February 8, 2024
NEXON Co., Ltd.
https://company.nexon.co.jp/en/
(Stock Code: 3659, TSE Prime Market)

Nexon Releases Earnings for Fourth Quarter and Full-Year 2023

Record-Breaking Q4 Revenue and Full-Year 2023 Revenue and Operating Income

THE FINALS Season 2 Coming in March

Nexon's Board of Directors Approves Three-Year Share Repurchase Policy to Buy Back up to ¥100 Billion

Dungeon&Fighter Mobile Approved for Launch in China

TOKYO – February 8, 2024 – NEXON Co., Ltd. (Nexon) (3659.TO), a global leader in Virtual Worlds, today announced the financial results for its fourth quarter and fiscal year ended on December 31, 2023.

"Despite unforeseen short-term challenges in Q4, Nexon delivered record-setting full-year revenue and operating income in 2023, growing revenue 20% and operating income 30%," said Owen Mahoney, President and CEO of Nexon. "And the successful launch of *THE FINALS* is a major step in our strategy for expansion in global markets. *THE FINALS*' early performance has surpassed even our expectations, and we believe it is well on track to become Nexon's next major *forever franchise*. The development team has been highly focused on incorporating players' feedback and releasing content updates at a rapid pace. The next major beat is the launch of Season 2, planned for March."

"To ensure continued growth in revenue and operating income in 2024, Nexon will deliver an aggressive content plan with multiple updates to our existing franchises, as well as exciting major new game launches," said Junghun Lee, who is scheduled to become Nexon's CEO in March. "In addition to *THE FINALS* Season 2 scheduled for March, PC *Dungeon&Fighter* players can expect double the amount of new content in 2024 that they received in the prior year. And we have major new launches in the pipeline. The biggest of these is *Dungeon&Fighter Mobile* in China, which we plan to launch as soon as possible in 2024. Additional key titles include *The First Berserker: Khazan*, *MABINOGI MOBILE*, *The First Descendant*, and *ARC Raiders*, the second major title from Embark Studios."

Recent Highlights:

- On February 2, Nexon was informed that authorities in China have approved an ISBN license for *Dungeon&Fighter Mobile* to operate in that market. Nexon is working with our local publishing partner Tencent to launch the game as soon as possible in 2024.

- In Q4, Nexon achieved record-breaking fourth-quarter revenue of ¥84.6 billion, up 4% year over year on an as-reported basis and down 2% year over year on a constant-currency basis[1], but fell short of our outlook.
- The Q4 shortfall was due to a marketing challenge in *MapleStory* in Korea, and in China, an unexpected imbalance with the in-game economy in *Dungeon&Fighter*. *FC ONLINE*[2] also performed lower than expected.
- Year-over-year revenue growth from *MapleStory*, and contributions from *Wars of Prasia*, *MapleStory: The Legends of Maple*[3], and *THE FINALS* were offset by decreases in *Dungeon&Fighter*, *FC ONLINE*[2], and *HIT2*.
- Q4 operating income was down 59% year over year and below our outlook at ¥4.5 billion. In addition to the revenue shortfall, this was due to multiple one-time expenses including an updated retention-incentive plan, an impairment loss, and a penalty imposed by the Korean Fair Trade Commission.
- Net loss[4] of ¥41.9 billion was below our outlook due to operating income underperformance, FX loss of ¥9.3 billion on U.S. dollar-denominated cash deposits, and an impairment loss of ¥44.4 billion on the AGBO investment booked as equity-method company.
- In Korea, revenue was up 3% year over year at ¥52.5 billion, but was below our outlook due to the lower-than-expected performances of *MapleStory* and *FC ONLINE*[2]. The year-over-year growth of *MapleStory*, *FC MOBILE*[5], *Blue Archive*, and a contribution from *Wars of Prasia* were offset by decreases in *FC ONLINE*[2], *HIT2* and *Dungeon&Fighter Mobile*.
- In China, revenue was down 14% year over year and below our outlook at ¥15.1 billion due to lower-than-expected performance of *Dungeon&Fighter* which experienced an unexpected imbalance in the in-game economy. Year over year, the contribution from *MapleStory: The Legends of Maple*[3] was offset by the decrease in *Dungeon&Fighter* revenue.
- Revenue in Japan increased 3% year over year and was within our expectations at ¥2.9 billion. Growth in *MapleStory*, *Blue Archive*, and a contribution from *DAVE THE DIVER* were offset by decreased revenue from other mobile games.
- In North America and Europe, revenue increased 78% year over year, driven by contributions from *THE FINALS* and *DAVE THE DIVER*, as well as growth in *MapleStory* and *MapleStory M*. However, Q4 revenue was below our expectations at ¥8.2 billion due to *THE FINALS* which had higher-than-expected bookings but greater-than-expected deferred revenue.
- Rest-of-World[6] revenue came in within our outlook at ¥5.9 billion and increased 17% year over year driven by a contribution from *HIT2* and growth in *Blue Archive* which were partially offset by revenue decreases in *MapleStory* and other mobile games.
- *THE FINALS* – the first game from Nexon's Embark Studios – debuted on December 8. Despite intense competition, *THE FINALS* quickly rose to a top-five game on Steam and outperformed internal expectations for higher-than-anticipated quarterly bookings. The launch bodes well for Nexon's growth initiatives in Western market. Season 2 of *THE FINALS* is scheduled for March and expected to stimulate engagement among new and existing players.
- Looking ahead, Nexon will introduce deep and powerful new content in our existing games, and launch highly anticipated new games for global audiences including *The First Berserker: Khazan*, *MABINOGI MOBILE*, *The First Descendant*, the second game from Embark Studios, *ARC Raiders*, and *Dungeon&Fighter Mobile* in China.

