



**NEXON**

**Investor Presentation  
Q1 2017**

May 12, 2017  
NEXON Co., Ltd.



# Owen Mahoney

## President and Chief Executive Officer

- Reported record-high revenues, operating income and net income<sup>1</sup> since IPO in 2011
  - Driven by exceptionally strong performance in China around the important Lunar New Year season and continuing into March
  - Underscores Nexon's core strength of live game operations; growing games over a period of many years
- Japan business revenues up both sequentially and year-over-year – highest reported revenues in seven quarters (since Q3 2015)
  - Native mobile games contributed more than half of Japan mobile revenues thanks to solid performance of *HIT* and *HIDE AND FIRE*
  - Bringing many more exciting games to Japan
- Launching many games around the world
  - A good start of *Dynasty Warriors Unleashed*<sup>2</sup> especially in Asia
  - *LawBreakers* launching in Western markets in 2017

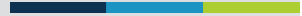
<sup>1</sup> Net income refers to net income attributable to owners of the parent, as stated in Nexon's consolidated financial results.

<sup>2</sup> Mobile games based on Dynasty Warriors7 IP.



# Shiro Uemura

## Chief Financial Officer



# Q1 2017 Results

## Financials

- Revenues ¥74.8 billion, up 30% year-over-year on as-reported basis, up 33% on constant currency<sup>1</sup> basis – exceeded our outlook driven by exceptionally strong performance of *Dungeon&Fighter* in China with successful Lunar New Year update and item sales in March
- Operating income ¥39.8 billion – exceeded our outlook primarily due to the outperformance of our high-margin China business, partially offset by ¥2.7 billion impairment loss on items including subsidiaries' goodwill and game IPs
- Net income<sup>2</sup> ¥19.9 billion – below our outlook due to ¥15.9 billion FX loss on U.S. dollar-denominated cash deposits and accounts receivable

<sup>1</sup> In Q3 2016, we implemented a new calculation methodology to more accurately reflect "constant currency" for *Dungeon&Fighter* China revenues. For details, see footnote on page 8, "Revenue Breakdown".

<sup>2</sup> Net income refers to net income attributable to owners of the parent, as stated in Nexon's consolidated financial results.

# Q1 Financial Results

(Unit: ¥ millions, except per share data)

	Q1 2016	Q1 2017 Outlook		Q1 2017	YoY %
		Low end	High end		
<b>Revenues</b>	<b>¥57,497</b>	<b>¥62,449</b>	~ <b>¥67,129</b>	<b>¥74,792</b>	<b>30%</b>
PC <sup>1</sup>	45,054	52,108	~ 55,570	63,114	40%
Mobile	12,443	10,341	~ 11,559	11,678	(6%)
Japan	3,554			4,240	19%
ex-Japan	8,889			7,438	(16%)
<b>Operating income</b>	<b>3,703</b>	<b>30,346</b>	~ <b>34,763</b>	<b>39,762</b>	<b>974%</b>
<b>Net income / (Loss)<sup>2</sup></b>	<b>(6,272)</b>	<b>27,075</b>	~ <b>30,776</b>	<b>19,906</b>	<b>N/A</b>
Earnings / (Loss) per share	(14.43)	62.26	~ 70.77	45.70	
Exchange rates					
100 KRW/JPY	9.62	9.75	9.75	9.88	3%
CNY/JPY	17.65	16.68	16.68	16.50	(7%)
USD/JPY	115.48	114.77	114.77	113.64	(2%)

<sup>1</sup> PC revenue includes revenues other than PC/mobile revenues.

<sup>2</sup> Net income refers to net income attributable to owners of the parent, as stated in Nexon's consolidated financial results.

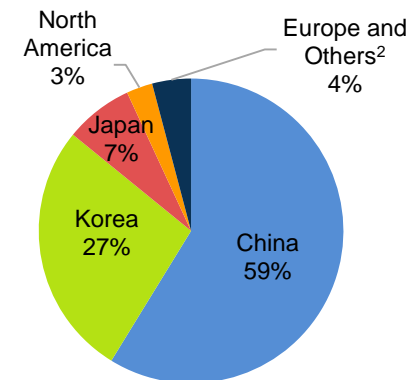
# Revenue Breakdown

In Q3 2016, we implemented a new calculation method to more accurately reflect "constant currency" for *Dungeon&Fighter* China revenues.

