

FY2025 Q1 Earnings Conference (May 13th, 2025)

Q&A Summary

【Q】 You seem to be more confident in *Dungeon&Fighter*'s recovery compared to the last earnings call. Specifically, where did you see improvement in metrics? Also, could you elaborate more on China's recovery, while Korea delivered solid growth?

【A】 Junghun Lee (Chief Executive Officer)

Our Q1 results and the Q2 outlook begin with the recognition of a clear improvement in the performance of *Dungeon&Fighter* both in Korea and China. While the Korea service delivered immediate growth after the new year update, we expect gradual recovery for China as we are just improving from the challenges we faced last year.

The other factor is the difference in market size between China and Korea. In China, the player base for *Dungeon&Fighter* is more than 10 times bigger than in Korea. Therefore, we believe it will take more time to create momentum across the entire community when introducing content updates.

However, the content we carefully prepared over the past year was very well received by players in Korea. We are therefore hopeful that this favorable trend will also continue in China.

【A】 Shiro Uemura (Chief Financial Officer)

Toward the second half of the year, we expect *Dungeon&Fighter* in Korea to show solid growth, as all the KPIs improved this quarter.

For *Dungeon&Fighter* in China, we did not see a year-over-year increase in user numbers in Q1. However, we implemented the content update and an improved progression system, which improved the in-game economy. As a result, recent KPIs, including DAUs, are showing signs of a turnaround.

The Labor Day update is delivering strong sales, and we expect year-over-year revenue growth in Q2. We will continue to operate the game carefully to achieve stable growth while encouraging inactive users to return.

【Q】 Your Q1 revenue was within your guidance, but operating income was meaningfully above guidance. Is this due to lower spending or higher-margin titles doing better than lower-margin titles?

【A】 Shiro Uemura (Chief Financial Officer)

The first reason for operating income outperformance is that marketing costs were lower than we initially expected. Secondly, performance-based bonuses were lower than expected due to underperformance in *Dungeon&Fighter Mobile*.

【Q】 For *Dungeon&Fighter Mobile*, what metrics are you focusing on for the upcoming 1st year anniversary event?

【A】 Shiro Uemura (Chief Financial Officer)

For *Dungeon&Fighter Mobile* in China, we successfully curbed user churn last quarter by implementing a level cap increase. Following that, we aimed to recover user numbers through the Lunar New Year update, but both revenue and DAUs fell short of our expectations.

Given these circumstances, our next steps are clear. First, we will pursue a hyperlocalization strategy to further tailor our content for the evolving Chinese market. Second, we will introduce more diversified content to continuously attract users. We are working closely with our partners at Tencent through ongoing co-development.

For the upcoming first anniversary, our focus is on improving player engagement and mitigating user churn.

【Q】 Could you explain why marketing expenses in Q1 were lower than initially planned? Also, could you share the upside and downside factors affecting costs in Q2?

【A】 Shiro Uemura (Chief Financial Officer)

We always consider effectiveness when allocating marketing expenses.

If we determine that we have already achieved sufficient results or additional spending is unnecessary, we may spend less marketing expenses than originally planned.

For our Q2 cost outlook, titles tied to performance-based bonuses have somewhat settled down. Marketing expenses may fluctuate depending on circumstances, however, we do not anticipate any significant upside or downside in overall costs.

【Q】 Are you expecting performance-based bonuses for *MABINOgi MOBILE*?

【A】 Shiro Uemura (Chief Financial Officer)

MABINOgi MOBILE is a title developed by a joint venture, not by us. Therefore, no performance-based bonuses will be paid out.

【Q】 Even though *The First Berzerker: Khazan* has gained good review scores, sales did not reach your expectations. How do you analyze this? Also, are you planning any marketing strategies to improve sales?

【A】 Junghun Lee (Chief Executive Officer)

As we mentioned in our last earnings call, *Khazan* is a strategic project designed to introduce the *Dungeon&Fighter* franchise to a global audience, particularly in Western markets. Our priority has been positive user reception rather than sales volume in both the Western and the global market.

Positive reviews and ratings exceeded our initial expectations. We believe *Khazan* has successfully fulfilled its objective as the franchise's first strategic step toward global expansion, while also setting the stage for two upcoming titles slated for release by 2027: Project OVERKILL and *Dungeon&Fighter: ARAD*.

I would like to also reiterate on two further aspects. First, our partners at Tencent are currently localizing *Khazan*, and preregistration began in April. With this, we are looking forward to the significant opportunities in the large market of China.

Secondly, we remain strongly committed to our fans by continuing to update *Khazan* with quality improvements and future content updates to enhance overall value. To further expand our user base, we are also exploring comprehensive sales and marketing strategies for the second half of the year.