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**Earnings Letter: Q1 2026**

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## MANAGEMENT SUMMARY

At Nexon's March 31 Capital Markets Briefing, we outlined a detailed transformation plan for unlocking growth and margin improvement. The multi-year plan calls for greater cost management, improved efficiency in our creative process, a deep review of our product pipeline, and maximizing the strategic advantage of large, deeply loyal and engaged player communities with hyperlocalization and partnerships.

While this kind of change does not happen in one or two quarters, we are making tangible progress by building on the strength of our established business, beginning with a realistic assessment of where we stand and what needs to change.

In today's report, we'll outline Nexon's progress with an update on our business performance, and an outlook for the Second Quarter, which is tracking to be our softest quarter of the year, but will be followed by a pipeline of catalysts that add portfolio diversity and growth in the second half of our year.

### Performance Overview

In Q1, Nexon delivered record-high quarterly revenue and operating income of ¥152.2 billion and ¥58.2 billion, growing 34% and 40% year over year, respectively.

Extraordinary worldwide sales has made **ARC Raiders** the most successful new product release in company history, and demonstrated that Nexon can deliver games at scale across global markets.

Six months after the launch, and driven by a steady stream of content updates, *ARC Raiders* surpassed 16 million unit sales worldwide and consistently ranked among the top games on Steam's most-played chart. More than half of the active players have already spent over 100 hours in the game, totaling more than 1.5 billion hours - an exceptionally high level of engagement.

Following the explosive launch, the game is now settling in with a large and deeply loyal player community. Looking ahead, Embark Studios is now preparing for the October release of the biggest *ARC Raiders* update since the launch. The *Frozen Trail* update will include a large amount of free content as well as paid content, including character outfits and other items for personalizing the game.

Embark believes *Frozen Trail* will add a multitude of hours of new gameplay and reshape how *ARC Raiders* is played – which is great for reactivating users who finished the original game, and for attracting all-new players.

Beyond the commercial success, *ARC Raiders* demonstrates Nexon now has a Western development engine that can build global IP at scale – a far-reaching structural asset.

Another strong Q1 performer was our **MapleStory franchise**, which has unlocked growth with franchise expansion and hyperlocalization. In Q1, the franchise achieved year-over-year growth of 42% led by *MapleStory: Idle RPG* and *MapleStory Worlds*. Looking ahead, we are now polishing PC updates which are expected to attract and re-engage players this summer.

Our ability to energize the core and attract new players with expansion experiences in MapleStory serves as a blueprint for growth in other Nexon franchises like **Dungeon&Fighter**. While the slow recovery in the mobile game weighs down the overall performance, process improvements and promising new experiences such as *Dungeon&Fighter: Idle RPG*, have enormous potential to unlock new growth.

Looking ahead, Q2 is expected to be our softest quarter of the year. *MABINOGI MOBILE* is facing a tough comp with last year's successful launch and our strategy for ramping player acquisition in the FC franchise during the World Cup calls for reduced monetization as we focus on growth in our player base and long-term retention. Our outlook also recognizes headwinds for both PC and mobile *Dungeon&Fighter*. In addition to ongoing weakness in the mobile game, recent updates for the PC version have not delivered the anticipated outcome.

However, a broader outlook for the Chinese service includes a May anniversary update followed by more frequent and larger-scale introductions of co-developed content for mobile; an exciting anniversary PC event in June to engage the dormant players and attract new players; an annual major update timed with the October National Day holiday plus a new raid; and finally, an all-new experience, *Dungeon&Fighter Idle: RPG* by the end of the year.

Furthermore, we have several other noteworthy developments this year including the introduction of *MABINOGI MOBILE* in Taiwan and Japan, the publishing of *Overwatch* on PC in Korea, plus a large update of free and premium content for *ARC Raiders* in October.

### **Early Progress on Nexon's Transformation Initiative**

In the month that followed our Capital Markets Briefing, we have **cancelled three projects** which did not pass our filter for quality and commercial viability, and allocated additional funding to two more promising projects: ***NAKWON: LAST PARADISE***, which attracted 37,000+ concurrent players in a recent closed alpha test with no marketing; and ***Woochi the Wayfarer***, an all-new exciting action-adventure that depicts Korea's Joseon era.

In addition to managing costs on games that offer limited commercial success potential, these actions serve to redeploy our creative talent to games that can capture and sustain large numbers of players globally.

