

February 8, 2024

## Earnings Letter: Q4 and Full-Year 2023

Welcome to Nexon's new print format for reporting quarterly earnings. This letter will provide an update on Nexon's fourth quarter and full-year 2023 results, plus an outlook on the first quarter of 2024. In conjunction with this post, we will host a question-and-answer teleconference featuring President and CEO Owen Mahoney, Chief Financial Officer Shiro Uemura and Junghun Lee, who is scheduled to succeed Owen Mahoney as CEO in March of this year.

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## UPDATE ON *DUNGEON&FIGHTER MOBILE* LICENSE APPROVAL IN CHINA

On February 2, Nexon was informed that *Dungeon&Fighter Mobile* has received an ISBN license to operate in China. We are extremely pleased with the news and appreciate the care that the regulator has shown in making this decision. Looking ahead, Nexon is working with our local publishing partner, Tencent, on plans for marketing and releasing the game as soon as possible. However, this event is not reflected in our Q1 2024 outlook.

## REPORT ON Q4 AND FY2023

In the fourth quarter, Nexon delivered record-breaking Q4 revenue of ¥84.6 billion, (up 4% year over year) and operating income of ¥4.5 billion (down 59% year over year). This contributed to record-breaking FY23 results, which included revenue of ¥423.4 billion (up 20% year over year) and operating income of ¥134.7 billion (up 30% year over year).

The successful launch in December of a new online game, *THE FINALS*, quickly captured a global audience of more than 10 million players and outperformed our expectations, with higher-than-anticipated quarterly bookings – an encouraging outcome for Nexon’s global expansion initiative.

However, our fourth quarter revenue and operating income fell below expectations, with three key drivers performing lower than anticipated.

- **MapleStory in Korea:** Q4 revenue was up 54% year over year. In November, a promotional video made by a production company in Korea created a controversy, which led to negative consumer reaction. While addressing player concerns, Nexon suspended marketing and throttled back on monetization. This issue is now largely resolved, however, Q4 revenue from the game fell short of our expectations.
- **Dungeon&Fighter in China:** The game was trending as expected until late December when we experienced an unexpected imbalance in the in-game economy, which resulted in lower-than-expected revenue. To address this and to improve player satisfaction in 2024, we plan to double the amount of new content that was delivered in 2023.
- **EA SPORTS FC™ ONLINE (“FC ONLINE”):** Q4 revenue on PC and mobile was down year over year, following difficult comparisons with the year ago quarter which benefited from the 2022 World Cup. Also, the content update offered in Q4 did not resonate with players to the degree we had expected. Significant new content planned for 2024 is expected to drive player engagement.

Importantly, these near-term challenges do not in any way change our confidence in the long-term growth of these franchises. Across many years of operation, Nexon has proven that – backed by world-class Live Operations and with frequent content updates – our games grow at a steady, if non-linear rate. Periods of flat or declining revenue are often closely followed by a new interval of dynamic growth.

And we believe *THE FINALS* represents Nexon’s fourth major franchise pillar. The successful launch from Nexon’s Embark Studios contributed higher-than-expected bookings in December. Embark is adding to the game with frequent content updates and we believe this game will become a sustainable contributor to Nexon’s results.

*THE FINALS* launched against a murderer's row of entrenched games franchises, backed by massive marketing budgets. Just two weeks after the December 8 launch, *THE FINALS* scaled to more than 10 million installs, broke into the top five most popular games on Steam and decisively outperformed our internal estimate for December.

The successful launch of *THE FINALS* offers a breath of fresh air for players and a sea change in the business of developing and marketing games. *THE FINALS* was created using new tools and technology that are radically transforming the speed and cost of game development.

The launch of *THE FINALS* provides a good lens on what makes Nexon unique. Breakthrough innovation by Embark distinguished *THE FINALS* from last year's crowded field of shooter games. Throughout the development and launch, Nexon Korea's world-class Live Operations team worked closely with Embark to provide support. And the proprietary development tools have enabled the development team to be highly responsive to user feedback, providing patches and content updates at a torrid pace. There is much more to come.

