NEXON Co., Ltd.

Q2 2026 Earnings Prepared Remarks

August 13th, 2026

Junghun Lee, ***Representative Director, President and Chief Executive Officer, NEXON Co., Ltd.***
Good afternoon everyone, and thank you for joining our call. Earlier today, Nexon posted a letter, slide deck, and press release detailing our second quarter 2026 performance and our outlook for the third quarter.

On today's call, we will update listeners on our second quarter performance, third quarter outlook, and a longer-term perspective from Nexon Executive Chairman Patrick Söderlund.

But I'll begin with some context on the special dividend announced earlier today. We believe Nexon is uniquely advantaged by the enduring strength of our established franchises, deeply engaged player communities, and a blueprint for delivering both vertical growth from existing IP and horizontal growth from all new games that can compete and win in global markets. Our balance sheet provides abundant resources for investing in new opportunities, and for attracting world class creative talent at a time when much of the industry is pulling back.

Recently, the divestiture of our investments returned ¥106 billion in principal and generated ¥142 billion in gains, bringing our total cash reserves at the end of Q2 to ¥842 billion. Given the size of our reserves and the stability of our business, Nexon's Board has concluded the most direct and equitable way to return that cash to all shareholders is a special dividend of ¥415 per share, totaling approximately ¥324 billion, or 2 billion US dollars, to our shareholders registered as of the end of this September. The special dividend is expected to be approved by our Board in September, and is supplemental to our established policy of returning more than 33% of the prior year's operating income to shareholders through buybacks and semi-annual dividends.

With that, I'll now review our second quarter. Our Q2 results were better than expected, with revenue and operating income both above our outlook. Revenue was ¥121.1 billion, growing 2% year over year. Operating income was ¥31.3 billion, down 17% year over year.

The clear highlights of the quarter came from our **MapleStory franchise** and the ongoing contributions from ***ARC Raiders*****.**

The MapleStory franchise delivered another record-setting quarter, growing 63% year over year. A performance driven by a good showing from the core PC game, alongside two expansion offerings, *MapleStory Worlds* and *MapleStory: Idle RPG*. Our ability to extend the MapleStory franchise with new experiences is a playbook we're developing for other Nexon franchises, including Dungeon&Fighter.

And we are particularly pleased with the enduring strength of ***ARC Raiders***, which recognized more than ¥18.3 billion of revenue in the quarter. Recently surpassing 16.3 million units sold globally, *ARC Raiders* has generated revenue of more than ¥88 billion since the launch in October last year.

Later this year in October, Embark will release *Frozen Trail*, the largest content update since the launch – and one that players are excited about. Packed with a large amount of free content including a new map, new weapons, enemies and gadgets, and new outfits alongside a paid Premium Reward Pass, *Frozen Trail* is designed to reenergize the core, bring back dormant users, and attract new players.

Additionally, in July, our partners at Tencent conducted a Closed Alpha Test of ARC Raiders in China, which exceeded our targets for registrations, and the early feedback on localization quality was very encouraging.

Beyond the enduring commercial success, ARC Raiders stands as proof that Nexon's Embark Studios team has developed a roadmap for creating and publishing games that can break through in highly lucrative Western markets dominated by legacy franchises. It's a new and potent capability for Nexon, and one we intend to replicate at scale.

In short, Nexon's second quarter results came in better than expected. More broadly, our transformation initiative is delivering measurable progress – particularly in regards to cost management. We are managing our full-year HR costs to remain flat year over year. And we are in the process of assigning profit targets for all products and projects, while eliminating low-margin projects and reallocating resources to proven franchises. Together with improved productivity in our game studios related to the integration of new technology, over time, our cost management exercise is expected to improve both margins and operating income.

Looking now to the second half of the year, we have a steady stream of new content which will bring additional revenue into our full-year results.

This includes:

- ***ARC Raiders*** large *Frozen Trail* update coming in October.
- ***MABINOGI MOBILE*** – which launched in Taiwan, Hong Kong, and Macau on July 22, and will debut in Japan in Q4.
- ***Higan: Eruthyll*** – an all-new game that launched in Korea on July 23.
- ***Overwatch*** on PC in Korea – in partnership with Blizzard Entertainment, Nexon's service began yesterday.

- ***DAVE THE DIVER*** – a mobile version for a surprise hit, *DAVE* is tracking for a global launch on September 17.
- ***Arad: Idle RPG*** is scheduled for a fourth-quarter launch. Using a franchise-expansion strategy from MapleStory, *Arad: Idle RPG* is an extension of our Dungeon&Fighter franchise.
- Other releases planned for this year include: ***Azur Promilia***, a fantasy world RPG for PC and mobile in Korea, and ***TEMPPAL: OVERGEARED***, a new full-3D MMORPG based on a popular web novel and webtoon IP, which will launch in Korea, Taiwan, Hong Kong, and Macau.

