BUSINESS & MARKET DUE-DILIGENCE

Two IPs and a *Pipeline*

A 2024 peak built on one ageing cash cow and one fast-fading hit gave way to Nexon Games' first operating loss in 2025 — even as its development payroll kept growing. Whether the company is a structural decliner or a studio mid-investment in its next slate is the question a diligence team must answer. What a consulting acquirer should underwrite.

KOSDAQ 225570 · Nexon Games Co., Ltd.

FY2025 revenue	FY2025 operating margin	Controlled by	Core IP
₩179.3bn	**−33.6%**	**Nexon Korea 60%**	**Blue Archive · TFD**

Prepared for a consulting firm conducting business and market due-diligence on Nexon Games and the Korean interactive-entertainment sector. This is a business-analysis and market-research brief, not equity research: it contains no price target and treats share-price and market data only as demand / sentiment context.

Evidence base · DART FY2025 annual report (rcept 20260319000472) + 18 filings & 4-yr structured consolidated financials; KRX 1-yr panel; a 452-item Korean news corpus; audited FY2025 financials for 10 listed Korean game peers (OpenDART); and adversarially-verified market research (each headline figure corroborated across ≥2 publishers; estimates flagged). Figures cited inline to source. · Seoul · 2026-06-09

Contents

SIX PARTS · ~28 PAGES

The monograph is built around a single spine — **the pipeline gap**. Nexon Games rode two products to a 2024 peak: *Blue Archive*, a durable but ageing sub-culture cash cow, and *The First Descendant*, a console/PC shooter that launched huge and faded fast. In 2025 both legs fell together and the company posted its first operating loss — while development headcount, and therefore fixed cost, kept rising. Every part — five-year history, products, market, competition and the forward view — is read against one question: **can the next slate of titles arrive before the cost base built to make them does lasting damage?**

HOW TO READ THIS DOCUMENT

The headline that matters is not the FY2025 −30% revenue decline or the ₩60.2bn operating loss. It is that the loss is **the arithmetic of a launch gap meeting a rising fixed cost**: revenue from both flagships fell in the same year while R&D expense *grew* to **46.8% of sales**. The diligence question is therefore not "why did the business break?" — it didn't — but *"is the cost base funding a credible next generation of hits, or subsidising the slow decline of a two-IP studio that depends on its parent for distribution?"*

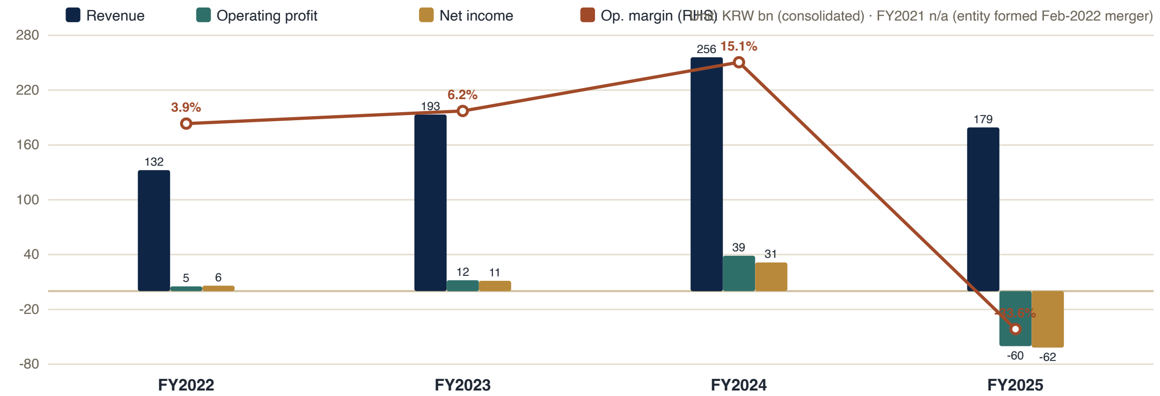
— Executive Summary

THE THESIS

Nexon Games (KOSDAQ 225570) is the Korean development subsidiary — 60.01%-owned by Nexon Korea — behind two of the Nexon group's notable modern IPs: **Blue Archive**, a Japan-anchored sub-culture mobile RPG, and **The First Descendant**, a free-to-play console/PC looter-shooter launched globally in July 2024. In FY2025 it generated **₩179.3 bn of revenue (−30% YoY)** and swung to a **₩60.2 bn operating loss** (−33.6% margin), with a ₩61.8 bn net loss DART 20260319000472. On the surface, a studio in trouble. Underneath, something more specific and more diagnosable.

The loss was not a demand shock to a single product; it was **both flagships declining in the same year on top of a cost base built for growth**. Mobile revenue fell from ₩121.6 bn to ₩81.4 bn as Blue Archive aged and the legacy MMORPGs (V4, HIT2) faded; PC/console revenue fell from ₩128.6 bn to ₩90.0 bn as The First Descendant decayed roughly 95% from its launch peak DART 20260319000472; SteamDB. Meanwhile, with a new-title slate in development, headcount rose **1,459 → 1,714** and R&D expense *grew* ₩72.1 bn → ₩83.9 bn — pushing R&D to **46.8% of revenue**, up from 28.2% in the 2024 peak year DART 20260319000472; press. Revenue fell 30%; development spend rose 16%. The operating loss is the gap between those two lines.

Figure 1 · The 2024 peak and the 2025 loss — revenue, profit and operating margin



Consolidated (K-IFRS). FY2021 not shown: the entity was formed by the Feb-2022 merger of Net Games and Nexon GT. Source: DART 20260319000472, structured CFS.

That is the spine of this brief: **the business did not break — its cost base ran ahead of a portfolio in transition.** Nexon Games is a debt-free, cash-generative studio with two real IPs, but structurally a *two-product, parent-dependent developer* whose entire forward case rests on launches that have not yet shipped.

> **THE ONE-SENTENCE THESIS**
>
> Nexon Games is a 60%-Nexon-owned, two-IP development house whose 2025 loss is the arithmetic of a launch gap (both Blue Archive and The First Descendant declining at once) meeting a deliberately enlarged R&D base — not a broken franchise. The asset an acquirer is really underwriting is not the current P&L; it is *the probability that the next slate (Project RX, Dungeon&Fighter: Arad, Woochi, Sudden Attack: Zero Point) converts a fixed-cost studio back into a hit-making one before the cash reset runs out.*

Five findings a diligence team should anchor on

1 **The loss is structural cost, not collapsed demand.** Revenue fell 30% while R&D expense rose to a record ₩83.9 bn (46.8% of sales) as the company carried 1,714 staff for a pipeline that had not yet launched DART 20260319000472. Strip the launch gap and this is a profitable studio (FY2024: ₩38.7 bn operating profit, +222% YoY) — the 2025 print is the cost of the next generation, paid before the revenue arrives.

2 **Both engines are post-peak at once.** Blue Archive is a durable but *ageing* cash cow — ~73% Japan-dependent, lifetime ~US$650m, revenue ranks falling across every region since 2023 Sensor Tower; Automaton. The First Descendant is a textbook looter-shooter cadence failure: a 264,860-CCU Steam launch that fell ~95% in six months and now spikes-and-fades with each season SteamDB. Nexon itself filed TFD under "did not work — strong launch, no staying power" GamesRadar, 2025.

3 **Same archetype as Shift Up — opposite economics.** The cleanest comparable, Shift Up (gacha + premium console, mid-cap scale), turned a similar two-pillar model into a **61.6% operating margin on ₩294 bn revenue**; Nexon Games turned its version into a loss DART; DigitalToday. In a year Korean trade branded "the polarization year," Nexon Games sits on the wrong side of the line — the single sharpest illustration in the peer set.

4 **It is a captive studio, not a free-standing company.** Nexon Korea owns 60.01% and is the publisher/channel for almost everything except Blue Archive's Japan market (ceded to Yostar) DART; Nexon IR. Nexon Games captures a *royalty slice*, not full retail economics, and is one of several group studios — roughly one-sixth the revenue of sister studio Neople (Dungeon&Fighter). The upside is balance-sheet and live-ops support; the downside is limited pricing independence and related-party governance exposure.

5 **The entire forward case is unshipped.** Project RX (the Blue Archive team's new console/PC/mobile sub-culture title), Dungeon&Fighter: Arad, the single-player *Woochi the Wayfarer*, Project DX and Sudden Attack: Zero Point are all in development; none has a firm date Inven Global; company. The bull case is real but prospective; the bear case is a two-IP studio funding its own decline — and the fortress balance sheet buys years to find out which DART 20260319000472.

The three make-or-break factors

1 · The next hit

Can Project RX, DnF: Arad or Woochi produce a genuine new revenue pillar — the way the 2024 TFD launch briefly did — before the enlarged cost base erodes the cash buffer? One credible hit changes the entire P&L.

2 · Cash-cow durability

Does Blue Archive hold its Japan-anchored plateau through PC/Steam expansion, anniversaries and a possible anime catalyst — or does the 2024 talent exodus and genre saturation accelerate its decline below the floor the model assumes?

