



Drecom (TSE Code: 3793)

Wizardry Variants Daphne remains the main earnings driver, but new titles underperformed, leading to a full-year forecast downgrade. A rebound is expected in H2.

GIR View

Highlights

Drecom announced its "First Quarter Financial Results for the Fiscal Year Ending March 2026" and its "Notice Regarding the Recognition of Extraordinary Losses, Revision of Full-Year Consolidated Earnings Forecasts, and Dividend Forecast" after the market closed on July 29, 2025.

Revenue increased year over year in the first quarter; however, operating and ordinary losses widened. In addition, the mobile game title released at the end of the previous fiscal year—believed to be *Disney STEP*—underperformed expectations, resulting in the impairment of related assets. Consequently, Drecom revised its full-year earnings forecast downward from the previous estimate. Furthermore, the equity ratio stood at 26.4%, and the dividend forecast was revised from 5 yen per share to “undecided.”

While it is unfortunate that the hit rate of newly released titles has not been consistently high in recent years, several positive factors remain. These include the continued strong performance of *Wizardry Variants Daphne*, the stable earnings contributions from other core titles, the company’s swift response aimed at recovery in the second half, and the revised plan targeting year-over-year growth in revenue as well as improvements in operating and ordinary income.

Based on the revised plan and the earnings briefing, the second quarter is expected to remain burdened by high expenses and a challenging profit and loss environment. However, the second half of the fiscal year will mark the one-year anniversary of *Wizardry Variants Daphne*, which is expected to contribute significantly to a recovery in revenue.

KEY STATISTICS



Key Stock Statistics

| | |
|--|-------------------|
| Recent Price (07/29/2025) | ¥567.00 |
| 52 Week High/Low | ¥1,101.00/¥418.00 |
| Shares Outstanding (Excluding treasury stock) | 28,740,217 shares |
| Market Cap | ¥16,295 million |
| PER (Company forecast) | - times |
| PBR | 5.7 times |
| PSR (Company forecast) | 0.9 times |
| Dividend (Dividend Yield) | ¥0.00(0.00%) |

Sector

| | |
|--------|-------------------------------|
| Sector | Information and communication |
|--------|-------------------------------|

Financials (FY03/2026 CE)

| | |
|-----------------------------|-----------------|
| Sales | ¥17,500 million |
| Operating Income Margin (%) | 2.9% |
| EBITDA Margin (%) | 9.1% |

Management

| | |
|-----------|---|
| President | Naito Yuki |
| URL | https://drecom.co.jp/en/ |



To achieve this, the following will need to be confirmed at the next earnings announcement: the progress of content and event development for *Wizardry Variants Daphne*, the stability of revenue from other existing titles, and the outcomes of cost management initiatives.

Summary of the First Quarter of the Fiscal Year Ending March 2026:

Wizardry Variants Daphne remains strong, while new title underperforms.

Drecom announced its “First Quarter Financial Results for the Fiscal Year Ending March 2026” and its “Notice Regarding the Recognition of Extraordinary Losses, Revision of Full-Year Consolidated Earnings Forecasts, and Dividend Forecast” after the market closed on July 29, 2025.

First quarter revenue totaled 4.46 billion yen, up 110% year-on-year, driven by strong growth from the company’s self-developed IP mobile game *Wizardry Variants Daphne*, which launched in the third quarter of the previous fiscal year. Sales of the title reached 2.3 billion yen in the current quarter, following 2.16 billion yen in Q3 and 2.48 billion yen in Q4 of the previous year, supported by a half-year anniversary event. Existing titles also maintained steady performance, including the release of the Nintendo Switch version of *Hungry Meem*.

However, the profit and loss results were underwhelming. Despite advertising and promotional efforts for newly released titles—believed to include *Disney STEP*, launched at the end of the previous fiscal year—performance fell short of expectations. As a result, the company recorded an operating loss of 81 million yen and an ordinary loss of 107 million yen, with losses widening year over year. Additionally, an impairment loss of 1,563 million yen on related assets was recognized in the first quarter. Additionally, the equity ratio stood at 26.4%, and the dividend forecast was revised from 5 yen per share to “undecided.”

The company revised its full-year earnings forecast for the fiscal year ending March 2026 downward, while focusing on expanding the rollout of *Wizardry Variants Daphne*.

In light of the above, Drecom has revised its consolidated financial forecasts for the fiscal year ending March 2026. The updated projections are as follows: net sales of 17.5 billion yen (down from the previous forecast of 20.0 billion yen), operating income of 0.5 billion yen (previously 1.0 billion yen), ordinary income of 0.4 billion yen (previously 0.95 billion yen), and a net loss attributable to shareholders of the parent company of 1.3 billion yen (revised from a previously projected net income of 0.5 billion yen). Despite the downward revision, all major profit indicators—revenue, operating income, and ordinary income—are still expected to show significant improvement compared to the actual results for the fiscal year ended March 2025. With respect to revenue, the forecast for titles subject to impairment has been lowered, while the forecast for *Wizardry Variants Daphne* has been revised upward.