And our pipeline extends well into 2027 and beyond, including an expansion of the Dungeon&Fighter universe with three new titles: ***Dungeon&Fighter Classic, Dungeon&Fighter: ARAD,*** and finally, **Project OVERKILL**.
Other promising titles in development include a new expansion to the Mabinogi universe: ***Vindictus: Defying Fate***…

And four all-new titles:

- ***NAKWON: LAST PARADISE,***
- ***Woochi the Wayfarer,***
- ***Durango World,***
- **Project RX**,
- Plus two games in the early stage of development at **Embark Studios**.

In summary, the success of our MapleStory expansion strategy and ARC Raiders in the West serve as proof points in our thesis that Nexon is advantaged with a growth strategy that can be applied across our larger IP portfolio. Backed by a strong balance sheet with abundant resources, a transformation initiative focused on improving efficiency and profitability, and world-class creative teams, we are positioning Nexon for long-term growth and profitability.

With that, I'll turn the call over to Uemura-san, who will provide more detail on our second quarter results as well as our third quarter outlook.

Shiro Uemura, ***Representative Director and Chief Financial Officer, NEXON Co., Ltd.***
Thank you, Junghun.

Q2 revenue was ¥121.1 billion and operating income was ¥31.3 billion. Both metrics exceeded our outlook, led by strong performance of the MapleStory franchise.

Year over year, revenue grew 2%, while operating income declined 17%. This reflects a shift in our product mix with higher revenue-linked costs, which include creator fees tied to *MapleStory Worlds*' strong results, and user acquisition costs related to *MapleStory: Idle RPG*, as well as cloud service fees from growing global live services and data usage, along with increased software service fees.

Turning to expenses, relative to our outlook, total costs came in lower than planned. Higher creator fees within the "Other" line of COGS, driven by outperformance of *MapleStory Worlds*, were more than offset by lower-than-planned HR costs on a non-recurring reversal of share-based compensation, as well as lower royalties on the softer-than-expected performance of the FC franchise, along with lower marketing costs.

Much of our recent increase in expenses is variable costs that tie to revenue from new products. In essence, expenses like creator fees, PG fees, performance-based user acquisition costs increase with the success of these new products.

In Q2, net income was ¥29.6 billion, which also exceeded our outlook, driven by the operating income outperformance and a ¥5.5 billion valuation gain on funds. Year over year, it was up 77%, primarily due to a ¥1.7 billion FX loss recognized in Q2, compared to a ¥17.5 billion FX loss recognized in the year-ago quarter.

Shifting to franchise performance, in Q2, the collective revenue of our three major franchises was ¥81.2 billion, down 5% year over year.

Horizontal revenue including new titles was up 20% year over year to ¥39.9 billion, driven by a continued contribution from *ARC Raiders*, which contributed about 15% of our revenue for the quarter.

The **MapleStory franchise** delivered another exceptional performance in Q2, significantly outperforming our outlook with 63% year-over-year revenue growth – a record quarterly high. This was led by *MapleStory Worlds* and *MapleStory: Idle RPG*.

In Korea, ***MapleStory*** delivered a Q2 record. Revenue exceeded our outlook, growing 7% year over year on top of last year's 91% growth, driven by strong sales tied to the June summer update.

Revenue from ***MapleStory Worlds*** outperformed our expectations, growing 123% year over year. This was driven by two new user-generated worlds launched in late April — *Maple Planet* in Korea, and *Maple Star* in Taiwan.

MapleStory: Idle RPG also exceeded our outlook, driven by the April half-anniversary update.

Another strong contributor to our quarter was *ARC Raiders,* which recorded ¥18.3 billion in revenue. By the end of the second quarter, the game had sold in excess of 16.3 million units since launching late last year, and continues to generate strong interest with a vibrant player community in Western markets.

Next, our **Dungeon&Fighter franchise** performed as expected, with revenue declining 44% year over year, as the mobile game outperformed and the PC service tracked our outlook.

Revenue from **PC *Dungeon&Fighter*** in China was within our guidance range but declined year over year, reflecting a soft start to the April new-season update. The June anniversary update delivered solid retention among the core.

In Korea, PC *Dungeon&Fighter*'s revenue declined year over year, reflecting a tough comparison with the prior year and a soft reception to the new-season update in March.

Dungeon&Fighter Mobile revenue in China, which was down year over year, exceeded our Q2 outlook, driven by the May anniversary update and monetization from a new feature.

Moving on to the **FC franchise**, revenue came in below our outlook and declined versus the year-ago quarter, owing to softness in both *FC ONLINE* and *FC MOBILE*.

For ***FC ONLINE***, the World Cup did not translate into the traffic lift we had anticipated, and our user-acquisition efforts also fell short of plan.

