NEXON

Investor Presentation Q1 2018

May 10, 2018　NEXON Co., Ltd.

Owen Mahoney

President and Chief Executive Officer

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CEO Highlights

- Record-breaking quarterly results. Double-digit year-over-year growth in revenues and operating income. Net income[1] more than doubled.

- Longevity of key franchises underscores Nexon's vision of growing games over the long term
  - *Dungeon&Fighter*: Celebrating **10th** anniversary in China. Gross revenues have grown double digits year over year for 9 consecutive quarters.
  - *MapleStory*: Celebrated **15th** anniversary in Korea. Grew 11% year over year worldwide.
  - *DomiNations*: **3rd** anniversary in the West. Life-to-date revenues exceeded $150 million.

- Multiple titles slated for launch worldwide
  - *EA SPORTS™ FIFA ONLINE 4* and *KAISER* in Korea
  - 10 mobile titles for Japan in 2018 including *OVERHIT*, *DURANGO: Wild Lands*, and *GIGANT SHOCK*
  - International services of *Durango: Wild Lands*, *Darkness Rises*[2], and *MapleStory M*

[1] Net income refers to net income attributable to owners of the parent, as stated in Nexon's consolidated financial results.
[2] Global service name of *Dark Avenger 3*.

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Shiro Uemura

Chief Financial Officer

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Q1 2018 Results

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Q1 Highlights

- Revenues ¥90.5 billion, up 21% year-over-year as-reported, up 18% constant currency[1]
- Exceeded outlook, primarily driven by strong performance of *Dungeon&Fighter* in China around the Lunar New Year season
- Operating income ¥54.7 billion – exceeded our outlook, primarily due to the outperformance in high-margin China business; lower-than-planned HR cost due to lower headcount increase
- Net income[2] ¥46.6 billion – exceeded our outlook, due to operating income outperformance partially offset by ¥2.2 billion FX loss primarily on U.S. dollar-denominated cash deposits

(Unit: ¥ millions, except per share data)

	Q1 2017	Q1 2018 Outlook			Q1 2018	YoY %
		Low end		High end		
Revenues	**¥74,792**	***¥81,917***	***~***	***¥89,799***	**¥90,514**	***21%***
PC[3]	63,114	*68,345*	*~*	*74,668*	76,074	*21%*
Mobile	11,678	*13,572*	*~*	*15,131*	14,440	*24%*
Japan	*4,240*				*1,952*	*(54%)*
ex-Japan	*7,438*				*12,488*	*68%*
Operating income	**39,762**	***45,132***	***~***	***52,302***	**54,729**	***38%***
Net income[2]	**19,906**	***40,397***	***~***	***46,332***	**46,615**	***134%***
Earnings per share[4]	22.85	*45.87*	*~*	*52.61*	52.80	
Exchange rates						
100 KRW/JPY	9.88	*10.40*		*10.40*	10.11	*2%*
CNY/JPY	16.50	*17.26*		*17.26*	17.07	*3%*
USD/JPY	113.64	*110.86*		*110.86*	108.30	*(5%)*

[1] Constant currency is a non-GAAP measure used to show performance unaffected by fluctuations in foreign currency exchange rates. Constant currency basis amounts are calculated using the average foreign currency exchange rates for the comparable period in the prior year and applied to the current period. As an example, we calculate royalty revenues from China *Dungeon&Fighter* by applying the same CNY/USD, USD/KRW and KRW/JPY exchange rates from last year's same fiscal quarter.
[2] Net income refers to net income attributable to owners of the parent, as stated in Nexon's consolidated financial results.
[3] PC revenues include other revenues besides PC online games and mobile games.
[4] Nexon conducted a two-for-one stock split of its common stock as of April 1, 2018. The amount of Earnings per share has been calculated based on the assumption that such stock split was conducted at the beginning of the previous consolidated accounting year.

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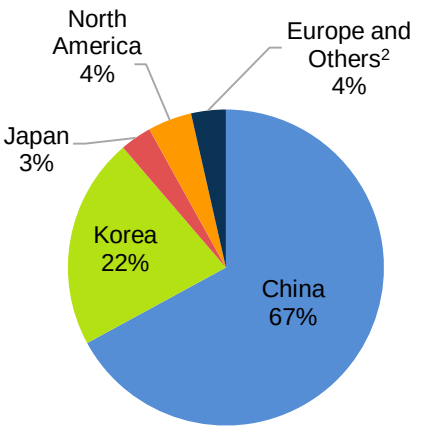
Revenue Breakdown

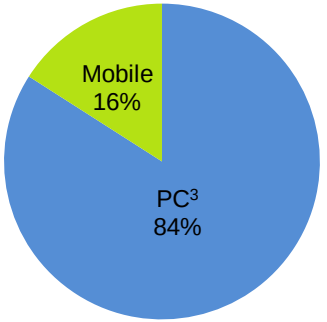
(Unit: ¥ millions)

	Q1 2017	Q1 2018		YoY % Change	
		As-Reported	Constant Currency[4]	As-Reported	Constant Currency[4]
Revenue by Region[1]					
China	¥43,951	¥60,704	¥58,861	*38%*	*34%*
Korea	20,279	19,596	19,141	*(3%)*	*(6%)*
Japan	5,406	2,925	2,925	*(46%)*	*(46%)*
North America	2,077	4,074	4,256	*96%*	*105%*
Europe and Others[2]	3,079	3,215	3,252	*4%*	*6%*
Nexon Total	**74,792**	**90,514**	**88,435**	***21%***	***18%***
Revenue by Platform					
PC[3]	63,114	76,074	73,965	*21%*	*17%*
Mobile	11,678	14,440	14,470	*24%*	*24%*
Japan	*4,240*	*1,952*	*1,952*	*(54%)*	*(54%)*
ex-Japan	*7,438*	*12,488*	*12,518*	*68%*	*68%*
Nexon Total	**74,792**	**90,514**	**88,435**	***21%***	***18%***
FX Rate					
100 KRW/JPY	*9.88*	*10.11*	*9.88*	*2%*	
CNY/JPY	*16.50*	*17.07*	*16.50*	*3%*	
USD/JPY	*113.64*	*108.30*	*113.64*	*(5%)*	

Q1 2018 Revenue by Region[1]



Q1 2018 Revenue by Platform



[1] Based on the regions in which revenues originate; not a representation of revenues according to Nexon entities.
[2] "Europe and Others" includes Europe as well as other Asian countries and South American countries.
[3] PC revenues include other revenues besides PC online games and mobile games.
[4] Constant currency is a non-GAAP measure used to show performance unaffected by fluctuations in foreign currency exchange rates. Constant currency basis amounts are calculated using the average foreign currency exchange rates for the comparable period in the prior year and applied to the current period. As an example, we calculate royalty revenues from China *Dungeon&Fighter* by applying the same CNY/USD, USD/KRW and KRW/JPY exchange rates from last year's same fiscal quarter.
[5] For the KPIs (MAU, Pay Rate and ARPPU) of PC online games, please refer to appendix of this presentation.

