

Consolidated Financial Results for the Fiscal Year Ended March 31, 2025

May 12, 2025

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 of annual general meeting of shareholders: June 26, 2025

Scheduled date to file annual securities report: June 26, 2025

Scheduled start date to commence dividend payments: -

Preparation of supplementary materials on quarterly financial results: Yes

Holding of quarterly financial results briefings: Yes

(Rounded down to nearest million yen)

1. Consolidated financial results for the fiscal year ended March 31, 2025 (from April 1, 2024 to March 31, 2025)

(1) Consolidated operating results

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Fiscal year ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
March 31, 2025	12,655	29.4	112	(87.6)	53	(93.3)	(1,035)	-
March 31, 2024	9,779	(9.5)	903	(60.4)	793	(63.8)	104	(91.0)

Note: Comprehensive income

For the fiscal year ended March 31, 2025: ¥-1,028 million (- %)

For the fiscal year ended March 31, 2024: ¥116 million (-90.0%)

	Basic earnings per share	Diluted earnings per share	Rate of return on equity	Ordinary profit to total assets ratio	Operating profit to net sales ratio
Fiscal year ended	Yen	Yen	%	%	%
March 31, 2025	(36.10)	-	(20.1)	0.4	0.9
March 31, 2024	3.64	3.64	1.9	6.0	9.2

Reference:Investment profit (loss) on equity method

For the fiscal year ended March 31, 2025: ¥- million

For the fiscal year ended March 31, 2024: ¥- million

(2) Consolidated financial position

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
As of	Million yen	Million yen	%	Yen
March 31, 2025	13,506	4,719	34.6	162.48
March 31, 2024	14,148	5,668	39.7	196.29

Reference:Owner's equity

As of March 31, 2025: ¥4,669 million

As of March 31, 2024: ¥5,615 million

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and equivalents, end of period
Fiscal year ended	Million yen	Million yen	Million yen	Million yen
March 31, 2025	634	(899)	(1,739)	3,928
March 31, 2024	(473)	(2,048)	2,413	5,932

2. Cash dividends

	Dividend per share					Total dividend paid	Payout ratio (consolidated)	Ratio of total amount of dividends to net assets (consolidated)
	First quarter	Second quarter	Third quarter	Year end	Annual			
Fiscal year ended March 31, 2024	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
March 31, 2024	-	0.00	-	0.00	0.00	-	-	-
Fiscal year ended March 31, 2025	-	0.00	-	0.00	0.00	-	-	-
Fiscal year ending March 31, 2026 (Forecast)	-	0.00	-	5.00	5.00		28.7	

3. Consolidated financial forecast for the fiscal year ending March 31, 2026 (from April 1, 2025 to March 31, 2026)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
Fiscal year ending March 31, 2026	20,000	58.0	1,000	792.8	950	—	500	—	17.40

* Notes

(1) Significant changes in the scope of consolidation during the period: None

Newly included: — companies (Company name)

Excluded: — companies (Company name)

(2) Changes in accounting policies, changes in accounting estimates, and restatement

(i) Changes in accounting policies due to revisions to accounting standards and other regulation: Yes

(ii) Changes in accounting policies due to other reasons: None

(iii) Changes in accounting estimates: None

(iv) Restatement: None

(3) Number of issued shares (common shares)

① Number of issued and outstanding shares at the end of fiscal year (including treasury stock)

As of March 31, 2025	29,340,212 shares
As of March 31, 2024	29,224,108 shares

② Number of treasury stock at the end of fiscal year

As of March 31, 2025	599,995 shares
As of March 31, 2024	615,695 shares

③ Average number of shares

As of March 31, 2025	28,685,771 shares
As of March 31, 2024	28,570,583 shares

Note: 564,000 shares of the Company (5,640 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.