3 · Parent & governance

How the Nexon group sets royalty rates, capital return and the studio's mandate — and whether the ~32% minority float is treated fairly — is the dominant non-operational variable, and the one least visible from the filings.

Verdict for the brief. Nexon Games is a financially sound, two-IP studio whose 2025 loss reflects a deliberate bet on a future slate — not a structural break — but it is sub-scale, parent-dependent, and a product cycle behind the Korean studios that turned 2025 into record profit. The real question is not solvency but whether **management can ship a new hit before the cost of trying damages returns.**

1 Company & Business Model

A CAPTIVE NEXON STUDIO

Nexon Games is a **game developer, not a publisher** — a 60.01%-owned subsidiary of Nexon Korea that builds titles and earns royalties when the Nexon group (or, in Japan, a partner) brings them to market. It is the product of a 2022 consolidation of two older Nexon studios, and today it runs a small number of large bets out of a handful of internal studios, with one ageing cash cow and one volatile new IP carrying the revenue.

Origins: two studios merged into one in 2022

The company in its current form is young. On **31 March 2022**, **Net Games** — an MMORPG-and-RPG studio founded by current CEO Park Yong-hyun in 2013 (maker of *Hit*, *V4* and, via its MX studio, *Blue Archive*) — absorbed **Nexon GT**, the former Game Hi that owned the long-running FPS franchise *Sudden Attack*, at a 1.04:1 share-exchange ratio. The combined entity renamed itself **Nexon Games** and continued on Net Games' KOSDAQ listing (ticker 225570, originally floated via a 2017 SPAC merger) Solactive; PocketGamer.biz; Business Post. The logic was complementary: Net Games brought live mobile-RPG revenue and the Blue Archive growth story; Nexon GT brought the Sudden Attack cash flow and a stronger balance sheet. Both were already majority-controlled by Nexon Korea.

The ownership chain: three entities, one group

For diligence, the single most important structural fact is that Nexon Games sits three layers down a tightly-held group, and should never be conflated with its parents. The chain runs **NXC** (the founder family's Jeju holding company; the Korean government is its second-largest shareholder) → **Nexon Co., Ltd.** (the Tokyo-listed parent, 3659) → **Nexon Korea** (100%-owned, the group's cash engine and primary publisher) → **Nexon Games** (60.01%) Nexon IR; corporate filings. Nexon Korea alone did **₩3.11 tn of revenue and ₩623.6 bn of operating profit in 2025** and paid ₩1.85 tn of dividends up to Tokyo Inven Global, 2026. Nexon Games, at ₩179 bn revenue, is one of several development subsidiaries — and roughly **one-sixth the size of sister studio Neople**, which makes Dungeon&Fighter.

Holder	Relationship	Shares	Stake
Nexon Korea Corp.	Controlling parent	39,524,879	**60.01%**
Park Yong-hyun	CEO / founder	2,215,549	3.37%
Treasury stock	Held for incentives	~2,972,652	4.51%
Public free float	**Minority**	**~21,147,000**	**~32.1%**
Total issued	—	65,860,174	100%

Share register, as of 31 March 2026. Source: DART 20260319000472 (major-shareholder status); company governance disclosure.

WHY THIS MATTERS FOR DILIGENCE

Nexon Games is a **captive studio with a public minority**. ~32% of the equity trades freely on KOSDAQ, but strategy, publishing terms, royalty rates and capital policy are effectively set within the Nexon group. Underwrite it as a development arm of Nexon — its distribution, live-ops and balance-sheet backing are group assets — while pricing in the related-party governance that a 60/32 control structure carries.

The operating model: develop, hand to a publisher, collect a royalty

Nexon Games designs and owns its game IP, then signs exclusive publishing agreements — almost always with a Nexon group entity — under which the publisher operates the live service, bills users and remits a **contractual royalty** to the developer Nexon annual securities report. In FY2025, **98.3% of revenue came through publishers as royalty / item-sales income**; the remainder is a small real-estate leasing segment (~₩5 bn, 2.8%) inherited from the legacy Nexon GT side DART 20260319000472. The implication is economic, not cosmetic: Nexon Games sees a *slice* of each title's gross, not full retail economics, and its reported geography is distorted — royalties from a Korean publisher on a globally-played game (The First Descendant) book as **domestic** revenue, so the filings understate the company's true international exposure.

Five studios, two that matter today

Development is organized into internal studios. Two carry the current business; three carry the future.

Studio / division	Lead	Title(s)	Engine	Role
MX Studio (IO Division)	An Gyeong-seop	**Blue Archive**	Unity	The cash cow (live)
Magnum Studio	Lee Beom-jun	**The First Descendant**	Unreal 5	The volatile bet (live)
RX Studio (IO Division)	Cha Min-seo	Project RX	Unreal 5	New sub-culture title
LoreVault Studio	Kang Dong-yeon	Woochi the Wayfarer	Unreal 5	Single-player AAA
(Durango team)	—	Project DX (Durango)	Unreal 5	Open-world survival

Internal studio map. Source: company "People" disclosures; Inven Global; Newsis; agent research, 2026.

The IO Division — the sub-culture umbrella created in August 2024 and headed by Blue Archive's original director **Kim Yong-ha** — houses both the live MX Studio and the new RX Studio, a deliberate attempt to franchise the studio's one proven competence (character-driven sub-culture games) into a second title Newsis, 2024; company. Headcount reached **1,714 at end-2025**, up from 895 at the 2022 merger — close to a doubling in three years, and the proximate cause of the cost base now under scrutiny.

THE CONCENTRATION IN ONE LINE

Two products — one ageing, one volatile — are essentially the entire revenue base, and a third of the workforce is building titles that generate **zero revenue today**. That is the high-operating-leverage profile in miniature: when a flagship launches well (2024), margins inflect hard; when both flagships fade while the pipeline is still in development (2025), the same leverage works in reverse.

Leadership and governance: founder-led, parent-controlled

The company is led by **Park Yong-hyun**, who founded Net Games in 2013 and has run the business continuously through the merger — a rare 11-year founder-CEO tenure in Korean gaming. He was **reappointed for a third term at the March 2026 AGM (through 2029)** despite the swing to loss, and concurrently serves as a development VP at Nexon Korea — a dual role that tightens the parent relationship ddaily; koreawho, 2026. The four-person board (CEO, CFO Kang In-soo, one outside director, one auditor) is lean; a 2025 third-party governance review flagged **weak board-independence scores**, the predictable consequence of a 60%-controlled subsidiary TheBell, 2025.

Capital structure: a fortress balance sheet, no dividend

For all the P&L volatility, the balance sheet is strong. At end-2025 Nexon Games held **₩254.9 bn of equity, ₩56.2 bn of cash, ₩122.8 bn of retained earnings and no interest-bearing borrowings** — the ₩149.6 bn of total liabilities is largely lease obligations (~₩76.9 bn of right-of-use liability on its Pangyo office) and deferred items DART 20260319000472. The studio can absorb several years of investment-driven losses without external funding. It pays **no dividend** — appropriate for a loss-making growth-investing year, but also a reminder that minority holders are underwriting the pipeline with no income return.

Capital actions read as talent retention, not shareholder return

Two 2025 capital events are worth noting, both pointing inward rather than to minority holders. First, a **₩15.0 bn treasury-stock buyback** (a trust running March–September 2025) acquired 1,081,745 shares (1.64% of issued stock), explicitly framed as a *talent-retention / incentive* measure, with the company stating **no intention to cancel** the shares EKN, 2025. Buying stock to fund employee incentives, not to return capital, is the correct read. Second, the CEO holds a **1,000,000-share option grant struck at ₩22,800**, exercisable from June 2026 — currently far underwater against a ~₩9,660 share price, which both aligns management to a recovery and signals how far the equity has de-rated Etoday; KRX.

Total equity (FY25)	Cash & equivalents	Nexon Korea stake	Headcount end-2025
₩254.9bn	**₩56.2bn**	**60.01%**	**1,714**
debt-free ex-leases	+ ₩122.8bn retained earnings	~32% free float	+255 YoY; ~2× since 2022

> **DILIGENCE READ**
> The capital structure removes solvency from the question entirely — this is not a company that can be forced into distress by a few loss years. It also reframes the equity story: with a controlling parent, no dividend, inward-pointing buybacks and an underwater option strike, the minority is a **pure call option on the pipeline**, with limited say in how long the bet runs.

2 The Last Five Years

FROM MERGER TO LOSS

In four years as a merged entity, Nexon Games went from a small profitable studio to a ₩256 bn peak and then to its first operating loss — a round trip driven almost entirely by the launch-and-decay of a single game on top of the slow erosion of another. The trajectory is best read not as growth-then-decline but as **one big launch lifting and then dropping the whole P&L**, with a structural mobile fade running underneath.