## Q1 2024 OUTLOOK

Nexon's Q1 2024 revenue is expected to be down 22% to 14% year over year. Key drivers affecting performance are expected to include:

- **MapleStory in Korea:** We expect Q1 revenue to be down year over year. In January, the Korean Fair Trade Commission imposed sanctions alleging that Nexon engaged in an unfair trade practice in the past. This news negatively impacted the *MapleStory* community. To create a more enjoyable experience in *MapleStory*, Nexon discontinued sales of a major probability-based item and transitioned to a business model that offers the same experience, paid for with in-game currency rather than a cash transaction. We anticipate this transition will have a short-term negative impact on revenue but believe it will result in a long-term improvement in player satisfaction and engagement.
- **Dungeon&Fighter in China:** We expect Q1 revenue to be down year over year. The imbalance issues that affected the game's economy in late December carried over into Q1. While we introduced the Lunar New Year update on January 11, the packaged-item sales have not performed as expected due to these issues. Throughout 2024, we will not only double the amount of new content added in 2023,

but also accelerate the update process. This will include the renewal of the existing characters, the introduction of new characters, a renovation of the existing item system, collaboration with popular IP, plus more raids and other high-end content to stimulate player engagement and balance the in-game economy.

- **FC ONLINE:** We expect Q1 revenue to decline year over year due to the challenging comps from Q1 2023 when enduring excitement from the Qatar World Cup contributed to record-setting quarterly revenue.

Despite the near-term challenges, we strongly believe the best days lay ahead for each of these franchises. We are confident in our plans for growth, and have seen this pattern play out many times over the long histories of these live Virtual Worlds.

Meantime, Season 2 of *THE FINALS* is scheduled for March of this year and is expected to stimulate engagement among new and existing players. The team has already made multiple patches and updates to the game, operating at a speed that has not been seen before, thanks to our proprietary game development tech stack. And our plan is to begin a robust and sustained marketing campaign starting with Season 2. *THE FINALS* is already the strongest start of any Virtual World in Nexon's history, and we will implement a relentless cadence of content updates – running a marathon at a sprint pace.

This game offers a clear opportunity to become a new and sustainable pillar of Nexon's global franchise strategy.

## **SUMMARY**

This year, Nexon will celebrate its 30th anniversary as a pioneer and leader in online games. From the beginning, Nexon has focused on building immersive Virtual World franchises that grow over years and decades.

Although our Q4 results and Q1 outlook do not reflect Nexon's larger growth trend, we remain highly confident in our long-term strategy. We have experienced and overcome these near-term challenges many times and proven that with frequent content updates and high-quality new games, backed by world-class Live Operations, Nexon grows its business at a steady, if non-linear rate. Periods of flat or even declining revenue are often closely followed by a new interval of dynamic growth.

Nexon's core strengths give us high confidence in the future:

- A powerful base of massive existing franchises
- A successful launch of a fourth major franchise, *THE FINALS*
- A strong slate of new online games, including *Dungeon&Fighter Mobile* in China, as well as the second game from Embark Studios, *ARC Raiders*, *The First Berserker: Khazan*, *The First Descendant*, and *MABINOGI MOBILE*
- A proprietary tech stack of proven tools for building and operating Virtual Worlds

When we look to 2024 and the years ahead, we see past the short-term obstacles. Nexon's business is defined by a solid foundation and the potential for significant, step-function growth.

For investors, that represents a compelling asymmetric upside opportunity from a company with a robust track record of growth and innovation.

## BUSINESS UPDATE

### Q4 2023 Results

Nexon experienced both short-term setbacks as well as successes in Q4. We had a marketing challenge in *MapleStory* and an issue with the in-game economy in *Dungeon&Fighter*. *FC ONLINE* also performed lower than our expectation. As a result, our fourth quarter revenue fell short of expectations (4% below our outlook). On the other hand, *THE FINALS* got off to a fantastic start in December with bookings exceeding our own lofty expectations.

Q4 revenue was ¥84.6 billion, up 4% (down 2% on a constant currency basis) year over year. Year-over-year growth of *MapleStory* as well as contributions from *Wars of Prasia*, *MapleStory: The Legends of Maple*, and *THE FINALS* were offset by the decreases of *Dungeon&Fighter*, *FC ONLINE* and *HIT2*.

