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Earnings Letter: Q1 2025

TABLE OF CONTENTS

MANAGEMENT SUMMARY.....2

 Q1 RESULTS AND Q2 OUTLOOK3

 FRANCHISE OVERVIEW.....3

SHAREHOLDER RETURN7

SUMMARY8

MANAGEMENT SUMMARY

Nexon's performance in the first quarter provided a strong demonstration of both our 2025 priorities and IP Growth Initiative with turnaround performances in key titles – *Dungeon&Fighter* and *MapleStory* – as well as successful launches of new games – *The First Berserker: Khazan* and *MABINOGLI MOBILE*. Most notably, *Dungeon&Fighter* in Korea achieved record-high quarterly revenue as it more than doubled its MAUs and PUs versus a year ago. Also, *MapleStory* in Korea drove strong improvements to key metrics including DAUs, pay rate, and ARPPU, and delivered 43% growth year over year in its 22nd year of service. Together, Nexon's three biggest franchises delivered 21% year-over-year growth – up from 8% in Q4.

Additionally, we are making solid progress in our partnership initiatives with Tencent, which includes new co-developed content for *Dungeon&Fighter Mobile* coming to China later this year and pre-registrations for *THE FINALS* and *The First Berserker: Khazan*.

In short, Nexon is delivering on its promises to both players and investors.

In a broader context, we believe Nexon is positioned for stability and growth, despite the volatile economic climate. This is based on several advantages which, collectively, uniquely insulate our company from the impact of sector challenges, economic uncertainty, and tariffs, including: recurring revenue from multiple established franchises; a clear growth strategy with a promising pipeline of new games in development; strategic partnerships for capturing new growth opportunities in large markets; world-class live operations; a balance sheet with approximately ¥600 billion in cash which can be used to drive new opportunities and to enhance shareholder returns. Finally, the game sector is historically resistant to macroeconomic challenges and our portfolio of digital entertainment is not expected to be impacted by tariffs.

Q1 RESULTS AND Q2 OUTLOOK

Q1 revenue was up 5% year over year and came within our expectations at ¥113.9 billion. Operating income was ¥41.6 billion, exceeding our outlook. Stronger-than-expected performances of our major titles like *Dungeon&Fighter* (PC) and *MapleStory* drove higher margin, plus costs came in below our plan. Year over year, operating income increased by 43%, driven by the collective strong growth of our three key franchises and a Q1 2024 one-time impairment loss of ¥6.2 billion which did not repeat this year. This was achieved while investing to expand our IP portfolio.

Our performance in Q1 reflects meaningful progress in strengthening key titles, particularly *Dungeon&Fighter* and *MapleStory*, plus strategic progress with brand extensions on established franchises.

In Q2, we expect revenue to be in the range of ¥99.6 billion to ¥110.3 billion, down 19% to 10% year over year, and operating income to be in the range of ¥22.5 billion to ¥31.1 billion, down 50% to 31% year over year. This outlook reflects negative FX headwinds of approximately 10%. On a constant-currency basis, we expect revenue to be down 9% to up 1% and operating income to be down 45% to 24% versus a year ago quarter.

Despite the extremely challenging comparison with Q2 2024 when the launch of *Dungeon&Fighter Mobile* in China helped to drive 30% year-over-year growth in Group revenue, we expect Q2 2025 revenue to be largely similar to last year on a constant-currency basis. This is attributable to strong growth expected from *Dungeon&Fighter* (PC) and *MapleStory* plus a solid contribution from new games, particularly *MABINOgi MOBILE*.

FRANCHISE OVERVIEW

Dungeon&Fighter Franchise:

In Q1, the franchise delivered 60% year-over-year growth, driven by contributions from *Dungeon&Fighter Mobile* in China and the global release of *The First Berserker*:

Khazan. The PC version of *Dungeon&Fighter* posted strong growth in Korea, nearly doubling revenue from a year ago. In China, the game delivered solid improvements resulting in revenue at the high end of our outlook.