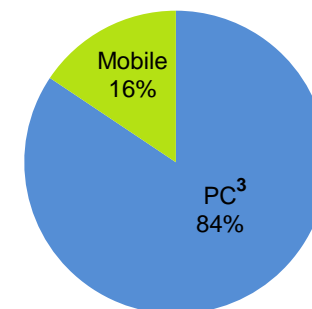
Only *Dungeon&Fighter* China revenues are impacted by the new calculation method. For details, see footnote 4 below.

	Q1 2016	Q1 2017			YoY % Change		
		As-Reported	New Constant Currency <sup>4</sup>	Old Constant Currency <sup>4</sup>	As-Reported	New Constant Currency <sup>4</sup>	Old Constant Currency <sup>4</sup>
<b>Revenue by Region<sup>1</sup></b>							
China	¥25,829	¥43,951	¥46,048	¥42,928	70%	78%	66%
Korea	22,555	20,279	19,695	19,695	(10%)	(13%)	(13%)
Japan	4,561	5,406	5,406	5,406	19%	19%	19%
North America	2,163	2,077	2,090	2,090	(4%)	(3%)	(3%)
Europe and Others <sup>2</sup>	2,389	3,079	3,038	3,038	29%	27%	27%
<b>Nexon Total</b>	<b>57,497</b>	<b>74,792</b>	<b>76,277</b>	<b>73,157</b>	<b>30%</b>	<b>33%</b>	<b>27%</b>
<b>Revenue by Platform</b>							
PC <sup>3</sup>	45,054	63,114	64,800	61,680	40%	44%	37%
Mobile	12,443	11,678	11,477	11,477	(6%)	(8%)	(8%)
Japan	3,554	4,240	4,240	4,240	19%	19%	19%
ex-Japan	8,889	7,438	7,237	7,237	(16%)	(19%)	(19%)
<b>Nexon Total</b>	<b>57,497</b>	<b>74,792</b>	<b>76,277</b>	<b>73,157</b>	<b>30%</b>	<b>33%</b>	<b>27%</b>
<b>FX Rate</b>							
100 KRW/JPY	9.62	9.88	9.62	9.62	3%		
CNY/JPY	17.65	16.50	17.65	17.65	(7%)		
USD/JPY	115.48	113.64	115.48	115.48	(2%)		

Q1 2017 Revenue by Region<sup>1</sup>



Q1 2017 Revenue by Platform



<sup>1</sup> Based on the regions in which revenues originate; not a representation of revenues according to Nexon entities.

<sup>2</sup> Europe and Others includes other Asian countries and South American countries.

<sup>3</sup> PC revenue includes revenues other than PC/mobile revenues.

<sup>4</sup> "Old Constant Currency" is the measure of constant currency we have been providing since the IPO. It is a non-GAAP measure used to show performance unaffected by fluctuations in FX rates versus JPY. Using the major local functional currency for respective Nexon Group entities' locations, the constant currency basis amounts are calculated using the average FX rates for the comparable fiscal quarter in the prior year and applied to the current fiscal quarter. For example, Neople, the Korean entity that develops *Dungeon&Fighter* for China, records its revenues in South Korean Won (KRW). The "old constant currency" figures show what Neople revenues would have been had the KRW/JPY exchange rate not changed from last year's same fiscal quarter.

However, the constant currency revenue recognition mechanism in China is complex. Specifically, Neople receives royalty revenues for *Dungeon&Fighter* China service from the local publisher (Tencent) in USD; Neople is a Korean entity and therefore keeps its accounting records in KRW; and Nexon Group is a Japanese-listed company and consolidated financial statements are therefore reported in JPY. Given the recent trend of the CNY, we no longer believe our prior approach is the most accurate presentation of constant currency results for China. As a result, we are changing the calculation methodology to more fully reflect that complexity.

"New Constant Currency" is a new calculation method we have introduced beginning with Q3 2016 and will utilize going forward. Under the "New constant currency" method, 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. Only *Dungeon&Fighter* China revenues are impacted by the calculation methodology change.