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China/Korea – Highlights

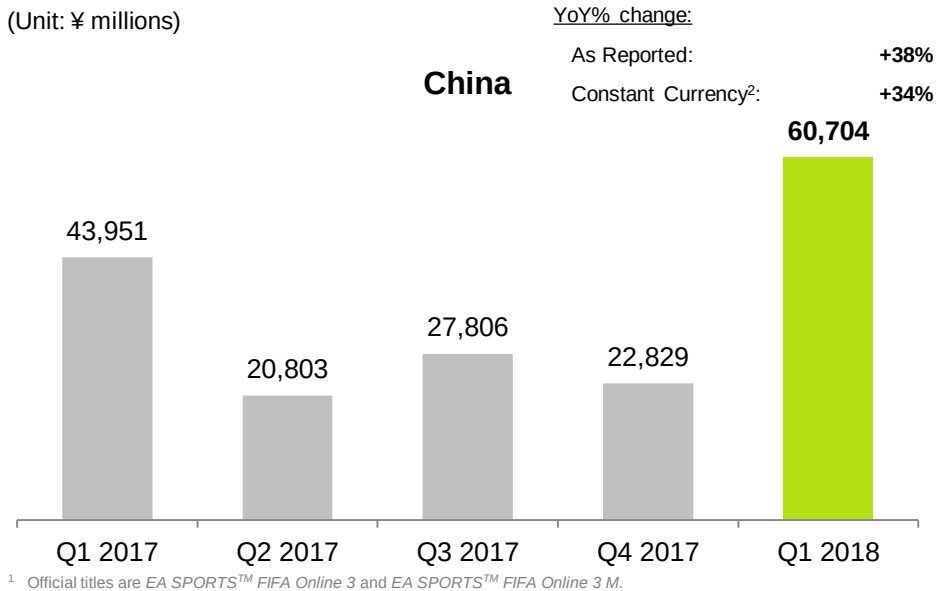
China

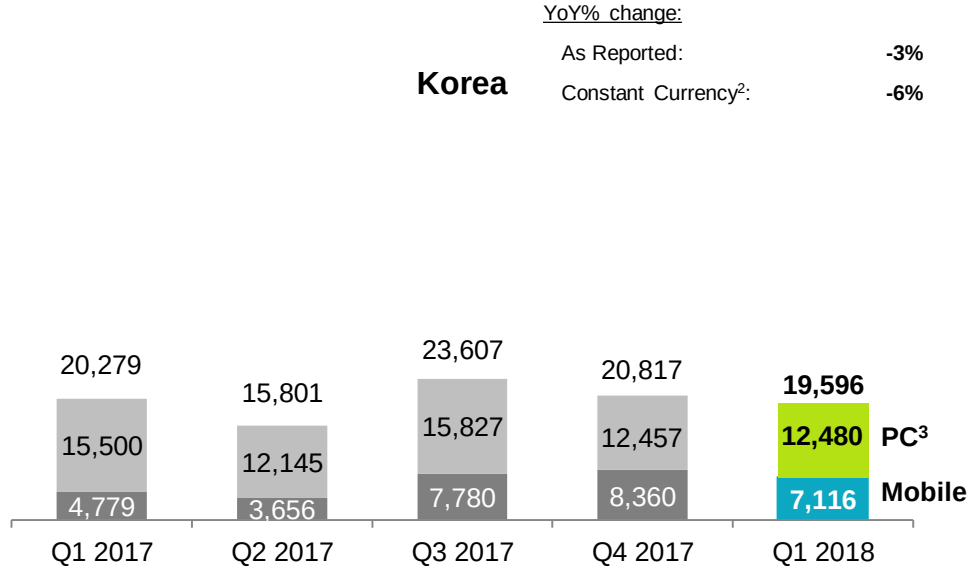
- *Dungeon&Fighter*
  - Lunar New Year Update (2/1–4/5) extremely well-received. Strong sales continued particularly around the February Lunar New Year season
  - Revenues, ARPPU increased; paying users roughly flat year-over-year. MAUs decreased year-over-year due to high comparison with Q1 2017 with Level Cap update in addition to Lunar New Year update
  - Quarter-over-quarter revenues, ARPPU, MAUs, and paying users increased due to the typical seasonality

Korea

- Mobile revenues increased significantly year-over-year primarily driven by *OVERHIT, AxE, Yulhyulgangho M*, and *Durango: Wild Lands*
- *MapleStory* grew year-over-year driven by successful Lunar New Year promotions while *Dungeon&Fighter* decreased year-over-year due to high comparison with Q1 2017 with continued strength from large-scale updates in 2H 2016
- *FIFA Online 3*[1] / *FIFA Online 3 M*[1]: Revenues decreased significantly year-over-year due to upcoming service transition

(Unit: ¥ millions)





[1] Official titles are *EA SPORTS™ FIFA Online 3* and *EA SPORTS™ FIFA Online 3 M*.
[2] Constant currency is a non-GAAP measure used to show performance unaffected by fluctuations in foreign currency exchange rates. Constant currency basis amounts are calculated using the average foreign currency exchange rates for the comparable period in the prior year and applied to the current period. As an example, we calculate royalty revenues from China *Dungeon&Fighter* by applying the same CNY/USD, USD/KRW and KRW/JPY exchange rates from last year's same fiscal quarter.
[3] PC revenues include other revenues besides PC online games and mobile games.

