



November 12, 2024

NEXON Co., Ltd.

<https://www.nexon.co.jp/en/>

(Stock Code: 3659, TSE Prime Market)

Nexon Releases Earnings for Third Quarter 2024

Record-Breaking Quarterly Revenue and Q3 Operating Income

*15% YoY Aggregate Revenue Growth from Three Major Franchises
Plus Contribution from a Brand-New IP The First Descendant*

*Driven by Hyperlocalization, MapleStory Outside of Korea Generated 23% YoY Growth
– Japan, North America and EU as well as Rest of World Break Q3 Sales Records*

TOKYO – November 12, 2024 – NEXON Co., Ltd. (Nexon) (3659.TO), a global leader in online games, today announced the financial results for its third quarter ending on September 30, 2024.

“The third quarter reinforced our confidence in Nexon’s growth strategy,” said Junghun Lee, President and CEO of Nexon. “Over the next few quarters, we plan to continue investing in our long-term vision to achieve step-change growth in our revenue and operating income by strengthening existing franchises and growing our IP portfolio. This may temporarily impact the pace of our financial growth, but we know from our experience that this is a necessary step to create the next wave of dynamic growth.

“This year marks Nexon’s 30th Anniversary as a global leader in the game industry,” continued Junghun Lee. “Our deep experience in listening to players and evolving to meet their expectations encourages us to set auspicious goals for player satisfaction and greater returns for our investors.”

Recent Highlights:

- In Q3, Nexon delivered record-breaking quarterly revenue, and record-breaking Q3 operating income driven by 15% aggregate year-over-year vertical growth in three major franchises – *Dungeon&Fighter*, *MapleStory* and *FC* – plus horizontal growth from a brand-new title *The First Descendant*.
- Q3 revenue was ¥135.6 billion, up 13% year over year on an as-reported basis and up 12% on a constant-currency basis¹, which was slightly below our outlook due to negative impacts from FX. Based on the FX assumptions in our guidance, revenue was within the expected range.
- Operating income was within our expected range at ¥51.5 billion, up 11% year over year and up 10% on a constant-currency basis¹. Lower-than-expected revenue was offset by lower-than-planned platform fees, HR costs, and marketing expenses.
- Net income² was ¥27.0 billion, down 23% year over year and down 24% on a constant-currency basis¹. Results were below our outlook, primarily due to an FX loss of ¥19.6 billion.

- In September, Nexon hosted a Capital Markets Briefing to outline our IP Growth Initiative – a long-term strategy that includes vertical growth in our blockbuster franchises with product extensions, new platforms, regional expansion and hyperlocalization, plus horizontal growth from adding new pillars to our business.
- At the briefing, Nexon announced financial targets including a 15% revenue CAGR and a 17% operating income CAGR between 2023 and 2027, with annual revenue increasing to ¥750 billion and annual operating income increasing to ¥250 billion by 2027.

Vertical Growth Initiative:

- **Dungeon&Fighter Franchise** delivered 142% growth year over year due to the launch of *Dungeon&Fighter Mobile* in China on May 21.
 - *Dungeon&Fighter Mobile* in China is introducing multiple updates in Q4 and the important New Year update in Q1 2025. We are managing the game with the belief that it can become a consistent contributor to the franchise.
 - *Dungeon&Fighter PC* in China is releasing new content in Q4 and a large New Year update in Q1 2025 which will include the release of a brand-new area, a level cap increase, and improvements to the in-game progression system. These steps reflect our long-term vision for revitalizing growth with better experiences and player satisfaction.
 - Multiple new games designed to extend the franchise include: *The First Berserker: Khazan*, *Dungeon&Fighter: Arad* and *Project OVERKILL*.
- **MapleStory Franchise:**
 - In Q3, *MapleStory* revenue from outside of Korea accounted for more than 40% of the franchise total, with 23% year-over-year growth. This includes record-high Q3 sales in Japan, North America and Europe as well as Rest of World³, backed by a hyperlocalization strategy for driving growth by adapting content to suit local audiences. However, franchise revenue declined year over year primarily due to a challenging comparison with Q3 2023, when the PC game achieved record-breaking quarterly revenue.
 - Recent progress with franchise extensions includes a soft launch of *MapleStory Worlds* in North and South America and a large-scale Q4 test for a new PC-based MMORPG, *MapleStory N*, which integrates blockchain technology.
- **FC Franchise** revenue declined slightly year over year due to a tough comparison with the year-ago quarter when the franchise achieved record-setting Q3 revenue. In Q4 we expect double-digit percentage growth year over year and to finish the year with full-year revenue close to the record high of 2023.

