



Integrity & Sustainability

January 24, 2022

Sector: IT / Telecom

Drecom (3793)

FY2022 Second Quarter Result
July 1, 2021 – September 30, 2021

GIR Earnings View

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Summary of Financial Results for the Six Months Ended September 30, 2021

- In the first half of the fiscal year ending March 31, 2022, sales fell 16.2% YoY to 5.18 billion yen, operating income fell 8.1% YoY to 970 million yen and net income fell 25.9% YoY to 610 million yen. The main reason for the YoY decline in sales and profits is believed to be the impact of the withdrawal from the titles and advertising business that were terminated in the previous year.
- Compared to the company's forecast announced in July, overall sales exceeded the forecast by 3.7%, operating profit by 28.9%, and net profit by 22.4%. As a result of the strong performance of several applications, especially the IP title *ONE PIECE Treasure Cruise* (currently distributed by Bandai Namco Entertainment Inc.), which is in its seventh year of operation, sales exceeded forecasts, and as a result, profits were markedly higher than expected by absorbing fixed costs.

- The company's cumulative total forecast for the third quarter, which was announced together with the second quarter results, is for net sales of 8.0 billion yen (-12.6% YoY), operating income of 1.3 billion yen (-22.8% YoY), and net income of 0.9 billion yen (-30.7% YoY). Comparing the company's Q3 (October-December) forecast with the Q2 (July-September) result, sales are expected to increase by 11.6% QoQ, while operating profit is expected to decrease by 20.1% QoQ. This is due to the fact that while the company expects new titles to make a full contribution throughout the quarter, as well as an increase in revenue from year-end and anniversary events, it also expects a decrease in profit due to higher upfront advertising and operational costs for the new title, *mikonote Hare Tokidoki Kegare*, which is scheduled to be released this winter.

Forecast for the Fiscal Period, 3Q, 2022

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Publishing Business Launch

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- The company's mid-term goal is to become a comprehensive entertainment company that provides a wide variety of digital entertainment content globally, centered on IP. As part of this goal, the company announced the launch of a publishing division at its Q2 results briefing. The first step is to create hit titles in the areas of webtoon, light novels, and comics at an early stage, accumulate know-how within the company and gain a reputation as a hit producer. After that, the company plans to monetize its IP in a repeatable manner by expanding its hit webtoon, light novel, and comic works to other media such as games and animation. We will be watching this progress closely.



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| Performance Index (Consolidated, Quarterly) | | | | | | | | | | | | | | | | |
|---|---------------|--------|--------|--------|--------|--------|----------|--------|--------|--------|--------|--------|---------|--------|--------|--------|
| Income statement (JPY mn) | | | | | | | | | | | | | | | | |
| Year Ending | FY03/20 | | | | | | FY 03/21 | | | | | | FY03/22 | | | |
| | 1Q | 2Q | 1H | 3Q | 4Q | 1Q-4Q | 1Q | 2Q | 1H | 3Q | 4Q | 1Q-4Q | 1Q | 2Q | 1H | 3QCE |
| Accounting Standard | Japanese GAAP | | | | | | | | | | | | | | | |
| Sales | 2,254 | 2,235 | 4,489 | 2,483 | 3,178 | 10,150 | 3,303 | 2,882 | 6,185 | 2,971 | 2,685 | 11,841 | 2,661 | 2,524 | 5,185 | 2,815 |
| YoY | -21.3% | -17.1% | -19.3% | 4.0% | 14.6% | -5.3% | 46.6% | 28.9% | 37.8% | 19.7% | -15.5% | 16.7% | -19.4% | -12.4% | -16.2% | -5.3% |
| Gross Profit | 570 | 556 | 1,126 | 587 | 479 | 2,192 | 1,067 | 889 | 1,956 | 1,120 | 921 | 3,997 | 1,040 | 957 | 1,998 | - |
| YoY | 57.0% | 152.3% | 10.5% | 102.7% | -14.6% | 52.9% | 87.1% | 60.1% | 73.8% | 90.8% | 92.0% | 82.3% | -2.5% | 7.7% | 2.1% | - |
| Gross Profit Margin | 25.3% | 24.9% | 25.1% | 23.6% | 15.1% | 21.6% | 32.3% | 30.9% | 31.6% | 37.7% | 34.3% | 33.8% | 39.1% | 37.9% | 38.5% | - |
| SG&A | 442 | 352 | 794 | 389 | 393 | 1,575 | 443 | 461 | 904 | 488 | 552 | 1,944 | 536 | 494 | 1,030 | - |
| YoY | -43.4% | -7.8% | -31.7% | -6.6% | -9.4% | -21.7% | 0.3% | 31.1% | 13.9% | 25.7% | 40.4% | 23.4% | 20.9% | 7.2% | 14.0% | - |
| Operating Income | 128 | 204 | 332 | 198 | 86 | 617 | 624 | 428 | 1,052 | 632 | 369 | 2,053 | 504 | 463 | 967 | 333 |
| YoY | - | - | - | - | -32.2% | - | 386.4% | 110.1% | 216.8% | 218.3% | 326.8% | 232.7% | -19.2% | 8.1% | -8.1% | -47.3% |
| Operating Income Margin | 5.7% | 9.1% | 7.4% | 8.0% | 2.7% | 6.1% | 18.9% | 14.9% | 17.0% | 21.3% | 13.7% | 17.3% | 18.9% | 18.4% | 18.7% | 11.8% |
| Ordinary Income | 152 | 144 | 295 | 219 | 121 | 636 | 609 | 423 | 1,032 | 622 | 366 | 2,019 | 492 | 449 | 941 | 359 |
| YoY | - | - | - | - | - | - | 301.4% | 194.6% | 249.5% | 183.8% | 200.8% | 217.5% | -19.1% | 6.1% | -8.8% | -42.3% |
| Net income | 122 | 92 | 214 | 177 | 321 | 711 | 467 | 359 | 826 | 473 | 326 | 1,625 | 301 | 311 | 612 | 288 |
| YoY | - | - | - | - | - | - | 282.4% | 291.7% | 286.4% | 167.3% | 1.6% | 128.4% | -35.6% | -13.3% | -25.9% | -39.1% |
| Net Income Margin | 5.4% | 4.1% | 4.8% | 7.1% | 10.1% | 7.0% | 14.1% | 12.5% | 13.4% | 15.9% | 12.1% | 13.7% | 11.3% | 12.3% | 11.8% | 10.2% |

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

Note: Rounded to the nearest million yen and one decimal place, as determined by Global IR.

| Financial Data (Consolidated: Full Year) | | | | | |
|--|--------|--------|--------|--------|--------|
| Per-Share Data | | | | | |
| Fiscal Year | 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 |
| After EPS adjustment | 29.67 | - | - | 24.98 | 56.85 |
| BPS | 113.2 | 106.7 | 47.9 | 74.2 | 132.91 |
| DPS | 0 | 0 | 0 | 0 | 0 |

| Cashflow (JPY mn) | | | | | |
|----------------------|--------|--------|--------|--------|--------|
| Fiscal Year | 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 (%) | | | | | |
|------------------------|--------|--------|--------|--------|--------|
| Fiscal Year | 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 |
| Capital Adequacy 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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