- In January 2024, Nexon completed previous share repurchase plan totaling approximately ¥100 billion. On February 8, Nexon's Board of Directors has approved a new share repurchase policy to buy back up ¥100 billion worth of stock in the period of three years ending February 2027 by considering factors including investment opportunities, financial and market conditions.

Full-Year 2023 Highlights:

- Nexon achieved record-setting full-year revenue and operating income, driven by the growth of *MapleStory*, *FC ONLINE*[2], *Dungeon&Fighter*, *FC MOBILE*[5], and *Blue Archive*, plus the launch of several successful new games.
- Revenue was ¥423.4 billion, up 20% year over year on an as-reported basis, up 14% on a constant-currency basis[1].
- Operating income was ¥134.7 billion, up 30% year over year on an as-reported basis, up 25% on a constant-currency basis[1]. The operating margin went up from 29% in 2022 to 32% in 2023 driven by the strong top-line growth.
- Net income[4] was ¥70.6 billion, down 30% year over year on an as-reported basis and down 32% on a constant-currency basis[1]. The net income[4] decrease was due to a lower finance income, an impairment loss on the AGBO investment, and a higher tax expense.

First Quarter 2024 Outlook:

- Expect revenue in the range of ¥97.1 to ¥107.1 billion, down 22% to 14% year over year on an as-reported basis, down 27% to 19% year over year on a constant-currency basis[1].
- Expect operating income of ¥15.2 to ¥23.4 billion.
- Expect net income[4] of ¥16.4 to ¥22.9 billion.
- Forex sensitivity[7] – For every one JPY move against the USD, expect the following impact on our Q1 financials:
  – Revenue: ¥0.69 billion
  – Operating Income: ¥0.19 billion

Earnings Letter (Japanese & English)

Investors, analysts, and media are encouraged to visit Nexon's website at https://ir.nexon.co.jp/en/, and review the Q4 and FY2023 Earnings Letter with details on our recent performance and Q1 outlook.

Conference Call (Japanese & English)

Nexon management will host a conference call for investors, analysts and the media to discuss the company's financial results and outlook. The conference call will be held at 5:00 p.m. JST / 3:00 a.m. EST and will be simultaneously conducted in Japanese and English. It will consist of brief remarks made by the management team followed by a Q&A session. The Q&A session will be conducted with consecutive translations.

Time: February 8, 2024 at 5:00 p.m. JST / 3:00 a.m. EST

Pre-registration Required
Please register from the link below. Passcode and PIN code will be provided upon registration.

To register, please go to Registration Page
https://eng-services.choruscallasia.com/DiamondPassRegistration/register?confirmationNumber=7220224&linkSecurityString=1040b5b000
(Please note that the link is accessible on Google Chrome, Mozilla Firefox, Microsoft Edge (Chromium) only.)

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*Passcode and PIN code will be required to join the call.
If you have any questions, do not hesitate to contact at the e-mail address or telephone number below:

E-mail：customer_support_asia@choruscall.com
Phone: +（81） 50-5824-9227
Weekdays 8:30 a.m. - 6:00 p.m. JST.

Audio Archive and Transcript
An audio archive and a transcript will be available on Nexon's Investor Relations website at https://ir.nexon.co.jp/en/ after the earnings conference call.

This press release is prepared to offer reference information about Nexon to investors and is intended to generally provide investors and analysts with financial and operational information about Nexon, but not to solicit or recommend any sale or purchase of stock or other securities of Nexon.

About NEXON Co., Ltd. https://company.nexon.co.jp/en/
Founded in 1994, NEXON Co., Ltd. (Nexon) (3659.TO) is a company engaged in the production, development and operation of online games and Virtual Worlds. First listed on the Tokyo Stock Exchange in December 2011, Nexon was placed on JPX400 in 2015 and added to the Nikkei Stock Index 300 in 2017. In 2020, Nexon was added to the Nikkei 225. Nexon currently has more than 45 live games in more than 190 countries on PC, console, and mobile. Major game franchises include *MapleStory*, *KartRider* and *Dungeon&Fighter*. In 2021, Nexon completed the acquisition of Embark Studios AB, a company based in Stockholm, Sweden, developing multiple projects for global release.

Contact Information

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[1] Constant currency is a non-GAAP measure used to show performance unaffected by fluctuations in foreign currency exchange rates. Constant-currency basis amounts are calculated using the average foreign currency exchange rates for the comparable period in the prior year and applied to the current period.

[2] Official title is *EA SPORTS FC™ONLINE* (PC) and *EA SPORTS FC™ONLINE M* (mobile).

[3] Localized version of *MapleStory M* in China

[4] Net income / loss refers to net income / loss attributable to owners of the parent.

[5] Official title is *EA SPORTS FC™MOBILE*.

[6] "Rest of World" includes other Asian countries as well as Central and South American countries.

[7] In most situations, the exchange rates of both the South Korean Won and the Chinese Yuan are linked to the U.S. dollar. For simplicity, forex sensitivity is calculated based on the assumption that Korean Won and Chinese Yuan move similarly against Japanese yen when there is an exchange rate movement in US. dollar and Japanese yen.