[Reference] Overview of non-consolidated financial results

1. Non-consolidated financial results for the fiscal year ended March 31, 2025 (from April 1, 2024 to March 31, 2025)

(1) Non-consolidated operating results

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit	
Fiscal year ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
March 31, 2025	11,091	38.5	-610	-	103	-82.3	-746	-
March 31, 2024	8,008	-11.1	192	-86.2	585	-62.0	356	-52.1

	Basic earnings per share	Diluted earnings per share
Fiscal year ended	Yen	Yen
March 31, 2025	-26.01	—
March 31, 2024	12.48	12.46

(2) Non-consolidated financial position

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
As of	Million yen	Million yen	%	Yen
March 31, 2025	12,946	4,329	33.1	149.02
March 31, 2024	13,278	4,988	37.2	172.65

Reference: Owner's equity

As of March 31, 2025: 4,282 million
As of March 31, 2024: 4,939 million

* Financial results reports are exempt from audit conducted by certified public accountants or an audit firm.

* Proper use of earnings forecasts, and other special matters

(Notes on future descriptions)

The performance outlook and other forward-looking statements in this document are based on information currently available to the company and certain

assumptions deemed reasonable. Actual performance may differ significantly due to various factors.

(How to obtain supplementary explanatory materials for financial results)

Our company plans to hold earnings briefing for institutional investors and analysts on May 12, 2025. The materials distributed during the briefing will be promptly published on our website after the event.

(Publication of 'Business Plan and Growth Potential Matters')

Regarding "Matters related to the business plan and growth potential," the publication is scheduled for June 2025.

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1. Overview of Business Performance, etc.

(1) Overview of Operating Results for the Current Period

Our group has established the mission of "with entertainment," aiming to continually deliver services that exceed people's expectations. We also strive to create unprecedented value and provide captivating experiences for users. Over the mid-term, we aim to become a global company offering entertainment content, centered on IP and technology, while pursuing sustainable growth and improved corporate value.

In our core gaming business, the primary focus lies in game development and operations. We develop and manage both third-party IP-based games, original games, and game platforms. Furthermore, in our content business, we engage in publishing and selling books and e-books, such as novels and comics, for the purpose of owning and nurturing IP. We also launch experimental new services utilizing our expertise in internet services and advanced technology, repeatedly testing them to prepare for commercialization.

For the most recent fiscal year, our performance resulted in net sales of ¥12,655,184 thousand (a 29.4% increase year-on-year), operating profit of ¥112,008 thousand (an 87.6% decrease year-on-year), and ordinary profit of ¥53,306 thousand (a 93.3% decrease year-on-year). Additionally, due to extraordinary losses, including impairment loss on software related to one newly released mobile game title in the first quarter, impairment loss on software in progress associated with PC/console game titles in development, and valuation loss on investment securities, we recorded extraordinary losses totaling ¥1,171,806 thousand. As a result, the net loss attributable to shareholders of the parent company for the fiscal year stood at ¥1,035,569 thousand (compared to a net profit of ¥104,051 thousand attributable to shareholders of the parent company in the previous fiscal year).

Performance by segment is outlined as follows:

Game business

In the gaming business, the newly released in-house distribution title "Wizardry Variants Daphne," launched in the third quarter, performed well and contributed to earnings during this period. Additionally, we released the location-based game "Disney STEP" in the fourth quarter. The number of mobile game titles currently in operation stands at 11, with revenue generated from multiple long-running titles. However, the newly released title from the first quarter fell short of sales expectations, leading to the decision to discontinue its operation.

Regarding PC and console titles under development, a reassessment of future revenue was conducted due to changes in project guidelines, and recovery potential for the invested amount was calculated. As a result, impairment processing was implemented for a portion of assets related to the titles currently under development.

In terms of sales revenue, while some operational titles recorded lower performance compared to the previous period, the contribution of newly launched titles in the third quarter led to an increase compared to the prior fiscal year. Profits, however, declined year-on-year despite the contribution from new titles, mainly due to weaker performance of operational titles, as well as the underperformance of newly self-published titles released in the first quarter.

As a result, the segment recorded sales revenue of ¥11,924,240 thousand (a 27.5% increase compared to the previous period) and segment profit of ¥976,374 thousand (a 48.5% decrease compared to the previous period).

In this core segment, efforts will continue to focus on maintaining stable earnings from existing titles, maximizing revenue and profit from new operational titles, acquiring business expertise through the development of new PC and console titles, and aiming to hold proprietary intellectual properties.

