

## FY2024 Q1 Earnings Conference Call (May 14th, 2024)

### Q&A Summary

**【Q】** You have made it a priority to re-energize China *Dungeon&Fighter*, but where are we in terms of the recovery of the game?

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

Last quarter, I talked about our plans to double the amount of content compared to the previous year, and these plans are currently being executed. However, balancing the in-game economy is a very complicated process and there are various aspects that we must consider. I believe that this is an issue that we will resolve in the long run.

China *Dungeon&Fighter* is a very important title for both Nexon and Tencent and therefore we are investing vast resources and our best people. From experience, we know that when the in-game economy balance isn't in a good state, we should not implement initiatives to drive up the revenue as that would hurt the game. Thus, both Nexon and Tencent believe that rather than focusing on improving short-term profits or monetization, it is better to promote the long-term and steady growth of the game.

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

In China *Dungeon&Fighter*, an in-game currency called Gold decreased its value due to oversupply. In order to improve the value of Gold, we doubled the amount of new content added compared to 2023 so that we can encourage more consumption of Gold.

As a result, we saw improvement in the value of Gold; while 100 million units of Gold was worth about 100 RMB at the end of last year, it is now worth about 140 RMB.

We believe that if we can restore the value of Gold to around 170 to 200 RMB, we will be able to normalize our operations of the game.

As we are still amidst improving the in-game situation, we are expecting a year-over-year revenue decrease in Q2, since we assume light users will be slow to return to the game. However, we will continue to take measures over the next few months to restore the value of Gold to our target level and put the game back onto growth trajectory.

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**【Q】** Could you give us some color on your Q2 guidance for *Dungeon&Fighter Mobile* in China?

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

I firmly believe that we will have an excellent launch of *Dungeon&Fighter Mobile* in China. I am also confident that we will be able to sustain its performance for a long time.

Please allow me to touch upon the results of the beta test that we carried out in February and March. The key player metrics, including retention rate, were very positive, and players gave us great reviews about the stability and quality of the game. Furthermore, we have over two years of experience of servicing this game to the Korean market and have secured a lot of content that we can provide to players in China over the long run.

Our experiences have shown us that launching a title on the mobile and PC platform creates synergy. Thus, I believe that *Dungeon&Fighter Mobile* in China will help expand the *Dungeon&Fighter* franchise.

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

Although we do not give guidance on the revenue for individual titles, it is fair to say that most of the year-over-year increase in China's revenue in Q2 is expected to come from *Dungeon&Fighter Mobile*.

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**【Q】** Do you expect the PC version of *Dungeon&Fighter* in China to be flat year over year in Q2?

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

The PC version of *Dungeon&Fighter* in China is expected to decline year over year. We expect this year-over-year decrease to be partially offset by *MapleStory M*.

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**【Q】** What are your thoughts on the long-term outlook for the PC version of *Dungeon&Fighter* and *Dungeon&Fighter Mobile* in China?

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

We are focusing on our franchise management strategy. Despite the recent soft performance in the PC version, we see core users enjoying the game and believe that the game will bounce back in the mid to long term. As for the mobile version, we are aiming to attract sleeping users who previously played the PC version, as well as brand new users. We believe that by growing both the PC and mobile versions, we will be able to expand the entire *Dungeon&Fighter* franchise.

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**【Q】** What are your thoughts on the future outlook of *THE FINALS*? Also, please tell us if there is any change in your expectations on *ARC Raiders*?

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

In *THE FINALS*, the number of core users are trending well. The retention in North America and Europe was relatively good while the churn rate in Asia was high.

Embark Studios and the live operations team in Korea are working together to operate *THE FINALS*. Through this collaboration, I think that we will be able to recover the churn rate in the Asian markets in the next few quarters. When we released *THE FINALS* at the end of last year, there was a lot of user interest in the title, so I believe that there is great potential to bring this title back up.

Furthermore, Embark Studios and the live operations team in Korea are working hard to recover *THE FINALS*. Within this year, we expect to introduce more than two large updates, with a continuous stream of small updates in between these major updates to rebound.

*ARC Raiders* is a third-person PvPvE extraction shooter on console and PC, and is designed for the global audience. I believe that we will be able to showcase the title to the market in the near future. We have high expectations for the title, and are making the necessary preparations to ensure its success.

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**【Q】** Regarding China *Dungeon&Fighter*, has your view on the timeline for improving the in-game economy changed since the last quarter?

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

In the last quarter, we said that we would be making improvements to China *Dungeon&Fighter* over a few quarters. The value of in-game currency called Gold is gradually improving and getting closer to our target range. By monitoring user trends and introducing content, we believe we can revitalize the in-game experience and return Gold to our target value.

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**【Q】** Do you see any differences in the player sentiment regarding China *Dungeon&Fighter Mobile* compared to 2020, when you were originally going to launch the game?

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

We don't think there is much difference in the revenue outlook for China *Dungeon&Fighter Mobile* compared to the time we sought to launch it in 2020. The *Dungeon&Fighter* IP is very popular in China, and we believe this is a title that users have been waiting for.

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**【Q】** Could you please let us know your initiatives to achieve the next mid to long-term growth as the new group CEO?

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

Over the decades, we have achieved steady growth, with various IPs like *Dungeon&Fighter*, *MapleStory*, and *KartRider* complementing each other to expand our portfolio. Our diverse range of IPs delivered stable and solid results.

Looking ahead to mid to longer-term growth, I envision Nexon with a strong, enduring portfolio that includes numerous IPs including our long-standing ones. To achieve this, I have developed and set several initiatives.

One of the initiatives is franchise management. As a first step, we have integrated the organizations related to *MapleStory* to expand the franchise. We expect to see the benefits as we move forward, but at the same time, we would like to emphasize that the *MapleStory* franchise has already experienced strong growth. In Q1, the total revenue of *MapleStory* PC outside Korea saw 33% year-over-year growth, while the total revenue of *MapleStory M* worldwide delivered 65% year-over-year growth. Additionally, *MapleStory Worlds*, a sandbox game, has attracted a significant influx of young gamers. *MapleStory Worlds* demonstrates our ability to attract younger audiences.

Our strategy for expanding the *MapleStory* IP can serve as an example for growing other IPs. I hope Nexon and our IPs continue to be beloved by everyone, and as the group CEO, I am committed to achieve this vision.

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