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Japan/North America/Europe and Others[1] – Highlights

Japan

- Year-over-year decrease primarily due to the deceleration of *HIT*, *HIDE AND FIRE*, and mobile browser games
- Preparing for launches of multiple mobile games in 2018

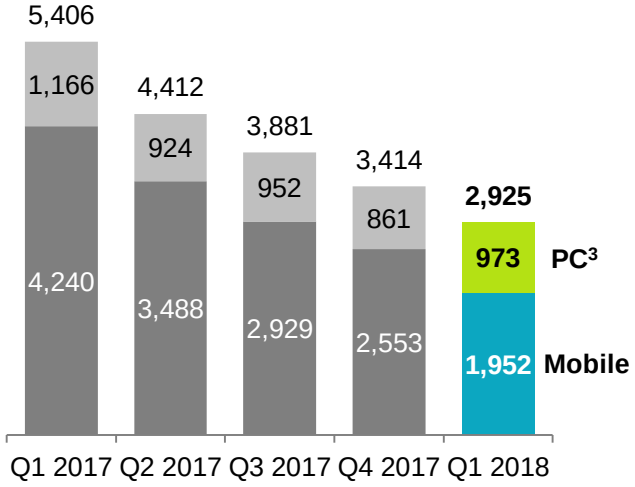
North America

- Significant year-over-year growth primarily driven by full-quarter contribution from Pixelberry Studios

(Unit: ¥ millions)

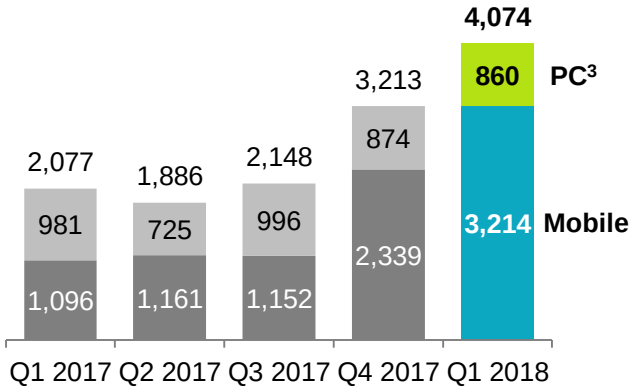
Japan

YoY% change:
As Reported: **-46%**
Constant Currency[2]: **-46%**



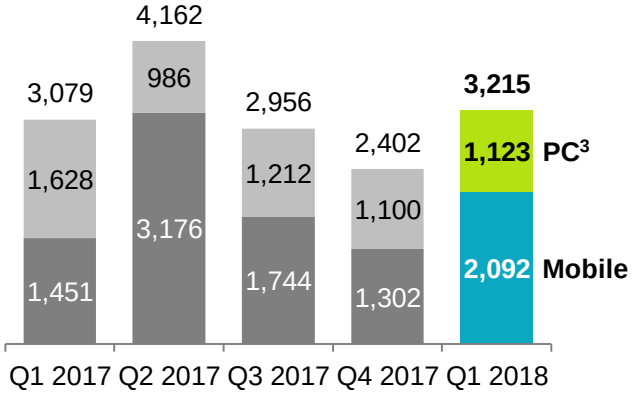
North America

YoY% change:
As Reported: **+96%**
Constant Currency[2]: **+105%**



Europe and Others[1]

YoY% change:
As Reported: **+4%**
Constant Currency[2]: **+6%**



[1] "Europe and Others" includes Europe as well as other Asian countries.
[2] Constant currency is a non-GAAP measure used to show performance unaffected by fluctuations in foreign currency exchange rates. Constant currency basis amounts are calculated using the average foreign currency exchange rates for the comparable period in the prior year and applied to the current period. As an example, we calculate royalty revenues from China *Dungeon&Fighter* by applying the same CNY/USD, USD/KRW and KRW/JPY exchange rates from last year's same fiscal quarter.
[3] PC revenues include other revenues besides PC online games and mobile games.

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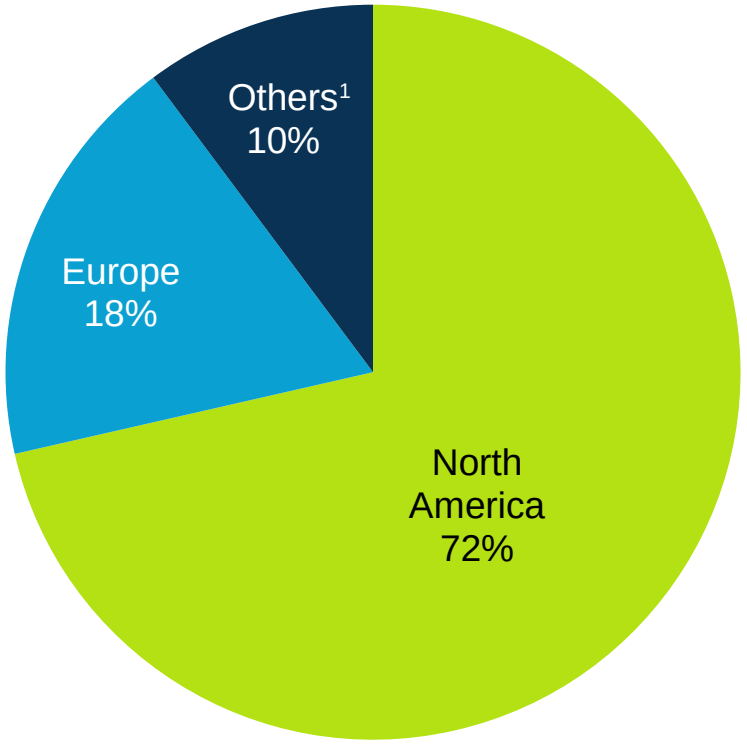
Pixelberry Studios – Q1 Revenue Composition

- First quarter with full-quarter contribution from Pixelberry Studios
- Total revenues were at the high end of outlook



[1] "Others" primarily include Australia, New Zealand, and Southeast Asian countries

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Q2 2018 Outlook

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Q2 2018 Business Outlook

- Expect revenues to be:
  - Down 4% to up 4% year-over-year on as-reported basis
  - Down 7% to up 1% year-over-year on constant currency[1] basis

(Unit: ¥ millions, except per share data)

	Q2 2017	Q2 2018 Outlook			YoY %		
Revenues	**¥47,064**	**¥45,081**	**~**	**¥49,062**	***(4%)***	**~**	***4%***
PC[2]	35,540	33,312	~	36,010	*(6%)*	~	*1%*
Mobile	11,524	11,769	~	13,052	*2%*	~	*13%*
Operating income	**16,278**	**10,475**	**~**	**13,543**	***(36%)***	**~**	***(17%)***
Net income[3]	**19,448**	**11,216**	**~**	**13,804**	***(42%)***	**~**	***(29%)***
Earnings per share[4]	22.21	12.62	~	15.53			
FX Rate Assumptions							
100 KRW/JPY	*9.85*	*10.08*		*10.08*	*2%*		
CNY/JPY	*16.19*	*17.06*		*17.06*	*5%*		
USD/JPY	*111.09*	*107.44*		*107.44*	*(3%)*		