Content business

In the content business, the company engages in publishing and film projects aimed at owning, developing, and monetizing intellectual property (IP). Monthly publications are carried out through the light novel label "DRE Novels" and the comic label "DRE Comics." Additionally, using the company's expertise in internet services and advanced technologies, the company is developing new businesses in the Web3 domain and providing fan marketing support services such as "Rooot" and "Fanflu," leveraging social media platforms.

Regarding revenue, in addition to "DRE Novels," the company began publishing titles under "DRE Comics" in the fall of 2023. This led to an increase in revenue compared to the previous fiscal year, supported by the launch of several popular series that have exceeded a cumulative total of 200,000 copies in circulation.

With respect to profits, while upfront investments continue across new business areas such as publishing, film, and Web3, the aforementioned revenue increase has contributed to a reduction in the loss compared to the previous fiscal year.

As a result, segment revenue was 778,959 thousand yen (an 81.2% increase from the previous fiscal year), and segment loss amounted to 864,366 thousand yen (compared to a segment loss of 993,611 thousand yen in the previous fiscal year).

In the content segment, the company is focused on increasing sales by expanding the number of published works and reducing loss amounts. Additionally, it will continue investing toward achieving its medium-term objectives.

(2) Overview of the Financial Condition for the Current Period

Assets, Liabilities and Net Assets

(Assets)

At the end of the current consolidated fiscal year, total assets amounted to ¥13,506,236 thousand, primarily due to factors such as a decrease in software and an increase in accounts receivable (a decrease of ¥642,185 thousand compared to the end of the previous consolidated fiscal year).

(Liabilities)

At the end of the current consolidated fiscal year, liabilities amounted to ¥8,787,099 thousand, primarily due to an increase in accrued expenses (an increase of 306,800 thousand yen compared to the end of the previous consolidated fiscal year).

(Net assets)

At the end of the current consolidated fiscal year, net assets amounted to ¥4,719,137 thousand, primarily due to the recording of a net loss attributable to shareholders of the parent company of ¥1,035,569 thousand. This represents a decrease of 948,986 thousand yen compared to the end of the previous consolidated fiscal year. As a result, the equity ratio declined to 34.6% (compared to 39.7% at the end of the previous consolidated fiscal year).

(3) Overview of Cash Flow for the Current Period

At the end of the current consolidated fiscal year, cash and cash equivalents decreased by ¥2,004,111 thousand compared to the end of the previous consolidated fiscal year, totaling ¥3,928,774 thousand. The status and factors of each cash flow during the current consolidated fiscal year are as follows.

(Cash flow from operating activities)

Cash flow from operating activities amounted to an inflow of ¥634,082 thousand. The main factors for the increase were impairment loss of 1,121,886 thousand yen and an increase in accounts payable of ¥1,176,678 thousand. The main factors for the decrease were an increase in accounts receivable of ¥1,348,424 thousand and an increase in prepaid expenses of ¥306,748 thousand.

(Cash flows from investing activities)

Cash flow from investing activities amounted to an expenditure of ¥899,375 thousand. The primary increase factor was income from development investments, totaling ¥917,100 thousand, while the main decrease factor was expenditure of 1,782,926 thousand yen due to the acquisition of intangible assets.

(Cash flows from financing activities)

Cash flow from financing activities resulted in an outflow of ¥1,739,032 thousand. The main factor behind the decrease was an expenditure of ¥1,743,850 thousand due to the repayment of long-term borrowings.

(4) Future Outlook

Moving forward, in the gaming business, efforts will be made to establish a more robust business foundation by enhancing existing operational titles through additional investment and strengthening operational systems to ensure stable, long-term revenue. Additionally, growth will be pursued through maximizing revenue from new operational titles. Furthermore, in the gaming business, original titles for PC and console platforms will be developed with the purpose of owning and fostering intellectual property (IP).

In the content business, the goal is to grow businesses launched for the purpose of owning, developing, and monetizing IP to a certain scale. Additionally, advanced technologies will be actively utilized to create new experiences and markets.

For the fiscal year ending March 2026, the objective is to bring new operational titles to stable profitability and continue investments toward future growth. Revenue growth is anticipated from the contribution of titles released in the second half of the fiscal year ending March 2025 over the full term.

