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## Earnings Letter: Q2 2025

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## MANAGEMENT SUMMARY

Nexon's second quarter was highlighted by revitalized momentum in established games and solid results from new titles. We are delivering on our commitment to re-ignite vertical growth in our three largest franchises and to generate horizontal growth from new games.

We began 2025 with a heightened focus on leveraging our Live Operations expertise to revitalize key franchises and to make steady progress in development and release of new games aimed at stimulating the core and attracting new players on new platforms and in new regions.

Today, at the half-way point in our year, we have fulfilled that commitment with better-than-expected results from our three major franchises and successful launches such as *MABINO GI MOBILE* and *MapleStory Worlds*.

Looking ahead, Nexon is on a path to broaden our international footprint. A new and highly-anticipated shooter, *ARC Raiders* from our Embark Studios, is scheduled for release globally on October 30, and we are making progress on the Chinese adaptation of *THE FINALS* through our partnership with Tencent. Also, this week, we announced *Woochi the Wayfarer* - an all-new AAA action-adventure game set in the Joseon era for a global audience on PC and consoles.

## Q2 RESULTS AND Q3 OUTLOOK

In Q2, Nexon delivered stronger-than-expected results with revenue of ¥118.9 billion and operating income of ¥37.7 billion – respectively, 8% and 21% better than the high end of our guidance. The outperformance was primarily driven by key titles in our portfolio, specifically *MapleStory*, *FC ONLINE*, *Dungeon&Fighter* (PC), as well as the successful regional expansion of *MapleStory Worlds* and *MABINO GI MOBILE*.

Year over year, revenue and operating income decreased by 3% and 17%, respectively, while on a constant-currency basis, revenue grew 6% and operating income declined 10%. Net income was down 58% at ¥16.8 billion due to an FX loss of ¥17.5 billion primarily on U.S. dollar-denominated cash deposits while recording a ¥8.2 billion FX gain in a year ago quarter.

Looking ahead to Q3, we expect revenue to be in the range of ¥116.6 billion to ¥127.1 billion, down 14% to 6% year over year, and operating income to be in the range of ¥32.7 billion to ¥41.2 billion, down 36% to 20% year over year. On a constant-currency basis, we expect revenue to be down 12% to 4% and operating income to be down 35% to 18% versus a year ago quarter.

The explosive Q2 2024 launch of *Dungeon&Fighter Mobile* in China and Q3 2024 global release of *The First Descendant* are the primary factors impacting Q2 and Q3 year-over-year performance in revenue and operating income.

## **FRANCHISE OVERVIEW**

In Q2, Nexon's key titles delivered exceptional performance including 60% year-over-year growth of MapleStory franchise, 67% growth in *Dungeon&Fighter* (PC), and solid performance of *FC ONLINE*. Not unexpectedly, *Dungeon&Fighter Mobile* declined year over year, leading to a 13% year-over-year collective decline in our three major franchises. Excluding *Dungeon&Fighter Mobile*, our three major franchises together grew by strong double digits year over year. Additionally, *MABINOGI MOBILE* accomplished a remarkable start in late March, delivering an impressive contribution to the quarter.

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

Player enthusiasm for recent content updates delivered solid recovery and 67% year-over-year revenue growth on *Dungeon&Fighter* (PC). However, total-franchise revenue declined by 40% year over year due to the mobile launch in 2024.

Looking ahead to Q3, we expect continued growth from *Dungeon&Fighter* (PC). However, we anticipate a year-over-year decline of approximately 45%, again due to the 2024 mobile launch.

- ***Dungeon&Fighter* (PC)**: In Korea, we accelerated the momentum that began in Q1, setting a new record-high quarterly revenue. Both MAUs and PUs nearly doubled, resulting in 132% year-over-year revenue growth.

In China, Q2 revenue exceeded our expectations and marked strong double-digit growth year over year, driven by the solid performance of the Labor Day update. Also, the Anniversary update was particularly effective, attracting returning users and pushing both June MAUs and PUs to their highest levels this year.

For Q3, we anticipate continued year-over-year growth both in Korea and China while expecting a sequential decline.

- ***Dungeon&Fighter Mobile***: While the Q2 Anniversary update was less effective than expected at retaining returning players, we see improved prospects in Q3 driven by a series of updates beginning with the July level-cap increase. We anticipate each update will drive modest sequential revenue growth.

Additionally, we are making progress in the co-development of new content with Tencent, which is scheduled to go live later this year.

- ***The First Berserker: Khazan***: Following the Q1 launch, our summer campaign kicked off in June with new content and promotion. The launch of *Khazan* – the first of three games designed to introduce the *Dungeon&Fighter* IP to a global audience – gives us confidence in our ability to significantly expand the franchise worldwide.

### **MapleStory Franchise:**

In Q2, the MapleStory franchise delivered another exceptional performance, with revenue growing 60% year over year, driven by strong growth in the core PC game in Korea and the regional expansion of *MapleStory Worlds*. In Q3, we expect the franchise to accelerate the momentum with approximately 70% year-over-year growth.

The MapleStory franchise has become a flagship in Nexon's strategy of driving vertical growth by leveraging the popularity of well-established IP with hyperlocalization as well as new experiences designed to excite the core and attract new players. In many respects, the franchise is transforming into a platform for multiple experiences that ties to the IP. *MapleStory Worlds* and *MapleStory: Idle RPG* – scheduled for release in 2H – are good examples of new experiences, which serve as highly accessible entry points into the MapleStory IP.