<sup>5</sup> For the KPIs (MAU, Pay Rate and ARPPU) of PC online games, please refer to appendix of this presentation.



## ▪ *Dungeon&Fighter*

- Lunar New Year update (1/17-3/28) remained strong throughout the quarter; strong item sales in March
- Level Cap update (1/17) well-received by core users
- MAUs, paying users, and ARPPU increased both quarter-over-quarter and year-over-year

(Revenues in ¥ millions)

YoY% change:

As Reported:

**+70%**

Constant Currency<sup>1</sup>:

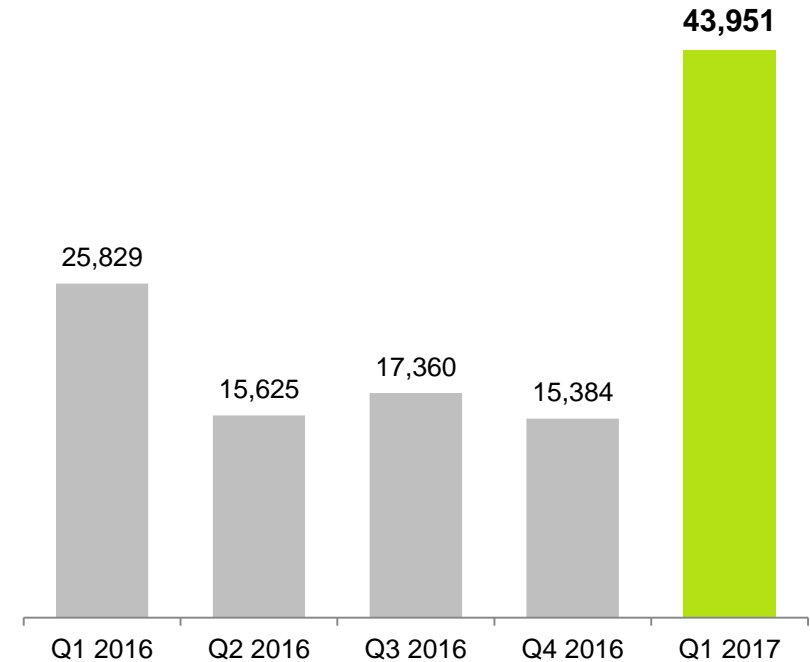
**+78%**



*Dungeon&Fighter*  
Lunar New Year Avatar



*Dungeon&Fighter*  
Gameplay



<sup>1</sup> Beginning with Q3 2016, we have implemented a new calculation methodology to more accurately reflect "constant currency" for *Dungeon&Fighter* China revenues. For details, see footnote on page 8, "Revenue Breakdown".

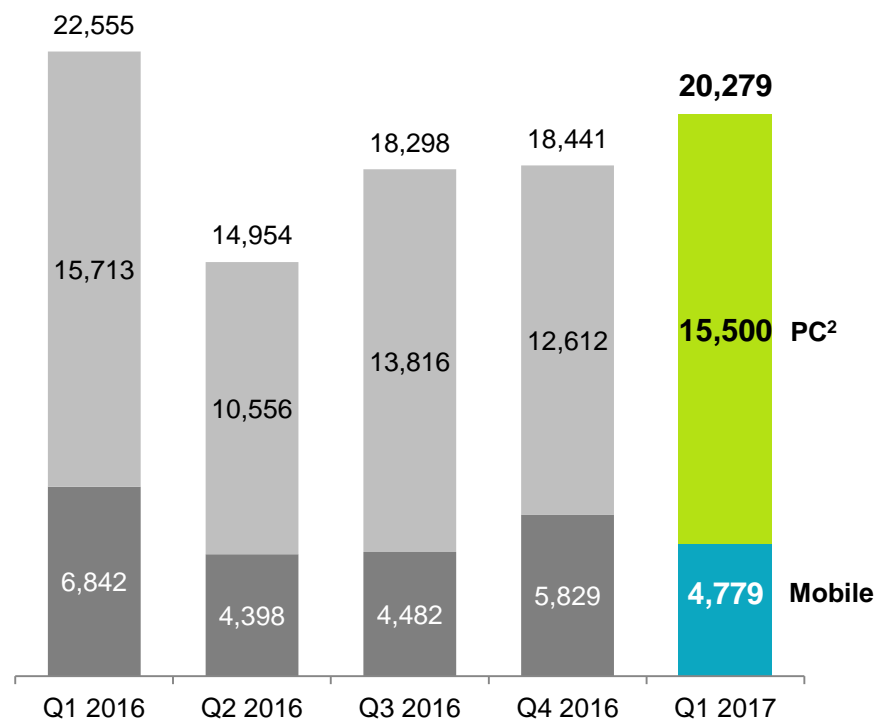
- Stronger-than-expected performance of *Dungeon&Fighter* and *EA SPORTS™ FIFA Online 3 / EA SPORTS™ FIFA Online 3 M*
  - Dungeon&Fighter*: Introduction of the new character “Female Priest”; Lunar New Year package sales well received
  - EA SPORTS™ FIFA Online 3 / EA SPORTS™ FIFA Online 3 M*: Strong performance driven by successful Lunar New Year package sales and promotions
- Year-over-year growth from *MapleStory*, *Dungeon&Fighter*, and *EA SPORTS™ FIFA Online 3 / EA SPORTS™ FIFA Online 3 M*
- Launched *Dynasty Warriors Unleashed*<sup>β</sup> in March

