



Integrity & Sustainability

May 13, 2021

Sector: IT / Telecom

Drecom (3793)

FY2021 Full Year Result
April 1, 2020 – March 31, 2021

GIR Earnings View

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Summary of Financial Results for the Fiscal Year 2020, Ended March 31, 2021

- For FY2020, the company posted net sales of 11.84 billion yen, operating income of 2.05 billion yen, and net income attributable to shareholders of the parent company of 1.62 billion yen. Operating income and net income attributable to parent company exceeded the company's guidance, announced on January 28, 2021, of 11.70 billion yen, 1.90 billion yen, and 1.40 billion yen, respectively; and posted record high profit.
- Results surpassed company guidance because IP titles performed better than expected. The only title that was in the red for Q3 broke into the black in Q4, but another title that was in the black for Q3 slid into the red in Q4. Therefore, total number of titles in the red was one, unchanged QOQ. Both titles are expected to rebound during FY2021 H1

- By April 2023, Drecom aims to transform itself into a comprehensive entertainment company. The company plans to use the stable cash flow from its gaming business to fuel growth to (1) continue expansion of its gaming business, (2) diversification of IP owned by the company, and (3) apply know-how acquired in the gaming business to other areas.

(1) Continue expansion of its gaming business

The number of development projects in the gaming business increased by three during Q4, as 12 full-scale and prototype development are in-progress. Six new games in total are scheduled for release in FY2022.

(2) Diversification of IP owned by the company

As for the original IP¹ *Evil Prince and the Puppets*, development of a new game is underway, and e-commerce has also started, making it an IP.

(3) Apply know-how acquired in the gaming business to other areas

"AKROGLAM", a service in the music domain, and "root", a twitter marketing service, have seen increases in fan communities and in the number of companies using their services – which also appear to be expanding.

Operational Progress

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¹ Intellectual Property



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Global IR, Inc.

GIR Earnings View (cont.)

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Outlook for FY2021 Q1

- The company's guidance for FY2021 Q1 (April-June 2021) for sales of 2.70 billion yen and operating profit of 350 million yen, reflect the absence of new releases, weakening of tailwinds from FY2020's "stay home" demand, and completion of cost efficiency improvements. The company expects YOY revenue and profit declines. Among other reasons for expected revenue declines are the withdrawal from the advertising business and the closing of some titles.
- The stock price has already factored-in stable fundamentals and is looking for new growth catalysts. Therefore, the stock price could fluctuate depending on developments related to new titles, and it is entering a phase where expectations for earnings growth in FY2021 and beyond are leading the way.

Performance Index (Consolidated, Quarterly)

Income statement (JPY mn)															
Year Ending	FY03/19					FY 03/20					FY03/21				
	1Q	2Q	3Q	4Q	1Q-4Q	1Q	2Q	3Q	4Q	1Q-4Q	1Q	2Q	3Q	4Q	1Q-4Q
Accounting Standard	Japanese GAAP														
Sales	2,865	2,695	2,387	2,773	10,720	2,254	2,235	2,483	3,178	10,150	3,303	2,882	2,971	2,685	11,841
YoY	11.4%	-25.7%	-38.5%	-10.8%	-18.7%	-21.3%	-17.1%	4.0%	14.6%	-5.3%	46.6%	28.9%	19.7%	-15.5%	16.7%
Gross Profit	363	220	290	561	1,434	570	556	587	479	2,192	1,067	889	1,120	921	3,997
YoY	-54.5%	-77.7%	-64.6%	14.1%	-53.7%	57.0%	152.3%	102.7%	-14.6%	52.9%	87.1%	60.1%	90.8%	92.0%	82.3%
Gross Profit Margin	12.7%	8.2%	12.1%	20.2%	13.4%	25.3%	24.9%	23.6%	15.1%	21.6%	32.3%	30.9%	37.7%	34.3%	33.8%
SG&A	781	381	416	434	2,012	442	352	389	393	1,575	443	461	488	552	1,944
YoY	2.2%	-55.3%	-35.5%	-32.5%	-30.8%	-43.4%	-7.8%	-6.6%	-9.4%	-21.7%	0.3%	31.1%	25.7%	40.4%	23.4%
Operating income	-418	-161	-126	128	-577	128	204	198	86	617	624	428	632	369	2,053
YoY	-	-	-	-	-	-	-	-	-32.2%	-	386.4%	110.1%	218.3%	326.8%	232.7%
Operating income margin	-14.6%	-6.0%	-5.3%	4.6%	-5.4%	5.7%	9.1%	8.0%	2.7%	6.1%	18.9%	14.9%	21.3%	13.7%	17.3%
Ordinary income	-513	-311	-458	-67	-1,349	152	144	219	121	636	609	423	622	366	2,019
YoY	-	-	-	-69.9%	-	-	-	-	-	-	301.4%	194.6%	183.8%	200.8%	217.5%
Net income	-505	-151	-717	-340	-1,713	122	92	177	321	711	467	359	473	326	1,625
YoY	-	-	-	21.8%	739.6%	-	-	-	-	-	282.4%	291.7%	167.3%	1.6%	128.4%
Net income margin	-17.6%	-5.6%	-30.0%	-12.3%	-16.0%	5.4%	4.1%	7.1%	10.1%	7.0%	14.1%	12.5%	15.9%	12.1%	13.7%

Source: Global IR, Inc. based on company's annual securities report

Note: Rounded under JPY mn. Rounded to one decimal place.

*Calculated by Global IR, Inc.



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Performance Index (Consolidated, Full year)

Per-Share Data

Year Ending	2017/3	2018/3	2019/3	2020/3	2021/3
Total No. of Shares outstanding (,000)	14,371	28,742	28,819	28,894	28,976
EPS	29.7	-7.2	-60.5	25.0	57.0
Adjusted EPS	29.67	-	-	24.98	56.85
BPS	113.2	106.7	47.9	74.2	132.91
DPS	0	0	0	0	0

Cash Flow

(JPY mn)

Year Ending	2017/3	2018/3	2019/3	2020/3	2021/3
Depreciation	214	299	462	382	626
Sales Cash Flow	846	-79	78	691	3,196
Investment Cash Flow	-456	-1,958	-123	-101	-1,140
Financial Cash Flow	1,345	2,288	-271	-1,188	968

Financial data

(%)

Year Ending	2017/3	2018/3	2019/3	2020/3	2021/3
ROA	11.9	-2.2	-24.7	11.1	19.1
ROE	35.5	-6.6	-78.3	41.0	44.8
Equity Ratio	47.0	33.2	19.6	32.9	39.5

Source: Global IR, Inc. based on company's annual securities report

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