13.7%
Total assets	6,819	9,097	6,946	6,423	9,610
Net assets	3,364	3,261	1,423	2,168	3,855
Capital adequacy ratio	47.0 %	33.2%	19.6%	32.9%	39.5%
ROE	35.5%	-6.6%	-78.3%	41.0%	55.0%
EPS (yen)	29.7	-7.2	-60.5	25.0	57.0
BPS (yen)	113.2	106.7	47.9	74.2	132.9
Operating CF	845	-79	78	691	3,196
Investment CF	-455	-1,958	-122	-100	-1,140
Financial CF	1,345	2,287	-271	-1,188	968
Cash and deposits	2,923	3,173	2,856	2,258	5,283

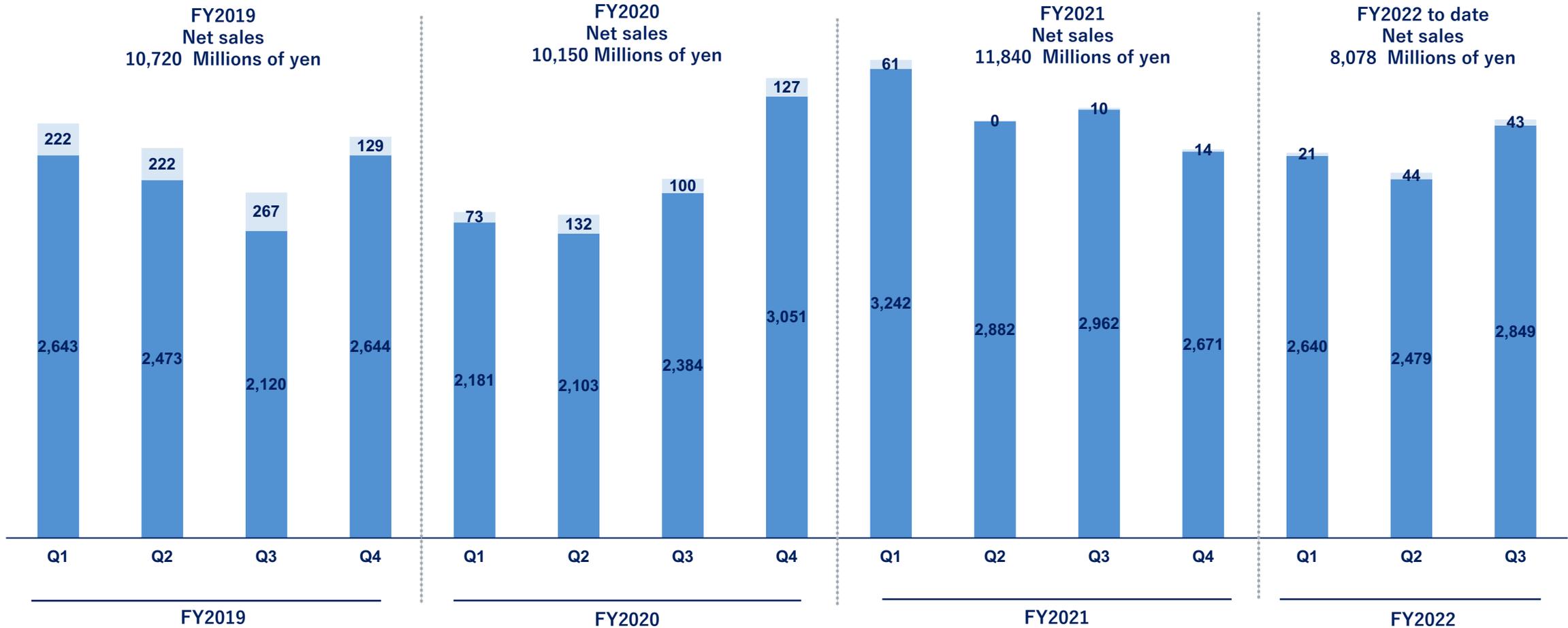
# Net Sales and Operating Income



# Net Sales

■ Game ■ Media

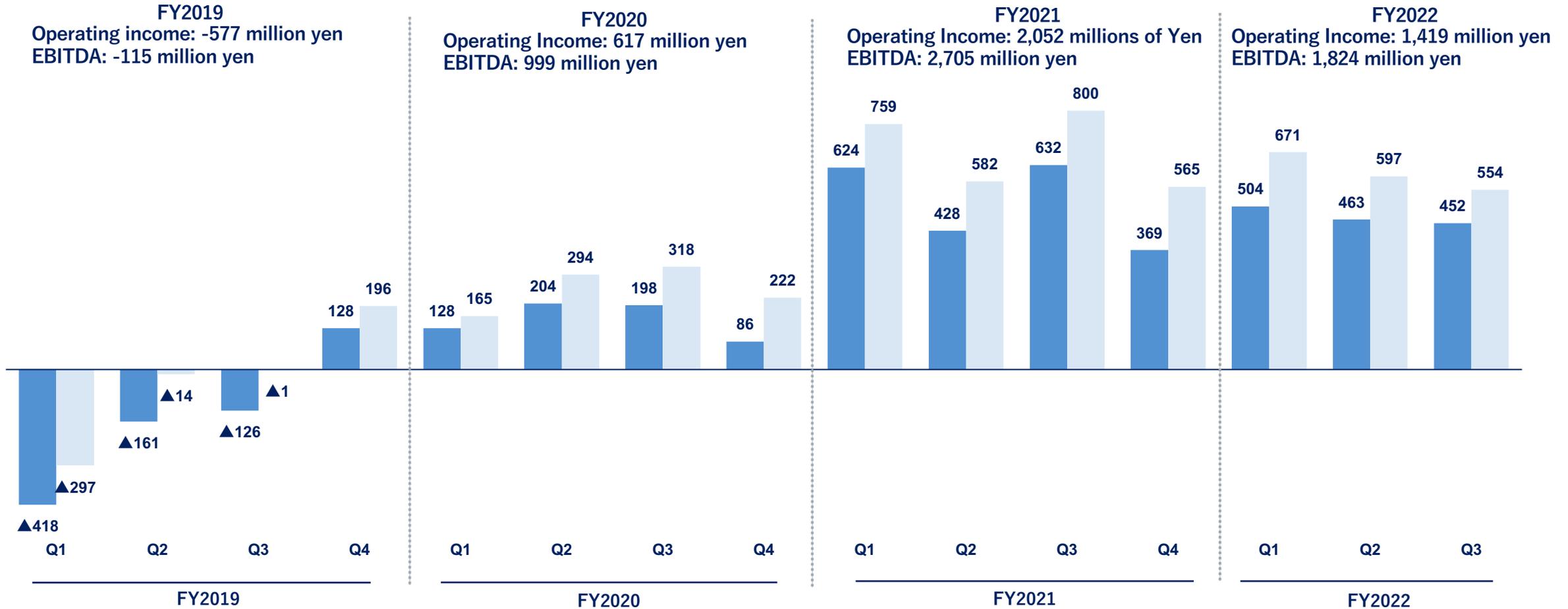
(Unit: million yen)