(Unit: ¥ millions, except per share data)

	Q4 2022	Q4 2023 Outlook		Q4 2023	YoY %
<b>Revenues</b>	<b>¥81,095</b>	<b>¥87,921</b> ~	<b>¥96,158</b>	<b>¥84,577</b>	<b>4%</b>
PC	54,152	61,370 ~	66,582	59,804	10%
Mobile	26,943	26,551 ~	29,576	24,773	(8%)
<b>Operating income</b>	<b>10,968</b>	<b>11,364</b> ~	<b>17,819</b>	<b>4,546</b>	<b>(59%)</b>
<b>Net income (loss)</b>	<b>(7,591)</b>	<b>8,857</b> ~	<b>13,878</b>	<b>(41,887)</b>	<b>na</b>
Earnings (Loss) per share	(8.79)	10.44 ~	16.36	(49.47)	
Exchange rates					
100 KRW/JPY	10.42	11.09	11.09	11.22	8%
CNY/JPY	19.95	20.69	20.69	20.59	3%
USD/JPY	141.59	149.60	149.60	147.89	4%

Operating income was ¥4.5 billion, down 59% (down 60% on a constant-currency basis) year over year. It was below our expectation due to revenue underperformance, as well as several one-time expenses including:

- An update in a retention incentive plan during the quarter, which resulted in an additional expense of ¥3.3 billion
- An impairment loss of ¥1.4 billion recorded primarily on prepaid royalties for *KartRider: Drift*, which is developed in a joint venture
- The recognition of a penalty of ¥1.3 billion imposed by the Korean Fair Trade Commission alleging Nexon engaged in an unfair trade practice in the past

Net loss was ¥41.9 billion, below our outlook due to operating income underperformance, FX loss of ¥9.3 billion primarily on U.S. dollar-denominated cash deposits, and an impairment loss of ¥44.4 billion on the investment in AGBO, which is booked as an equity-method company.

While our belief in AGBO's ability to deliver significant value by adapting Nexon IP for new formats remains undiminished, recent events – including an entertainment industry strike and lower demand for new streaming content – has slowed our progress. In recognition of this, we took an impairment loss of ¥44.4 billion on our investment in AGBO.

## Results by Region

(Unit: ¥ millions)

	Q4 2022	Q4 2023		YoY % Change	
		As-Reported	Constant Currency	As-Reported	Constant Currency
<b>Revenue by Region</b>					
Korea	¥50,951	¥52,462	¥48,734	3%	(4%)
China	17,692	15,133	14,420	(14%)	(18%)
Japan	2,788	2,879	2,770	3%	(1%)
North America and Europe	4,588	8,162	7,702	78%	68%
Rest of World	5,076	5,941	5,540	17%	9%
<b>Nexon Total</b>	<b>81,095</b>	<b>84,577</b>	<b>79,166</b>	<b>4%</b>	<b>(2%)</b>
<b>Revenue by Platform</b>					
PC	54,152	59,804	56,087	10%	4%
Mobile	26,943	24,773	23,079	(8%)	(14%)
<b>Nexon Total</b>	<b>81,095</b>	<b>84,577</b>	<b>79,166</b>	<b>4%</b>	<b>(2%)</b>
<b>FX Rate</b>					
100 KRW/JPY	10.42	11.22	10.42	8%	
CNY/JPY	19.95	20.59	19.95	3%	
USD/JPY	141.59	147.89	141.59	4%	

## Korea

Revenues from our Korea business were ¥52.5 billion, up 3% (down 4% on a constant-currency basis) year over year. Revenues were 5% below the outlook due to the lower-than-expected performances of *MapleStory* and *FC ONLINE*.

*MapleStory*'s revenue was up 54% year over year. In November, a promotional video made by a production company in Korea created a controversy, which led to negative consumer reaction. While addressing player concerns, Nexon suspended marketing and throttled back

on monetization. This issue is now largely resolved, however, Q4 revenue from the game fell short of our expectations.