The shape: a 2024 spike around a declining base

Revenue roughly doubled from ₩132.4 bn (2022) to a ₩256.1 bn peak in 2024, then fell 30% to ₩179.3 bn in 2025. Operating profit traced a sharper arc — ₩5.2 bn → ₩38.7 bn → **−₩60.2 bn** — because the cost base is dominated by fixed development payroll that does not flex with revenue DART 20260319000472. The 2024 peak was almost entirely **The First Descendant's launch quarter and a half**; strip that pulse out and the underlying business was already softening, as the table below shows.

KRW bn	FY2022	FY2023	FY2024	FY2025	1Q'26
Revenue	132.4	193.3	256.1	179.3	41.5
— Mobile	—	152.4	121.6	81.4	—
— PC / console	—	39.4	128.6	90.0	—
Operating profit	**5.2**	**12.0**	**38.7**	**−60.2**	**−2.1**
Net income	6.0	11.3	31.4	−61.8	—
Operating margin	3.9%	6.2%	15.1%	−33.6%	−5.1%
R&D expense	—	62.2	72.1	83.9	—

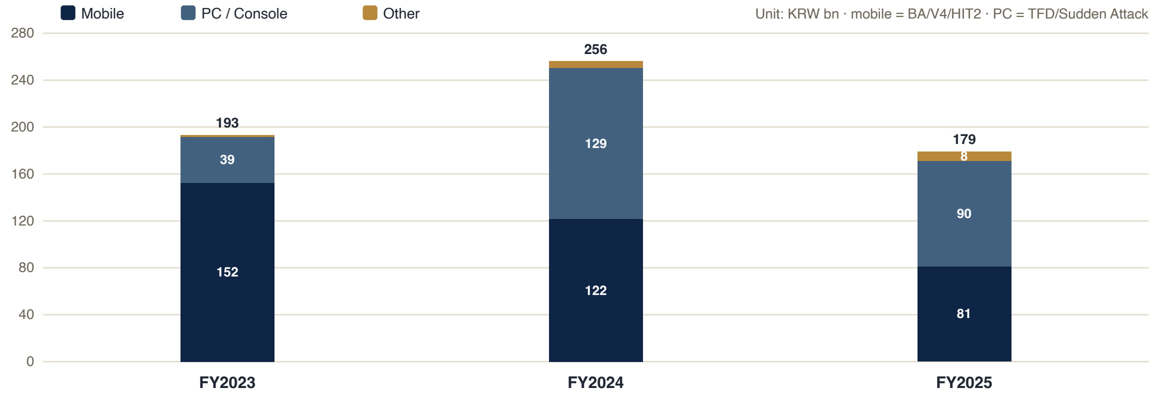
Five-year consolidated P&L. Unit: KRW bn. Source: DART 20260319000472, structured CFS (fnlttSinglAcntAll). FY2021 pre-merger, not consolidated under this entity.

The 1Q'26 column is the first tentatively encouraging data point: revenue of ₩41.5 bn and an operating loss **narrowed to ₩2.1 bn** — still a loss, but a fraction of the 2025 quarterly run-rate, consistent with a stabilizing live business and some cost discipline ahead of the new launches DART 20260514001048.

Both legs fell at once — and one was already structural

The decline was not one product; it was two, with different causes. The chart makes the point: **mobile and PC/console revenue both fell in 2025**, by ₩40.3 bn and ₩38.7 bn respectively — roughly equal contributions to the ₩79 bn revenue drop DART 20260319000472.

Figure 2 · Revenue by platform — the 2024 PC/console spike, and a steadily eroding mobile base



Game revenue by type (mobile vs online PC/console) plus service & leasing. Source: DART 20260319000472, §sales performance.

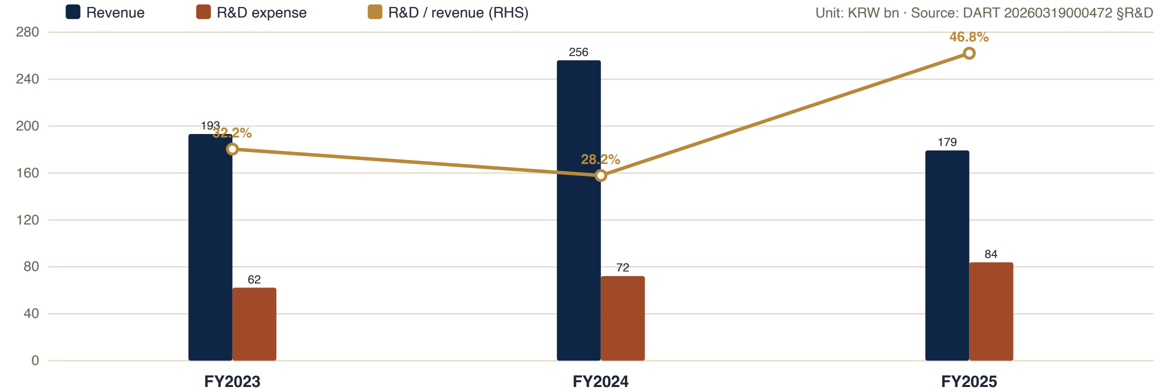
The two declines are not equivalent in what they imply. **The PC/console fall is a launch normalising** — The First Descendant went from a ₩128.6 bn launch year (2024) back toward the steady-state of a faded live-service title, partly cushioned by the long-running Sudden Attack. That is cyclical and, in principle, repeatable with the next launch. **The mobile fall is the worrying one: it is a trend, not a cycle.** Mobile revenue has declined three years running — ₩152.4 bn (2023) → ₩121.6 bn (2024) → ₩81.4 bn (2025), with *domestic* mobile down 43.6% in 2025 alone — as Blue Archive matures and V4 / HIT2 structurally decline DART; GameMeca. The cash cow is shrinking, and there is no new mobile title yet to replace it.

> **THE READ A CAREFUL ANALYST TAKES**
>
> The 2024 peak flatters the franchise. The durable picture is a **mobile cash engine in slow secular decline** with a **PC/console line that whipsaws on single launches**. A recovery therefore needs two different things: Blue Archive (and a new sub-culture title, Project RX) to arrest the mobile fade, *and* a new PC/console hit to replace the one-off lift The First Descendant gave in 2024. Neither is guaranteed; both are in the pipeline.

The margin story is the R&D ratio, not the revenue line

The cleanest way to understand the loss is a single ratio: **R&D as a share of revenue, which jumped from 28.2% in 2024 to 46.8% in 2025** DART 20260319000472. The numerator barely moved with the business — development expense actually *rose* from ₩72.1 bn to ₩83.9 bn as the company staffed up for Project RX, Woochi, Project DX and the others. The denominator collapsed 30%. A studio that spends almost half its revenue on development the year *before* its new titles ship will, by arithmetic, lose money — and that is precisely what happened.

Figure 3 · The squeeze — R&D expense kept rising as revenue fell, lifting R&D intensity to 46.8%



Recurring development cost (charged to SG&A) vs revenue. Source: DART 20260319000472, §R&D activity.

This is the crux of the diligence question. **If** the ₩83.9 bn of development spend is buying a pipeline that converts to revenue, then 2025 is an investment year and the ratio normalises as new titles launch — exactly the pattern 2024 showed in reverse, when the TFD launch drove the ratio down to 28% and the margin up to 15%. **If** the spend is instead sustaining a studio whose output the market no longer rewards, then 46.8% is the new normal and the losses persist. The balance sheet can fund either outcome for years; the pipeline decides which one it is.

R&D / revenue 2024 → 2025

28.2% → 46.8%

spend +16%, revenue −30%

Cash runway at FY25 loss rate

multi-year

₩56bn cash + ₩123bn ret. earnings, no debt

REFRAMING THE LOSS

Read as a P&L, FY2025 is a −33.6% margin disaster. Read as a cash-flow bet, it is a well-capitalised studio spending ₩84 bn a year to build four-to-five new titles while two live games fund part of the burn. The verdict on whether that was money well spent cannot be reached from the 2025 statements — only from the 2026–2028 launch outcomes.

How the market has read it: a de-rating to a "show-me" multiple

We treat share-price and KRX data only as *sentiment context*, not valuation — but the market's verdict on the last twelve months is informative. Over the KRX one-year panel, the stock fell from ₩12,720 to ₩9,660 (≈ −24%), market capitalisation slipped from ₩818 bn to ₩672 bn, and the company was **demoted from KRX's "premier" board tier to the "mid-cap" tier** — a quality/liquidity marker moving the wrong way KRX 1-yr panel. Short interest as a share of float roughly tripled, from 0.71% to 2.03% — still low in absolute terms, but a directional signal of scepticism KRX short_balance.

The picture is therefore a textbook "**show-me**" **set-up**: the public market has marked the equity down to reflect a launch gap and a loss, while the operational question — does the pipeline land? — remains open. For a consulting or investor client, that is exactly the kind of inflection a primary-diligence program is built to test, because the variables that decide it (pipeline quality, live-game retention, the parent's intentions) are precisely the ones the public filings cannot settle.

