

## FY2016 Q3 Earnings Conference Call (Japanese) (November 10, 2016)

### Summary of Q&As

- 【Q】 I assumed that Q4 outlook for China would be stronger due to the impact of the timing difference of the National Day update for *Dungeon&Fighter*. Please share any risk factors other than National Day update which may impact Q4 China revenues, if any.
- 【A】 There was a timing difference of the National Day update compared to last Q3, so we expected this to be moved to the fourth quarter. The National Day update performed well, and we in fact reflected its contribution to the Q4 China outlook. However, our focus for Q4 is more on content updates rather than monetization. Our Q4 China outlook reflects such circumstances and the most recent trend of the game. On new constant currency basis, we expect an increase year over year. We believe Q4 outlook is not weak, considering that it is the comparison with last Q4 when *Dungeon&Fighter* performed very well driven by strong sales from low-priced items.

- 
- 【Q】 Please explain the background of Q4 Korea mobile outlook.
- 【A】 Several new titles including *MapleStoryM* and *Sangokushi Sousouden Online* are showing good performance in Korea. However, due to the difficult comparison with last Q4 when *HIT* was exceptionally strong, we expect it will be difficult to grow year over year even with contribution from new titles.
-

【Q】 I believe you expected both *FIFA Online 3* and *Sudden Attack* to struggle in Q3 at the time of Q2 earnings release. Please tell us how Q3 Korea PC online titles performed including these two titles.

【A】 We expected both *Sudden Attack* and *FIFA Online 3* would struggle in Q3. In fact, *Sudden Attack* struggled more than we expected, while *FIFA Online 3* performed better than expected. Regarding *FIFA Online 3*, we were aware of the specific issues we had from last November's engine update and made early adjustment to solve those issues. In addition, we had successful events and were able to suppress decline we initially expected. Still, both *Sudden Attack* and *FIFA Online 3* decreased significantly year over year, while these decrease were more than offset by strong performance of longstanding hit titles including *MapleStory* and *Dungeon&Fighter*.

---

【Q】 Please share us the results from closed beta test for *Dungeon & Fighter: Spirit* in Korea. Also, please give us an update on the progress of *Dungeon&Fighter 2D* mobile in China.

【A】 We had good results from the closed beta test for *Dungeon & Fighter: Spirit*, however, found several parts we would like to further improve. We will give additional adjustments in order to enhance its game quality.  
As for *Dungeon&Fighter 2D* mobile in China, we expect its CBT to be slightly delayed from the original schedule planned within 2016.

---

【Q】 By looking at mobile top grossing chart, it seemed *FIFA Online 3* mobile was recovering rapidly since September. Did you start to see improvement supported by the adjustment you made from September?

【A】 We gave some adjustment through update at the end of August, and we started seeing some improvement from September. There was also a favorable effect from Korean thanks giving holiday (Chuseok) in September.

---

【Q】 Were there any synergies or cannibalization with *MapleStory* on PC, after the launch of *MapleStoryM*?

【A】 Because each game is independent, we did not see any significant synergies or cannibalization.

---

【Q】 Could you give us an update on pipeline?

【A】 We have a number of titles in our pipeline. The result of continuous development for about two and a half years both inside and outside of the company starts to appear as our pipeline today. We are not looking at game's contribution to profit when we develop new titles. Instead, we set high quality standards and aim to reach the quality bar. We believe our games will be successful in a long term by doing so.

Highly anticipated mobile titles include; *Dungeon & Fighter: Spirit, DARK AVENGER 3, Project Dynasty Warriors, Tango 5: The Last Dance*. We are also planning to bring titles which already achieved success in certain markets such as *HIT, Sangokushi Sousouden Online*, and *MapleStoryM*, to other regions. For PC, we have new titles such as *HYPER UNIVERSE, Moonlight Blade*, and *LawBreakers*.

---

【Q】 Is there any specific reason for not including impairment loss in Q4 outlook despite the fact that you have the tendency to recognize impairment loss in Q4?

【A】 Accounting rules require to recognize impairment loss when there is any indication of such loss. We see no indication of such losses as of Q3 end. However, at the time of Q4 earnings release, there are chances that some of the items will be subject to impairment losses.

---

【Q】 Does *Project Dynasty Warriors* incorporate original game features?

【A】 It is an action RPG based on IP of *Dynasty Warriors 7*. We would like to refrain from touching on further details as the title is currently under development.

---

**【Q】** HIDE AND FIRE seems to be weaker in grossing ranking in comparison with download ranking. Is this due to the gap between the preference of Japanese market and Nexon's titles, or whether you have not yet started to accelerate monetization? Please tell us your view whether we can expect revenue contribution from this title in Japan going forward.

**【A】** We have not conducted large marketing for *HIDE AND FIRE* yet, however, it is getting into top 100 on the top grossing. We plan to conduct various marketing by paying close attention to its KPIs and so, there is a possibility that the effect from the marketing will be seen going forward. It is also related to the game's characteristic which does not rely on monetization.

---

**【Q】** Please tell us the order of revenue contribution for Q3 Korea.

**【A】** PC starting from the top were *MapleStory*, *Dungeon&Fighter*, *FIFA Online 3*, and *Sudden Attack*. For mobile, from the top were *FIFA Online 3 Mobile*, *HIT*, and *Legion of Heroes*.

---

**【Q】** In Q4, is there a possibility that the revenue contribution for mobile titles might change in Korea?

**【A】** Titles including *MapleStoryM* are performing well, so there is a possibility that any of them will become one of the top contributors such as *FIFA Online 3 Mobile* and *HIT*.

---

**【Q】** Will *Dungeon & Fighter: Spirit* launch officially as scheduled within 2016 after completing the recent closed beta test? Also, is it correct to assume that the official launch for *Dungeon&Fighter 2D* mobile in China will be further delayed now that its closed beta test is postponed to next year?

**【A】** There is a possibility that *Dungeon & Fighter: Spirit* will be delayed to next year as we are giving additional adjustments in order to enhance its game quality based on what we saw in the closed beta test result. The closed beta test for *Dungeon&Fighter 2D* mobile in China will be delayed until next year and in relation to this, the official launch may also get delayed.

---

**【Q】** Do 28 mobile titles which will be exhibited at G-STAR 2016 include titles that are not currently in the pipeline?

**【A】** They include titles already announced, titles to be developed in the future, as well as titles which have not been announced yet.