*FC ONLINE*'s revenues were lower than our outlook as the content update offered in Q4 did not resonate with players to the degree we had expected. Year over year, revenue decreased due to a tough comparison with last year's Q4, when the World Cup was held.

All in, PC revenues in Korea increased by 22% year over year driven by the growth of *MapleStory* and a contribution from *Wars of Prasia*. Mobile revenues decreased by 29% year over year. The continued growth from *EA SPORTS FC™ MOBILE* ("*FC MOBILE*") and *Blue Archive* as well as a contribution from *Wars of Prasia* were more than offset by revenue decreases from *HIT2* and *Dungeon&Fighter Mobile*.

### **China**

Revenues from our China business were ¥15.1 billion, down 14% (down 18% on a constant-currency basis) year over year. While we benefited from *MapleStory: The Legends of Maple*, this was more than offset by the decrease in *Dungeon&Fighter*'s revenue. Revenues were 8% below our expectations due to the lower-than-expected performance of *Dungeon&Fighter*.

*Dungeon&Fighter* was trending as expected until late December when we experienced an unexpected imbalance in the in-game economy, which resulted in lower-than-expected revenue. In Q4, its MAUs, paying users, ARPPU, and revenue all decreased year over year. MAUs dropped modestly relative to the paying users and ARPPU. All metrics declined quarter over quarter in line with weak seasonality.

### **Japan, North America and Europe, Rest of World**

Revenues from Japan were approximately flat year over year and were in line with our expectations. Growth in *MapleStory* and *Blue Archive* as well as a contribution from *DAVE THE DIVER* were offset by decreases from older mobile titles.

Revenues from North America and Europe grew 78% year over year, primarily driven by contributions from *THE FINALS* and *DAVE THE DIVER*, as well as growth in *MapleStory* and *MapleStory M*, but was below our expectations. While bookings of *THE FINALS* exceeded our expectations, some portion was deferred and, as a result, its Q4 revenue was lower than expected.



Revenues from the Rest of World came in within our outlook, increasing by 17% year over year, driven by a contribution from *HIT2* and growth in *Blue Archive*, which were partially offset by decreases in *MapleStory* and other mobile titles.

## Player Metrics

Average MAUs in Q4 reached 17.4 million, up 22% year over year and up 21% quarter over quarter. While MAUs of *Dungeon&Fighter* in China and *FC ONLINE* were down year over year, MAUs increased, driven by *THE FINALS* and *MapleStory* in Korea. Keep in mind that the MAUs of *THE FINALS* are diluted when calculating the quarterly average MAUs as the game contributed for just one month in Q4.

Average PUs in Q4 were 3.2 million, up 7% year over year, driven by the launch of *THE FINALS*. ARPPU was ¥8,104, down 9% year over year, reflecting the slower purchasing behavior in our major franchises.

	Q1 2022	Q2 2022	Q3 2022	Q4 2022	Q1 2023	Q2 2023	Q3 2023	Q4 2023	YoY%
<b>PC and Console KPI</b>									
MAU (millions)	13.4	13.7	14.1	14.3	15.5	14.3	14.1	17.4	22%
Pay Rate	22.5%	22.7%	21.0%	20.6%	22.5%	22.5%	23.7%	18.2%	
ARPPU (as-reported)	12,606	9,108	11,040	8,929	15,074	9,553	11,230	8,104	(9%)