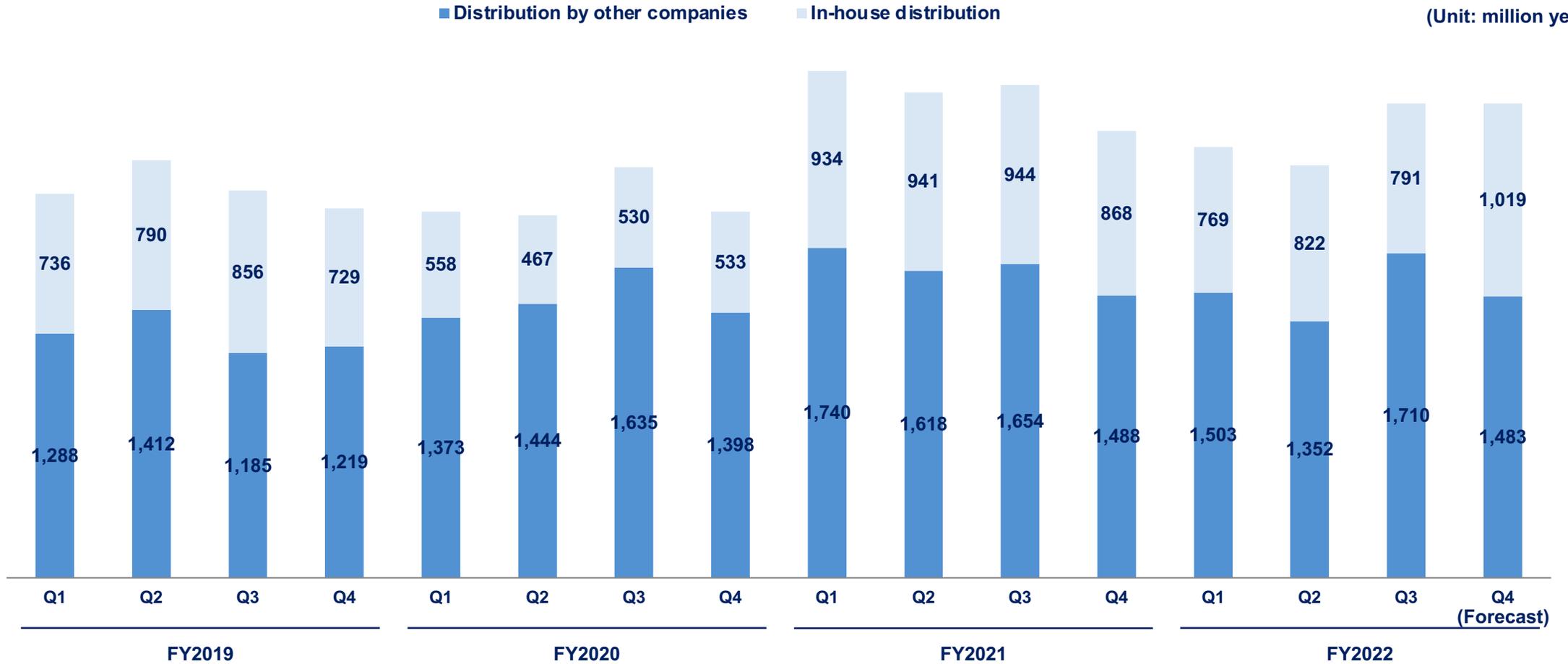
# Changes in Operating Income and EBITDA

■ Operating income

(Unit: million yen)



# Game Business Billing Sales (by Distribution Entity)



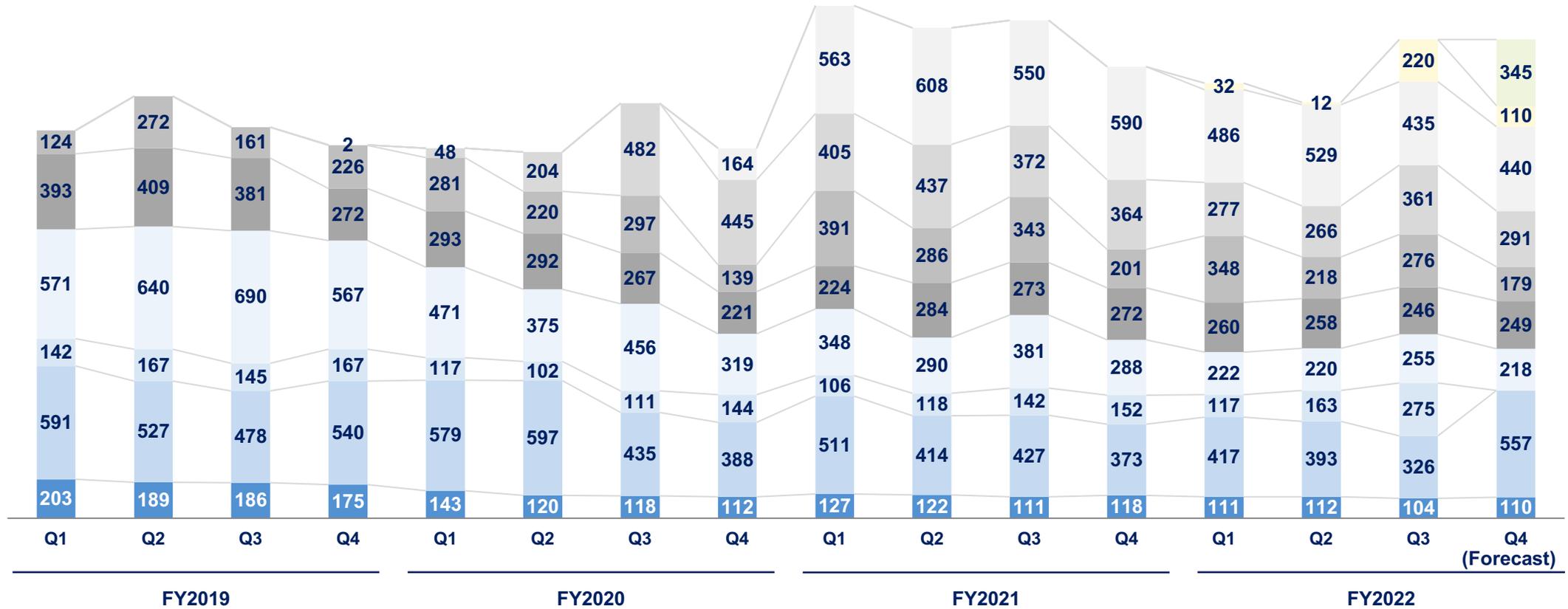
\*Sales of titles distributed by other companies are recorded on a net basis, while sales of titles distributed by in-house are recorded on a gross basis.

