

## FY2024 Q3 Earnings Conference Call (November 12th, 2024)

### Q&A Summary

**【Q】** Regarding *Dungeon&Fighter Mobile* in China, how should we interpret the soft Q4 guidance from a long-term point of view? Can we assume Q4 is a preparation stage for the upcoming New Year update?

**【A】 Junghun Lee (Chief Executive Officer)**

First of all, we do not view this as a structural decline rather as a natural stabilization which is typically seen for mobile games. As a general nature of a mobile game, we had expected that both sales and players would settle down over time, and the game actually settled into an expected pattern.

However, I would also like to highlight that the game's core metrics remain strong. Nexon and Tencent are committed to investing in the game to establish it as a long-term evergreen title, particularly as it dominates the ARPG genre in China.

In addition, it's important to note that Q4 is typically a slow season. However, we are actively preparing a series of updates in Q4 and a major content update for the Chinese Lunar New Year in Q1 next year.

I encourage investors to adopt a long-term perspective on *Dungeon&Fighter Mobile* given our extensive experience in live service games and our track record of sustaining successful games over decades.

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**【Q】** In the Capital Markets Briefing, you projected a 25% CAGR for *Dungeon&Fighter* franchise by 2027. Given the current slowdown in the China business, is this target still achievable, and are there any updates to your initial assumptions?

**【A】 Junghun Lee (Chief Executive Officer)**

There have been no changes to the 2027 targets we announced in September. Regarding *Dungeon&Fighter Mobile* in China, I want to reiterate that the game is in a stabilization period now and it has only been live for six months. We're avoiding quick assessment and focusing on making it a long-running title.

For *Dungeon&Fighter* PC in China, we've been preparing for a rebound and expect these efforts to gradually be effective from Q4. Overall, I believe both titles will continue to contribute to the franchise's revenue.

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**【Q】** How do you expect three major franchises to perform in 2025? With the updates and monetization changes made in 2024, should we expect normalization next year?

**【A】 Junghun Lee (Chief Executive Officer)**

We expect revenue growth from our three major franchises.

First, the FC franchise maintains a dominant market share in Korea. Recently we held a promotional event inviting retired veteran soccer players, aiming to energize the fan base and expand the market size. With these in mind, we expect FC franchise will be able to achieve stable growth going forward.

On the other hand, *Dungeon&Fighter* PC in China and *MapleStory* in Korea struggled this year. Teams are making fundamental changes to ensure these games succeed in the long-term. For *Dungeon&Fighter* PC in China, we are implementing major updates, including a progression system overhaul, a level cap increase, and a new area to reinvigorate the title. These updates will roll out in Q1 next year.

For *MapleStory* in Korea, we went through some changes in the business model for probability-based items. This year, the team focused on strengthening the game's foundation. These efforts are expected to show results in Q4 with major updates.

Lastly, regarding *MapleStory* outside of Korea, I would like to highlight that we're investing in long-term expansion with a focus on hyperlocalization. As a result, the overseas services recorded strong performance, with 23% YoY growth in Q3 2024 and the highest-ever Q3 revenue in regions like Japan, North America and Europe and Rest of World. Also, overseas revenue now accounts for 40% of the franchise's Q3 revenue, reflecting the game's global potential.

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【Q】 Can you tell us if there is any change in accounting treatment and the expectations for *The First Descendant*?

【A】 **Shiro Uemura(Chief Financial Officer)**

The accounting treatment remains the same, with significant amount of revenue deferred from Q3 to Q4 onward. The game's initial performance was strong but traffic declined faster than expected, leading to a lower-than-expected revenue in Q3. We will introduce a major update in Q4 that aims to return the game to a growth trajectory. Despite the early challenges, we are confident in recovering the trend.

【A】 **Junghun Lee (Chief Executive Officer)**

In the shooter genre, including *The First Descendant*, it's common for users to temporarily leave the game after consuming all the available content. However, they typically return when new content is introduced. This is a common pattern that I'd like to remind you of.

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【Q】 Why do you expect a lower year-on-year HR cost increase in Q4 compared to Q3? Is it due to the end of performance-based bonuses for *Dungeon&Fighter Mobile*?

【A】 **Shiro Uemura(Chief Financial Officer)**

The performance-based bonus is tied to the success of new titles and will be recognized for several quarters. We expect a lower year-on-year increase of HR costs in Q4 compared to Q3 due to the revenue decline in *Dungeon&Fighter Mobile* and *The First Descendant*.

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【Q】 Could you comment on HR cost trend going forward?

【A】 **Shiro Uemura(Chief Financial Officer)**

We plan to invest in talent and raise salaries on a regular basis as long as we foresee business growth. We'll make the necessary investments and secure talent to achieve our 2027 goals.

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【Q】 What potential do you see for *The First Berserker: Khazan* in the Asian market including China given that over 70% of the participants in the October beta test were from the West?

【A】 **Junghun Lee (Chief Executive Officer)**

Our strategy is to expand the *Dungeon&Fighter* IP in North America and Europe, where its presence is relatively smaller. In Asia, *Dungeon&Fighter* IP is already strong. We'll focus on enhancing the game's quality by the first half of next year and expand its global presence as much as we can.

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**【Q】** Can you please tell us the objective of making *Dungeon&Fighter: Arad* a cross-platform game?

**【A】 Junghun Lee (Chief Executive Officer)**

We prioritize supporting multiplatform play for our new titles to meet diverse user preferences and behaviors across platforms. We view multi-platform support as essential and have made it our core strategy moving forward.

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**【Q】** Can you please tell us what key achievements in 2025 we should look for to ensure you're on track for your aggressive midterm growth plan in 2027?

**【A】 Junghun Lee (Chief Executive Officer)**

I would say there are three key points that are notable: maintaining strong performance of existing franchises and live services, achieving a rebound in live services for titles launched this year, and ensuring smooth progress and success for new title developments announced at the Capital Markets Briefing.