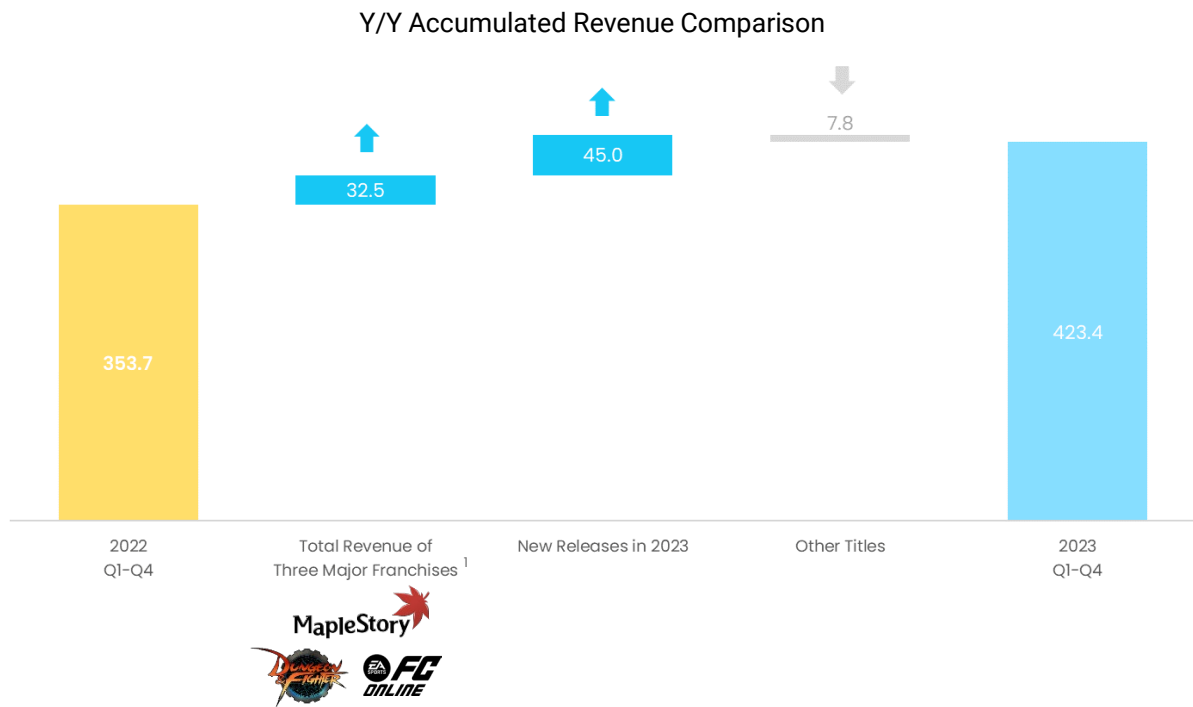
## Full-Year 2023 Results

2023 was a strong year for Nexon. We achieved record-breaking full-year revenues and operating income. Our three biggest franchises grew, and we launched several successful new games which contributed to the year-over-year growth. As a result, revenue was ¥423.4 billion, up 20% (up 14% on a constant-currency basis) year over year.

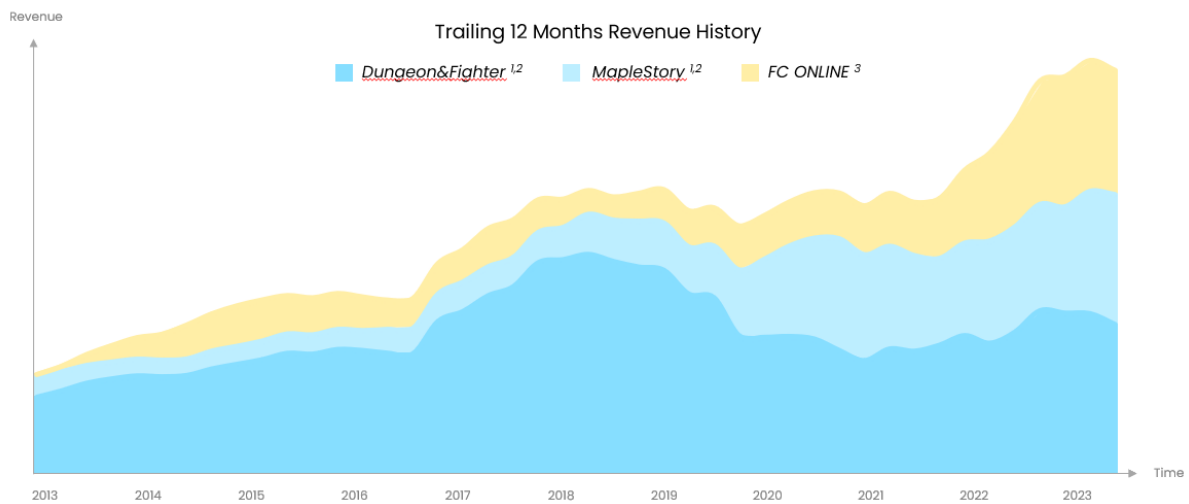
- *Korea MapleStory*: achieved record-breaking full year revenue in its 20th year, driven by a long-awaited large update (sixth job advancement) in July.
- *FC ONLINE*: continued its strong momentum following the 2022 World Cup and achieved record-breaking full year revenues, despite the high hurdle of FY2022.
- China *Dungeon&Fighter*: achieved solid full-year revenue growth driven by strong Lunar New Year packaged-item sales.
- Significant year-over-year growth in *FC MOBILE* and *Blue Archive*.
- Collectively strong contributions came from newly released *Wars of Prasia*, *DAVE THE DIVER*, *MapleStory: The Legends of Maple*, and *THE FINALS*.