As for ***FC MOBILE***, an April update overhauling UI, UX, and graphics led to some technical quality issues, which affected traffic and monetization. Service quality has since stabilized, with traffic recovering since June alongside ongoing UX improvements.

MABINOGI MOBILE revenue declined year over year against the strong launch-quarter base in Q2 2025, and also moderated sequentially.

Now moving on to the Q3 outlook.

In Q3, we expect revenue to be in the range of ¥120.7 billion to ¥133.4 billion, representing a 2% to 12% increase on an as-reported basis or a 3% decrease to 7% increase on a constant-currency basis year over year.

Our Q3 revenue outlook reflects ongoing growth from the MapleStory franchise, as well as contributions from *ARC Raiders,* and *MABINOGI MOBILE* launched in Taiwan, Hong Kong, and Macau on July 22.

Turning to our franchise outlook, we expect the **MapleStory franchise** to sustain its momentum, with revenue growth of approximately 40% year over year, led by *MapleStory Worlds* and *MapleStory: Idle RPG*.

For **PC *MapleStory***, in Korea, we expect revenue to track close to Q3 2025, which grew approximately three times year over year, as the summer update continues with additional content drops.

For **Global *MapleStory***, we expect double-digit year-over-year growth, supported by a hyperlocalized summer update in Western *MapleStory*.

MapleStory Worlds revenue is expected to approximately double year over year, driven by continued strength in *Maple Planet* and *Maple Star*.

For ***MapleStory: Idle RPG***, we expect an ongoing contribution to franchise year-over-year growth, while moderating sequentially.

Next on the **Dungeon&Fighter franchise**, overall, we expect the Q3 franchise revenue to decline year over year.

In China, sales tied to the July summer update for ***Dungeon&Fighter* PC** started strong but have since slowed. However, combined with the September National Day update and new raid content, we expect the revenue performance to improve sequentially. Year over year, revenue is expected to increase, though this is mainly driven by favorable FX translation, with underlying local-currency performance expected to remain roughly flat.

In Korea, we expect a year-over-year decline. We will focus on retention and re-engaging lapsed players with the August anniversary update and new raid content.

For ***Dungeon&Fighter Mobile***, we are planning to release a series of content updates — including a new farming dungeon and multi-character legion content, as well as a new raid timed for the National Day holiday – while expecting revenue to decline year over year.

Next, turning to the **FC franchise**. For Q3, we expect franchise revenue to slightly decline year over year.

Following the June Team of the Season update, we expect ***FC ONLINE***'s revenue to recover sequentially and return close to prior-year levels.

Also, following the July launch of ***FC MOBILE***'s Team of the Season class content, we expect both traffic and revenue to improve sequentially in Q3 while declining year over year.

For ***MABINOGI MOBILE***, we expect Q3 revenue to decline year over year against a difficult comparison with the game's strong launch-quarter performance in Korea, but to grow at a strong double-digit rate quarter over quarter, supported by a solid start to our Taiwan, Hong Kong, and Macau service, which launched on July 22. Japan launch will follow in Q4.

Turning to ***ARC Raiders***, sales are expected to further normalize more than nine months after launch, with revenue contribution expected to decline sequentially from Q2. *Frozen Trail*, the largest update since launch, is on track for October release.

Moving to the operating income outlook. We expect Q3 operating income to be in the range of ¥22.6 billion to ¥32.3 billion, representing a 40% to 14% decrease on an as-reported basis, or 48% to 24% decrease year over year on a constant-currency basis.

Other income for Q3 2025 included a ¥3.9 billion gain from the liquidation of trusts, which will not repeat in Q3 2026, affecting the year-over-year comparison.

And similar to Q2, our Q3 expenses reflect higher revenue-linked costs – including PG fees and royalties, along with cloud and software service fees, as well as marketing costs for user acquisition and new-title promotions. These are primarily the costs of product diversification, both for Q3 releases and the launches ahead in Q4.

Our Q3 outlook also includes a one-time cost of ¥1.5 billion for the adjustment of outstanding stock options in connection with the special dividend, subject to Board approval.

Net income is expected to be in the range of ¥18.2 billion to ¥25.6 billion, which represents a 52% to 33% decrease on an as-reported basis or 60% to 43% decrease on a constant-currency basis year over year, compared with Q3 2025 in which we recorded an FX gain of ¥9.2 billion.

And finally, I would like to provide an update on our capital allocation and shareholder returns. The renewed focus outlined in our Transformation Initiative extends to how we manage our balance sheet.

Steady cash flow from established franchises, fresh cash flow streams from new games and experiences, and a recent influx of cash from the divestiture of investments have generated excess liquidity that led to our announcement of a special dividend.