(Revenues in ¥ millions)

YoY% change:

As Reported: **-10%**

Constant Currency<sup>1</sup>: **-13%**



*Dungeon&Fighter*  
New character “Female Priest”



*Dynasty Warriors Unleashed*<sup>β</sup>

<sup>1</sup> Beginning with Q3 2016, we have implemented a new calculation methodology to more accurately reflect “constant currency” for *Dungeon&Fighter* China revenues. For details, see footnote on page 8, “Revenue Breakdown”.

<sup>2</sup> PC revenue includes revenues other than PC/mobile revenues.

<sup>3</sup> Mobile games based on *Dynasty Warriors* IP.

- Revenues grew both year-over-year and quarter-over-quarter, primarily driven by *HIT*
- Mobile revenues up 29% quarter-over-quarter and up 19% year-over-year
- Revenues from native games accounted for more than half of mobile revenues

(Revenues in ¥ millions)

YoY% change:

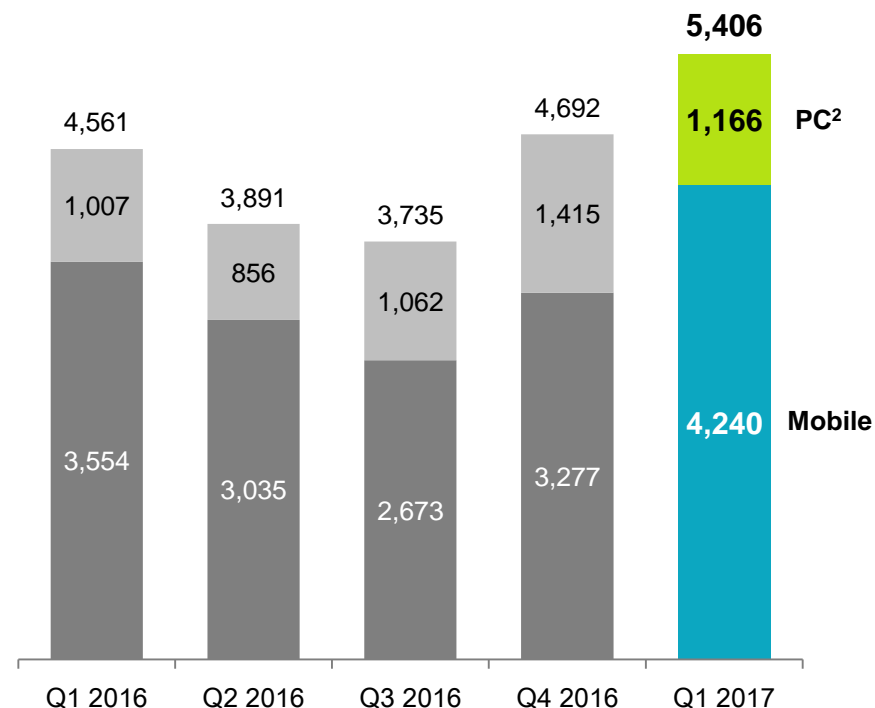
As Reported: **+19%**  
Constant Currency<sup>1</sup>: **+19%**



*HIT*



*HIDE AND FIRE*



<sup>1</sup> Beginning with Q3 2016, we have implemented a new calculation methodology to more accurately reflect "constant currency" for *Dungeon&Fighter* China revenues. For details, see footnote on page 8, "Revenue Breakdown".