Looking ahead, in Q2, we expect the franchise to decline by approximately 40% due to a difficult comparison with the explosive launch of *Dungeon&Fighter Mobile* one year ago which increased franchise revenue by 162%, partially offset by growth from *Dungeon&Fighter* (PC) and a contribution from *The First Berserker: Khazan*.

- ***Dungeon&Fighter* (PC):** Q1 revenue in China came in at the high end of our outlook. In the course of the quarter, the new year update resonated with players, providing solid improvements to the in-game economy balance and generating an increase in daily active users. While Q1 revenue declined year over year, we saw improvement throughout the quarter. More recently, we are pleased with the performance of the labor day update which was released on April 24 and expect Q2 revenue to return to year-over-year growth.
In Korea, the new year update delivered a powerful turnaround with new momentum and record-high quarterly revenue with 93% year-over-year growth. Both MAUs and PUs more than doubled year over year. We expect the good momentum to continue in Q2.
- ***Dungeon&Fighter Mobile*:** DAUs tracked below our expectations, resulting in Q1 revenue which fell short of our outlook. In Q2, the game will celebrate its one-year anniversary in China with new content and promotions designed to energize the base and attract new players. However, due to seasonality, we anticipate a sequential decline in Q2 revenue.
On a positive note, the introduction of new types of experience – such as the roguelike content – generated favorable player response. The Neople team remain committed to providing quality updates. Additionally, new content co-developed with Tencent is expected to be released later this year.
- ***The First Berserker: Khazan*:** The game made a global debut on March 28 with great ratings from both players and critics, scoring a player rating of 90 on Open Critic, an 83 for the PC game on Metacritic, and an 88 on Steam. While revenue in Q1 was below our outlook, the game achieved our objective as a

strategic first step in a multi-year plan to introduce Dungeon&Fighter IP to a global audience. The strategy has set the stage for two new experiences – Project OVERKILL and *Dungeon&Fighter: ARAD* – planned for release by 2027. Additionally, our partners at Tencent opened pre-registration for a Chinese adaptation of *The First Berserker: Khazan*.

MapleStory Franchise:

In Q1, franchise revenue returned to growth, increasing 8% year over year, primarily driven by the strong performance of *MapleStory* in Korea and the West. In Q2, we expect the franchise to accelerate growth to approximately 20% year over year.

- **Korea MapleStory:** The large-scale winter update introduced in December drove strong improvements to player engagement, represented by key metrics including DAUs, pay rate, and ARPPU. Q1 revenue reached 43% year-over-year growth, exceeding our expectations. Last month, *MapleStory* celebrated its 22nd anniversary with a major content update and events. In the coming months, we will release a rich pipeline of new content including a large-scale summer update designed to sustain the favorable trend.
- **Global MapleStory:** Q1 revenue exceeded our outlook but declined year over year compared to the record-high sales in Q1 2024 which provided a large and highly anticipated update. However, service in Western markets continued to demonstrate strength with a 35% year-over-year revenue growth. This performance was driven by the hyperlocalized content developed by our team in Los Angeles which included direct interactions with local communities, events, and promotions that match the specific tastes of players in the region. We expect Global *MapleStory* to grow year over year in Q2.
- **MapleStory Worlds:** Q1 revenue increased by 11% year over year. We expanded the service region into Europe in January and expanded into Asia in April. Given the continued strength in Korea as well as regional expansion, we expect its Q2 revenue to continue to grow year over year.
- **MapleStory Universe Project:** The blockchain-based PC MMORPG *MapleStory N* is slated for release on May 15, in select markets around the world. The game uses blockchain technology to track and reward players' in-game

achievements and content contributions. The project is expected to provide valuable insights on how games can recognize and reward player engagement.