Much of our attention is focused on correcting the trajectory of the *Dungeon&Fighter* franchise. While a transition will take time, a combination of process updates and new content are aimed at delivering results this year. To start, we have advanced the collaborative framework of our agreement with Tencent to improve the performance of *Dungeon&Fighter Mobile* in China. As a result, **development on the Chinese service of the game has been transferred to Tencent** where greater hyperlocalization is expected to translate into strong player engagement. Nexon's Neople Studio retains creative control over the co-development with Tencent.

Another important element of our transformation is a renewed focus on **cost management**, particularly on HR costs, where we are committed to maintaining both costs and headcount flat year over year for full-year 2026.

## **Partnership**

We also unlock growth opportunities with partnerships.

In March, Nexon and **Blizzard Entertainment** announced a publishing agreement for the global blockbuster, *Overwatch* on PC in Korea later this year. Under the agreement, Nexon will assume the publishing responsibility in Korea and provide live service, marketing, internet game room support, plus hyperlocalization to align the game with the unique tastes and preferences of Korean players.

Also, Nexon and **Electronic Arts** announced a long-term agreement on the **EA SPORTS FC** publishing partnership, securing the future of our franchise in Korea. Under the agreement, Nexon and EA will expand investment in growing the EA SPORTS FC fanbase and collaborate to continuously deliver authentic experiences for Korea's most popular football game.

And finally, Nexon and **Tencent announced a ten-year extension** to our publishing partnership for the service of PC *Dungeon&Fighter* in China. The new agreement offers continuity in the service for millions of players in China and extends a long-standing and mutually beneficial relationship between our two companies.

Beyond today's agreement, our partnership with Tencent now includes adaptation and publishing of multiple Nexon titles in China, including:

- *THE FINALS*, which is now in service
- *ARC Raiders*, which recently obtained ISBN and is scheduled for multiple closed beta tests in 2026

- *The First Berserker: Khazan*
- And of course, *Dungeon&Fighter Mobile*

## Q1 RESULTS AND Q2 OUTLOOK

In Q1, Nexon delivered strong year-over-year growth with both revenue and operating income coming within our expectations. Revenue was up 34% year over year at ¥152.2 billion and operating income was up 40% at ¥58.2 billion, both achieving record-high quarterly results.

With respect to Q1 expenses, HR costs and marketing expenses were below our plan.

Net income exceeded our outlook at ¥57.2 billion, up 118% year over year. This was driven by a ¥14.5 billion FX gain recognized in Q1 2026 compared to a ¥4.2 billion FX loss recognized in Q1 2025.

Our Q1 results reflect the strong performance of *ARC Raiders* and sustained growth from the MapleStory franchise.

*ARC Raiders* sold an additional 4.6 million units, reaching cumulative unit sales of 15.5 million in Q1, and recently surpassed 16 million units.

And our MapleStory franchise delivered robust year-over-year growth of 42%, driven by the sustained strength of *MapleStory: Idle RPG* and *MapleStory Worlds*.

For Q2, we expect revenue to be in the range of ¥107.0 billion to ¥119.7 billion, down 10% to up 1% year over year primarily due to a decline in the *Dungeon&Fighter* franchise and *MABINO GI MOBILE* while expecting ongoing growth in the MapleStory franchise and contribution from *ARC Raiders*.

We expect operating income to be in the range of ¥16.1 billion to ¥25.3 billion, down 57% to 33% year over year. Factors affecting the decline in operating income include decreased revenue in our high-margin China business, increased customer acquisition costs related to performance-based marketing for *MapleStory: Idle RPG*, and increased HR costs – however our full-year plan is to maintain flat headcount and HR costs year over year.

In the meantime we expect net income to be in the range of ¥16.1 billion to ¥23.2 billion, down 4% to up 38% year over year, compared with Q2 2025 in which we recorded an FX loss of ¥17.5 billion.

We expect the soft Second Quarter to be followed by 2H improvements driven by five catalysts: the launch of *MABINOGI MOBILE* in Taiwan in Q3 and Japan in Q4, the publishing of *Overwatch* on PC in Korea later this year, the National Day update and new raid for *Dungeon&Fighter* PC in China, *ARC Raiders' Frozen Trail* update pre in October, and the *Dungeon&Fighter: Idle RPG* release before the year end.

## **FRANCHISE OVERVIEW**

Nexon's three largest franchises – MapleStory, Dungeon&Fighter and FC – collectively delivered revenue of ¥92.9 billion, roughly flat year over year as *Dungeon&Fighter Mobile* declined and the MapleStory and FC franchises delivered growth. Horizontal revenue growth, including from new releases, was up 188% year over year to ¥59.3 billion, driven by sustained strength of *ARC Raiders*.

### **Dungeon&Fighter Franchise:**

*Dungeon&Fighter* (PC) started 2026 with a major New Year update which contributed to solid Q1 year-over-year growth. However, due to the offsetting decline in the mobile game, franchise revenue was down 26% year over year.