The four-year arc in one paragraph

To summarise Part 2: Nexon Games merged into being in 2022 with a profitable but modest base; grew through 2023 on Blue Archive and the live portfolio; spiked to a ₩256 bn, 15%-margin peak in 2024 on the global launch of The First Descendant; and gave it all back in 2025 as TFD decayed, mobile continued its secular slide, and a deliberately enlarged development payroll turned the operating line deeply negative. The business did not deteriorate so much as **reveal its true shape — a high-operating-leverage, launch-dependent studio** — across a single dramatic up-and-down cycle. Everything in Parts 3–6 is an attempt to handicap whether the next cycle goes up.

> **BRIDGE TO PART 3**
> If the five-year financials describe *what* happened, the product portfolio explains *why* — and contains the only evidence that bears on what happens next. We turn to the two live IPs, the legacy lines, and the unshipped pipeline that the entire forward case depends on.

3 The Product Portfolio

TWO IPS, A LEGACY, A PIPELINE

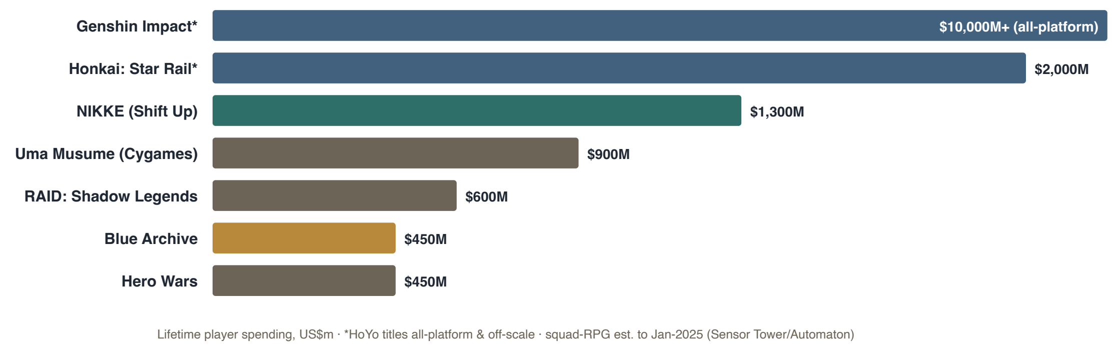
Nexon Games' value lives almost entirely in four places: the Blue Archive cash cow, the First Descendant live bet, a small set of legacy earners (chiefly Sudden Attack), and an unshipped pipeline. We take each in turn, because the forward case is the sum of how durable the first is, how recoverable the second is, and how credible the fourth is.

Blue Archive — a durable cash cow in managed maturity

Blue Archive is a sub-culture ("character-collection" gacha) mobile RPG developed by Nexon Games' MX Studio, launched in Japan in February 2021 and globally that November company; Wikipedia. Its commercial signature is unusual and important: it monetises **a small, deeply committed Japanese core rather than a mass global base**. Across its first four years it generated roughly **US$650m of lifetime revenue on ~13m downloads, with ~73% of that from Japan** and a revenue-per-download in Japan (~$110) more than double the global average Sensor Tower via Vortex/Hungryapp. It is profitable and cheap to run — a 2D content pipeline, not HoYoverse-scale 3D — and its revenue arrives in **reliable anniversary spikes** each January and August; the January 2025 fourth anniversary briefly took it to #1 on Japan's mobile-grossing chart Hungryapp, 2025.

But it is past its growth phase. Revenue ranks have fallen across *every* region since 2023; the China launch (Yostar, August 2023) under-delivered after the audit process gutted the school-life premise that defines the IP; and a **2024 talent exodus — roughly 40 staff and seven directors left MX Studio**, several to form a rival (Dynamis One) whose Blue-Archive-like "Project KV" triggered a plagiarism dispute and a 2025 police raid — caused real content delays that fed the decline Wikipedia; Automaton; agent research. The franchise is a **managed-maturity cash cow, not a growth engine**: the realistic base case is a long, slow, Japan-anchored tail, now extended onto PC and Steam, with a possible (unconfirmed) anime second season as the one plausible re-acceleration catalyst.

Figure 4 · Sub-culture / squad-RPG scale — Blue Archive is a profitable mid-tier, well below the leaders



Lifetime player spending estimates; squad-RPG cohort to Jan-2025 (Sensor Tower via Automaton). HoYoverse titles all-platform and off-scale, shown capped. Estimates, not audited.

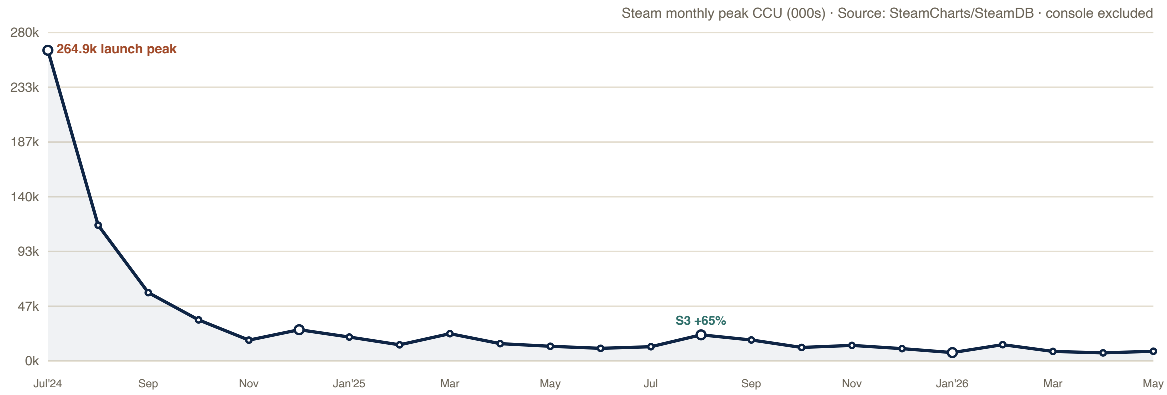
UNDERWRITING BLUE ARCHIVE

Treat it as an annuity in gentle decline, not a call option. The bull case is a 15-year live plan, a loyal whale base and platform/anime expansion; the bear case is genre saturation (Nikke, Uma Musume global, Wuthering Waves) and a content pipeline weakened by the 2024 exodus. Either way it is **the floor under the business** — the question is how high that floor sits, and for how long.

The First Descendant — a strong launch with no staying power

The First Descendant is a free-to-play, third-person co-op looter-shooter built on Unreal Engine 5 (Magnum Studio), launched globally across PC and consoles on 2 July 2024 company; Wikipedia. It was Nexon's flagship Western/console bet — and for one week, it worked spectacularly: **10 million players and a 264,860 Steam concurrent-player peak**, the fourth-biggest Steam launch of 2024 and the only free-to-play title in that top tier SteamDB; Game World Observer. Then it became a case study in how looter-shooters fail. Concurrency **fell ~95% within six months**, dragged down by a monetization backlash (single-use cosmetic paints, a $55+ "Ultimate Descendant" that critics called pay-to-progress), a "Mixed" Steam rating, a 57/100 Metacritic, and — the genre's signature killer — content cadence that could not keep players between drops TheGamer; GameSpot.

Figure 5 · The decay curve — TFD's Steam concurrency, with each season a smaller spike that fades faster



Steam monthly peak concurrent users (consoles excluded). Source: SteamCharts / SteamDB. Season 2 (Dec-2024), Season 3 "Breakthrough" (Aug-2025) marked.

The chart's pattern is the whole story: **spike-and-fade**. Each major update (Season 2 in December 2024, Season 3 "Breakthrough" in August 2025, which lifted concurrency +65% for a single month) buys a transient re-engagement that reverts within weeks; by early 2026 average concurrency had fallen below 5,000 SteamDB. Nexon's own framing is unusually blunt: it has filed TFD under the *"did not work — strong launch, no staying power"* category, attributed the drag to "lack of fresh content," and by its FY2025 Q4 letter had quietly dropped the title from its headline highlights, with the Western-IP mantle passing to a different group studio's game (Embark's ARC Raiders) GamesRadar; Nexon IR. Management's response is a 2026 "**completing the game**" **overhaul** — Season 4 delayed to summer 2026, a full weapon-system and farming-loop rebuild — an implicit admission that incremental seasons were not enough.

> **UNDERWRITING THE FIRST DESCENDANT**
>
> This is the swing asset. The bear case is the base rate: most looter-shooters that decay this fast (Outriders, Suicide Squad) never recover, and TFD has no PvP or distinctive moat — its progression is widely called a Warframe clone. The bull case has a single precedent worth respecting: **Warframe itself**, a 12-year, ~$1bn looter-shooter that reinvented its way to new concurrency highs. The 2026 overhaul is a bet that TFD can do the same. It is the lowest-confidence, highest-variance line in the portfolio.

The legacy lines: one quiet winner, two structural fades

Beneath the two flagships sits a legacy layer that matters more than its profile suggests — because in 2025 it contained the company's only growth line.