- Forex sensitivity: every one Japanese yen move against the U.S. dollar would have the following impact on our financials for Q2 2018[5]

Revenues	0.42 billion yen
Operating Income	0.14 billion yen

[1] Constant currency is a non-GAAP measure used to show performance unaffected by fluctuations in foreign currency exchange rates. Constant currency basis amounts are calculated using the average foreign currency exchange rates for the comparable period in the prior year and applied to the current period. As an example, we calculate royalty revenues from China *Dungeon&Fighter* by applying the same CNY/USD, USD/KRW and KRW/JPY exchange rates from last year's same fiscal quarter.
[2] PC revenues includes revenues other than PC/mobile revenues.
[3] Net income refers to net income attributable to owners of the parent, as stated in Nexon's consolidated financial results.
[4] Nexon conducted a two-for-one stock split of its common stock as of April 1, 2018. The amount of Earnings per share has been calculated based on the assumption that such stock split was conducted at the beginning of the previous consolidated accounting year.
[5] In most situations, the exchange rates of both the South Korean Won and the Chinese Yuan are linked to the U.S. dollar. For simplicity, forex sensitivity is calculated based on the assumption that Korean Won and Chinese Yuan move similarly against Japanese yen when there is an exchange rate movement in U.S. dollar and Japanese yen.

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Q2 2018 and Full-Year Regional Outlook

China

Q2

- As-reported: Expect low single digit % to low teens % YoY increase
- Constant currency[1]: Expect low single digit % decrease to high single digit % YoY increase
- *Dungeon&Fighter*: Introduced Labor Day Update (April); scheduled to introduce 10th Anniversary Update (June)

Full-Year

- Continue development / preparation for *Dungeon&Fighter* 2D mobile (Publisher: Tencent)

Korea

Q2

- As-reported: Expect high single digit % YoY decrease to flat
- Constant currency[1]: Expect high single digit % to low single digit % YoY decrease
- PC: Scheduled to launch *EA SPORTS™ FIFA ONLINE 4* (May)
- Mobile: Scheduled to launch *KAISER*

Full-Year

- Multiple new PC online and mobile games scheduled for launch:
  - Mobile: *EA SPORTS™ FIFA ONLINE 4M* (July), *Magia*, *Mabinogi Mobile*
  - PC: *Astellia, Battlerite*

Japan

Q2

- As-reported or constant currency[1]: Expect 30+% to 20+% YoY decrease
- Started pre-registration for *HEXIA* (April); scheduled to launch *OVERHIT*

Full-Year

- Preparing multiple mobile games for 2018

North America, Europe and Others[2]

Q2

- North America
  - As-reported: Expect 70+% to 90+% YoY increase
  - Constant currency[1]: Expect 80+% to 90+% YoY increase
- Europe and Others[2]
  - As-reported or constant currency[1]: Expect 30+% to 20+% YoY decrease

Full-Year

- Preparing multiple mobile games for 2018

[1] Constant currency is a non-GAAP measure used to show performance unaffected by fluctuations in foreign currency exchange rates. Constant currency basis amounts are calculated using the average foreign currency exchange rates for the comparable period in the prior year and applied to the current period. As an example, we calculate royalty revenues from China *Dungeon&Fighter* by applying the same CNY/USD, USD/KRW and KRW/JPY exchange rates from last year's same fiscal quarter.

[2] "Europe and Others" includes Europe as well as other Asian countries and South American countries.

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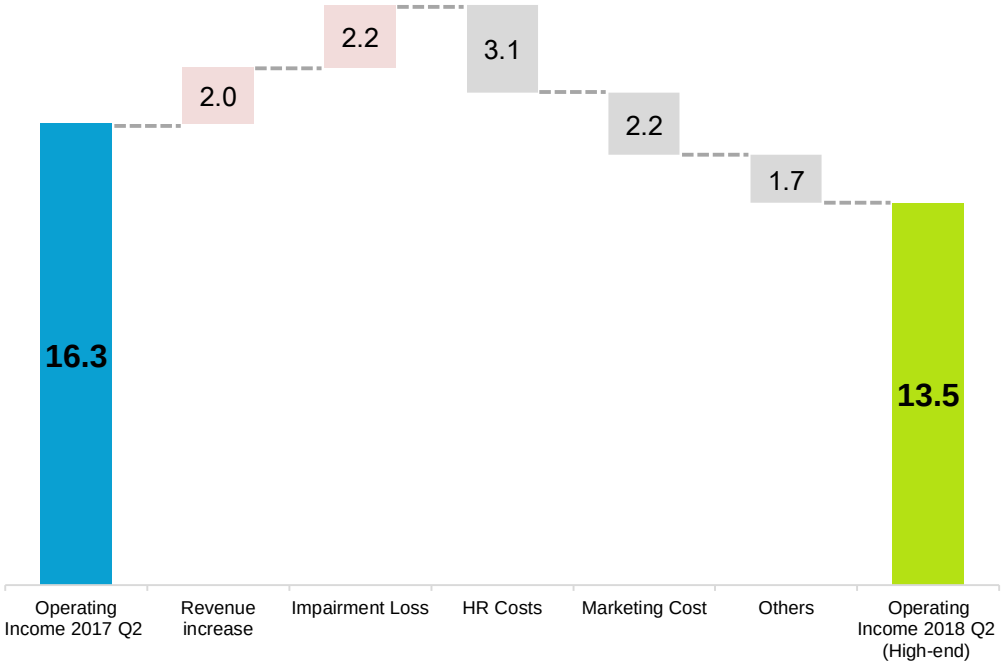
Q2 2018 Operating Income Outlook

YoY Operating Income Comparison

(Unit: ¥ billions)



Expect Q2 2018 operating income of ¥10.5 to ¥13.5 billion due to:

Positive drivers

- Increased revenues, primarily driven by China business and contributions from Pixelberry Studios
- Decreased impairment loss

Negative drivers

- Increase in HR costs primarily due to increased headcount and higher stock option expense
- Increase in marketing costs associated with new titles including *EA SPORTS*™ *FIFA ONLINE 4, OVERHIT,* and *KAISER*; promotions for *Choices: Stories You Play*
- Others include increased variable costs, outside service fees, and decreased other income

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2018 China *Dungeon&Fighter* Update Schedule

