

FY2024 Q4 Earnings Conference Call (February 13th, 2025)

Q&A Summary

【Q】 Given that *Dungeon&Fighter*'s revenue in recent quarters has been weaker than expected, are there any changes to this year's investment plans for talent and development capabilities? Also, do you still believe it is possible to achieve the profit growth target stated in the capital market briefing last September?

【A】 Shiro Uemura (Chief Financial Officer)

We view 2025 as a period of investment to secure future growth and will continue investing in talent. Based on Nexon and Tencent's analysis of *Dungeon&Fighter* in China, we believe hyperlocalization tailored to Chinese user preferences and content expansion are necessary. By enhancing quality and hyperlocalization through co-development with Tencent, we will secure future growth. Investments in talent and other areas in 2024 and 2025 may put short-term pressure on operating profit, but we believe they will drive the growth in the future. We will continue managing our business with the goal of achieving our financial targets for 2027.

【Q】 Are there any changes to the goals for the Dungeon&Fighter franchise outlined in the Capital Markets Briefing? Also, how do you position *The First Berserker: Khazan*, *Project OVERKILL*, and *Dungeon & Fighter: ARAD* within this?

【A】 Junghun Lee (Chief Executive Officer)

As mentioned in the September Capital Markets Briefing, we remain confident about our plans for *Dungeon&Fighter*. Over the past year, we have been preparing for improvements to the PC version of *Dungeon&Fighter*. Following the January New Year update, active user numbers in Korea reached the highest level in the past three years, showing a rapid recovery with a 300% increase from the previous slump.

While the pace in China is slower than Korea, player engagement has also improved following the update, similar to Korea. In the past New Year updates, active users spiked on the day of the update and then gradually declined, but this time, active users have continued to increase after the update. Additionally, since this update, the in-game gold situation has been favorable. Through co-development with Tencent, we expect improvements in both the PC and mobile versions with expanded content and enhanced hyperlocalization, leading to improved revenue.

The First Berserker: Khazan, scheduled for release at the end of March, is positioned as a strategic step to expand the Dungeon&Fighter IP into the Western market. As for *Project OVERKILL* and *Dungeon & Fighter: ARAD*, preparations are underway for their release by 2027.

【Q】 Electronic Arts has lowered its forecast for the FC. Does this have any impact on the operation of the FC franchise in Korea?

【A】 Junghun Lee (Chief Executive Officer)

The games referenced by Electronic Arts are completely different builds from our FC franchise, so there is no direct impact. Our FC franchise has established a solid presence in Korea, and the situation is not particularly bad. However, since there are no major football events this year ahead of the 2026 World Cup, we expect some challenges for the franchise.

【Q】 Given that there are no M&A opportunities this year, can we assume that your cash will be allocated to share buybacks? Or will the cycle of 150-billion-yen buyback execution for two years continue going forward?

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

Regarding the cash usage, our priority is growth, and we continuously explore various measures, including M&A. At the same time, we have a very strong balance sheet and are committed to returning value to our shareholders. However, shareholder returns are determined by considering various factors such as the company's situation, market conditions, and capital expenditures for growth, so we will not necessarily maintain the 150-billion-yen pace over the next two years. With our current financial strength, we believe we can flexibly implement shareholder returns, including share buybacks while seizing growth opportunities.

【Q】 The recent volatility in operating profit is believed to be due to newly launched titles that had strong initial performances but have since stagnated. Expanding labor costs continuously seems unbalanced in the short term. What are your thoughts on this?

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

As a pioneer in online games, our company has successfully grown existing IP such as *MapleStory* and *Dungeon&Fighter* for nearly 20 years. Even when performance temporarily dipped, we have demonstrated in the past that we successfully recovered over time, and we believe this will be possible in the future as well.

The recent new launches such as *THE FINALS* and *The First Descendant* are different from our existing IP, but we believe these new titles can grow in the long term as well with improvements in content quantity and quality. To accomplish this, we must continue investing in talent. Currently, there may be an imbalance between the top line and rising costs, but we are positioning 2024 and 2025 as years of investment, aiming to achieve mid- to long-term growth.

【Q】 How do you plan to update and add content to *Dungeon&Fighter Mobile* in China going forward?

【A】 Junghun Lee (Chief Executive Officer)

The January New Year update for *Dungeon&Fighter Mobile* aimed to boost traffic from both returning and new players. However, we were unable to provide content that sufficiently satisfied these player cohorts, resulting in no significant traffic improvement. That said, engagement remains strong, and the user base is in the millions, which is still a solid number.

We are focusing on two improvements for *Dungeon&Fighter Mobile*. The first is maintaining engagement among the millions of existing players. We will apply the know-how gained from the PC version to the mobile version and leverage it for new content development. The second is to attract returning players and new players. Through co-development with Tencent, we expect to increase the number of new and returning players by developing and releasing original mobile content. Additionally, there will be no changes to the economics due to the co-development with Tencent.

We had already been monitoring the traffic situation of returning and new players since the previous quarter, and this New Year update reinforced the need for a more rapid response. In 2025, we will work hard to deliver tangible results from these efforts.

【Q】 It seems that the strategy of expanding existing IP through the new titles is not fully reflected in the stock price. What are your thoughts on this?

【A】 Shiro Uemura (Chief Financial Officer)

Regarding *The First Berserker: Khazan*, this game plays a significant role as the first step in expanding the *Dungeon&Fighter* IP into the Western market. Taking into account the nature and positioning of the game, we decided to go with a premium model (one-time purchase). In terms of the gap between the market's perception and our approach, it is difficult for us to provide a clear answer. What we can do is to focus on steadily executing and delivering good results toward the 2027 goal.

【A】 Junghun Lee (Chief Executive Officer)

Looking back at 2024, major franchises such as *MapleStory* and *Dungeon&Fighter* faced challenges in the Korean market. Additionally, *THE FINALS* and *The First Descendant* performed well at launch but later received mixed feedback from players. Our strength has always been in live operations, and we believe that in the current situation, our focus should be on demonstrating the strength of our live operations.

During our quarterly earnings presentations, we rarely get the chance to discuss mid- to long-term strategies. Therefore, last year, we held the Capital Market Briefing to share our long-term strategy. We are going to steadily execute the strategy we announced at that time.