Sudden Attack is the studio's hidden ballast. A tactical free-to-play FPS dating to 2005 and dominant in Korean PC-bangs, it surpassed **$600m of lifetime revenue** years ago and, remarkably, **grew year-on-year in 2025** — its 20th anniversary — on the back of large updates and high-profile collaborations (including a *Squid Game* crossover) Wikipedia; AlphaBiz, 2026. In a year when both flagships fell, a two-decade-old FPS was one of the few lines moving up. It carries a cautionary footnote, too: *Sudden Attack 2* (2016) was shut down **23 days after launch**, a ₩30 bn write-off and a permanent reminder that franchise extensions are not free Massively OP.

V4 (2019) and **HIT2** (2022) are the mobile MMORPGs in structural decline. Both were meaningful earners at launch (HIT2 did ~₩60 bn in its first month) but have faded into the long tail of a genre — Korean mobile MMORPG — that is itself contracting under player fatigue and regulatory pressure on aggressive monetization company; agent research. They are the bulk of the ₩40 bn mobile decline documented in Part 2, and the base case assumes their continued erosion.

Title	Genre / platform	Role in 2025	Trajectory
Blue Archive	Sub-culture gacha (mobile/PC)	Cash cow; anniversary spikes	Managed decline
The First Descendant	Looter-shooter (PC/console)	Faded from 2024 peak	Volatile; overhaul pending
Sudden Attack	Tactical FPS (PC)	**Grew YoY** (20th anniv.)	Durable evergreen
V4	Mobile MMORPG	Declining	Structural fade
HIT2	Mobile MMORPG	Declining	Structural fade

Live-portfolio summary. Source: DART 20260319000472; Nexon IR; agent research. Status as of mid-2026.

THE LEGACY READ

Sudden Attack is an underrated, durable cash line that deserves weight in any floor estimate — and its "Zero Point" reboot (Part 3, next page) is a credible, lower-risk growth lever than another all-new IP. V4 and HIT2 should be modelled to zero over the forecast horizon.

The pipeline: where the entire forward case lives

Because the two flagships are post-peak and the legacy lines (ex-Sudden Attack) are fading, the bull case is almost entirely a function of unshipped titles. Nexon Games has an unusually broad slate for a studio its size — the direct consequence of the headcount build that caused the 2025 loss. None has a firm launch date, which is exactly why the forward view (Part 6) is scenario-based.

Title	Studio	Genre / platforms	Why it matters
Project RX	**RX Studio (IO Div.)**	**Sub-culture RPG · PC, mobile, console**	**The Blue Archive team's second title — the bid to franchise the studio's one proven competence and arrest the mobile fade**
Dungeon&Fighter: Arad	**Nexon Games**	**AAA action · PC/console/mobile**	**Built on the group's biggest IP (DnF); the highest-ceiling bet, leveraging a franchise that does billions group-wide**
Woochi the Wayfarer	LoreVault Studio	Single-player action-adventure · PC/console	A "Joseon-fantasy" premium title (score by *Parasite* composer Jung Jae-il) — the studio's move into AAA single-player
Sudden Attack: Zero Point	Nexon Games	Tactical FPS · PC/Steam	A global reboot of the durable Sudden Attack franchise — lower-risk, leverages a proven live property
Project DX (Durango)	Durango team	Open-world survival	Revival of the Durango IP; earliest stage, most speculative

Announced development pipeline. Source: Inven Global; Gematsu; company reveals; agent research, 2025–26. Dates indicative; none firm.

The slate is genuinely diversified across genre and platform — sub-culture, AAA action, single-player, FPS, survival — and aligns with the two structural tailwinds Part 4 will document: the industry's pivot to **premium PC/console** and the migration of sub-culture games **cross-platform**. Project RX (console-confirmed sub-culture) and DnF: Arad (a top-tier group IP on multiplatform) are the two with genuine pillar potential; Zero Point is the lowest-risk; Woochi is the most differentiated. The risk is equally clear: **this is a great deal of simultaneous, unproven development for a studio that just lost ₩60 bn**, and the group's recent track record on new live-service IP (TFD) counsels caution about hit rates.

> **THE PIPELINE AS THE INVESTMENT THESIS**
> Everything an acquirer is paying for above the Blue-Archive-plus-Sudden-Attack floor is a claim on this slate. The diligence work is therefore concrete: assess Project RX's build and FGT reception, the DnF: Arad scope and group support, and whether management has the production discipline (after TFD) to convert ₩84 bn a year of R&D into a hit. These are answerable with primary work; they are not answerable from the filings.

4 Market & Demand Structure

A MARKET MID-PIVOT

Nexon Games competes in a global games market that is large, maturing, and pivoting in a direction that is simultaneously a tailwind and a threat to its model. Two shifts define the demand backdrop: **growth has moved from mobile to premium PC/console**, and **live-service supply has badly outrun player time**. Both bear directly on the company's pipeline bets.

The market: $189bn, growing slowly, mix-shifting fast

The global games market reached an estimated **US$188.8 bn in 2025 (+3.4% YoY)** and is forecast to grow to roughly **$206 bn by 2028 at a ~3% CAGR** — a mature, GDP-like growth rate, not the double-digit expansion of the 2010s Newzoo, 2025. The headline number hides the only trend that matters for a developer like Nexon Games: **where the growth is**. Mobile, at ~$103 bn and 55% of the market, has gone ex-growth — Sensor Tower puts mobile in-app spending at $82 bn, up just 1% in 2025 — while **PC/console premium grew ~13%** Sensor Tower, 2026. The money is moving from the mobile free-to-play model that built Blue Archive, V4 and HIT2 toward the premium PC/console model the company is now chasing with The First Descendant, Woochi and Zero Point.

Global games market 2025	Mobile in-app spend 2025	PC/console premium 2025	Implied 2028 market
$188.8bn	**$82bn**	**+13%**	**~$206bn**
+3.4% YoY (Newzoo)	+1% — ex-growth (Sensor Tower)	the growth segment	~3% CAGR

For Nexon Games this is a double-edged backdrop. The **tailwind**: the company's pipeline is correctly pointed at the growing segment (premium PC/console and cross-platform sub-culture). The **threat**: roughly half its current revenue still comes from the flat-to-declining mobile segment, and the pivot to premium puts it into direct competition with far better-capitalised global studios — and into the most over-supplied corner of the market, live service.

> **WHY THE MIX-SHIFT IS THE KEY MARKET FACT**
> A developer's market is not "games" in aggregate; it is the segment its products sit in. Nexon Games' legacy base sits in the part that has stopped growing, and its future is staked on the part that is growing but also the most crowded. The next two pages quantify both halves of that bet.

The live-service glut: supply has outrun player time

The single most important market dynamic for Nexon Games' PC/console ambitions is that **the live-service category is brutally over-supplied**. Player time and money are finite and hyper-concentrated in a few incumbents (Fortnite, League of Legends, GTA Online, Warframe, Destiny); of the wave of new live-service titles launched in 2023–25, only a handful captured even 0.1% of playtime share, and the failures have been spectacular Newzoo PC/console report. The 2024–25 graveyard is a warning written specifically for a studio betting on this model:

- **Concord** (Sony/Firewalk, 2024): a reported $100m+ budget, a peak of *697 concurrent players*, servers shut **14 days** after launch, the studio closed GamesRadar.
- **Suicide Squad: Kill the Justice League** (WB/Rocksteady): drove a **$200m impairment** and a collapse in WB's gaming revenue GamesRadar.
- **XDefiant** (Ubisoft), **Foamstars** (Square Enix), **MultiVersus** (WB): all shut within ~a year of launch.
- **Sony cancelled 8 of 12** planned live-service titles after the model's failure rate became clear Push Square.
- Even **Destiny 2** (Bungie/Sony), the genre's standard-bearer, is ending live content in 2026 after a ~$766m Sony impairment Aftermath.

The First Descendant survived this gauntlet — it is still live, still updating — which in context is not nothing. But the lesson for the *next* bet is stark: **in live service, "pretty good" is a death sentence**, and a content cadence good enough to retain players is extraordinarily expensive to sustain. The one structural bright spot is genre selection: **co-op PvE** (the lane The First Descendant and the survival title Project DX occupy) has proven far safer than competitive PvP — Helldivers 2 sold 20m+ units in the same window that PvP hero-shooters like Concord died Wikipedia; Notebookcheck.

> **MARKET READ FOR THE PIPELINE**
> The premium-PC/console pivot is correctly aimed at the growing segment, but it lands the company in the highest-failure-rate corner of the industry. The market is telling Nexon Games to bet on **co-op PvE and proven IP (DnF, Sudden Attack)** over new competitive live-service concepts — which, encouragingly, is broadly what the announced slate does.

