

Translation

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Consolidated Financial Results for the Nine Months of the Fiscal Year Ending March 31, 2026 (Under Japanese GAAP)

January 29, 2026

Company name:	Drecom Co., Ltd.
Stock exchange listings:	Tokyo Stock Exchange
Stock code:	3793
URL:	https://drecom.co.jp/
Representative:	Yuki Naito, President and Representative Director
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Scheduled date for dividend payment:	None
Supplementary materials for financial summaries:	Yes
Financial results briefing:	Yes

(Amounts of less than one million yen are rounded down.)

1. Consolidated Financial Results for the Nine Months of the Fiscal Year Ending March 31, 2026 (from April 01, 2025 to December 31, 2025)

(1) Consolidated operating results (Cumulative)

(Percentage indicate YoY changes)

	Revenue		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Nine months ended								
December 31, 2025	13,301	62.2	96	-	40	-	(1,741)	-
December 31, 2024	8,200	7.4	(26)	-	(78)	-	(823)	-

(Note) Comprehensive income For the nine months ended March 31, 2026: (1,740) million yen (-%) For the nine months ended March 31, 2025: (817) million yen (-%)

	Basic earnings per share	Diluted earnings per share
Nine months ended	Yen	Yen
December 31, 2025	(60.41)	-
December 31, 2024	(28.74)	-

(2) Consolidated financial positions

	Total assets	Equity	Equity to total assets ratio	Net assets per share
As of	Million yen	Million yen	%	Yen
December 31, 2025	9,610	3,118	31.4	104.42
March 31, 2025	13,506	4,719	34.6	162.48

(Reference) Owner's equity March 2026 3,020 million yen March 2025 4,669 million yen

2. Cash dividends

	Annual dividends per share				
	End of first quarter	End of second quarter	End of third quarter	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2025	-	0.00	-	0.00	0.00
Fiscal year ending March 31, 2026	-	0.00	-		
Fiscal year ending March 31, 2026 (Forecast)				0.00	0.00

(Note) Presence or absence of revisions from the most recently announced dividend forecast: Yes

For details, please refer to the "Notice Regarding Revision of Dividend Forecast (No Dividend)" announced today (January 29, 2026).

3. Consolidated Earnings Forecasts for the Fiscal Year Ending March 31, 2026 (from April 01, 2025 to March 31, 2026)

(Percentages indicate YoY changes)

	Revenue		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Fiscal year ending March 31, 2026	17,500	38.3	500	346.4	400	650.4	(1,300)	-	(45.23)

(Note) Correction of financial forecast from the most recent financial forecast: None

* Notes

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

Newly consolidated: - companies (company names) -, Excluded: - companies (company names) -

(2) Application of specific accounting for the consolidated quarterly financial statements: None

(3) Changes in accounting policies, Changes in accounting estimates, Retrospective restatement

(i) Changes in accounting policies due to revisions of accounting standards : None

(ii) Changes in accounting policies other than (i): None

(iii) Changes in accounting estimates : None

(iv) Retrospective restatement : None

(4) Number of shares issued (common stock)

(i) Total number of issued shares at the end of the period (including treasury shares)

As of December 31, 2025	29,446,212 shares
As of March 31, 2025	29,340,212 shares

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

As of December 31, 2025	516,395 shares
As of March 31, 2025	599,995 shares

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

Nine months ended December 31, 2025	28,823,258 shares
Nine months ended December 31, 2024	28,667,952 shares

(Note) The 480,400 shares of the Company (corresponding to 4,804 voting rights) held by Custody Bank of Japan, Ltd.

(hereinafter referred to as the "ESOP Trust Account") are included in the above Number of treasury stock at the period end.

※ Review of attached consolidated quarterly financial statements by a certified public accountant or an audit firm: None

Note regarding appropriate use of forecasts and other special items

(Cautionary Statement Regarding Forward-Looking Statements)

The forward-looking statements such as earnings forecasts contained in this document are based on information currently available to the Company and certain assumptions deemed reasonable. Actual results may differ significantly due to various factors.