Our plan to pay a special dividend of ¥415 per share, totaling approximately ¥324 billion, or 2 billion US dollars is subject to Board approval expected in September and marks a significant step forward in improving our capital efficiency. This is aligned with our standing target of a minimum ROE of 10%, with an aim to grow this to 15% over the mid-to-long term, and with our policy of returning more than 33% of the prior year's operating income to shareholders.

Alongside our regular dividends and buybacks since our IPO in December 2011, this special dividend will bring our total capital returned to shareholders to more than ¥900 billion by the end of 2026.

Looking ahead, we'll continue to return capital through dividends and buybacks, while managing our balance sheet efficiently and preserving the flexibility to fund strategic investment whenever a compelling opportunity comes along.

With that, I'll hand the call to Patrick for a mid-year perspective on our industry and our positioning within it.

Patrick Söderlund, ***Executive Chairman, Embark Studios CEO***
Thank you, Uemura-san.

Before we go to Q&A, I'd like to take a step back and share some thoughts on where I see Nexon and the game industry moving in the next three years.

I stepped into the Chairman's role in late February with recognition of a growing realization we need to fundamentally change our processes to capture the advantages of new technology and avoid the challenges forcing a contraction in our sector.

At our Capital Markets Briefing in late March, I presented investors with a series of commitments:

- We promised a review of our product portfolio and pipeline with the intention of creating fewer, but bigger, better games, each of which is responsible for a minimum contribution margin.
- We committed to a better process for faster decision making and for the adoption of new technology in every element of our business.
- Importantly, we committed ourselves to renewed discipline – with top to bottom cost management.

Our transformation initiative was met with skepticism by investors…and rightly so. Nexon had not yet earned the benefit of the doubt – we need to build trust.

Today, we're in the early stages of a multi-year transition, still building trust, but the early evidence is on the table, and it looks promising.

- Q2 revenue and operating income both ahead of our outlook.
- Fixed costs – particularly HR costs – are tracking to be flat with the prior year.
- MapleStory is setting revenue records twenty-three years after launch and continues to grow with diverse new experiences like the UGC hit *MapleStory Worlds*.
- And *ARC Raiders* has sold more than 16.3 million units, primarily in Western markets dominated by legacy franchises, and established a vibrant player community.

One quarter doesn't make a fiscal year, but by many measures, the plan is working.

By no means is everything working the way we want. Dungeon&Fighter is in a rebuilding year, with a plan that prioritizes getting it right over getting it fast. And it remains one of the biggest and most resilient franchises the game industry has ever produced.

While the current challenges are not easily overcome, nothing has changed our view that we can and will return this franchise to dynamic growth.

And rest assured, we plan to intensify our focus on cost management in the months ahead.

On a much larger scale, the game industry is witnessing its most challenging period in close to 30 years. The Western market is contracting……the console market is in decline….and the 60 to 100 dollar price point is collapsing under the weight of rapidly escalating production costs. The result has been cancelled games and projects, multiple closures of credentialed studios…and tens of thousands of talented developers laid off.

This is painful, and we take no satisfaction from the misery of others, but we should be clear about what this means for our own company.

Nexon is the company many others in our industry are trying to become.

- A business model that is heavily indexed toward recurring revenue rather than one-time sales.
- Owned IP built on massive, loyal communities that grow generation after generation over decades.
- Efficient development with each product assigned a targeted contribution margin, as opposed to betting on a five-year development cycle chewing up a half-billion dollar budget.
- And finally, a balance sheet that doesn't need venture, PE, or a big hit to make payroll.

Today, many companies are desperately transitioning to a model that Nexon has operated for decades. And at a time when investment in the game sector has slowed, our business in Asia funds our growth initiative in the West without the need for outside capital.

We don't make games that get bought, played and replaced. We build worlds that people want to live in for a long time. MapleStory has players who joined at 15 and are still in the game at 40. Nexon's player **communities**, and the revenue they contribute, are sustained by updates of fresh content that keep the experience fresh and fun year, after year, after year.

More recently, ARC Raiders has shown how the fewer, bigger thesis can work – offering a new model for development. A small team…working with new technology, a fresh idea, over 16.3 million units in nine months.

The next three years are simple to visualize. The downturn separates companies that need time and money to radically change their model to survive… from companies like Nexon with a model and strategy that is perfectly attuned to what the players, the talent, and the investors want.

Now in our fourth decade, Nexon's best, most exciting and successful years are in front of us.

I’ve been in this role for six months and recognize the amount of work in front of us is enormous.

I’m not asking you to trust us – trust is earned. But I am saying we are in the early chapters of a story that begins in 2026. And chapter after chapter, quarter after quarter, we’ll report progress on a transformation and results that we expect will show growth, revenue, operating prof, and more return to our investors.

Junghun Lee, ***Representative Director, President and Chief Executive Officer, NEXON Co., Ltd.***
Thank you for your insights and vision, Patrick. Operator, we are ready to take questions.