



Integrity & Sustainability

July 29, 2022

Sector: IT/Telecom

## Drecom (3793)

FY 2022 First Quarter Result  
Apr 2022 - Jun 2022

### GIR Earnings View

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**DRECOM**  
with entertainment

Summary of Financial  
Result for  
the Three Months Ended,  
June 2022

- The company announced Q1 FY2022 results after the close of trading on July 28, 2022. Q1 sales were 2.93 billion yen, up 10.0% YoY, and operating profit was 817 million yen, up 62.1% YoY, a strong start.
- The anniversary event of the IP title *ONE PIECE Treasure Cruise*, which marked its 8th anniversary, was a success, mainly due to the globally unified content distribution schedule. Other long-term operational titles also made a stable contribution to earnings.
- Sales and operating profit were 22.5% and 40.9% of the company's full-year forecasts, respectively. Slightly low sales progress rate was expected, as three new titles, including *Wizardry VA* (tentative), are scheduled for the release in second half of the fiscal year. Operating profit may have exceeded the company's forecast due to the increased revenues from the anniversary event, but the company maintained its full-year forecast due to accelerated R&D investment in new businesses and the need to assess the status of new releases, which are more likely to occur in the second half of the fiscal year.

- No new releases or major events are planned for Q2 (July-September), but the company expects stable sales from titles under operation. Profits, however, may be slightly below the previous year's level due to accelerated R&D investments in new businesses such as the publishing business and the Web3 domain.
- Since the three new titles to be introduced in the second half of the fiscal year will be appropriated as gross sales, sales are expected to increase significantly after their release. The development of additional features for some of the titles is expected to be slightly pushed back from the scheduled release dates, however the expected contribution to earnings from 2H remains unchanged from the beginning of the term.

Forecasts for  
the 2Q and beyond  
for the year ending,  
March 31, 2023

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## GIR Earnings View(cont.)

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### New Business Progress

- The company's mid-term goal is to become a "comprehensive entertainment company that provides a wide variety of digital entertainment content globally with focus on IP."
- In the publishing business, the "Drecom Media Award," a novel contest for newcomers, has attracted approximately 2,000 entries, and although it is a new business, it is already attracting a high level of attention. The company plans to publish more than 10 new titles in the second half of the fiscal year and beyond.
- "Rooot," a Twitter-based fan community promotion service, continued to grow sales steadily, with a 27.6% QoQ increase in Q1.
- Both sales and profit for the Web3 domain is not expected to become gainful during the current fiscal year, however the company is steadily advancing multiple projects simultaneously, including blockchain game development and the NFT project for IP creation, in order to create long-term business opportunities.

### Financial Data (Consolidated: Quarterly)

Statements of Income (Millions of yen)												
Year Ending	FY2019	FY2020					FY2021					FY2022
	1Q-4Q	1Q	2Q	3Q	4Q	1Q-4Q	Q1	Q2	Q3	Q4	1Q-4Q	Q1
Accounting Standard	Japanese GAAP											
Sales	10,150	3,303	2,882	2,971	2,685	11,841	2,661	2,524	2,893	2,450	10,529	2,927
YoY	-5.3%	46.6%	28.9%	19.7%	-15.5%	16.7%	-19.4%	-12.4%	-2.6%	-8.7%	-11.1%	10.0%
Gross Profit	2,192	1,067	889	1,120	921	3,997	1,040	957	1,023	776	3,797	1,308
YoY	52.87%	87.1%	60.1%	90.8%	92.0%	82.32%	-2.5%	7.7%	-8.7%	-15.7%	-5.0%	25.8%
Gross Profit Margin	21.6%	32.3%	30.9%	37.7%	34.3%	33.8%	39.1%	37.9%	35.4%	31.7%	36.1%	44.7%
SG&A	1,575	443	461	488	552	1,944	536	494	570	605	2,205	491
YoY	-21.7%	0.3%	31.1%	25.7%	40.4%	23.4%	20.9%	7.2%	16.8%	9.6%	13.4%	-8.4%
Operating income	617	624	428	632	369	2,053	504	463	453	171	1,591	817
YoY	-	386.4%	110.1%	218.3%	326.8%	232.7%	-19.2%	8.1%	-28.4%	-53.6%	-22.5%	62.1%
Operating income margin	6.1%	18.9%	14.9%	21.3%	13.7%	17.3%	18.9%	18.4%	15.6%	7.0%	15.1%	27.9%
Ordinary income	636	609	423	622	366	2,019	492	449	440	161	1,542	811
YoY	-	301.4%	194.6%	183.8%	200.8%	217.5%	-19.1%	6.1%	-29.3%	-56.0%	-23.6%	64.6%
Net income	711	467	359	473	326	1,625	301	311	241	-46	807	522
YoY	-	282.4%	291.7%	167.3%	1.6%	128.4%	-35.6%	-13.3%	-49.0%	-114.1%	-50.3%	73.7%
Net income margin	7.0%	15.0%	13.0%	16.0%	12.1%	13.7%	11.3%	12.3%	8.3%	-1.9%	7.7%	17.8%

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

Note: CE=Company Estimate. Rounded under JPY mn. Rounded to one decimal place. \*Calculated by Global IR, Inc..



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### Financial Data (Consolidated: Full Year)

Per Share Data	(Consolidated)					
accounting period	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021
Total number of shares issued and outstanding (thousand shares)	14,371	28,742	28,819	28,894	28,976	29,073
EPS	29.7	-7.2	-60.5	25.0	57.0	28.3
EPS Adjusted	29.7	-	-	25.0	56.9	28.3
BPS	113.2	106.7	47.9	74.2	132.9	159.1
dps	0	0	0	0	0	5

Cash flows from operating activities	(Millions of yen)					
accounting period	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021
Depreciation and amortization	214	299	462	382	626	537
Cash flows from operating activities	846	-79	78	691	3,196	1,603
Cash flows from investing activities	-456	-1,958	-123	-101	-1,140	-1,766
Cash flows from financing activities	1,345	2,288	-271	-1,188	968	-388

Financial Data	(%)					
accounting period	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021
Return on Assets (ROA)	16.7	-0.4	-16.8	9.5	25.2	16.0
Return on Equity (ROE)	35.5	-6.6	-78.2	41.0	55.0	19.4
Capital adequacy ratio	47.0	33.2	19.6	32.9	39.5	46.9

Source: Prepared by Global IR, Inc. based on company securities reports

Note: Rounded to the nearest million yen, rounded to one decimal place \* Calculated by Global IR, Inc.



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