Period	Tier 1 Content Update	2017	2018
Q1	Lunar New Year Update	January 17th	February 1st
	2017: Level Cap Update	January 17th	N/A
Q2	Labor Day Update	April 27th	April 26th
	Anniversary Update	June 22nd	June
Q3	Summer Update	July 6th	TBD
	National Day Update	September 21st	TBD
Q4	Winter Update	N/A	TBD

* 2018 update schedule is subject to change depending on various operational factors

Indicates financially important updates

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Pipeline[1] – Korea/China

Korea

PC Online

Q2 2018 and onward

EA SPORTS™ FIFA ONLINE 4

Astellia

Battlerite

Titanfall™ Online

Mobile

KAISER

EA SPORTS™ FIFA ONLINE 4M

Magia[2]

Mabinogi Mobile

China

PC / Mobile

Q2 2018 and onward

MapleStory2 (PC)

Dungeon&Fighter 2D mobile

[1] Chart is illustrative excerpt of pipeline.
[2] The official service name for *Project D*.
[3] The letters, graphics, symbols, logos and other marks shown in this material are trademarks or registered trademarks owned by respective right holders.

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Pipeline[1] – Japan/North America and RoW

Japan

Mobile

Q2 2018 and onward

- *HEXIA*
- *OVERHIT*
- *GIGANT SHOCK*
- *DURANGO: Wild Lands*
- *FINAL FANTASY® XI mobile*

North America and Rest of the World

PC Online

Q2 2018 and onward

- *MapleStory2*
- *Titanfall™ Online* (Asia)

Mobile

Q2 2018 and onward

- *Durango: Wild Lands*
- *Darkness Rises*[2]
- *MapleStory M*
- *OVERHIT*
- *Magia*[3]
- *AxE*
- *FINAL FANTASY® XI mobile*

[1] Chart is illustrative excerpt of pipeline.
[2] The official title of global launch for *Dark Avenger 3*.
[3] The official service name for *Project D*.
[4] The letters, graphics, symbols, logos and other marks shown in this material are trademarks or registered trademarks owned by respective right holders.

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Appendix

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Summary of Results and Key Operational Metrics

(Unit: ¥ millions, except per share data)

	Q1 2017	Q2 2017	Q3 2017	Q4 2017	**Q1 2018**	YoY%
(By Region)						
China	¥43,951	¥20,803	¥27,806	¥22,829	¥60,704	*38%*
Korea	20,279	15,801	23,607	20,817	19,596	*(3%)*
Japan	5,406	4,412	3,881	3,414	2,925	*(46%)*
North America	2,077	1,886	2,148	3,213	4,074	*96%*
Europe and Others[1]	3,079	4,162	2,956	2,402	3,215	*4%*
(By Platform)						
PC [2]	63,114	35,540	46,755	38,080	76,074	*21%*
Mobile	11,678	11,524	13,643	14,595	14,440	*24%*
Japan	*4,240*	*3,488*	*2,929*	*2,553*	*1,952*	*(54%)*
ex-Japan	*7,438*	*8,036*	*10,714*	*12,042*	*12,488*	*68%*
Revenue	**74,792**	**47,064**	**60,398**	**52,675**	**90,514**	*21%*
Operating income	**39,762**	**16,278**	**22,704**	**11,760**	**54,729**	*38%*
Net income/(loss) [3]	**19,906**	**19,448**	**19,606**	**(2,210)**	**46,615**	*134%*
Earnings/(loss) per share[4]	**22.85**	**22.21**	**22.27**	**(2.51)**	**52.80**	
FX rate						
100 KRW/JPY	*9.88*	*9.85*	*9.82*	*10.22*	*10.11*	*2%*
CNY/JPY	*16.50*	*16.19*	*16.65*	*17.08*	*17.07*	*3%*
USD/JPY	*113.64*	*111.09*	*111.03*	*112.98*	*108.30*	*(5%)*
KPI (Excluding Mobile)						
MAU (millions)	44.9	41.2	42.2	39.7	35.3	*(21%)*
Pay Rate	16.1%	15.6%	15.6%	14.3%	19.3%	*20%*
ARPPU (as-reported)	5,628	3,241	4,202	3,503	8,028	*43%*

[1] "Europe and Others" includes Europe as well as other Asian countries and South American countries.
[2] PC revenues include revenues other than PC/mobile revenues.
[3] Net income/(loss) refers to net income/(loss) attributable to owners of the parent, as stated in Nexon's consolidated financial results.
[4] Nexon conducted a two-for-one stock split of its common stock as of April 1, 2018. The amount of Earnings/(loss) per share has been calculated based on the assumption that such stock split was conducted at the beginning of the previous consolidated accounting year.

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COGS and SG&A

(Unit: ¥ millions)

	FY2017				FY2018
	Q1	Q2	Q3	Q4	Q1
Total Cost of Revenue [1]	**¥14,767**	**¥12,584**	**¥14,953**	**¥14,352**	**¥14,337**
Royalty [2]	5,635	4,413	5,271	4,383	3,979
HR cost (COGS) [3]	6,258	5,447	6,754	6,585	6,277
Other (COGS) [4]	2,874	2,724	2,928	3,384	4,081
Total SG&A [1]	**17,298**	**16,648**	**19,834**	**21,308**	**21,474**
HR cost	4,036	3,527	3,887	4,853	5,434
PG fee [5]	5,229	4,715	5,928	5,524	5,553
R&D	2,007	2,056	1,951	2,057	2,124
Marketing/advertising expenses	3,173	3,650	5,122	5,910	5,631
Depreciation and amortization	1,009	856	600	669	656
Other	1,844	1,844	2,346	2,295	2,076
Other Income [6]	181	714	762	(272)	359
Other Expense [7]	3,146	2,268	3,669	4,983	333
Includes: impairment loss	2,689	2,185	3,618	4,246	319

[1] Breakdown of COGS and SG&As are unaudited.
[2] Royalty includes royalties paid to third-party developers in order for us to obtain the right to publish their games.
[3] HR cost includes salaries, bonuses and benefits for our live game developers, who support post launch servicing, updating and support for our games.
[4] Other (COGS) primarily consists of depreciation and amortization of assets related to existing games, connection fees (mainly comprised of co-location and datacenter fees, internet bandwidth and access fees), and the costs of purchasing and maintaining our servers and computer equipment.
[5] PG fee in SG&A includes commissions made to external payment gateway companies when users purchase in-game items in PC Online games that we service. It also includes mobile carrier-related commissions we pay regarding our Japanese mobile browser games, commissions we pay to Apple/Google regarding our mobile native games globally, and platform commission fees related to mobile browser games.
[6] Other Income includes other non-operating income, reversal of deferred revenue, gain on sale of properties, and gain on change in equity.
[7] Other Expense includes other non-operating expenses, loss on sale/disposal of properties, loss on impairment of tangible fixed assets, loss on impairment of intangible assets, loss on impairment of other fixed assets and loss on change in equity. It also includes impairment loss of game IPs and goodwill.