Operating income was revised downward primarily due to reduced sales projections and increased advertising and promotional expenses for *Wizardry Variants Daphne*. On the other hand, lower depreciation and amortization expenses resulting from the impairment, along with efforts to control fixed costs—including research and development, labor, and outsourcing expenses—are expected to help improve the overall profit and loss situation.



The quarterly outlook is as follows: In the second quarter, expenses are expected to rise due to advertising and promotional investments tied to the one-year anniversary of *Wizardry Variants Daphne* (scheduled for October), leading to a continued challenging profit and loss situation. A recovery in profitability is anticipated from the third quarter onward.

Outlook and Key Focus Areas

In recent years, the hit rate of newly released titles has unfortunately remained modest. However, there are several positive developments worth noting: the continued strong performance of *Wizardry Variants Daphne*, the stable contribution from other core titles, the company's swift actions aimed at recovery in the second half of the fiscal year, and a revised plan targeting year-over-year growth in revenue and improvements in both operating and ordinary income.

As noted earlier, the challenging profit and loss environment is expected to persist through the second quarter. However, a turnaround in profitability is anticipated in the second half of the fiscal year, coinciding with the one-year anniversary of the release of *Wizardry Variants Daphne*. The key focus of the next earnings announcement will be the extent to which the anticipated second-half turnaround can be projected.

In particular, the following factors are expected to be critical:

- Progress in content and event development for *Wizardry Variants Daphne*
- Further clarification and advancement of overseas expansion plans for *Wizardry Variants Daphne*
- Sustained revenue from other existing titles
- Outcomes of ongoing cost management efforts



Financial Data (Consolidated: Quarterly)

Statements of Income (Millions of yen)

| Accounting Period | FY03/2022 | FY03/2023 | FY03/2024 | FY03/2025 | FY03/2026 | |
|-------------------------|-----------|-----------|-----------|-----------|-----------|-----------------|
| | | | | | Q1 | Full-year CE |
| Sales | 10,528 | 10,800 | 9,779 | 12,655 | 4,466 | 17,500 |
| YoY | -11% | 3% | -9% | 29% | 110% | 38% |
| Net Sales | 3,796 | 4,558 | 3,404 | 3,477 | 1,281 | |
| YoY | -5% | 20% | -25% | 2% | 105% | |
| Net Sales Margin | 36.1% | 42.2% | 34.8% | 27.5% | 28.7% | |
| SG&A | 2,205 | 2,276 | 2,501 | 3,365 | 1,363 | |
| YoY | 13% | 3% | 10% | 35% | 97% | |
| Operating Income | 1,591 | 2,281 | 903 | 112 | (81) | 500 |
| YoY | -22% | 43% | -60% | -88% | - | 346% |
| Operating Income Margin | 15.1% | 21.1% | 9.2% | 0.9% | -1.8% | 2.9% |
| Ordinary Income | 1,541 | 2,192 | 793 | 53 | (107) | 400 |
| YoY | -24% | 42% | -64% | -93% | - | 650% |
| Net Income | 807 | 1,159 | 104 | (1,035) | (1,799) | (1,300) |
| YoY | -50% | 44% | -91% | - | - | - |
| Net Income Ratio | 7.7% | 10.7% | 1.1% | -8.2% | -40.3% | -7.4% |

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

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

Per Share Data (Consolidated)

| Accounting period | FY03/2021 | FY03/2022 | FY03/2023 | FY03/2024 | FY03/2025 |
|---|-----------|-----------|-----------|-----------|-----------|
| Total Number of Shares Issued and Outstanding (Thousand Shares) | 28,976 | 29,073 | 29,130 | 29,224 | 29,340 |
| EPS | 57.0 | 28.3 | 40.7 | 3.6 | (36.1) |
| EPS Adjusted | 56.9 | 28.3 | 40.6 | 3.6 | (36.1) |
| BPS | 132.9 | 159.1 | 195.7 | 196.3 | 162.5 |
| DPS | 0.0 | 5.0 | 5.0 | 0.0 | 0.0 |

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

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

**Cash Flows (Millions of yen)**

| Accounting Period | FY03/2021 | FY03/2022 | FY03/2023 | FY03/2024 | FY03/2025 |
|--------------------------------------|-----------|-----------|-----------|-----------|-----------|
| Depreciation and Amortization | 627 | 537 | 269 | 145 | 526 |
| Cash Flows from Operating Activities | 3,196 | 1,603 | 2,666 | (473) | 634 |
| Cash Flows from Investing Activities | (1,140) | (1,766) | (2,017) | (2,048) | (899) |
| Cash Flows from Financing Activities | 969 | (388) | 659 | 2,413 | (1,739) |

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

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

Financial Ratios (%)

| Accounting Period | FY03/2021 | FY03/2022 | FY03/2023 | FY03/2024 | FY03/2025 |
|------------------------|-----------|-----------|-----------|-----------|-----------|
| Return on Assets (ROA) | 25.2 | 16.0 | 20.0 | 6.0 | 0.4 |
| Return on Equity (ROE) | 55.0 | 19.4 | 22.9 | 1.9 | -20.1 |
| Capital Adequacy Ratio | 39.5 | 46.9 | 45.6 | 39.7 | 34.6 |

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

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



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