

February 13, 2025



Earnings Letter: Q4 2024

TABLE OF CONTENTS

MANAGEMENT SUMMARY 2

FRANCHISE PERFORMANCE 3

A POWERFUL PIPELINE OF NEW GAMES IN DEVELOPMENT 7

OPERATING CASH FLOW AND SHAREHOLDER RETURN 8

SUMMARY 9

MANAGEMENT SUMMARY

Today's letter will update investors on Nexon's performance in Q4 and full-year 2024 – a generally good year that revealed many opportunities as well as challenges. Importantly, we will also offer some candid observations on our outlook in Q1 and how recent results have encouraged a change in our full-year 2025 strategy.

In short, much of 2025 will be dedicated to strengthening and regaining momentum in our *Dungeon&Fighter* franchise, while maintaining steady progress in the development of new games – two important elements in the dynamic growth strategy outlined in our 2027 mid-term plan.

As a reflection of our long-term confidence, and our commitment to enhancing shareholder value during this period, we will deploy Nexon's deep cash reserves on a ¥100 billion stock buyback.

Q4 and Full-Year 2024

In Q4, revenue was down 6% year over year and came in below our expectations at ¥79.7 billion due to the shortfall in key titles, primarily our FC franchise and *The First Descendant*. We posted an operating loss that was slightly below our outlook at ¥1.7 billion, mostly due to revenue underperformance. We recorded a one-time impairment loss of ¥7.0 billion, a majority of which was factored into our Q4 outlook. Excluding the one-off impairment loss, Q4 operating income was ¥5.3 billion.

In full-year 2024, Nexon delivered record-breaking revenue of ¥446.2 billion, up 5% year over year driven by the strong launch of *Dungeon&Fighter Mobile* in China and the global launch of *The First Descendant*. Operating income was ¥124.2 billion, down 8% year over year reflecting our ongoing investments to revitalize, strengthen and expand our IP portfolio and drive growth over the next few years.

Q1 Outlook

Our Q1 outlook reflects recent success and momentum for *MapleStory* in Korea, offset by a slower start of the New Year update performance in China for the *Dungeon&Fighter* franchise and our ongoing investments in talent to develop our content portfolio.

In Q1, we expect revenue to be in the range of ¥109.9 billion to ¥122.1 billion, up 1% to 13% year over year, and expect operating income to be in the range of ¥29.6 billion to ¥35.4 billion, up 2% to 21% year over year.

FRANCHISE PERFORMANCE

In 2024, Nexon's three largest franchises – *MapleStory*, *Dungeon&Fighter* and *FC* – grew 10% from ¥300.7 billion in 2023 to ¥330.7 billion in 2024 and represented 74% of our 2024 revenue versus 71% in 2023.

Dungeon&Fighter Franchise:

In 2024, the franchise grew 53%, benefiting from the strong launch of *Dungeon&Fighter Mobile* in China which broadly expanded the base of players. However, we saw slower growth in Q4, and from the initial results from the Q1 New Year updates. Regaining momentum in the *Dungeon&Fighter* franchise is a top priority in 2025 and essential to our plan for long-term growth and profitability.

- ***Dungeon&Fighter (PC)***: Q4 revenue in China fell below our outlook as an IP collaboration packaged-item sales in December did not meet our expectations.

In Q1, the New Year update, which included a brand-new area, a level-cap increase, and an overhaul of the progression system, started slow but more recently showed improvement including greater balance to the in-game economy and daily active users returning close to the levels seen last year. While we expect revenue to decline year over year in Q1, we believe further recovery will follow with the steady supply of new content planned for the year.

In Korea – which received a near-simultaneous, same update – showed an immediate improvement in daily active users, resulting in a likelihood of year-over-year sales growth in Q1.

- ***Dungeon&Fighter Mobile***: Our analysis shows that the Q4 level-cap increase in China was effective in stabilizing daily active users but resulted in Q4 revenue to be slightly below our expectations. The subsequent New Year update released in Q1 has been slow to retain users as well as attract new and returning players. As a result, we expect a lower-than-anticipated Q1 revenue. The analysis by our team and partners at Tencent points to two opportunities for growth - introduction of more diversified and hyperlocalized content in addition to offering new experiences for the franchise to fulfill evolving trends to attract a broader range of players in the Chinese market.