In Q2, we expect franchise revenue to decline year over year due to headwinds in both PC and mobile services. The Neople team is taking decisive action to reverse the trajectory of this franchise, including moving development of the China mobile game to Tencent for closer alignment with players, and improving performance in the PC game with content updates.

- **Dungeon&Fighter (PC):** In China, Q1 revenue grew double digits year over year driven by the New Year update. The April new season update in China arrived in time for the Labor Day and contributed to a lift in player engagement including DAUs, however monetization initiatives tied to the update did not meet our expectations. As a result, we anticipate a year-over-year revenue decline in Q2. Our go-forward plan is to leverage the anniversary event in June to build momentum ahead of the major update aligned with the October National Day holiday and a new raid content.

In Korea, Q1 revenue was down year over year and we expect another year-over-year revenue decline in Q2. In addition to difficult comparisons with Q2 2025 in which the game's revenue more than doubled versus the prior-year period, a series of recent updates, including the new season in March, have not resonated with the players. Improvements are planned based on player feedback and content such as a new raid for the second half of the year.

- **Dungeon&Fighter Mobile:** Q1 revenue was down year over year. A level cap update in March helped return lapsed players to the game but did not sustain engagement, which resulted in an expected year-over-year revenue decline in Q2. We plan to increase player base through the second anniversary update in May which will include major promotions, the introduction of a new area and raid, followed by new co-developed content from Tencent this summer.

### **MapleStory Franchise:**

The MapleStory franchise grew 42% year over year in Q1, driven by the renewed momentum of *MapleStory: Idle RPG* and growth in *MapleStory Worlds*. In Q2, we expect

franchise revenue to grow approximately 20% year over year driven by continued engagement with the Idle game. And in keeping with our initiative for fostering and growing strong player communities, Nexon opened a Maple Island attraction at the Lotte World theme park in Seoul. We also unveiled a MapleStory animated film set to premiere nationwide in Korea in June.

- **Korea MapleStory:** Q1 revenue exceeded our outlook, driven by the successful New Year and anniversary updates which began in March. Year over year, revenue declined 8% due to a difficult comparison with 2025. Since the anniversary update, active users have grown year over year, and in Q2 we expect continued player engagement leading into the summer update beginning in June. However, the year-over-year comparison will remain challenging due to the strong performance throughout 2025 which resulted in 78% annual growth.
- **Global MapleStory:** Q1 revenue was above our expectations and grew 8% year over year driven by continued growth in Western *MapleStory*, which offered a winter update. We expect the year-over-year performance to remain stable in Q2 supported by dedicated localized content.
- **MapleStory Worlds:** Q1 revenue exceeded our outlook and grew 79% year over year, driven by a successful New Year update in Taiwan. However, we expect a year-over-year decline in Q2 due to a challenging comparison with the highly successful Taiwan launch last year.
- **MapleStory: Idle RPG:** Q1 revenue exceeded our outlook, driven by the launch of a major update and a strong influx of new users particularly in Korea and the United States. Refunds related to the coding issue were completed in March, resulting in a ¥6.7 billion reduction in revenue and ¥3.5 billion reduction in operating income in Q1. In Q2, we expect the game to maintain engagement supported by a major event tied to the half-year anniversary in April.

### **FC Franchise:**

Q1 revenue exceeded our outlook, with modest year-over-year growth driven by strong engagement in the TOTY (Team of the Year) and New Year updates. Our Q2 focus is on large-scale user acquisition through the *FC ONLINE* 8th Anniversary update and the World Cup which starts in June. A collaboration with Korea's #1 traffic portal, NAVER, will give us contact with a broad spectrum of football fans during the World Cup. Our objective in leveraging the World Cup excitement is to secure long-term engagement even after the tournament concludes, by delivering high-quality services.

### **Mabinogi Franchise:**

In Q1, a series of major updates for *MABINOGI MOBILE* helped stabilize KPIs and revenue grew year over year reflecting the launch in late Q1 2025. Beginning in Q2, the game will be up against difficult revenue comparisons in the post-launch quarters. We are preparing to launch the game in Taiwan in Q3 and Japan in Q4.

### **Shooters:**

- ***ARC Raiders***: To date, the game has sold more than 16 million units. Our data shows that more than half of all active players have already spent in excess of 100 hours in the game. Additionally, the game has won multiple awards from critics and players, most recently including Best Multiplayer Game at the 2026 BAFTA Games Awards. While expecting sales to normalize, Embark Studios is now working on the *Frozen Trail* update for October, which will include a large amount of free content including a new map, plus premium content. The update will challenge players in new ways, which is designed to engage lapsed players and attract new ones.
- ***THE FINALS***: Q1 revenue grew 47% year over year, driven by the Season 9 update which launched in December. Following the release of the Season 10 update in late March, we anticipate the game to sustain its good performance in Q2.