The aggregated revenue of *Dungeon&Fighter*, *MapleStory*, and *FC ONLINE* was ¥256.1 billion, which was up 15% year over year, representing 61% of 2023 revenue (as compared to 63% in

2022), and accounted for 47% of growth in 2023. Titles released in 2023 generated ¥45.0 billion and contributed to 65% to the top line growth.



<sup>1</sup> MapleStory and Dungeon&Fighter revenues consist of total global PC revenues. EA SPORTS FC™ ONLINE revenue consists of revenues from EA SPORTS FC™ ONLINE (PC) and EA SPORTS FC™ ONLINE M (mobile).



1 PC only  
 2 Global revenues  
 3 Official titles are EA SPORTS FC™ ONLINE (PC) and EA SPORTS FC™ ONLINE M (mobile).

Operating income was ¥134.7 billion, up 30% on an as-reported basis (up 25% on a constant-currency basis) year over year. Our operating income margin went up from 29% in 2022 to 32% in 2023 driven by strong top-line growth while HR cost increased due to further

investments in new talent for both new and live games, as well as performance-based bonuses for the strong 2023.

Net income was ¥70.6 billion, down 30% on an as-reported basis (down 32% on a constant-currency basis) year over year. Year-over-year decrease in net income was mainly attributable to:

- Decreased FX gain (¥10.4 billion in 2023 vs. ¥41.7 billion in 2022)
- Impairment loss of ¥44.4 billion on the AGBO investment
- Increased tax expense (¥54.8 billion in 2023 vs. ¥40.5 billion in 2022)

(Unit: ¥ millions)

	2022	2023		YoY % Change	
		As-Reported	Constant Currency	As-Reported	Constant Currency
<b>Revenue by Region</b>					
Korea	¥212,900	¥255,330	¥241,170	20%	13%
China	86,391	100,488	97,406	16%	13%
Japan	10,523	11,933	11,519	13%	9%
North America and Europe	20,051	27,704	26,039	38%	30%
Rest of World	23,849	27,901	26,358	17%	11%
<b>Nexon Total</b>	<b>353,714</b>	<b>423,356</b>	<b>402,492</b>	<b>20%</b>	<b>14%</b>
<b>Revenue by Platform</b>					
PC	243,912	304,178	289,919	25%	19%
Mobile	109,802	119,178	112,573	9%	3%
<b>Nexon Total</b>	<b>353,714</b>	<b>423,356</b>	<b>402,492</b>	<b>20%</b>	<b>14%</b>
<b>Operating income</b>	<b>103,696</b>	<b>134,745</b>	<b>129,293</b>	<b>30%</b>	<b>25%</b>
<b>Net income</b>	<b>100,339</b>	<b>70,609</b>	<b>68,143</b>	<b>(30%)</b>	<b>(32%)</b>
Earnings per share	114.74	82.89			

## Q1 2024 Outlook

We expect a year-over-year revenue decline in our major franchises due in part to changes to the business model of one of the major items in *MapleStory* as well as imbalance in the in-game economy in China *Dungeon&Fighter*. In addition, we are facing tough comparisons with *Dungeon&Fighter* and *FC ONLINE*, owing to the strong performance we achieved in the year ago quarter. Our topline grew 36% year over year in the last Q1, primarily driven by these franchises. Despite the anticipated decrease in year-over-year revenue, Q1 2024 is expected to be the second-highest Q1 revenue in Nexon history.