For some time, we have been discussing with Tencent the growing need for greater adaptation to meet quickly evolving trends and the unique preferences of players in China. Last year's issues with PC DNF and the slow start to this year's New Year updates advanced this discussion. Consequently, Nexon has reached a co-development agreement with Tencent which will increase our production capability with greater hyperlocalization and new experiences for the franchise to attract a broad spectrum of players in China. Nexon's Neople Studio will continue to invest and develop core content and maintain overall creative control of the franchise while Tencent will provide additional production capacity for a variety of new experiences.

- **New Games for Extending the DNF Franchise**: While we are committed to strengthening both PC and mobile DNF, we are making steady progress in the development of new extensions of the franchise.

The First Berserker: Khazan: Scheduled for release for PC and console on March 28, *Khazan* is the first in a series of games designed to introduce our Dungeon&Fighter franchise to a global audience. Overall, we see *Khazan* as the strategic first step in a series of vertical extensions on the Dungeon&Fighter IP.

Dungeon&Fighter: ARAD: Following on *Khazan*, *Dungeon&Fighter: ARAD* is an open-world, action RPG for PC, console and mobile.

Project OVERKILL: This 3D side-scrolling RPG for PC and mobile is another dynamic extension of our *Dungeon&Fighter* franchise.

Both *Dungeon&Fighter: ARAD* and *Project OVERKILL* are on track for release by 2027.

MapleStory Franchise:

In 2024, franchise revenue declined 17% year over year due to the weakness in the Korea service of *MapleStory* which began at the start of the year. However, Global *MapleStory* grew 24% and now represents 35% of the franchise revenue, driven by hyperlocalized content.

- **Korea MapleStory**: A large Winter update posted in December delivered a strong improvement in player numbers and satisfaction. While Q4 revenue was down year over year as anticipated, the update drove sales above expectations, providing good momentum into Q1 for the sales to increase by more than 30 percent year over year. NPS – a measure of player satisfaction – was up significantly, rising six points quarter over quarter. Recognizing this is an early stage of a turnaround, we hope to maintain a favorable trend.
- **Global MapleStory**: In Q4, the game continued growing in global markets including Japan, up 9%, North America and Europe, up 10%, and Rest of World including Taiwan, up 5% year over year. This growth offers a positive reflection on Nexon's hyperlocalization strategy: players responded enthusiastically to two updates released in the West last year – *Go West* and *The Dark Ride* – helping deliver record-setting full-year revenue for the region.
- **MapleStory Worlds**: This new experience delivered better-than-expected results with the Q4 soft launch in North and South America. Additionally, the Korean service outperformed, driven by well-received content. This bodes well

for the regional expansion into Europe which began in January and for a debut in Southeast Asia scheduled for this year.

FC Franchise:

The franchise recorded its second-highest full year of revenue in 2024, but was down year over year due to a challenging comparison with the record high set in 2023. In Q4, franchise revenue increased year over year. However, an October branding campaign did not deliver the expected level of sales. Throughout 2025, we expect the franchise to be challenged by a lack of major professional soccer events happening ahead of the World Cup in 2026. Overall, the game is in good shape, and we anticipate stable operations throughout the year.

Mabinogi Franchise:

Mabinogi revenue has grown steadily for seven years. In 2025, we aim for further franchise growth driven by a platform expansion on mobile. Pre-registration for *MABINOI MOBILE* is now open, ahead of the March 27 release in South Korea. And looking ahead, we are excited about progress on *Vindictus: Defying Fate*, a Mabinogi franchise extension in development for the PC and consoles. And finally, the team is making steady progress on Mabinogi Eternity Project, a large-scale upgrade which moves the classic PC experience onto the Unreal Engine 5 for greater graphic fidelity and a larger-scale content with more freedom. These are our strategic approach to engage the core as well as attract new and dormant users.

Shooters

- ***The First Descendant***: Q4 revenue was below our expectations due to a greater-than-expected decline in traffic attributable to lack of content. However, the Season 2 update released in December has made progress in improving retention. We expect that the second episode of Season 2 scheduled in March to further strengthen retention. An influx of studio talent dedicated to accelerating content production will also help further improve the game performance.