Based on the above, the consolidated performance forecast for the fiscal year ending March 2026 includes projected sales of 20,000,000 thousand yen (an increase of 58.0% compared to the previous fiscal year), operating profit of ¥1,000,000 thousand

(an increase of 792.8% compared to the previous fiscal year), ordinary profit of ¥950,000 thousand (compared to ordinary profit of ¥113,032 thousand in the previous fiscal year), and net profit attributable to parent company shareholders of ¥500,000 thousand (compared to a net loss attributable to parent company shareholders of ¥1,035,569 thousand in the previous fiscal year).

2. Basic approach to the selection of accounting standards

Many stakeholders in our group, including domestic shareholders, creditors, and business partners, are based in Japan. To ensure comparability with domestic competitors in the same industry, we apply Japanese accounting standards.

3. Consolidated statements and key notes

(1) Consolidated Balance Sheet

(Thousands of yen)

	As of March 31, 2024	As of March 31, 2025
Assets		
Current assets		
Cash and deposits	5,937,126	3,928,774
Accounts receivable - trade	1,657,924	3,006,348
Merchandise	7,990	12,834
Work in process	44,689	78,672
Prepaid expenses	155,917	704,277
Other	563,215	111,310
Total current assets	8,366,863	7,842,218
Non-current assets		
Property, plant and equipment		
Buildings	191,229	191,229
Accumulated depreciation	(48,741)	(69,933)
Buildings, net	142,488	121,295
Tools, furniture and fixtures	87,906	92,033
Accumulated depreciation	(68,350)	(74,305)
Tools, furniture and fixtures, net	19,555	17,728
Leased assets	7,232	7,232
Accumulated depreciation	(4,207)	(5,307)
Leased assets, net	3,025	1,925
Total property, plant and equipment	165,068	140,948
Intangible assets		
Software	18,279	3,683,370
Software in progress	4,359,472	604,944
Total intangible assets	4,377,751	4,288,315
Investments and other assets		
Investment securities	69,926	20,006
Deferred tax assets	650,038	883,155
Other	518,773	331,593
Total investments and other assets	1,238,738	1,234,755
Total non-current assets	5,781,559	5,664,018
Total assets	14,148,422	13,506,236

(Thousands of yen)

	As of March 31, 2024	As of March 31, 2025
Liabilities		
Current liabilities		
Accounts payable - trade	329,599	417,877
Short-term borrowings	100,000	100,000
Current portion of long-term borrowings	1,743,850	1,738,600
Lease liabilities	1,281	1,281
Accounts payable - other	604,044	1,780,723
Income taxes payable	61,235	120,835
Provision for bonuses	86,949	98,208
Other	621,140	1,049,950
Total current liabilities	3,548,100	5,307,477
Non-current liabilities		
Long-term borrowings	4,627,300	2,888,700
Lease liabilities	2,243	961
Asset retirement obligations	100,000	100,000
Other	202,655	489,960
Total non-current liabilities	4,932,198	3,479,621

Total liabilities	8,480,298	8,787,099
Net assets		
Shareholders' equity		
Share capital	1,842,360	1,880,309
Capital surplus	2,099,521	2,137,862
Retained earnings	1,926,096	890,527
Treasury shares	(259,894)	(252,033)
Total shareholders' equity	5,608,084	4,656,665
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	6,611	11,940
Foreign currency translation adjustment	790	1,004
Total accumulated other comprehensive income	7,402	12,945
Share acquisition rights	49,067	47,010
Non-controlling interests	3,570	2,516
Total net assets	5,668,124	4,719,137
Total liabilities and net assets	14,148,422	13,506,236

(2) Consolidated statements of income and consolidated comprehensive income statements

Consolidated statement of income

(Thousands of yen)