Sub-culture goes cross-platform — Blue Archive's home market is shifting under it

The sub-culture / gacha segment that Blue Archive and Project RX inhabit is itself mid-transformation. It remains a large, high-margin niche dominated by HoYoverse (Genshin Impact has crossed **$10bn lifetime** across platforms; Honkai: Star Rail over $2bn mobile) Niko Partners; PocketGamer.biz, but the frontier is moving **off mobile-only and onto PC and console**. The clearest signal is HoYoverse-rival Hypergryph's *Arknights: Endfield*, which launched in early 2026 earning roughly **70% of its overseas revenue from PC and console** TechNode, 2026. This is precisely why Project RX is being built console-first and why Blue Archive is being extended onto Steam and Steam Deck — the genre's demand is migrating cross-platform, and a Japan-mobile-anchored title that does not follow risks being left behind.

Korea's console pivot — policy tailwind, structural realignment

Nexon Games' home market reinforces the same shift. Korean game industry sales reached **₩23.85 tn in 2024 (+3.9%)** with exports of $8.53 bn, making Korea the world's #4 market at ~7.2% share KOCCA 2025 White Paper. But the domestic mix is overwhelmingly mobile (₩14.1 tn) and PC (₩6.0 tn), with console a tiny ₩1.18 tn — and it is exactly that gap the government and the industry are now attacking. Korea's console-support budget **roughly doubled to ₩15.5 bn for 2025**, and the breakout successes the country now celebrates — Shift Up's Stellar Blade, Neowiz's Lies of P, Pearl Abyss's forthcoming Crimson Desert — are all premium console/PC titles, not mobile MMORPGs KOCCA; press. The Korean industry's center of gravity is moving from the model Nexon Games grew up in toward the model it is now investing to join.

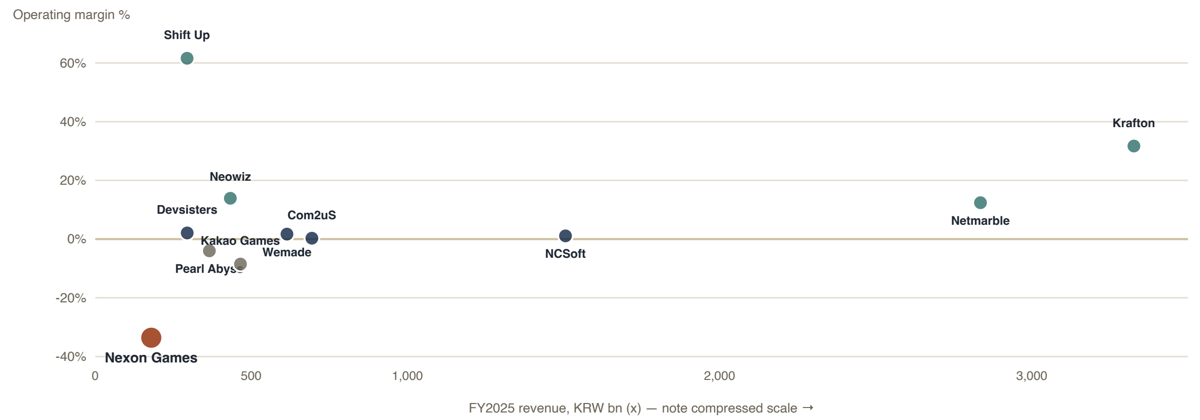
> **THE MARKET VERDICT ON THE STRATEGY**
> Both of Nexon Games' structural market exposures — premium PC/console and cross-platform sub-culture — are moving in the company's intended direction. The strategy is *correctly pointed*. The risk is not direction but execution and competition: the company is pivoting toward growing segments that are also where the best-capitalised global and Korean studios are concentrating their firepower. Which is the subject of Part 5.

5 Competitive Deep-Dive

THE POLARIZED PEER SET

2025 was, in the words of the Korean trade press, "the year of polarization." The listed Korean game sector split cleanly into studios that cracked premium PC/console or executed a global-IP turnaround — and those that didn't. Nexon Games sits, unambiguously, on the wrong side of that line — and the single chart below is the most important competitive fact in this brief.

Figure 6 · The polarization map — FY2025 revenue vs operating margin across listed Korean game studios



FY2025 consolidated, reported Feb-2026. Revenue (x, KRW bn, compressed scale) vs operating margin (y). Nexon Games highlighted. Source: OpenDART; company IR; Korean game press.

The vertical axis tells the story. At the top sit the 2025 winners: **Shift Up at a 61.6% operating margin, Krafton at ~32%** (₩1.05 tn operating profit on PUBG plus the inZOI launch), **Netmarble at ~12%** (a record-revenue turnaround, operating profit +63%), and **Neowiz at ~14%** (the Lies of P premium-console playbook) OpenDART; ZDNet; GameMeca. Clustered near the zero line are the squeezed — Com2uS, Wemade, Devsisters (revenue up, but margins crushed 60–77% by fee and marketing inflation), and NCSoft (barely positive after brutal restructuring). And **below the line sit the losers — Kakao Games, Pearl Abyss, and Nexon Games**, each loss-making for its own reason OpenDART; press.

The clustering is not random. **Almost every studio above the line either shipped a premium PC/console hit or runs a globally-diversified IP machine.** Almost every studio below it is either between launches (Pearl Abyss, pre–Crimson Desert), starved of a new hit (Kakao Games, none since Odin in 2021), or — Nexon Games — carrying a heavy development load for a slate that hasn't shipped. The map is, in effect, a picture of *who already made the pivot Part 4 described, and who is still paying for it.*

The Shift Up mirror: same archetype, opposite outcome

The most instructive comparable is **Shift Up** — because it is the closest structural analog to what Nexon Games is trying to become, and it is thriving where Nexon Games is losing money. Both are mid-cap Korean studios running a **two-pillar model: a sub-culture gacha game plus a premium console title**. For Nexon Games it is Blue Archive + The First Descendant; for Shift Up it is *Nikke* (₩166.8 bn) + *Stellar Blade* (₩115.8 bn, lifted +70% by a 2025 Steam release) DigitalToday; Gaming Amigos. Same playbook. The outcomes could not be more different:

FY2025	Nexon Games	Shift Up
Revenue	₩179.3bn	₩294.2bn
Operating profit	**−₩60.2bn**	**+₩181.1bn**
Operating margin	**−33.6%**	**61.6%**
Gacha pillar	Blue Archive (declining)	Nikke (>$1.3bn lifetime)
Console pillar	TFD (faded)	Stellar Blade (growing)
New-title execution	pipeline unshipped	two live hits + Project Witches

The closest comparable, side by side. FY2025 consolidated. Source: OpenDART; DigitalToday; DART 20260319000472.

The difference is not the model; it is **execution and hit quality**. Shift Up's two pillars are both *working* — a gacha title still near its peak and a console title that expanded onto PC and grew — while Nexon Games' two pillars are both *post-peak*. The contrast isolates the variable that decides everything for Nexon Games: not strategy (the model is proven, as Shift Up demonstrates) but whether its specific products win. It also sets a sobering benchmark — Shift Up's market value roughly halved from its 2024 IPO peak even *with* a 61.6% margin, on concerns about two-title concentration. A studio with the same concentration but no current hits has further to prove.

Where Nexon Games ranks by size

By revenue, Nexon Games (₩179 bn) sits in the **lower-middle of the listed peer set** — below Pearl Abyss (₩366 bn), Kakao Games (₩465 bn), Wemade (₩614 bn) and Com2uS (₩694 bn), an order of magnitude below Netmarble (₩2.8 tn) and Krafton (₩3.3 tn), and roughly 60% the size of its closest archetype, Shift Up. It is not a scale player; it is a **two-IP specialist studio** whose competitive relevance rests on product quality, not breadth or distribution muscle.

Product-level competition: each flagship fights a different global war

Domestic peers frame the *company*; but each product competes in a global arena against very different rivals. Both arenas are unforgiving.

BLUE ARCHIVE VS THE SUB-CULTURE GIANTS

Blue Archive is a **mid-tier player in a market with enormous heads**. HoYoverse's Genshin Impact ($10bn+ lifetime) and Honkai: Star Rail ($2bn+ mobile) operate two-to-four weight classes above it; Shift Up's Nikke ($1.3bn lifetime) and Cygames' Uma Musume (~$2.6bn in Japan, now expanding globally) out-earn it; and a wave of 2024–25 entrants (Wuthering Waves, Love and Deepspace) crowd the space further Sensor Tower; PocketGamer.biz. Blue Archive competes not on scale but on **cost efficiency and a loyal Japanese core** — a defensible niche, but a structurally capped one. Project RX is the attempt to convert that niche competence into a second, higher-ceiling title before the genre's leaders take more of the wallet.

THE FIRST DESCENDANT VS THE LOOTER-SHOOTER FIELD

In looter-shooters the field is small and the lesson is binary. The two durable winners — **Warframe** (12 years, ~$1bn lifetime, reinvented to new highs under Digital Extremes/Tencent) and **Destiny 2** (now winding down) — show the genre rewards relentless reinvention and punishes everything else. The cohort The First Descendant launched into (Helldivers 2's 20m units; Marvel Rivals' 40m players) reset player expectations on quality and value, while the cautionary cases (Outriders, never profitable) show how fast a strong launch becomes a write-off SteamDB; Wikipedia. TFD's differentiation is thin — third-person, no PvP, a Warframe-like progression — which makes the 2026 overhaul a genuine bet-the-title moment rather than a routine update.