## PIPELINE OF NEW GAMES

Leveraging the strength of our decades-long investment in building player communities, Nexon is extending the reach of established IP with new experiences on our biggest franchises and all-new titles with the potential to become sustained franchises. The large and deeply engaged player communities cultivated by each franchise offer efficiencies in customer acquisition and word-of-mouth marketing for the new offerings.

Today, Nexon has more than 15 new games and experiences approved and in development.

Games tracking for release this year include:

- **MABINOZI MOBILE:** Coming to Taiwan and Japan.
- **Overwatch on PC:** Nexon's recent publishing agreement with Blizzard Entertainment, is expected to establish service in Korea later this year.
- **Azur Promilia:** A fantasy world RPG for PC and mobile, featuring a distinct art style and an expansive worldview.
- **Project T:** A full-3D MMORPG using the popular web novel/webtoon *Overgeared* IP with a realistic medieval fantasy concept and a third-person seamless open world. The game will be available in Korea, Taiwan, Hong Kong, and Macau.
- **Dungeon&Fighter: Idle RPG:** A new and highly accessible experience designed to attract new players.

Our content strategy extends through 2027 and beyond with many promising releases.

### **Dungeon&Fighter Franchise:**

- **Dungeon&Fighter Classic:** A reboot of the original action-based experience on a modern UX, scheduled for release in 2027.
- **Dungeon&Fighter: ARAD:** The second game in a series designed to introduce the Dungeon&Fighter franchise to a global audience.

- **Project OVERKILL:** Third in the series, an online action RPG for PC and console that fully modernizes combat physics and visuals. Early testing confirmed strong interest from players.

#### **Mabinogi Franchise:**

- ***Vindictus: Defying Fate:*** A modern PC and console action experience based on the Mabinogi franchise.
- ***Mabinogi Eternity:*** A conversion of the original PC *Mabinogi* to Unreal Engine 5.

#### **All-New Titles:**

- ***NAKWON: LAST PARADISE:*** A multiplayer survival game set in a post-apocalyptic city, recently completed a closed alpha test with more than 37,000 concurrent players – a significant achievement for an all-new game with no marketing. The game is scheduled for release in 2027.
- ***Woochi the Wayfarer:*** An action-adventure that depicts the fictional adventures in Korea’s Joseon era, developed on Unreal Engine 5.
- ***Higan: Eruthyll:*** A mobile fantasy game that blends idle growth mechanics with strategic deck-building and real-time combat.
- ***Durango World:*** This PvE-focused MMORPG for PC and console is a rebranding of an earlier Nexon game, *Durango*.
- **Project RX:** A PC/mobile/console-based subculture game developed by the makers of *Blue Archive*.
- **From Embark Studios:** Two new games in the early stage of development.

## **SHAREHOLDER RETURN**

With growth and steady revenue from established franchises, plus new revenue streams from new IP like *ARC Raiders*, Nexon delivers long-term value for shareholders. The focus on cost, portfolio management, and process improvements outlined in our

transformation initiative are designed to improve margins, providing greater returns for shareholders.

Reflecting our expectation of continued strong cash generation and improved efficiency, we plan an annual dividend of ¥60 per share in 2026.

Additionally, today Nexon's board of directors approved the execution of the repurchase for ¥30 billion worth of shares, scheduled from May 15 to July 31, 2026.

## **SUMMARY**

Nexon is performing with growth across new and established games. A difficult Q2 outlook is being addressed with steps to improve the performance of our *Dungeon&Fighter* franchise, as well as multiple process reforms aimed at improving margins.

We are developing a robust pipeline of new games, starting with the 2026 launch of *Dungeon&Fighter: Idle RPG* and the expansion of *MABINOGI MOBILE* in Taiwan and Japan. And of course, there will be major content updates for the *Dungeon&Fighter*, *MapleStory*, *FC* franchises plus a promising large-scale update for *ARC Raiders* in October.

Layered onto our core business is our transformation initiative – a plan for growth and margin improvement based on cost management, partnerships for market expansion, and a practical approach to manage our product portfolio and team size.

The new share repurchase plan reflects our confidence in this vision. Nexon is committed to delivering more and better experiences for our players, while growing our established franchises and improving our profitability. Investors can expect to see that commitment in our results in the quarters and years ahead.