- **THE FINALS:** Q4 results came in within the expected range with stable retention. In Q1, we expect a year-over-year revenue decline due to a tough comparison with the Q1 2024, which followed a late-December launch.

A POWERFUL PIPELINE OF NEW GAMES IN DEVELOPMENT

Strengthening and extending established franchises is a large element of our strategy for reaching the 2027 targets detailed in our IP Growth Strategy.

Accelerating our progress toward those goals is our deep pipeline of new titles in development, including seven new games, each with the potential to add incremental annual revenue of more than ¥10 billion.

- **ARC Raiders:** The next game from Nexon's Embark Studios is a 3rd-person PvPvE extraction shooter, featuring squads of players who must cooperate to survive and bring down enemies in a dynamic open world. The game is currently scheduled for release in 2025 with premium pricing.
- **NAKWON: LAST PARADISE:** In development for the PC, this 3rd-person zombie apocalypse stealth survival game challenges players to develop resources and skills to stay alive in a post-apocalyptic hellscape.
- **Vindictus: Defying Fate:** A new turn on Nexon's popular game *Mabinogi Heroes*, the beloved 3rd-person fantasy RPG which has captivated players worldwide, especially in Korea, China and Taiwan for more than ten years. The new game for PC and consoles features advanced graphics and gameplay on the Unreal Engine 5, plus character customization and combat inspired by Celtic mythology.
- **The Kingdom of The Winds 2:** A long-awaited successor to the classic that pioneered many elements of today's MMORPGs. In development by Nexon's partner and developer of *The Kingdom of the Winds: Yeon*, SUPERCAT, the new game will be released on PC and mobile.
- **Project DX:** This PvE-focused MMORPG for PC and console is a rebranding of an earlier Nexon game, *Durango*.
- And finally, two additional extensions on the *Dungeon&Fighter* franchise:
Project OVERKILL and **Dungeon&Fighter: ARAD**

Another accelerant in our 2027 growth strategy is partnership. In 2024 Nexon announced partnership with Tencent Games to adapt versions of two Nexon titles – *THE FINALS* and *ARC Raiders* – to appeal to the unique tastes of players in China. In another agreement, Tencent will work in close collaboration with Nexon to develop *The First Berserker: Khazan* for Chinese players.

OPERATING CASH FLOW AND SHAREHOLDER RETURN

Nexon continues to generate significant cash flows which strengthen our powerful balance sheet. In 2024, we generated more than ¥100 billion operating cash for the seventh consecutive year. We finished 2024 with a cash balance exceeding ¥600 billion.

This large and stable cash flow has allowed us to materially increase our dividend while also buying back stock. In 2024, we increased our dividend payout to ¥22.5 per share from ¥10 per share in 2023, as well as executing a share buyback of ¥51.4 billion.

Looking ahead, recognizing the importance of enhancing shareholder value while we regain momentum in our Dungeon&Fighter franchise in 2025, Nexon's board of directors has approved a share buyback policy of ¥100 billion over one year, including the remaining ¥50 billion of the ¥100 billion share buyback policy that we announced a year ago. We also approved the immediate execution of ¥50 billion buyback from February 14 to June 30.

We are also committed to maintain the semi-annual dividend of 15 yen per share or 30 yen per share on an annual basis in 2025. While we expect this year to be challenging, we are confident in our strategy to materially grow our business over the next few years and believe that the substantial buyback that we are planning to execute will position Nexon and our shareholders well for the next phase of growth that we will deliver in the coming years.

SUMMARY

To summarize, Nexon's recent performance and outlook have encouraged a re-prioritization of our 2025 business plan, which is now sharply focused on strengthening the Dungeon&Fighter franchise, while making steady progress in the development of our pipeline of new games.

We have a clear plan for investing to return the Dungeon&Fighter franchise to dynamic growth through hyperlocalization. Our strategy is anchored by a large pool of the best creative talent in our studios, a plan for selectively hiring new people with new ideas, and for expanding partnerships as we focus on large markets with growth opportunities for Nexon. We believe that we have the vision, plan and balance sheet to drive significant growth across Nexon in the years ahead.