<sup>2</sup> PC revenue includes revenues other than PC/mobile revenues.

# North America, Europe and Others<sup>1</sup> – Highlights

- Year-over-year growth from *MapleStory* driven by large scale update (Maple V Update) – Taiwan service in particular performed well
- *HIT* became additional revenue year-over-year
- Launched *Sangokushi Sousouden Online* in Taiwan and Hong Kong; *Dynasty Warriors Unleashed*<sup>2</sup> in North America, Europe and Others<sup>1</sup> in March

(Revenues in ¥ millions)

YoY% change:

As Reported: **-4%**

Constant Currency<sup>3</sup>: **-3%**

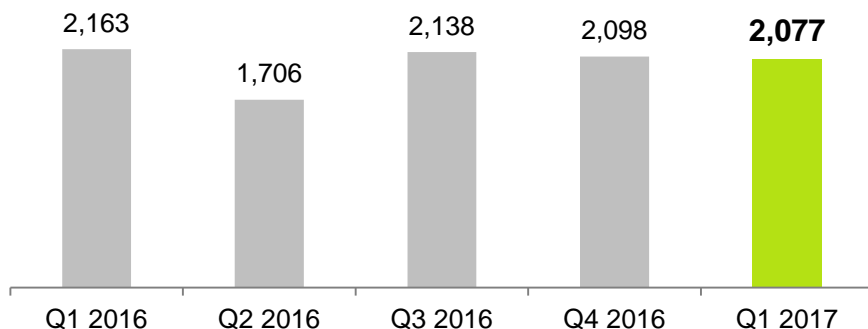
(Revenues in ¥ millions)

YoY% change:

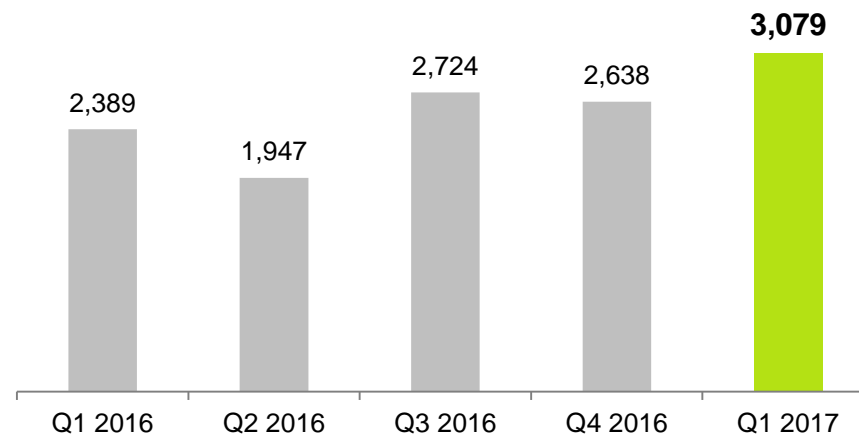
As Reported: **+29%**

Constant Currency<sup>3</sup>: **+27%**

## North America



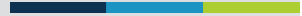
## Europe and Others<sup>1</sup>



<sup>1</sup> Europe and Others includes Asian countries (excluding Japan, Korea and China) and South American countries.

<sup>2</sup> Mobile games based on *Dynasty Warriors7* IP.

<sup>3</sup> Beginning with Q3 2016, we have implemented a new calculation methodology to more accurately reflect "constant currency" for *Dungeon&Fighter* China revenues. For details, see footnote on page 8, "Revenue Breakdown".