	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2025
Net sales	9,779,099	12,655,184
Cost of sales	6,374,197	9,177,714
Gross profit	3,404,901	3,477,470
Selling, general and administrative expenses		
Payroll and allowances	536,598	563,100
Provision for bonuses	53,003	53,660
Commission expenses	151,096	165,902
Advertising expenses	361,131	1,388,668
Research and development expenses	396,002	204,734
Other	1,004,030	989,395
Total selling, general and administrative expenses	2,501,863	3,365,461
Operating profit	903,038	112,008
Non-operating income		
Interest income	52	3,320
Dividend income	2,979	-
Interest on tax refund	-	1,760
Subsidy income	-	24,369
Other	133	616
Total non-operating income	3,164	30,066
Non-operating expenses		
Interest expenses	44,714	77,376
Commission expenses	64,213	5,969
Foreign exchange losses	1,321	203
Other	2,782	5,217
Total non-operating expenses	113,032	88,768
Ordinary profit	793,171	53,306
Extraordinary losses		
Impairment losses	746,234	1,121,886
Other	-	49,920
Total extraordinary losses	746,234	1,171,806
Profit (loss) before income taxes	46,936	(1,118,500)
Income taxes - current	102,591	149,988
Income taxes - deferred	(162,647)	(234,807)
Total income taxes	(60,056)	(84,819)
Profit (loss)	106,992	(1,033,681)
Profit attributable to non-controlling interests	2,941	1,887
Profit (loss) attributable to owners of parent	104,051	(1,035,569)

Consolidated statements of comprehensive income

(Thousands of yen)

	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2025
Profit (loss)	106,992	(1,033,681)
Other comprehensive income		
Valuation difference on available-for-sale securities	8,691	5,329
Foreign currency translation adjustment, before tax	708	213
Total other comprehensive income	9,399	5,542
Comprehensive income	116,392	(1,028,138)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	113,450	(1,030,026)
Comprehensive income attributable to non-controlling interests	2,941	1,887

(3) Consolidated statement of changes in net assets

Fiscal year ended March 31, 2024 (April 1, 2023 to March 31, 2024)

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	1,811,311	2,068,472	1,967,564	(266,237)	5,581,111
Changes during period					
Issuance of new shares	31,048	31,048			62,097
Profit attributable to owners of parent			104,051		104,051
Disposal of treasury shares				6,342	6,342
Dividends of surplus			(145,518)		(145,518)
Net changes in items other than shareholders' equity	-	-	-	-	-
Total changes during period	31,048	31,048	(41,467)	6,342	26,972
Balance at end of period	1,842,360	2,099,521	1,926,096	(259,894)	5,608,084

	Accumulated other comprehensive income			Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income			
Balance at beginning of period	(2,079)	82	(1,997)	49,067	2,938	5,631,120
Changes during period						
Issuance of new shares						62,097
Profit attributable to owners of parent						104,051
Disposal of treasury shares						6,342
Dividends of surplus						(145,518)
Net changes in items other than shareholders' equity	8,691	708	9,399	-	631	10,031
Total changes during period	8,691	708	9,399	-	631	37,003
Balance at end of period	6,611	790	7,402	49,067	3,570	5,668,124

Fiscal year ended March 31, 2025 (April 1, 2024 to March 31, 2025)

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	1,842,360	2,099,521	1,926,096	(259,894)	5,608,084
Changes during period					
Issuance of new shares	37,948	37,948			75,897
Loss attributable to owners of parent			(1,035,569)		(1,035,569)
Disposal of treasury shares		391		7,861	8,252
Dividends of surplus					
Net changes in items other than shareholders' equity	-	-	-	-	-
Total changes during period	37,948	38,340	(1,035,569)	7,861	(951,418)
Balance at end of period	1,880,309	2,137,862	890,527	(252,033)	4,656,665

	Accumulated other comprehensive income			Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income			
Balance at beginning of period	6,611	790	7,402	49,067	3,570	5,668,124
Changes during period						
Issuance of new shares						75,897
Loss attributable to owners of parent						(1,035,569)
Disposal of treasury shares						8,252
Dividends of surplus						
Net changes in items other than shareholders' equity	5,329	213	5,542	(2,056)	(1,053)	2,432
Total changes during period	5,329	213	5,542	(2,056)	(1,053)	(948,986)
Balance at end of period	11,940	1,004	12,945	47,010	2,516	4,719,137

(4) Consolidated statements of cash flows

(Thousands of yen)