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P&L Below Operating Income

(Unit: ¥ millions)

	FY2017				FY2018
	Q1	Q2	Q3	Q4	Q1
Operating Income	**¥39,762**	**¥16,278**	**¥22,704**	**¥11,760**	**¥54,729**
Finance Income [1]	1,202	6,271	2,117	2,463	1,869
Finance Costs [2]	15,920	294	15	15,728	3,225
Equity income/(loss) of affiliates, equity method companies	**(12)**	**(340)**	**(178)**	**(75)**	**(23)**
Income/(Loss) before Income Tax	**25,032**	**21,915**	**24,628**	**(1,580)**	**53,350**
Tax expense	5,220	2,613	4,981	664	6,845
Net income/(loss) [3]	**19,906**	**19,448**	**19,606**	**(2,210)**	**46,615**

[1] Finance Income includes interest income primarily on cash deposits. 2017 Q2 and 2017 Q3 Finance Income includes FX conversion gains related to foreign currency deposits and accounts receivable.
[2] 2017 Q1, Q4 and 2018 Q1 Finance Costs are primarily caused by FX conversion loss related to foreign currency deposits & A/R.
[3] Net income/(loss) refers to net income/(loss) attributable to owners of the parent, as stated in Nexon's consolidated financial results.

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Cash Flow Statement

(Unit: ¥ millions)

	3 months ended March 31, 2017	3 months ended March 31, 2018
Cash flows from operating activities	¥6,410	¥15,614
Cash flows from investing activities	(6,702)	(23,017)
Cash flows from financing activities	297	2,723
Net increase / (decrease) in cash and cash equivalents	5	(4,680)
Cash and cash equivalents at beginning of fiscal year	152,683	153,242
Effect of exchange rate change on cash and cash equivalents	(1,566)	(7,425)
Cash and cash equivalents at end of fiscal year	151,122	141,137

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Balance Sheet

(Unit: ¥ millions)

	December 31, 2017	March 31, 2018
Asset		
Current Assets		
Cash and cash equivalents	¥153,242	¥141,137
Other deposits	234,092	242,680
Other current assets	55,285	86,942
Total current assets	**442,619**	**470,759**
Noncurrent assets		
Tangible assets	27,303	25,683
Goodwill	21,682	20,661
Intangible assets	12,784	12,834
Others	41,568	39,147
Total noncurrent assets	**103,337**	**98,325**
Total assets	**545,956**	**569,084**
Liability		
Current liabilities		
Current tax liabilities	7,698	11,986
Current borrowings	3,490	2,498
Others	30,359	25,380
Total current liabilities	**41,547**	**39,864**
Noncurrent liabilities		
Non-current borrowings	-	35
Others	34,191	32,236
Total noncurrent liabilities	**34,191**	**32,271**
Total liabilities	**75,738**	**72,135**
Shareholders' equity		
Capital stock	9,390	11,825
Capital surplus	41,021	32,258
Treasury shares	-	(0)
Other equity interest	91,033	66,724
Retained earnings	323,763	381,504
Non-controlling interests	5,011	4,638
Total equity	**470,218**	**496,949**
Total liabilities and total equity	**545,956**	**569,084**

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P&L by Reporting Segment[1]

(Unit: ¥ millions)

	FY2017				FY2018
	Q1	Q2	Q3	Q4	Q1
Japan					
Revenue from external customers	¥3,532	¥3,067	¥2,866	¥2,641	¥2,469
Segment profit/(loss)	(903)	(948)	(700)	(1,458)	(1,756)
Korea					
Revenue from external customers	67,616	41,390	54,236	45,544	81,826
Segment profit/(loss)	44,005	20,120	28,109	20,368	57,739
China					
Revenue from external customers	1,305	665	699	528	646
Segment profit/(loss)	933	300	326	131	353
North America					
Revenue from external customers	2,128	1,802	2,473	3,647	5,440
Segment profit/(loss)	(1,272)	(1,587)	(2,072)	(1,937)	(1,460)
Others					
Revenue from external customers	211	140	124	315	133
Segment profit/(loss)	(31)	(55)	(102)	(84)	(177)
Adjustments					
Revenue from external customers	-	-	-	-	-
Segment profit/(loss)	(5)	2	50	(5)	4
Total					
Revenue from external customers	74,792	47,064	60,398	52,675	90,514
Segment profit/(loss)	42,727	17,832	25,611	17,015	54,703

[1] Representation based on location of Nexon's entities; not based on regions in which revenues originate.

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Number of Employees by Reporting Segment

Full-time employees	March 31, 2017	June 30, 2017	September 30, 2017	December 31, 2017	March 31, 2018
Japan	585	561	532	537	545
Korea	4,263	4,292	4,334	4,426	4,439
China	260	254	273	239	227
North America	322	332	351	445	424
Others	104	113	110	121	81
Total	**5,534**	**5,552**	**5,600**	**5,768**	**5,716**

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Nexon Japan Corporate Entity Financial Statement[1] (1)

(Unit: ¥ millions)

Condensed Income Statement	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017
Revenue	**¥11,657**	**¥11,236**	**¥7,987**	**¥5,815**	**¥5,208**	**¥5,927**
Cost of revenue	4,732	4,829	3,679	3,117	3,134	3,438
Gross profit	**6,924**	**6,407**	**4,308**	**2,698**	**2,074**	**2,489**
SG&A	6,517	7,275	7,585	6,470	6,736	6,941
Operating profit / (loss)	**406**	**(868)**	**(3,277)**	**(3,772)**	**(4,662)**	**(4,452)**
Non-operating income	697	14,186	28,335	19,163	636	5,049
Includes: dividend income	135	12,926	24,613	18,869	22	4,612
Non-operating expenses	582	603	526	1,246	1,826	1,969
Ordinary income	**521**	**12,715**	**24,532**	**14,145**	**(5,852)**	**(1,372)**
Extraordinary income	-	-	244	6,443	852	58
Extraordinary losses	2,624	4,451	18,717	6,897	39,573	9,643
Income / (loss) before income taxes	**(2,102)**	**8,264**	**6,059**	**13,691**	**(44,573)**	**(10,957)**
Tax expense	50	725	4,656	5,519	(201)	234
Net income / (loss)	**(2,153)**	**7,539**	**1,403**	**8,172**	**(44,372)**	**(11,191)**

[1] Excerpt of NEXON Co., Ltd.'s standalone financial statements included in Annual Securities Report (Yuuka Shouken Houkokusho). Please note NEXON Co., Ltd.'s standalone financial statements are based on J-GAAP (Nexon Group's consolidated financial statements are based on IFRS).