# Q2 2017 Outlook

# Q2 2017 Business Outlook

- Expect revenues to be:
  - Up 8% to 18% year-over-year on as-reported basis
  - Up 4% to 13% year-over-year on constant currency<sup>1</sup> basis

(Unit: ¥ millions, except per share data)

	Q2 2016	Q2 2017 Outlook		YoY %	
<b>Revenues</b>	<b>¥38,123</b>	<b>¥41,310</b>	~ <b>¥44,811</b>	<b>8%</b>	~ <b>18%</b>
PC <sup>2</sup>	28,915	30,262	~ 32,641	5%	~ 13%
Mobile	9,208	11,048	~ 12,170	20%	~ 32%
<b>Operating income</b>	<b>13,379</b>	<b>11,158</b>	~ <b>13,987</b>	<b>(17%)</b>	~ <b>5%</b>
<b>Net income<sup>3</sup></b>	<b>7,564</b>	<b>10,406</b>	~ <b>12,783</b>	<b>38%</b>	~ <b>69%</b>
Earnings per share	17.36	23.82	~ 29.26		
FX Rate Assumptions					
100 KRW/JPY	9.30	9.74	9.74	5%	
CNY/JPY	16.53	15.96	15.96	(3%)	
USD/JPY	108.14	110.11	110.11	2%	

- Forex sensitivity: every one Japanese yen move against the U.S. dollar would have the following impact on our financials for the second quarter of 2017<sup>4</sup>

<b>Revenue</b>	0.37 billion yen
<b>Operating Income</b>	0.12 billion yen

<sup>1</sup> Beginning with Q3 2016, we have implemented a new calculation methodology to more accurately reflect "constant currency" for *Dungeon&Fighter* China revenues. For details, see footnote on page 8, "Revenue Breakdown".

<sup>2</sup> PC revenues includes revenues other than PC/mobile revenues.

<sup>3</sup> Net income refers to net income attributable to owners of the parent, as stated in Nexon's consolidated financial results.

<sup>4</sup> 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.



## China

### Q2

- As-reported basis: Expect high single digit % to high teens % YoY increase
- Constant currency<sup>1</sup> basis: Expect flat to low teens % YoY increase
- *Dungeon&Fighter*: Introduced Labor Day Update (April); scheduled to introduce 9<sup>th</sup> Anniversary Update

### Full-Year

- Mobile: Preparing launch for a number of games, including *Dungeon&Fighter 2D mobile*<sup>2</sup> (Publisher: Tencent)
- PC: Conducting CBT for *MapleStory2* (continuing from March)



## Korea

### Q2

- As-reported basis: Expect flat to high single digit % YoY increase
- Constant currency<sup>1</sup> basis: Expect low single digit % YoY decrease to low single digit % YoY increase
- Conducted CBT for *LawBreakers* (April); *AxE* (May)
- Scheduled to launch *LEGO® Quest & Collect*; *Tango 5: The Last Dance*

### Full-Year

- Multiple titles scheduled for launch including:
  - Mobile: *Dark Avenger 3*, *AxE*, *Durango*
  - PC: *Moonlight Blade*, *Titanfall™ Online*



## Japan

### Q2

- As-reported basis or constant currency basis<sup>1</sup>: Expect high single digit % to high teens % YoY increase
- Mobile: Launched *Disney TOUCH TOUCH* (April)

### Full-Year

- Multiple mobile titles scheduled for launch

<sup>1</sup> In Q3 2016, we implemented a new calculation methodology to more accurately reflect "constant currency" for *Dungeon&Fighter* China revenues. For details, see footnote on page 8, "Revenue Breakdown".

<sup>2</sup> A mobile game based on the original IP.

<sup>3</sup> Europe and Others includes other Asian countries and South American countries.