(How to obtain supplementary materials for financial results)

We plan to hold a financial results briefing for institutional investors and analysts on January 29, 2026. The presentation materials distributed at this briefing will be promptly posted on our website after the event.

○Table of Contents for Attached Materials

1. Qualitative information regarding the quarterly financial results	2
(1) Explanation of operating results	2
(2) Explanation regarding financial positions	3
(3) Explanation regarding consolidated forecasts and other forward-looking information	3
2. Quarterly Consolidated Financial Statements and Main Notes	4
(1) Quarterly Consolidated Balance Sheet	4
(2) Quarterly Consolidated Statement of Income and Quarterly Consolidated Statement of Comprehensive Income	6
Quarterly Consolidated Statement of Income	6
Quarterly Consolidated Statement of Comprehensive Income	7
(3) Notes to the quarterly consolidated financial statements	8
(Notes regarding the assumption of a going concern)	8
(Notes on significant changes in the amount of shareholders' equity)	8
(Notes on quarterly consolidated statement of cash flows)	8
(Notes on segment information, etc.)	9
(Significant Subsequent Events)	10

1. Qualitative information regarding the quarterly financial results

(1) Explanation of operating results

Our group has set "with entertainment" as its mission, aiming to continuously create services that exceed people's expectations. In addition, we strive to deliver experiences that captivate users by creating new value that has never existed before. In the medium term, we aim to become a company that provides entertainment content globally, focusing on IP × technology, and are committed to achieving sustainable growth and enhancing corporate value.

In our core game business, the main operations are the development and management of games, including the development and management of games based on third-party IP, game platforms, as well as original games. In the content business, with the aim of owning and nurturing IP, we publish and sell books such as novels and comics, as well as e-books. In addition, we are conducting trial launches of new services that utilize our expertise in internet services and advanced technologies, repeatedly testing them with a view to commercialization.

Results for the third quarter of the current fiscal year, on a consolidated basis, were as follows: Net sales of 13,301,296 thousand yen (up 62.2% YoY), Operating profit of 96,884 thousand yen (Operating loss of 26,992 thousand yen in the same period of the previous year), and Ordinary profit of 40,232 thousand yen (Ordinary loss of 78,591 thousand yen in the same period of the previous year). In addition, for the mobile game title released at the end of the previous fiscal year, we re-evaluated future revenue in the first quarter of the current fiscal year and recorded an impairment loss, resulting in recognition of extraordinary loss of 1,563,462 thousand yen. As a result, quarterly net loss attributable to owners of parent was 1,741,350 thousand yen (quarterly net loss attributable to owners of parent of 823,926 thousand yen in the same period of the previous year).

The performance of each segment for the nine months ended the third quarter of the current fiscal year is as follows.

Game Business

In the game business, the number of mobile game titles currently in operation is 11, and we are generating revenue from multiple titles, including our self-published title released in October 2024, "Wizardry Variants Daphne," as well as several titles currently in operation.

On the other hand, as net sales of the mobile game title released at the end of the previous fiscal year trended below expectations, we re-evaluated future earnings and assessed the recoverability of the investment. As a result, in the first quarter, we decided to recognize an impairment loss on assets related to the said game application.

Regarding net sales, although some operating titles performed below the previous fiscal year, net sales increased year on year due to factors including the strong performance of "Wizardry Variants Daphne," which was released in the third quarter of the previous fiscal year, as it marked its first anniversary.

Regarding profit, although there was an increase in commission expenses and other costs associated with higher sales of self-distributed titles, as well as an increase in amortization of software, advertising expenses, and other costs related to the release of new titles, profit increased year on year due to the revenue growth effect of new titles.

As a result, segment revenue was 12,814,095 thousand yen (up 66.9% YoY), and segment profit amounted to 740,827 thousand yen (up 16.2% YoY).

In this segment, which is our core business, we will continue to strive to maintain and maximize stable revenue from existing titles in operation, while also working to expand our pipeline of new titles. In addition, we aim to acquire business know-how through the development of new titles for PC and console platforms, and to own our own IP.