\*Excludes sales from platforms.

# Game Business Billing Sales (by Release Period)

■ Before 2013 ■ 2014 ■ 2015 ■ 2016 ■ 2017 ■ 2018 ■ 2019 ■ 2020 ■ 2021 ■ 2022

(Unit: million yen)



\*Sales of titles distributed by other companies are recorded on a net basis, while sales of titles distributed by in-house are recorded on a gross basis.

\*Excludes sales from platforms.

# List of game titles in operation

Title Name	distributor	Service start date
<i>Chokotto Farm</i>	Drecom Corporation	Jan 2011
<i>ONE PIECE Treasure Cruise</i>	BANDAI NAMCO Entertainment Inc.	May 2014
<i>BOKU &amp; DRAGONS</i>	Studio Rex Co.	Feb 2015
<i>Derby Stallion: Masters</i>	Drecom Corporation	Nov 2016
<i>Everybody's Golf</i>	Forward Works Co.	Jul 2017
<i>Kirara Fantasia</i>	Aniplex Corporation	Dec 2017
<i>THE IDOLM@STER SHINY COLORS</i>	BANDAI NAMCO Entertainment Inc.	Apr 2018
<i>NEKO &amp; DRAGONS</i>	Studio Rex Co.	Apr 2019
<i>Super Robot Wars DD</i>	BANDAI NAMCO Entertainment Inc.	Aug 2019
<i>Disgaea: Hour of Darkness RPG</i>	Forward Works Co.	Nov 2019
<i>D_CIDE TRAUMEREI</i>	Samzap Corporation	Sept 2021

# Glossary

Terminology	Meaning
In house-distributed games	Games for which Drecom is the distributor. We are in charge of game planning, development, advertising, and sales.
Games distributed by other companies	The game is distributed by another company, and Drecom is in charge of development as a partnering company.
Platformer	Apple, Google, and other companies that provide service infrastructure systems to users and third parties.
Gross sales	The amount of money paid by the user to the distributor, Drecom.
Net sales	The amount of money distributed from the distributor to the developer, Drecom.
Development Company	A company responsible for the development of games.
Capitalized amount	Amount transferred to software suspense account (BS) out of major expenses (labor, subcontracting, and raw material purchases) for projects under development
Research and development expenses	Costs associated with planning and creating prototypes for new games and services.
IP	Abbreviation for Intellectual Property. Intellectual property.
Commercialized development	Game development is in full swing. The amount related to this development game will be recorded in the PL as personnel expenses, etc., but will be transferred to the software suspense account (BS).
Anniversary Events	Half-yearly and 1 yearly events are held to boost the game. Since many new measures and contents are introduced, the number of active users and sales often rise more than usual.



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**Among the perceptions, strategies, plans, etc., 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 economic conditions surrounding our business, social trends, and changes in relative competitiveness due to demand trends for the services we provide. Important factors that may affect our business performance include, but are not limited to, the following.**