## North America, Europe and Others<sup>3</sup>

### Q2

- North America
  - As-reported basis: Expect high single digit % to low teens % YoY increase
  - Constant currency<sup>1</sup> basis: Expect low single digit % to low teens % YoY increase
- Europe and Others<sup>3</sup>
  - As-reported basis or constant currency<sup>1</sup> basis: Expect over 2x YoY increase

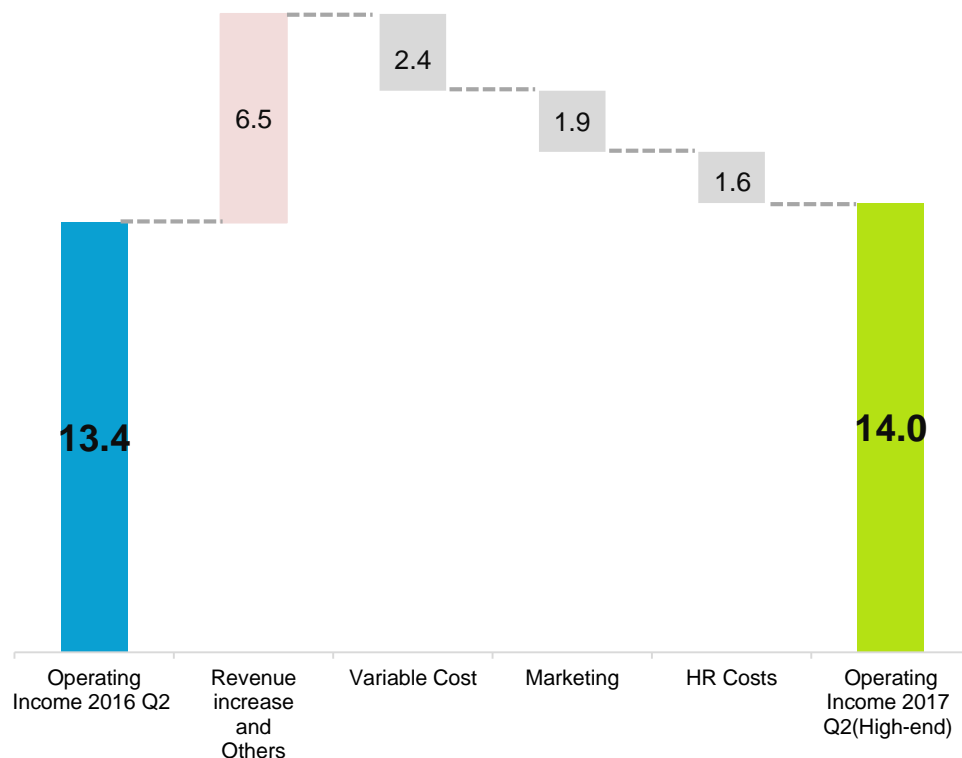
### Full-Year

- Multiple titles scheduled for launch including *LawBreakers*

# Q2 2017 Operating Income Outlook

## YoY Operating Income Comparison

(Unit: ¥ billions)



Expect Q2 2017 operating income of ¥11.2 to ¥14.0 billion due to:

- Increased revenues primarily driven by high-margin China business and contribution from new titles including *Dynasty Warriors Unleashed*
- Increase in variable costs including:
  - Third-party royalty costs associated with third-party games including *Dynasty Warriors Unleashed*
  - PG fee with increased mobile revenues
- Increase in HR costs due to increased headcount primarily in Korea
- Increase in marketing costs associated with the launch of multiple new titles and existing titles



# 2017 China *Dungeon&Fighter* Update Schedule



Period	Tier 1 Content Update	2016	2017
Q1	Lunar New Year Update	January 26 <sup>th</sup> ~	January 17 <sup>th</sup> ~
	2016: Female Ghost Knight 2nd Awakening Update	March 24 <sup>th</sup> ~	N/A
	2017: Level Cap Update	N/A	January 17 <sup>th</sup> ~
Q2	Labor Day Update	April 21 <sup>st</sup> ~	April 27 <sup>th</sup> ~
	Anniversary Update	June 16 <sup>th</sup> ~	TBD
Q3	Summer Update	July 14 <sup>th</sup> ~	TBD
	National Day Update	September 27 <sup>th</sup> ~	Likely to come earlier in 2017
Q4	Winter Update	December 1 <sup>st</sup> ~	TBD

\* 2017 update schedule is the plan as of present and subject to change depending on various operational factors

 Indicates financially important updates

<sup>1</sup> The letters, graphics, symbols, logos and other marks shown in this material are trademarks or registered trademarks owned by respective right holders.