Content Business

In the content business, with the aim of owning, nurturing, and monetizing IP, we are engaged in the publishing business, animation business, and merchandising (MD) business. We publish new titles every month under the light novel label "DRE Novels" and the comic label "DRE Comics." In addition, we are developing new services utilizing our expertise in internet services and advanced technologies, and providing fan marketing support services using social media, among others.

Regarding net sales, the publication of "DRE Comics" began in the fall of 2023, and sales related to the publishing business increased due to factors including growing revenue mainly from digital comics and the release of multiple popular titles, with cumulative series sales exceeding 400,000 copies. In the third quarter of the previous fiscal year, however, temporary revenue was generated from the Web3 business, resulting in a decrease in segment net sales year on year.

Regarding profit, although we continue to incur upfront costs due to investments in new business areas such as publishing, animation, MD, and the utilization of AI, the segment loss decreased year on year due to cost optimization and other measures accompanying business progress.

As a result, segment net sales were 517,221 thousand yen (down 2.4% YoY), and segment loss amounted to 643,943 thousand yen (segment loss was 664,602 thousand yen in the same period of the previous year).

In this segment, in addition to striving to increase sales volume by accumulating the number of works and reducing losses in the publishing business, we will continue to make investments toward realizing our medium-term goals.

Moving forward, in the game business, we will strive to secure long-term stable revenue by making additional investments in titles in operation and strengthening our operational systems to build a more robust business foundation, while also aiming for sales growth through the release of new titles and the diversification and layering of revenue sources. Furthermore, in the game business, with the aim of owning and nurturing IP, we will develop original titles for PC and console platforms.

In the content business, we aim to grow the businesses launched with the purpose of owning, nurturing, and monetizing IP to a certain scale. In addition, we will actively promote the use of advanced technologies that create new experiences and markets.

(2) Explanation regarding financial positions

(Assets)

Total assets at the end of the third quarter of the consolidated fiscal period amounted to 9,610,608 thousand yen, mainly due to decreases in cash and deposits and software (a decrease of 3,895,628 thousand yen compared to the end of the previous consolidated fiscal year).

(Liabilities)

At the end of the third quarter of the consolidated fiscal period, liabilities amounted to 6,492,461 thousand yen, mainly due to a decrease in long-term borrowings (a decrease of 2,294,637 thousand yen compared to the end of the previous consolidated fiscal year).

(Net assets)

At the end of the third quarter of the consolidated fiscal period, net assets amounted to 3,118,146 thousand yen, mainly due to the recording of a quarterly net loss attributable to owners of the parent of 1,741,350 thousand yen (a decrease of 1,600,991 thousand yen compared to the end of the previous consolidated fiscal year).

As a result, the equity to total assets ratio was 31.4% (34.6% at the end of the previous fiscal year).

(3) Explanation regarding forward-looking statements such as consolidated forecasts

For the fiscal year ending March 2026, we aim to bring new operational titles on track and continue investing for the next stage of growth. While we expect increased revenue as titles released in the second half of the fiscal year ending March 2025 contribute for the full year, based on the results for the first quarter and our outlook going forward, we have revised the consolidated forecasts (full year) for the fiscal year ending March 2026, which were announced on May 12, 2025.

For details, please refer to the "Notice Regarding Recognition of Extraordinary Losses, Revision of Full-Year Consolidated Forecasts and Dividend Forecasts" announced on July 29, 2025.

Regarding the consolidated earnings forecast for the fiscal year ending March 31, 2026, we expect net sales of 17,500,000 thousand yen (up 38.3% YoY), operating profit of 500,000 thousand yen (up 346.4% YoY), ordinary profit of 400,000 thousand yen (up 650.4% YoY), and net loss attributable to owners of the parent of 1,300,000 thousand yen (compared to a net loss attributable to owners of the parent of 1,035,569 thousand yen in the previous fiscal year).

Please note that the consolidated forecasts have been prepared based on information available as of the date of this announcement, and actual results may differ from the forecast figures due to various factors in the future.