Horizontal Growth Initiative

- **Shooters:**
 - *The First Descendant* got off to a strong start in July and performed particularly well in Western markets, which represented approximately 75% of global revenue. Nexon will respond to player input and provide updates to grow the game into a consistent contributor in our IP portfolio.
 - *THE FINALS*, which launched Season 4 in September, has shown a strong improvement in retention as well as a healthy increase in hours played. Season 5 is scheduled for release in December.
 - *ARC Raiders*, a new game in development from Nexon's Embark Studios completed a large public test in October, achieving a marked improvement in player sentiment compared to the previous test. The game is on track for a release in 2025.
- **Mabinogi Franchise** expansion strategy includes moving *Mabinogi* onto the Unreal Engine 5 to expand creative possibilities and provide greater scale and freedom for players. *Vindictus: Defying Fate* expands on the Mabinogi franchise with a sequel to the original, *Vindictus*. An alpha test for *Vindictus: Defying Fate* is scheduled for the summer of 2025.
- **The Kingdom of the Winds Franchise** will be expanded with our development on the *The Kingdom of the Winds 2*, a PC and mobile sequel to the world's longest-running graphic MMORPG. The game offers both nostalgia and fresh game experiences for the core and new players.
- In November, Nexon will showcase five highly anticipated games at Korea's largest game show, G-STAR: *The First Berserker: Khazan*, *Project OVERKILL*, *SUPERVIVE*, *Gensei Online*, and *ARC Raiders*.

Shareholder Return Update

- At the Capital Markets Briefing, Nexon announced a new shareholder return policy which includes:
 - A minimum ROE target of 10% with the potential to grow as high as 15%.
 - A plan to return over 33% of annual operating income from the prior year, excluding one-off expenses such as an impairment loss, to be deployed between dividends and share buybacks.
 - As a part of the new policy, Nexon's Board of Directors has authorized a doubling of the year-end dividend forecast from ¥7.5 to ¥15, representing a per-share dividend forecast of ¥22.5 annually in 2024.
- On November 12, Nexon's Board of Directors authorized the execution of a ¥20 billion share repurchase in the market during the period of November 13, 2024 to January 31, 2025, under the three-year ¥100 billion share repurchase policy that we announced this February. Repurchase of the remaining ¥50 billion balance is expected to be completed by February 2027, with the consideration of factors including investment opportunities, financial conditions, and the market environment.

Fourth Quarter 2024 Outlook:

- Expect revenue in the range of ¥83.8 to ¥94.7 billion, down 1% to up 12% year over year on an as-reported basis, flat to up 12% year over year on a constant-currency basis¹.
- Expect an operating loss of ¥1.3 billion to an operating income of ¥7.2 billion. In Q4, Nexon will incur a prepaid royalty impairment loss of ¥6.5 billion related to the termination of a publishing project. Excluding the impact of the one-off impairment loss, we expect an operating income in the range of ¥5.2 to ¥13.7 billion.
- Expect a net income² of ¥0.5 to ¥6.1 billion.
- FX sensitivity⁴ – For every one JPY move against the USD, expect the following impact on our Q4 2024 financials:
 - Revenue: ¥0.58 billion
 - Operating Income: ¥0.06 billion

Earnings Letter

Investors, analysts, and media are encouraged to visit Nexon's website, and review the Earnings Letter: Q3 2024 with details on our recent performance and Q4 outlook.

Nexon Investor Relations website: <https://www.nexon.co.jp/en/ir/>

Online Earnings Presentation (Japanese & English)

Nexon management will host an online earnings presentation through Zoom Webinar (audio only) for investors, analysts and the media to discuss the company's financial results and outlook which 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.

Date & Time: November 12, 2024 at 5:00 p.m. JST / 3:00 a.m. EST (planned)

Format / Pre-registration

Online earnings presentation will be held through Zoom Webinar (audio only). URL, webinar ID, and passcode will be provided upon registration from the link below. Please join the webinar from the URL provided and choose the language by clicking 'Interpretation' button.

To register, please go to the Registration Page.

https://zoom.us/webinar/register/WN_gS0qJeOhQMOX26zjAysx4A

Audio Archive and Transcript

Audio archive and a transcript will be available on Nexon Investor Relations website (<https://www.nexon.co.jp/en/ir/>).

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://www.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. 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

NEXON Co., Ltd. Corporate Communications

CorporatePR.Team@nexon.co.jp

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 Net income refers to net income attributable to owners of the parent.

³ "Rest of World" includes other Asian countries as well as Central and South American countries.

⁴ 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.