> **THE COMPETITIVE SYNTHESIS**
> At both the company and product level, the verdict is consistent: Nexon Games owns a **proven model and two real-but-fading IPs**, but competes against better-capitalised, better-executing rivals in segments that punish anything short of excellence. Its edge is a specific, repeatable competence — character-driven sub-culture design (Blue Archive, Project RX) and a durable FPS franchise (Sudden Attack, Zero Point). Its vulnerability is everything that depends on out-executing Warframe-class or HoYo-class incumbents.

The parent relationship: competitive moat and governance overhang at once

No competitive read on Nexon Games is complete without the Nexon relationship, which functions simultaneously as its biggest structural advantage and its most material non-operational risk.

As a moat, Nexon group membership is formidable. Nexon Korea provides best-in-class publishing, live operations, billing, QA and global distribution; the group balance sheet (Nexon Co. did ¥475 bn of revenue and ¥124 bn of operating income in 2025, sitting on >¥800 bn of cash) de-risks development in a way no independent mid-cap studio can match Nexon IR, 2026. Nexon Games can lose ₩60 bn and keep investing precisely because it is a captive arm of a cash machine. Crucially, it also has privileged access to the group's **evergreen IP** — Dungeon&Fighter: Arad, the highest-ceiling title in its pipeline, exists only because Nexon Games can build on a franchise that generates billions group-wide.

As an overhang, the same relationship caps independence and concentrates governance risk. Royalty rates, regional publishing terms, monetization and capital policy are set within the group; Nexon Games captures a *slice*, not the full economics, of titles Nexon publishes — and even cedes its largest single market (Blue Archive in Japan) to a third-party publisher, Yostar Nexon IR; Wikipedia. For the ~32% minority float, this means a structure where related-party transactions (the royalty rate above all) materially shape reported earnings, a board that a 2025 review scored weakly on independence, and a parent whose strategic intent for the subsidiary — keep investing, harvest, or eventually absorb — is undisclosed and decisive TheBell, 2025.

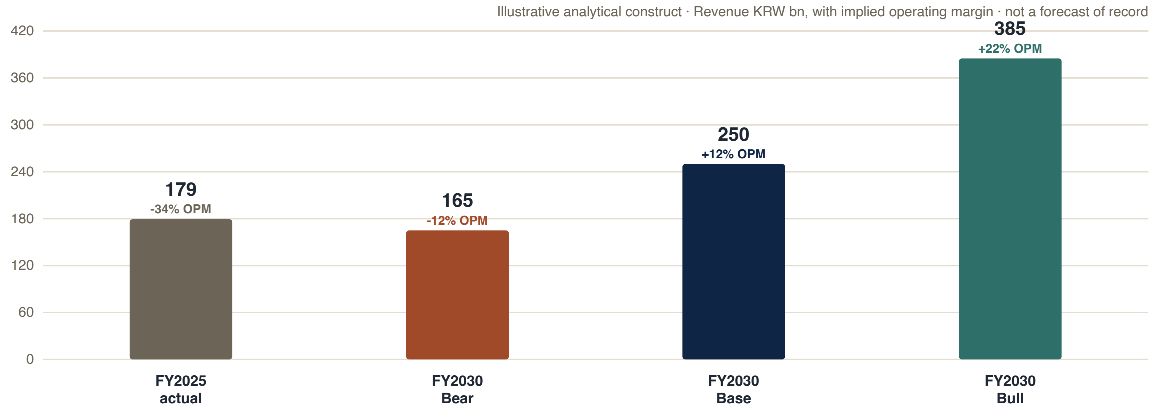
> **DILIGENCE PRIORITY**
> The single most valuable piece of non-public insight on this company is the **economics and intent of the parent relationship**: the actual related-party royalty rate (disclosed only in the Korean filing's related-party note), how it has trended, and how the group thinks about the subsidiary's mandate and the minority. These are not answerable from public data — and they move the forward case more than any single product. This is the highest-priority topic for primary diligence.

6 Five-Year Forward View

2026–2030, ON A BUSINESS BASIS

The forward view is, unavoidably, a **pipeline-execution view**. With two flagships post-peak and a fading legacy, the company's 2026–2030 trajectory is determined almost entirely by how many of its unshipped titles land — which makes a single point forecast meaningless and a scenario frame essential. We set out three, each tied to explicit, falsifiable assumptions about products, not multiples.

Figure 7 · Three business scenarios for FY2030 revenue and operating margin



Illustrative analytical constructs anchored to FY2025 actuals and the announced pipeline — not forecasts of record, and not price targets. Margin shown is indicative operating margin at the scenario's revenue and cost assumptions.

The wide dispersion — a ~2.3× gap between bear and bull 2030 revenue — is not analytical imprecision; it is an honest representation of a business whose outcome genuinely is binary on a handful of launches. The same ₩84 bn-a-year development engine produces either a multi-hit studio or an expensive decline, depending on execution the filings cannot yet reveal. What follows specifies what each world requires.

HOW TO USE THESE SCENARIOS

Treat them as a **diligence scaffold**, not predictions. Each scenario names the specific, observable milestones (Project RX reception, DnF: Arad scope and date, TFD post-overhaul retention, Blue Archive's plateau) that would, in real time, tell an investor which path the company is on. The forecast's value is in the conditions, not the point estimates.

The three worlds, specified

Bear · ~₩165bn, losses persist

The pipeline disappoints. Project RX and DnF: Arad slip or underperform; the TFD overhaul fails to hold players; Blue Archive's decline continues past the assumed floor. Revenue drifts sideways-to-down on Sudden Attack and a shrinking Blue Archive, while R&D stays elevated — losses persist or recur. The studio becomes a two-IP harvest case the parent must decide what to do with.

Tell-tales: RX FGT reception poor; DnF: Arad delayed past 2027; TFD below 5k CCU post-overhaul.

Base · ~₩250bn, ~12% margin

One-to-two titles land modestly. Project RX or DnF: Arad becomes a real (if not blockbuster) pillar; Sudden Attack: Zero Point extends a proven franchise; Blue Archive stabilises at a lower plateau and TFD settles into a small steady live business. Revenue recovers toward the 2024 peak and the R&D ratio normalises back toward the high-20s, restoring a low-double-digit margin.

Tell-tales: one new title sustaining top-10 Korean grossing; R&D/revenue back below 35%.

Bull · ~₩385bn, ~20%+ margin

A genuine breakout. DnF: Arad or Woochi becomes a global hit and/or the TFD overhaul achieves a Warframe-style second life; Project RX franchises the Blue Archive competence successfully. Revenue exceeds the 2024 peak by half, operating leverage re-inflates the margin above 20%, and the company re-rates from "show-me" to a proven multi-IP studio — the Shift Up/Neowiz path.

Tell-tales: a new title at global scale; TFD concurrency durably rebuilt; margin back through 20%.

The assumptions that move every scenario

Three variables, in order of impact, separate these worlds — and each is a concrete diligence target rather than a macro guess:

- **Pipeline hit rate (dominant).** The difference between bear and bull is essentially "zero new hits" vs "one-to-two genuine hits" from a five-title slate. Given the group's TFD experience, a base case should assume a *modest* hit rate, not a high one.
- **Blue Archive's floor.** The cash cow's rate of decline sets the base under every scenario. A gentle, anniversary-supported plateau (the bull/base assumption) versus an accelerating fade (the bear) is worth tens of billions of won a year.
- **Cost discipline.** Whether management holds or trims the ₩84 bn R&D base while waiting for launches — the 1Q'26 narrowing of the loss is an early, tentative sign of discipline — determines how much of any revenue recovery reaches the operating line.

> **THE HONEST BASE CASE**
>
> Weighting the evidence — a proven model and balance sheet, but two post-peak flagships, a parent track record of one failed live-service bet, and an entirely unshipped slate — the most defensible central expectation is the **base case: a gradual recovery toward the 2024 revenue peak and a low-double-digit margin by the late 2020s, contingent on at least one pipeline title landing.** The bull case is real and the balance sheet funds the attempt; but it requires the company to do something (ship a new hit) that it and its parent have recently struggled to do.

Synthesis: a sound studio, an unproven slate, a patient owner

Pulling the brief together: Nexon Games is **not the troubled company its 2025 income statement suggests**. It is a debt-free, cash-generative, founder-led development studio with two real IPs, a durable hidden FPS franchise, a credible and correctly-pointed pipeline, and a parent that both de-risks the downside and caps the upside. Its 2025 loss is the visible cost of an investment decision — to carry ₩84 bn of annual development for a future slate — taken the year before that slate ships. The balance sheet makes the bet survivable; the open question is whether it pays.