	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2025
Cash flows from operating activities		
Profit before income taxes	46,936	(1,118,500)
Depreciation and amortization	144,830	526,454
Impairment losses	746,234	1,121,886
Share-based payment expenses	49,011	61,775
Interest and dividend income	(3,031)	(3,320)
Commission expenses	61,970	5,969
Interest expenses	44,714	77,376
Decrease (increase) in trade receivables	(173,265)	(1,348,424)
Decrease (increase) in inventories	(29,839)	(38,694)
Decrease (increase) in consumption taxes refund receivable	(170,986)	178,082
Decrease (increase) in prepaid expenses	3,804	(306,748)
Increase (decrease) in trade payables	(120,378)	88,278
Increase (decrease) in accounts payable - other	49,192	1,176,678
Increase (decrease) in accrued consumption taxes	(52,935)	67,231
Increase (decrease) in advances received	25,711	(42,519)
Increase (decrease) in provision for bonuses	(42,600)	11,258
Increase (decrease) in accrued expenses	(159,349)	(11,234)
Other, net	(70,871)	102,035
Subtotal	349,147	547,586
Receipts of dividends and interest received	3,979	4,098
Interest paid	(43,536)	(74,776)
Income taxes paid	(782,828)	(112,337)
Income taxes refund	-	269,510
Net cash provided by (used in) operating activities	(473,238)	634,082
Cash flows from investing activities		
Purchase of property, plant and equipment	(2,404)	(7,704)
Purchase of intangible assets	(2,006,279)	(1,782,926)
Purchase of investment securities	(10,000)	-
Proceeds from development investment received	-	917,100
Other, net	(30,132)	(25,844)
Net cash provided by (used in) investing activities	(2,048,815)	(899,375)
Cash flows from financing activities		
Proceeds from long-term borrowings	4,586,000	-
Repayments of long-term borrowings	(2,012,350)	(1,743,850)
Dividends paid	(145,077)	(172)
Other, net	(14,838)	4,990
Net cash provided by (used in) financing activities	2,413,734	(1,739,032)
Effect of exchange rate change on cash and cash equivalents	708	213
Net increase (decrease) in cash and cash equivalents	(107,610)	(2,004,111)
Cash and cash equivalents at beginning of period	6,040,496	5,932,886
Cash and cash equivalents at end of period	5,932,886	3,928,774

(5) Notes to consolidated financial statements

(Notes on premise of a going concern)

Nothing applicable.

(Change in accounting policy)

(Application of "Accounting Standards for Corporation Tax, Inhabitant Tax, and Enterprise Tax")

The "Accounting Standard for Income Taxes, Inhabitant Taxes, and Business Taxes, etc." (Accounting Standard No. 27, issued on October 28, 2022, hereinafter referred to as the "2022 Revised Accounting Standard") has been applied from the beginning of the current consolidated accounting period.

Regarding changes to the classification of income taxes (taxation for other comprehensive income), the transitional measures specified in paragraph 20-3 proviso of the 2022 Revised Accounting Standard and paragraph 65-2(2) proviso of the "Implementation Guidance on Accounting Standards for Tax Effect Accounting" (Accounting Standards Implementation Guidance No. 28, issued on October 28, 2022, hereinafter referred to as the "2022 Revised Implementation Guidance") have been followed. The adoption of these accounting policies resulted in no impact on the consolidated financial statements.

Furthermore, revisions concerning the handling in consolidated financial statements of deferred tax treatment for gains or losses arising from the sale of subsidiary shares, etc., within consolidated group companies have been applied in accordance with the 2022 Revised Implementation Guidance, starting at the beginning of the current consolidated accounting period. These revisions also caused no impact on the consolidated financial statements.

(Information by segment, etc.)

[Segment information]

1. Overview of reportable segments

The reportable segments of our group are determined based on the units within our organization for which discrete financial information is available and are regularly reviewed by the Board of Directors for the purpose of making decisions regarding resource allocation and evaluating business performance.

Accordingly, our company consists of service-based segments, with two reportable segments: "Game Business" and "Content Business."