FC Franchise:

FC ONLINE's Q1 revenue exceeded our expectations driven by solid sales from our TOTY (Team Of The Year) feature, while *FC MOBILE* fell short of expectations. Overall, FC franchise revenue declined year over year in Q1, but came within the expected range. Looking ahead, we expect the franchise revenue to decline year over year in Q2. We remain committed to delivering a great game experience and anticipate increased player excitement as we get closer to the World Cup in the summer of 2026.

Mabinogi Franchise:

Off to a great start following the March 27 launch in Korea, *MABINOgi MOBILE* performed significantly better than our expectations. At launch, the game has been the #1 most popular and #3 grossing game on Android and the #1 grossing game on iOS. It demonstrated broad appeal with strongly positive feedback.

Shooters:

- ***The First Descendant***: Q1 revenue fell below our expectations as the second episode of Season 2 did not generate the anticipated level of sales, but improved player metrics including AUs and ACUs. To celebrate the game's first anniversary, a Season 3 "Breakthrough" update will bring fresh excitement to the game in July with new open fields, monsters, large-scale battles, cooperative gameplay and more.
- ***THE FINALS***: Q1 results came in at the higher range of our outlook supported by the well-received Season 6 update introduced in March, which produced a pickup in key metrics including AUs and ARPPU. Additional momentum is expected from a downloadable content package planned for May. And recently, our partners at Tencent opened pre-registration in China and are planning a test in 2025.

- **ARC Raiders:** Excitement is building about the gorgeous and lethal post-apocalyptic universe featured in our new PvPvE game from Embark Studios. Earlier this month, Embark Studios hosted a large, global tech test which for the first time revealed the game's intense, tactile PvPvE gameplay and progression system. The response from players widely exceeded our expectations:
 - We set a goal for five million YouTube Views and got more than 20 million;
 - We set a goal to be a top-10 viewed game on Twitch, and reached the top six;
 - We exceeded our wishlist goal on Steam by more than 50%.

The game performed well – particularly in Western markets – and the early retention rate showed a 25-point improvement over the previous test conducted in Q4 last year. The team is now working to integrate player feedback and polish the game ahead of a launch.

Use these links to see our new *ARC Raiders* trailers:

- [Tech Test 2 Trailer](#)
- [Thank you, Raiders](#)

SHAREHOLDER RETURN

We started the execution of a ¥50 billion share repurchase plan on February 14 as a part of the one-year ¥100 billion share repurchase policy. Through the end of April, we have acquired approximately 14.8 million shares for ¥30.3 billion. We are scheduled to complete the purchase of the remaining ¥19.7 billion worth of shares by June 30, 2025.

After the acquisition of the first ¥50 billion of the plan, we intend to buy the remaining ¥50 billion by February 2026, with the consideration of factors including investment opportunities, financial conditions, and the market environment.

SUMMARY

To sum up Nexon's Q1 performance and Q2 outlook, we have established clear and measurable progress on a set of objectives that will define our full-year and move us toward the financial targets established in our IP Growth Initiative.

We prioritized a turnaround in key franchises and saw positive outcomes from our investments in improving gameplay.

We delivered two new titles on schedule – successful games that serve as strategic steps in a larger plan for establishing brand extensions on proven IP. And we are hitting milestones in our partnership agreement with Tencent that includes new content for *Dungeon&Fighter Mobile* coming to China later this year and pre-registration for *THE FINALS* and *The First Berserker: Khazan*.

Our Q1 results and Q2 guidance demonstrate confidence that we are making the decisions and investments that will deliver growth.

Nexon is on a path to sustained growth. Our multiple established franchises, a promising pipeline, world-class live operations, a clear multi-year growth strategy, strategic partnerships for capturing new growth opportunities in large markets; recurring revenues and cash flows, plus a balance sheet with approximately ¥600 billion in cash put Nexon on a path shared by only a handful of companies in our sector.

It is a path that gives us confidence that Nexon can and will continue to deliver on our promises to players, and to our investors.