We expect our Q1 group revenues to be in the range of ¥97.1 billion to ¥107.1 billion, representing a 22% to 14% decrease (27% to 19% decrease on a constant-currency basis)

year over year. While we expect contributions from *THE FINALS* and *MapleStory: The Legends of Maple*, these are expected to be offset by year-over-year decreases of *Dungeon&Fighter*, *FC ONLINE* and *MapleStory*.

We expect operating income to be in the range of ¥15.2 billion to ¥23.4 billion, representing a 73% to 58% decrease (74% to 60% decrease on a constant-currency basis) year over year.

Key drivers affecting performance are expected to include:

- Decreased revenues, partially offset by lower royalties and PG fees
- Slightly decreased marketing expense
- Increased HR costs primarily due to headcount increase for new game development
- Increased miscellaneous costs including cloud service costs and outsourcing fees
- One-time costs related to reorganization in some group companies

We expect net income to be in the range of ¥16.4 billion to ¥22.9 billion, representing a 69% to 57% decrease (70% to 58% decrease on a constant-currency basis) year over year primarily due to operating income decrease.

(Unit: ¥ millions, except per share data)	Q1 2023	Q1 2024 Outlook		YoY %	
<b>Revenues</b>	<b>¥124,087</b>	<b>¥97,122</b>	~	<b>¥107,112</b>	<b>(22%)</b> ~ <b>(14%)</b>
PC	93,070	71,956	~	79,146	(23%) ~ (15%)
Mobile	31,017	25,166	~	27,966	(19%) ~ (10%)
<b>Operating income</b>	<b>56,275</b>	<b>15,158</b>	~	<b>23,360</b>	<b>(73%)</b> ~ <b>(58%)</b>
<b>Net income</b>	<b>52,791</b>	<b>16,354</b>	~	<b>22,919</b>	<b>(69%)</b> ~ <b>(57%)</b>
Earnings per share	61.63	19.47	~	27.29	
FX Rate Assumptions					
100 KRW/JPY	10.41	11.06		11.06	6%
CNY/JPY	19.34	20.49		20.49	6%
USD/JPY	132.34	147.06		147.06	11%

## **Korea**

In Q1 2023, we achieved 36% year-over-year growth. Given the challenging year-over-year comparison for *FC ONLINE* and the monetization change on one of the major items in *MapleStory*, we expect revenues from our Korea business to be in the range of ¥51.0 billion to ¥55.0 billion, representing a 21% to 15% decrease (26% to 20% decrease on a constant-currency basis) year over year.

We expect *FC ONLINE* to decline year over year due to the challenging comps from Q1 2023 when the momentum sustained and accelerated following the World Cup. However, we expect the game to achieve the second highest Q1 revenue in its history.

As explained previously, we expect a short-term negative impact on *MapleStory's* revenue as we discontinued sales of a major probability-based item and transitioned to a business model that offers the same experience, paid for with in-game currency rather than a cash transaction, to create a more enjoyable experience. As a result, we expect its Q1 revenue to decrease on a year-over-year basis. However, we believe this transition will result in a long-term improvement in player satisfaction and engagement.

Mobile revenues are expected to decrease year over year due to *FC ONLINE M* and *HIT2*.

## **China**

Largely due to the soft performance of *Dungeon&Fighter*, we expect revenues from our China business to be in the range of ¥25.6 billion to ¥29.8 billion, representing a 40% to 31% decrease (44% to 35% decrease on a constant currency basis) year over year.

We expect *Dungeon&Fighter's* Q1 revenue to be down year over year. The imbalance issues that affected the game's economy in late December carried over into Q1. While we introduced the Lunar New Year update on January 11, the packaged-item sales have not performed as expected due to these issues. Throughout 2024, we will not only double the amount of new content added in 2023, but also accelerate the update process. This will include the renewal of the existing characters, the introduction of new characters, a renovation of the existing item system, collaboration with popular IP, plus more raids and other high-end content to stimulate player engagement and balance the in-game economy.