The diligence verdict is therefore conditional and specific. **For an acquirer or investor, the asset divides cleanly into a floor and an option.** The floor — Blue Archive in managed decline plus a durable Sudden Attack, under a fortress balance sheet and a supportive parent — is real and roughly underwritable. Everything above it is an **option on pipeline execution**: Project RX, Dungeon&Fighter: Arad, Woochi, Sudden Attack: Zero Point. Pay the floor with confidence; pay for the option only to the extent primary diligence raises conviction that this team, after The First Descendant, can convert its development spend into hits.

What would change the view — in either direction

UPGRADE SIGNALS

- Strong Project RX field-test reception and a firm 2026–27 date
- Dungeon&Fighter: Arad confirmed as a full multiplatform release with group marketing behind it
- The First Descendant concurrency durably rebuilt after the 2026 overhaul (the Warframe precedent)
- Continued narrowing of losses (the 1Q'26 trend) showing cost discipline

DOWNGRADE SIGNALS

- Pipeline slippage past 2027 with R&D still rising
- Blue Archive decline accelerating below its anniversary-supported plateau
- Another live-service launch failing the cadence test (a second TFD)
- Governance/related-party actions that disadvantage the minority float

THE BRIEF IN ONE LINE

Nexon Games is a financially sound, two-IP development house whose entire forward case is an option on an unshipped pipeline — buy the floor, diligence the option, and watch the four tell-tales above. The business is not the question; **the next hit is.**

Working With Nathan Research

FROM BRIEF TO PRIMARY DILIGENCE

Filings and press establish the *shape* of this business; they do not capture the operating detail that decides a deal — the real royalty economics with the parent, the production health behind the pipeline, the texture of the live-game retention work. That detail lives with the people who built, published, operated and competed with these games — and reaching them, compliantly, is what Nathan Research does.

Nathan Research Group operates **Korea's first dedicated expert-network service, established in 2013**. We were built for the global private-equity, hedge-fund, or corporate-strategy team that has a thesis on a Korean asset and needs primary, on-the-ground diligence that public disclosure cannot supply. The Korean interactive-entertainment complex — developers, publishers, the Nexon group, platform and live-ops talent — is one of our deepest benches.

Who we put in the room

For a Nexon Games or Korean-gaming engagement, we source, vet, and convene primary experts across the value chain:

- **Former executives & studio leads** — from Nexon Games, Nexon Korea, and peer studios (Shift Up, Krafton, Netmarble, NCSoft, Kakao Games)
- **Live-ops, monetization & publishing operators** — F2P economy designers, battle-pass and gacha monetization leads, global-launch and platform-relations managers
- **Production & engine specialists** — Unreal Engine 5 producers and technical directors who can read pipeline health and schedule realism
- **Channel & platform partners** — Steam/PlayStation/Xbox relations, Korean PC-bang distribution, and Japanese sub-culture publishing (Yostar-adjacent)
- **Players, KOLs & community leads** — for retention, sentiment and live-game health reads on Blue Archive and The First Descendant
- **Industry & governance specialists** — Korean game regulation, related-party / minority-shareholder governance, and console-policy context

How an engagement works

1 · Scope

We translate your thesis into a precise expert profile and question set, mapped to the diligence decisions you need to close.

2 · Source & vet

We identify, screen and compliance-clear each expert — confirming relevance, recency and the absence of conflicts before any call.

3 · Convene & synthesize

We arrange interviews on your timeline and, where useful, deliver written synthesis tied back to the questions in this brief.

THE QUESTIONS THIS BRIEF LEAVES OPEN — AND WE CAN HELP CLOSE

Parent economics — the actual related-party royalty rate and the group's intent for the subsidiary and its minority. **Pipeline reality** — the build quality, schedule realism and field-test reception of Project RX and DnF: Arad. **Live-game health** — true retention and spend trends behind Blue Archive's plateau and The First Descendant's overhaul. None is answerable from filings alone; all are diligence-able with the right primary voices.

Partner With Nathan Research

START THE CONVERSATION

If your team is evaluating **Nexon Games**, the **Nexon group**, or the broader **Korean game-development sector**, we would welcome the conversation. Tell us the decision you are trying to make — we will tell you, candidly, whether and how our network can help you make it.

What to expect when you reach out: A direct reply from a partner, not an intake form — and a scoping conversation rather than a sales call. From there: a compliant, conflict-cleared expert panel assembled to your timeline, and, where useful, written synthesis that builds directly on the analysis in this monograph.

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Compliance This brief is based solely on public disclosures and media sources. Nathan Research does not request or facilitate the exchange of material non-public information, trade secrets, confidential publishing or royalty contracts, or undisclosed financial, player or revenue data — and runs every engagement through a documented compliance protocol with expert attestations and client-defined restricted-topic lists, agreed before the first call.

A Appendix

SOURCES · METHODOLOGY · GLOSSARY

Evidence base & methodology

This monograph synthesizes a full inventory of primary and secondary sources, assembled and cross-checked on 2026-06-09. Figures are cited inline to source; where independent sources disagreed (notably title-level revenue estimates and market sizing), ranges or estimates are flagged rather than presented as audited point values. This is business and market analysis, not equity research.

Company filings (DART, corp_code 01096341). FY2025 annual report rcept **20260319000472** — business sections, 4-yr structured consolidated financials (fnlttSinglAcntAll CFS), R&D, employees, ownership, governance, treasury. Quarterly: 1Q'26 **20260514001048**, Q3'25 **20251111000228**, H1'25 **20250813001267**. Capital events: treasury-buyback trust **20250624000183** / termination & result **20250922000107 / …000115**; stock-option grant **20251212000256** (+ corrections); AGM **20260310002768**, proxy **20260310002849**.

Peer financials (OpenDART / IR, FY2025 consolidated). Shift Up (462870), Krafton (259960), NCSoft (036570), Netmarble (251270), Kakao Games (293490), Pearl Abyss (263750), Devsisters (194480), Com2uS (078340), Neowiz (095660), Wemade (112040). Margins computed from reported figures.

Market (KRX, 1-yr panel 2025-05→2026-06). by_company/nexongames OHLCV, short_balance, short_volume, universe — used only as a demand / sentiment overlay, never as a valuation input.

News. A 452-item Korean news corpus (May–Jun 2026) for results framing, sector sentiment and competitive context.

Web research (adversarially verified). Player/engagement data (SteamCharts, SteamDB); title revenue estimates (Sensor Tower via Automaton, Vortex, Hungryapp, PocketGamer.biz — flagged as estimates); parent & segment data (Nexon Co. IR earnings letters, BusinessWire, Massively OP); market sizing (Newzoo, Sensor Tower State of Gaming, Niko Partners, KOCCA 2025 White Paper); Korean results (GameMeca, Bloter, ZDNet Korea, Inven, DigitalToday). Each headline figure was corroborated across ≥2 publishers where possible; single-source or contradicted figures are flagged.

Note on figures presented with care: Title-level revenues (Blue Archive ~US$650m lifetime; The First Descendant contribution) are **third-party estimates** — Nexon does not disclose per-title figures; the developer's PC/console revenue books partly as domestic royalty, distorting reported geography. Nexon Games' 2024 revenue is stated on a **consolidated** basis (₩256.1bn); one broker deck cited a higher separate/restated figure. The five-year forward scenarios in Part 6 are **illustrative analytical constructs**, not forecasts of record or price targets. The exact related-party royalty rate is disclosed only in the Korean filing's related-party note and is identified as a primary-diligence priority, not asserted here.

Glossary

넥슨게임즈 (Nexon Games)	The subject company; KOSDAQ-listed Nexon development subsidiary (225570).
넷게임즈 (Net Games)	Predecessor studio (founded 2013); the surviving entity in the 2022 merger.
넥슨지티 (Nexon GT)	Predecessor studio (ex-Game Hi); owner of Sudden Attack; absorbed in 2022.
넥슨코리아 (Nexon Korea)	100%-owned operating/publishing arm of Nexon Co.; controlling parent of Nexon Games (60.01%).
블루 아카이브 (Blue Archive)	Sub-culture gacha mobile RPG; the cash-cow flagship (MX Studio).
퍼스트 디센던트 (The First Descendant / TFD)	Free-to-play looter-shooter; the 2024 console/PC bet (Magnum Studio).
서든어택 (Sudden Attack)	Long-running tactical FPS; durable evergreen cash line (since 2005).
요스타 (Yostar)	Japanese publisher of Blue Archive in Japan & China (third-party to Nexon).
서브컬처 가챠 (sub-culture gacha)	Anime-style character-collection mobile RPG monetized via gacha "pulls."
루트 슈터 (looter shooter)	Shooter built around a loot-progression "treadmill" (Destiny, Warframe).
CCU (동시접속자)	Concurrent users — the standard live-game engagement metric.
양극화 (polarization)	The 2025 split of Korean studios into winners and losers by new-IP / console execution.
사업보고서 (saeop bogoseo)	Annual business report (DART).
rcept_no	DART filing receipt number.