The "Game Business" primarily engages in the planning, development, and operation of games played on smartphones. The "Content Business" involves the publishing and sale of books and e-books, such as novels and comics. Additionally, it leverages the expertise accumulated over time as well as advanced technologies to develop new ventures that will contribute to the company's medium- to long-term growth.

2. Calculation method for the amount of net sales, income or loss, assets, liabilities and other items by reportable segment

The profit of the reportable segments is based on operating profit figures.

Internal transactions and transfers between segments are based on market prices.

3. Information on net sales, income or loss, assets, liabilities and other items by reportable segment

Fiscal year ended March 31, 2024 (April 1, 2023 to March 31, 2024)

	Reportable segments			Reconciling items	Per consolidated financial statements
	Game Business	Content Business	Reportable segments		
Net sales					
Revenues from external customers	9,349,181	429,917	9,779,099	-	9,779,099
Transactions with other segments	-	3,600	3,600	(3,600)	-
Total	9,349,181	433,517	9,782,699	(3,600)	9,779,099
Segment Operating profit (loss)	1,896,650	(993,611)	903,038	-	903,038
Segment Assets	6,978,062	405,614	7,383,676	6,764,745	14,148,422
Other items					
Depreciation and amortization	109,492	11,163	120,655	24,175	144,830
Impairment losses	609,185	137,048	746,234	-	746,234
Increase in property, plant and equipment and intangible assets	1,876,201	133,436	2,009,637	15,045	2,024,682

Note: *1 Adjustment amount for segment assets mainly consists of cash and deposits, deferred tax assets, and tangible fixed assets that do not belong to the reportable segments.

*2. Segment income (loss) is consistent with operating income in the consolidated statements of income.

Fiscal year ended March 31, 2025 (April 1, 2024 to March 31, 2025)

(Thousands of yen)

	Reportable segments			Reconciling items	Per consolidated financial statements
	Game Business	Content Business	Reportable segments		
Net sales					
Revenues from external customers	11,920,708	734,476	12,655,184	—	12,655,184
Transactions with other segments	3,531	44,483	48,015	(48,015)	—
Total	11,924,240	778,959	12,703,199	(48,015)	12,655,184
Segment Operating profit (loss)	976,374	(864,366)	112,008	—	112,008
Segment Assets	8,102,179	430,543	8,532,723	4,973,513	13,506,236
Other items					
Depreciation and amortization	497,830	—	497,830	28,624	526,454
Impairment losses	1,121,886	—	1,121,886	—	1,121,886
Increase in property, plant and equipment and intangible assets	1,787,087	—	1,787,087	16,839	1,803,927

Note: *1 Adjustment amount for segment assets mainly consists of cash and deposits, deferred tax assets, and tangible

fixed assets that do not belong to the reportable segments.

*2. Segment income (loss) is consistent with operating income in the consolidated statements of income.

4. Matters Related to Changes in Reporting Segments

(Change in Report Segment Name)

From the current consolidated fiscal year, the reporting segment name previously referred to as "Media Business" has been changed to "Content Business." This is solely a change in the segment name and does not affect the segment information. Additionally, the segment information for the previous consolidated fiscal year is stated under the new name as well.

[Related Information]

Fiscal year ended March 31, 2024 (April 1, 2023 to March 31, 2024)

1. Information by product and service

This information is omitted because the same information is disclosed in the segment information.

2. Information by region

(1) Net sales

This information is omitted because sales to external customers in Japan account for more than 90% of the net sales in the consolidated statements of income.

(2) Property, plant and equipment

The amount of property, plant and equipment in Japan exceeds 90% of the fixed tangible assets on the consolidated balance sheet, so this information is omitted.

3. Information by major customer

(Thousands of yen)

Name or title of customer	Net sales	Related Segment Name
Bandai Namco Entertainment Inc.	4,130,073	Game business, Content business
Apple, Inc.	1,492,945	Game business
Game business, Content business	1,206,557	Game business

The consolidated fiscal year (from April 1, 2024, to March 31, 2025)

1. Information by product and service

This information is omitted because the same information is disclosed in the segment information.

2. information by region

(1) Net Sales

This information is omitted because sales to external customers in Japan account for more than 90% of the net sales in the consolidated statements of income.