## Japan, North America and Europe, Rest of World

In Japan, we expect revenues to be in the range of ¥3.0 billion to ¥3.3 billion, representing a 18% to 8% decrease (20% to 11% decrease on a constant-currency basis) year over year. We expect year-over-year growth of *MapleStory* to be offset by a year-over-year decrease in *Blue Archive* and terminated mobile titles.

In North America and Europe, we expect revenues to be in the range of ¥10.0 billion to ¥10.9 billion, representing a 94% to 111% increase (77% to 93% increase on a constant-currency basis) year over year, driven by the strong contribution from *THE FINALS* and year-over-year growth of *MapleStory*. We expect to generate revenues from *THE FINALS* steadily with the introduction of Season 2 in March.

In the Rest of World, we expect revenues to be in the range of ¥7.5 billion to ¥8.1 billion, representing a 2% to 11% increase (4% decrease to 4% increase on a constant-currency basis) year over year, driven by the contributions from *HIT2* and *THE FINALS*.

## Key Updates and Pipeline

In Q1, we are scheduled to introduce major updates for all of our flagship franchises. In addition, Season 2 of *THE FINALS* will go live in March.

## 2024 Content Update Schedule

TITLE	2024 Q1	2024 Q2
<b>China Dungeon&amp;Fighter</b>	<ul style="list-style-type: none"><li>• Lunar New Year Update (January 11th)</li><li>• Character Renewal (February, March)</li><li>• Renovation of the Existing Items (March)</li></ul>	<ul style="list-style-type: none"><li>• Labor Day Update (April)</li><li>• Collaboration with Popular IP (April)</li><li>• Anniversary Update (June)</li></ul>
<b>Korea MapleStory</b>	<ul style="list-style-type: none"><li>• The 6th job change - Mastery Core (January 18th)</li><li>• Epic Dungeon: High Mountain (February 22nd)</li></ul>	<ul style="list-style-type: none"><li>• The 21st Anniversary Update (April)</li></ul>
<b>FC ONLINE</b>	<ul style="list-style-type: none"><li>• TOTY - "Team of the Year" (January 20th)</li></ul>	<ul style="list-style-type: none"><li>• TOTS - "Team of the Season" (TBD)</li></ul>
<b>THE FINALS</b>	<ul style="list-style-type: none"><li>• Season 2 Release (March)</li></ul>	<ul style="list-style-type: none"><li>• TBU</li></ul>

On the new games, we made the following progress and announcements from December to date.

- *The First Descendant*: announced a launch in the summer of 2024
- *The First Berserker: Khazan*: completed a Focus-Group Test in February
- *Dungeon&Fighter Mobile* in China: acquired an ISBN license in February

## **CASH FLOW AND CAPITAL ALLOCATION**

Cash flows from operating activities were ¥128.7 billion from operating activities, down ¥1.4 billion from ¥130.1 billion in 2022). The primary reason that cash flows from operating activities were down year over year, despite the significant growth in Operating Income, was due to lower realized FX gains in 2023 vs. 2022, as well as a higher tax payment in 2023.

As for capital allocation policy, we executed share repurchases of ¥30 billion worth of shares from November 2023 to January 2024. Consequently, in January 2024, we completed our ¥100 billion share repurchase policy that we announced in August 2022.

Also, our Board of Directors has authorized a new ¥100 billion stock repurchase policy that we expect to complete over the next three years. We plan to conduct the share repurchase by February 2027 by considering several factors including investment opportunities, financial and market conditions.

Looking ahead, we will continue to evaluate opportunities to enhance shareholder return.

## **CONCLUSION**

In closing, Nexon's management is highly confident in our ability to address the near-term challenges raised in the key franchises in Q4 and Q1. We are extremely pleased with the launch of *THE FINALS* and excited about Season 2 which Embark Studios is planning to deliver in March. Our years of experience sustaining blockbuster franchises with Live Operations and fresh content, as well as our plans for launching multiple new games in 2024, make us confident that Nexon is in position to deliver another burst of dynamic growth.