2. Quarterly Consolidated Financial Statements and Main Notes (1) Quarterly Consolidated Balance Sheet

(Unit: Thousands of yen)

	Previous fiscal year (March 31, 2025)	For the third quarter (December 31, 2025)
Assets		
Current assets		
Cash and deposit	3,928,774	2,942,795
Accounts receivable - trade	3,006,348	2,544,486
Merchandise	12,834	12,418
Work in process	78,672	136,119
Prepaid expenses	704,277	399,998
Other	111,310	279,867
Total current asset	7,842,218	6,315,685
Non-current assets		
Property, plant, and equipment		
Buildings	191,229	191,666
Accumulated depreciation	(69,933)	(101,901)
Buildings, net	121,295	89,764
Tools, furniture and fixtures	92,033	167,519
Accumulated depreciation	(74,305)	(97,007)
Tools, furniture and fixtures, net	17,728	70,512
Leased assets	7,232	7,232
Accumulated depreciation	(5,307)	(6,132)
Leased assets, net	1,925	1,100
Total property, plant and equipment, net	140,948	161,377
Intangible assets		
Software	3,683,370	1,228,546
Software in progress	604,944	631,784
Total intangible assets	4,288,315	1,860,331
Investment Other assets		
Investment securities	20,006	20,006
Deferred tax assets	883,155	779,983
Other	331,593	473,223
Total investment and other assets	1,234,755	1,273,213
Total non-current assets	5,664,018	3,294,922
Total assets	13,506,236	9,610,608

(Unit: Thousands of yen)

	Previous fiscal year (March 31, 2025)	For the third quarter (December 31, 2025)
Liabilities		
Current liabilities		
Trade payables	417,877	380,022
Short-term borrowings	100,000	100,000
Current portion of long-term borrowings	1,738,600	1,870,500
Lease liabilities	1,281	1,281
Accounts payable	1,780,723	1,219,029
Income taxes payable	120,835	54,252
Provision for bonuses	98,208	59,634
Other	1,049,950	905,530
Total current liabilities	5,307,477	4,590,251
Non-current liabilities		
Long-term borrowings	2,888,700	1,578,500
Lease liabilities	961	-
Asset retirement obligations	100,000	100,000
Other	489,960	223,710
Total non-current liabilities	3,479,621	1,902,210
Total liabilities	8,787,099	6,492,461
Net assets		
Shareholders' equity		
Share capital	1,880,309	1,906,870
Capital surplus	2,137,862	2,166,629
Retained earnings	890,527	(850,823)
Treasury shares	(252,033)	(214,692)
Total shareholders' equity	4,656,665	3,007,984
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	11,940	11,940
Foreign currency translation adjustment	1,004	994
Total accumulated other comprehensive income	12,945	12,935
Share acquisition rights	47,010	95,375
Non-controlling interests	2,516	1,852
Total net assets	4,719,137	3,118,146
Total liabilities and net assets	13,506,236	9,610,608

(2) Quarterly Consolidated Statement of Income and Quarterly Consolidated Statement of Comprehensive Income
(Quarterly Consolidated Statement of Income)

(Unit: Thousands of yen)

	For the nine months ended September 30 of the previous fiscal year (From April 1, 2024 until December 31, 2024)	For the nine months ended From April 1, 2025 until December 31, 2025
Revenue	8,200,721	13,301,296
Cost of sales	5,962,183	9,249,087
Gross profit	2,238,537	4,052,209
Selling, general and administrative expenses	2,265,530	3,955,324
Operating profit (loss)	(26,992)	96,884
Non-operating income		
Interest income	685	5,031
Interest on tax refund	1,760	-
Government grant income	10,000	-
Other	948	1,361
Total non-operating income	13,395	6,392
Non-operating expenses		
Interest expense	57,497	57,674
Commission expenses	2,975	3,110
Others	4,521	2,260
Total non-operating expenses	64,993	63,045
Ordinary profit (loss)	(78,591)	40,232
Extraordinary income		
Gain on reversal of share acquisition rights	-	2,515
Total extraordinary income	-	2,515
Extraordinary losses		
Impairment losses	601,886	1,563,462
Total extraordinary losses	601,886	1,563,462
Quarterly loss before income taxes (-)	(680,477)	(1,520,715)
Income taxes - current	125,735	116,234
Income taxes - deferred	16,212	103,171
Total income taxes	141,948	219,406
Quarterly net loss (-)	(822,426)	(1,740,121)
Net income attributable to non-controlling interests	1,500	1,229
Quarterly net loss attributable to owners of the parent (-)	(823,926)	(1,741,350)