(2) Property, plant and equipment

The amount of property, plant and equipment in Japan exceeds 90% of the property, plant and equipment on the consolidated balance sheet, so this information is omitted.

3. Information by major customer

(Thousands of yen)

Name or title of customer	Net sales	Related Segment Name
Apple, Inc.	3,709,523	Game business, Content business
Bandai Namco Entertainment Inc.	3,137,887	Game business
Google LLC	2,807,911	Game business

[Information on Impairment Losses on Fixed Assets by reportable segment]

Fiscal year ended March 31, 2024 (April 1, 2023 to March 31, 2024)

(Thousands of yen)

	Game Business	Content Business	Unallocated amounts and elimination	Total
Impairment losses	609,185	137,048	—	746,234

Fiscal year ended March 31, 2025 (April 1, 2024 to March 31, 2025)

(Thousands of yen)

	Game Business	Content Business	Unallocated amounts and elimination	Total
Impairment losses	1,121,886	—	—	1,121,886

[Information on amortization and unamortized balance of goodwill by reportable segment]

Fiscal year ended March 31, 2024 (April 1, 2023 to March 31, 2024)

Not applicable

Fiscal year ended March 31, 2025 (April 1, 2024 to March 31, 2025)

Not applicable

[Information on gain on negative goodwill by reportable segment]

Not applicable

(Per share data)

	Fiscal year ended March 31, 2024 (April 1, 2023 to March 31, 2024)	Fiscal year ended March 31, 2025 (April 1, 2024 to March 31, 2025)
Net assets per share	196.29 Yen	162.48 Yen
Basic earnings per share	3.64 Yen	Δ36.10 Yen
Diluted earnings per share	3.64 Yen	—

Note: 1. Basis for calculation of net income per share and Diluted earnings per share is as follows.

2. We have not presented Diluted earnings per share for the consolidated fiscal year, as there was a Basic loss per share despite the existence of potential shares.

	Fiscal year ended March 31, 2024 (April 1, 2023 to March 31, 2024)	Fiscal year ended March 31, 2025 (April 1, 2024 to March 31, 2025)
Basic earnings per share		
Profit attributable to owners of parent (thousand yen)	104,051	-1,035,569
Amount not attributable to common shareholders (thousand yen)	—	—
Profit attributable to owners of parent company shareholders related to common stock (thousand yen)	104,051	-1,035,569
Average number of shares of common stock during the period (shares)	28,570,583	28,685,771
Diluted earnings per share		
Adjustment of profit attributable to owners of the parent (thousands of yen)	—	
Increase in common stock (shares)	52,440	43,380
(of which stock acquisition rights (shares))	(52,440)	(43,380)
Summary of potential stock not included in the calculation of Diluted earnings per share due to the absence of dilutive effects	—	—

3. Basis for calculation of net assets per share is as follows.

	Fiscal year ended March 31, 2024 (April 1, 2023 to March 31, 2024)	Fiscal year ended March 31, 2025 (April 1, 2024 to March 31, 2025)
Total net assets (thousands of yen)	5,668,124	4,719,137
Amount deducted from total net assets (thousand yen)	52,637	49,527
(of which stock acquisition rights (thousand yen))	(49,067)	(47,010)
(of which, noncontrolling interests (thousand yen))	(3,570)	(2,516)
Net assets related to common stock at the end of the period (thousand yen)	5,615,486	4,669,610
Number of shares of common stock used in the calculation of net assets per share at the end of the fiscal year (shares)	28,608,413	28,740,217

4. The number of the Company's shares held by the ESOP Trust Account, which are recorded as treasury stock in shareholders' equity, is included in the number of treasury stock deducted from the average number of shares during the period for the calculation of net income per share (586,074 shares in the consolidated fiscal year ended March 31, 2024 and 569,545 shares in the consolidated fiscal year ended March 31, 2025). Also, in the calculation of net assets per share, the number of treasury stock is included in the number of shares deducted from the total number of shares issued and outstanding at the end of the period (581,600 shares in the consolidated fiscal year ended March 31, 2024 and 564,000 shares in the consolidated fiscal year ended March 31, 2025).

(Significant Subsequent Events)

Not applicable

4. Other

Not applicable