- **Korea MapleStory:** The summer update in June delivered a significant increase in active players and an all-time high market share of 25% in PC Cafes. As a result, Q2 revenue grew 91% year over year and marked Q2 record. Our team is planning additional content releases in Q3 to maintain this strong player engagement and we expect Q3 revenue to more than double year over year.
- **Global MapleStory:** Q2 revenue grew year over year, led by the strong 36% growth in Western markets which delivered a significant increase to the player base with multiple promotional initiatives including a 20th Anniversary event and a collaboration. A summer content update generated highly positive feedback from our player community.
- **MapleStory Worlds:** The service has significantly exceeded our expectations achieving over 7x year-over-year growth. Following the rollout this year in Europe and Asia<sup>1</sup>, the service is generating solid revenue with a growing and deeply engaged player base. In Taiwan, "Artale," a user-generated initiative based on legacy content, performed exceptionally well. We expect the momentum to continue in Q3.

The platform leverages user-generated content by empowering players to create their own content using 20+ years of MapleStory assets.

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<sup>1</sup> Asia excluding China and Japan

- **MapleStory Universe Project:** The blockchain-based PC MMORPG *MapleStory N* launched on May 15 in select markets. This experimental project tests autonomous economic models with a capped item supply, fostering a player-driven in-game economy within the Web3 ecosystem. The project provides valuable insights into how this next-generation approach could overcome limitations of the traditional Web2 game model's infinite item supply.
- **MapleStory: Idle RPG:** This MapleStory spinoff is a mobile experience in the idle game genre. Scheduled for global<sup>2</sup> release later this year, the game is created through our strategic partnership with Korea-based Able Games, a rapidly-growing developer of idle games.

### **FC Franchise:**

*FC ONLINE* exceeded our expectations with a 7th anniversary content update that delivered both year-over-year and quarter-over-quarter Q2 revenue growth, despite typically lower seasonality. Looking ahead to Q3, we expect to maintain player engagement with our TOTS (Team of the Season) update and marketing initiative of the legendary players' exhibition match planned for September.

### **Mabinogi Franchise:**

The Mabinogi IP is tracking to deliver on its potential to become the new pillar of sustainable contributor in Nexon's portfolio. The highly successful March launch of *MABINOGI MOBILE* and player enthusiasm for the recent June alpha test of *Vindictus: Defying Fate* give us confidence that the Mabinogi franchise could potentially join *Dungeon&Fighter*, *FC* and *MapleStory* as a fourth pillar of sustainable revenue for our company.

- **MABINOGI MOBILE:** The focus on peaceful lifestyle elements differentiates this game from traditional MMORPGs which are focused on combat, and resonates well with players. Following the highly successful March launch, the game exceeded our outlook, with strong MAUs, PUs, and ARPPU. In Q3, we expect some moderation sequentially but a significant contribution.

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<sup>2</sup> Excludes China, Vietnam, and other specified regions

- **Vindictus: Defying Fate:** In June, we conducted a highly successful alpha test that established our game as the Most-Played Demo in the Steam Next Fest.

### **Shooters:**

- **The First Descendant:** Q2 results came within the expected range. On August 7, we launched the large-scale Season 3, which we anticipate will almost triple quarterly revenue sequentially.
- **THE FINALS:** Q2 revenue exceeded our outlook, driven by the well-received Season 7 update introduced in June. The continued efforts of the development team, supported by Nexon's Live Operations, have returned *THE FINALS* to a year-over-year growth trajectory. *THE FINALS* received an ISBN license in China in July and our partners at Tencent began its closed alpha test on August 8.
- **ARC Raiders:** Following the successful tech test in May which revealed strong engagement and high player satisfaction, the *ARC Raiders* team is adding content and polishing the game ahead of the October 30 release. A full marketing campaign is scheduled to begin in September to support the launch and sustain engagement. *ARC Raiders* continues to gain strong traction with players worldwide and is currently ranked #6 on Steam's Top Wishlists.

## **SHAREHOLDER RETURN**

Under the one-year, ¥100 billion share buyback policy announced in February, we completed a ¥50 billion share repurchase on June 25. Also, today, Nexon's board of directors approved the execution of the repurchase for the ¥25 billion worth of shares, scheduled from August 14 to October 31. We plan to complete the repurchases of the remaining ¥25 billion worth of shares by February 2026 at the latest, with consideration of factors including investment opportunities, financial conditions, and the market environment. We remain committed to actively returning capital to our shareholders while enhancing capital efficiency.

## **SUMMARY**

In the past six months, we have fulfilled a commitment to recover key franchises, launched new products with potential to become sustainable pillars of revenue and, as a reflection of our confidence, repurchased ¥50 billion worth of our shares.

Nexon has demonstrated the strategy, execution, and experience to overcome setbacks, jump-start growth, and deliver promising new products.

Our Q2 results and Q3 guidance reflect progress on our 2027 targets as we pursue new growth through new games, hyperlocalization, partnerships, regional and platform expansion with ample resources which allow us to explore new growth opportunities.

Our fundamentals are solid, our strategy is well defined, our resiliency is proven. Nexon is now positioned for breakaway success.