(Quarterly Consolidated Statement of Comprehensive Income)

(Unit: Thousands of yen)

	For the nine months ended [previous period end date] (From April 1, 2024 until December 31, 2024	For the nine months ended From April 1, 2025 until December 31, 2025
Quarterly net loss (-)	(822,426)	(1,740,121)
Other comprehensive income (loss), net of tax		
Valuation difference on available-for-sale securities	4,597	-
Foreign currency translation adjustment	213	(9)
Other comprehensive income, net of tax	4,811	(9)
Comprehensive income	(817,615)	(1,740,130)
Profit attributable to		
Quarterly comprehensive income attributable to owners of the parent	(819,115)	(1,741,360)
Quarterly comprehensive income attributable to non- controlling interests	1,500	1,229

(3) Notes to the quarterly consolidated financial statements

(Notes regarding the assumption of a going concern)

There are no applicable items.

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

There are no applicable items.

(Notes on quarterly consolidated statement of cash flows)

The quarterly consolidated statement of cash flows for the nine months ended September 30 has not been prepared.

Depreciation for the nine months ended September 30 (including amortization of intangible assets) is as follows.

	For the nine months ended [previous period end date] (From April 1, 2024 until December 31, 2024)	For the nine months ended From April 1, 2025 until December 31, 2025
Depreciation	289,646 thousand yen	901,070 thousand yen

(Notes on segment information, etc.)

[Segment Information]

I For the nine months ended December 31, 2024

1. Information on net sales and profit or loss by reportable segment

(Unit: Thousands of yen)

	Reportable segments			Adjustment amount	Quarterly Consolidated Statement of income Amount recorded (Note)
	Game Business	Content Business	Total		
Revenue					
(1) Net sales to external customers	7,676,069	524,651	8,200,721	-	8,200,721
(2) Internal net sales or transfers between segments	243	5,542	5,786	(5,786)	-
Total	7,676,313	530,194	8,206,507	(5,786)	8,200,721
Segment profit or loss (-)	637,609	(664,602)	(26,992)	-	(26,992)

(Note) Segment profit or segment loss (-) is consistent with operating loss in the quarterly consolidated statement of income.

2. Information on Impairment losses of Non-current assets or Goodwill, etc. by reportable segment

Impairment losses have been recorded in the "Game Business" segment. The amount of impairment losses recorded for the nine months ended September 30, 2024 is 601,886 thousand yen.

II For the nine months ended December 31, 2025

1. Information on net sales and profit or loss by reportable segment

(Unit: Thousands of yen)

	Reportable segments			Adjustment amount	Quarterly Consolidated Statement of income Amount recorded (Note)
	Game Business	Content Business	Total		
Revenue					
(1) Net sales to external customers	12,805,939	495,357	13,301,296	-	13,301,296
(2) Internal net sales or transfers between segments	8,155	21,864	30,019	(30,019)	-
Total	12,814,095	517,221	13,331,316	(30,019)	13,301,296
Segment profit or loss (-)	740,827	(643,943)	96,884	-	96,884

(Note) Segment profit or segment loss (-) is consistent with operating profit in the quarterly consolidated statement of income.

2. Information on impairment losses of non-current assets by reportable segment

Impairment losses have been recorded in the "Game Business" segment. The amount of these impairment losses for the nine months ended September 30, 2024 is 1,563,462 thousand yen.

(Significant Subsequent Events)

There are no applicable items.