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Nexon Japan Corporate Entity Financial Statement[1] (2)

(Unit: ¥ millions)

Condensed Balance Sheet	December 31, 2012	December 31, 2013	December 31, 2014	December 31, 2015	December 31, 2016	December 31, 2017
Current assets	**¥51,806**	**¥45,632**	**¥46,760**	**¥70,444**	**¥52,632**	**¥42,946**
Includes: cash and cash equivalents	48,952	32,367	30,711	68,997	49,531	41,868
Non-current assets	**99,900**	**135,011**	**101,337**	**38,190**	**6,438**	**5,494**
Property, plant and equipment	216	183	222	200	74	7
Intangeble assets	59	56	60	66	-	-
Investments and other assets	99,624	134,772	101,055	37,924	6,364	5,487
Total assets	**151,707**	**180,643**	**148,097**	**108,634**	**59,070**	**48,440**
Current liabilities	**14,302**	**13,103**	**16,345**	**3,506**	**2,341**	**1,796**
Non-current liabilities	**40,230**	**39,644**	**23,154**	**498**	**448**	**457**
Total liabilities	**54,532**	**52,747**	**39,499**	**4,004**	**2,789**	**2,253**
Shareholder's equity	**105,943**	**110,163**	**98,122**	**99,779**	**50,669**	**41,230**
Capital stock	51,342	51,868	52,332	56,227	3,307	9,183
Capital surplus	51,202	51,728	42,192	36,087	88,621	43,021
Includes: other capital surplus	50,000	50,000	40,000	30,000	86,064	34,588
Retained earnings	3,398	6,567	3,598	7,465	(41,259)	(10,974)
Includes: other retained earnings	3,398	6,130	2,724	6,160	(41,476)	(11,191)
Treasury shares	-	(0)	-	-	(0)	-
Valuation and translation adjustments	**(9,555)**	**15,844**	**6,536**	**246**	**77**	**(10)**
Subscription rights to shares	**786**	**1,889**	**3,940**	**4,605**	**5,535**	**4,967**
Total net assets	**97,174**	**127,896**	**108,598**	**104,630**	**56,281**	**46,187**

Statement of changes in equity (excerpt)	December 31, 2012	December 31, 2013	December 31, 2014	December 31, 2015	December 31, 2016	December 31, 2017
Payment of dividends	**-**	**(4,807)**	**(4,372)**	**(4,305)**	**(4,352)**	**-**
Acquisition of treasury shares	**-**	**(0)**	**(10,000)**	**(10,000)**	**(5,000)**	**(10,000)**
Cancellation of treasury shares	**-**	**-**	**10,000**	**10,000**	**5,000**	**10,000**

[1] Excerpt of NEXON Co., Ltd.'s standalone financial statements included in Annual Securities Report (Yuuka Shouken Houkokusho). Please note NEXON Co., Ltd.'s standalone financial statements are based on J-GAAP (Nexon Group's consolidated financial statements are based on IFRS).

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Key Titles by Region

China

Dungeon&Fighter (PC)

Counter-Strike Online (PC)

MapleStory (PC)

MapleStory2 (PC)

Korea

MapleStory (PC)

Dungeon&Fighter (PC)

Sudden Attack (PC)

EA SPORTS™ FIFA Online 3 (PC)

EA SPORTS™ FIFA Online 3 M (Mobile)

AxE (Mobile)

OVERHIT (Mobile)

Japan

HIT (Mobile)

HIDE AND FIRE (Mobile)

MapleStory (PC)

Mabinogi (PC)

Dungeon&Fighter (PC)

Tree of Savior (PC)

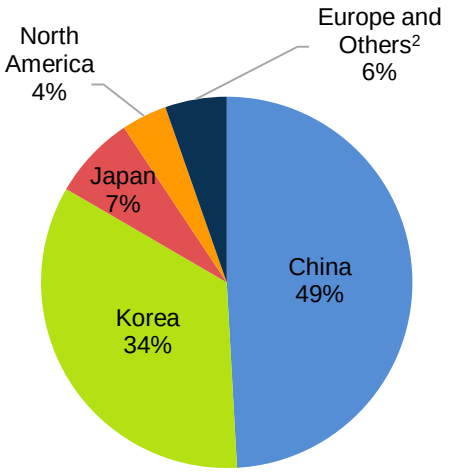
North America and Rest of the World

MapleStory (PC)

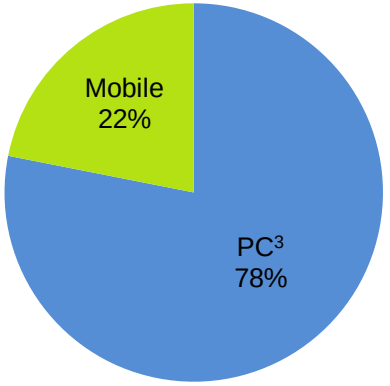
DomiNations (Mobile)

Choices: Stories You Play (Mobile)

2017 Revenue by Region[1]



2017 Revenue by Platform



[1] Based on the regions in which revenues originate; not a representation of revenues according to Nexon entities.
[2] "Europe and Others" includes Europe as well as other Asian countries and South American countries.
[3] PC revenue includes revenues other than PC/mobile revenues.

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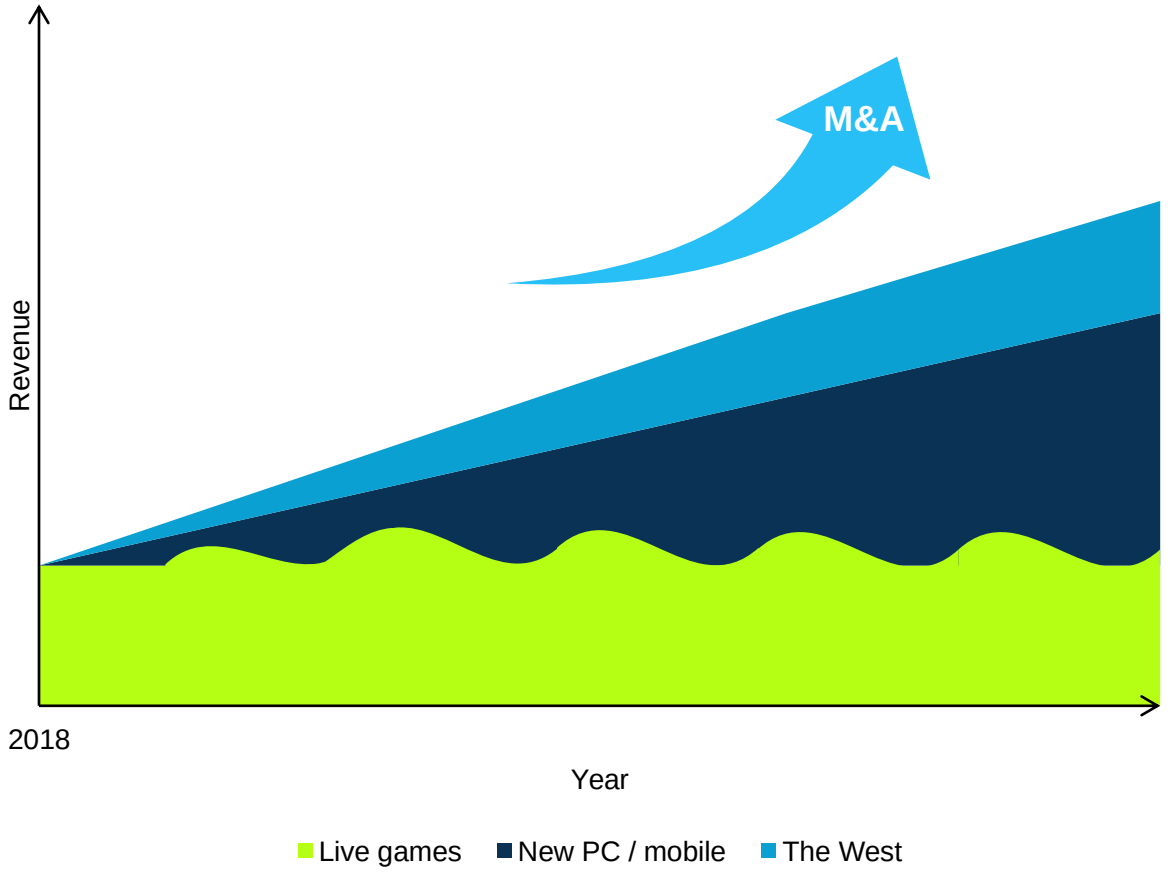
Long-term Growth Vision

Long-term Growth Vision and Evolution[1]



[1] Above graph is illustrative and not to scale.

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Glossary of Terms

Term / Abbreviation	Meaning
AOS	AOS is a sub-genre of the real-time strategy genre, in which two teams of players compete with each other in discrete games, with each player controlling a single character through an RTS-style interface.
FPS (first person shooter)	A game in which the player plays from the point of view of the game character in three-dimensional graphics
RTS (real-time strategy)	A game that is usually played from a third-person perspective, in which the player controls vast numbers of in-game characters in a tactical scenario
MMORPG (massively multiplayer online role playing game)	An online role-playing game that has a “massive” number (usually several hundred or more) of players who play concurrently
MAU (monthly active user)	The total number of accounts of users who log in and play a particular game in a given month
ARPPU (average revenue per paying user)	Online game net revenues for any given period divided by the average number of paying players of such games during the period
Pay Rate	The number of paying users divided by monthly active users for any given period of time
MCCU (maximum concurrent users)	The maximum number of users concurrently accessing a game at a particular moment. MCCU is generally used to measure the popularity of a game
Closed Beta Test (CBT)	A trial mode (beta version) of a game taken in a certain period with a limited number of users or groups; a Limited Beta Test is an even smaller-scale trial mode of a game with fewer numbers of users or groups
Open Beta Test (OBT)	A trial mode (beta version) of a game usually taken after CBT without restrictions on particiapation
Tier One Update	Large scale updates to existing PC games typically launched in Q1 or Q3 around peak season
Tier Two Update	Smaller updates to existing PC games released throughout the year
Immersive Games	Games that are designed to be played continuously for hours and enable thousands of concurrent users to interact with each other in real time. Our games are architected to evolve over years, in contrast to packaged goods games, which often have finite story lines and comparatively less open-ended player engagement.

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This presentation includes forward-looking statements. In some cases, you can identify forward-looking statements by terms such as "anticipate", "assume", "believe", "estimate", "expect", "forecast", "may", "plan", "potential", "predict", "seek", "should", or "will", or by other similar terminology. These statements discuss expectations, identify strategies, contain projections of Nexon's financial condition or results of operations or state other forward-looking information. The forward-looking statements in this presentation are subject to various risks, uncertainties and assumptions about Nexon's business and results of operations. The expectations expressed in these forward-looking statements may not be achieved, and actual results could differ materially from and be worse than expectations. Potential risks and uncertainties that could cause actual results to differ materially from expectations include, without limitation:

- Continued growth and popularity of Nexon's key titles;
- Nexon's ability to maintain favorable relationships with key licensing partners;
- Nexon's continued ability to offer games in China, through local partners or otherwise;
- Nexon's ability to compete effectively in the online games industry;
- Nexon's ability to address hacking, viruses, security breaches and other technical challenges;
- Fluctuations in currency exchange rates;
- Nexon's ability to maintain and further develop its brand name;
- Effective acquisition of new companies, businesses, technologies and games from third parties and the possibility of recognizing impairment losses;
- Continued growth of the online games market, including the underlying infrastructure, and free-to-play/item-based revenue generation model;
- Nexon's ability to adapt to new technologies;
- Nexon's ability to enter into licensing arrangements for third-party titles on terms favorable to it;
- Effective defense of Nexon's intellectual property; and
- Legislative, regulatory, accounting and taxation changes in the countries in which Nexon operates.

Nexon does not intend, and disclaims any duty, to update or revise any forward-looking statements contained in this presentation to reflect new information, future events or otherwise. We caution you not to place undue reliance on the forward-looking statements contained in this presentation.

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Q2 2018 Earnings Release Schedule (Tentative)

Q2 2018 financial results are scheduled for release on **Thursday, August 9th, 2018**.

Nexon management is scheduled to host an earnings presentation for investors, analysts and the media on the same day. The presentation will be webcast live on Nexon's IR website.

Details of the earnings presentation will be available on our IR website about a month prior to the release.

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