## Q2 2017 and onward

PC Online



LawBreakers



Need for Speed™ Edge



Moonlight Blade



Titanfall™ Online



MapleStory2



Astellia

Mobile



Dynasty Warriors  
Unleashed<sup>2</sup>



LEGO® Quest & Collect<sup>3</sup>



Titanfall®: Assault



© 2017 KOEI TECMO GAMES CO., LTD.  
Sangokushi Sousouden  
Online



Durango



Dungeon&Fighter 2D mobile<sup>4</sup>



© Disney  
Disney TOUCH TOUCH



Dark Avenger 3



TANGO 5 : The Last Dance



AxE



FINAL FANTASY® XI  
mobile<sup>4</sup>



Tree of Savior:  
Mobile Remake

<sup>1</sup> Chart is illustrative excerpt pipeline.

<sup>2</sup> Mobile games based on Dynasty Warriors7 IP.

<sup>3</sup> Official service name of LEGO® mobile.

<sup>4</sup> Mobile games based on the original IPs.

<sup>5</sup> The letters, graphics, symbols, logos and other marks shown in this material are trademarks or registered trademarks owned by respective right holders.



# Appendix

# Summary of Results and Key Operational Metrics

(Unit: ¥ millions except per share data)

	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017	YoY%
<i>(By Region)</i>						
China	¥25,829	¥15,625	¥17,360	¥15,384	¥43,951	70%
Korea	22,555	14,954	18,298	18,441	20,279	(10%)
Japan	4,561	3,891	3,735	4,692	5,406	19%
North America	2,163	1,706	2,138	2,098	2,077	(4%)
Europe and Others <sup>1</sup>	2,389	1,947	2,724	2,638	3,079	29%
<i>(By Platform)</i>						
PC <sup>2</sup>	45,054	28,915	34,474	31,352	63,114	40%
Mobile	12,443	9,208	9,781	11,901	11,678	(6%)
<i>Japan</i>	3,554	3,035	2,673	3,277	4,240	19%
<i>ex-Japan</i>	8,889	6,173	7,108	8,624	7,438	(16%)
<b>Revenue</b>	<b>57,497</b>	<b>38,123</b>	<b>44,255</b>	<b>43,253</b>	<b>74,792</b>	<b>30%</b>
<b>Operating income</b>	<b>3,703</b>	<b>13,379</b>	<b>16,292</b>	<b>7,287</b>	<b>39,762</b>	<b>974%</b>
<b>Net income/(loss)<sup>3</sup></b>	<b>(6,272)</b>	<b>7,564</b>	<b>7,635</b>	<b>11,206</b>	<b>19,906</b>	<b>N/A</b>
<b>Earnings/(loss) per share</b>	<b>(14.43)</b>	<b>17.36</b>	<b>17.50</b>	<b>25.78</b>	<b>45.70</b>	
<b>FX rate</b>						
100 KRW/JPY	9.62	9.30	9.15	9.46	9.88	3%
CNY/JPY	17.65	16.53	15.36	15.97	16.50	(7%)
USD/JPY	115.48	108.14	102.43	109.30	113.64	(2%)
<b>Key Performance Indicators (Excluding Mobile)</b>						
MAU (millions)	51.4	44.7	44.3	41.0	44.9	(13%)
Pay Rate	10.9%	11.3%	11.4%	13.7%	16.1%	48%
ARPPU (as-reported)	4,676	3,161	3,651	2,871	5,628	20%

<sup>1</sup> Europe and Others includes Asian countries (excluding Japan, Korea and China) and South American countries.

<sup>2</sup> PC revenue includes revenues other than PC/mobile revenues.

<sup>3</sup> Net income/(loss) refers to net income/(loss) attributable to owners of the parent, as stated in Nexon's consolidated financial results.

# COGS and SG&A

(Unit: ¥ millions)

	FY2016				FY2017
	Q1	Q2	Q3	Q4	Q1
<b>Total Cost of Revenue <sup>1</sup></b>	<b>¥13,075</b>	<b>¥10,475</b>	<b>¥11,242</b>	<b>¥13,339</b>	<b>¥14,767</b>
Royalty <sup>2</sup>	5,935	3,274	3,988	4,736	5,635
HR cost (COGS) <sup>3</sup>	4,528	4,409	4,335	5,363	6,258
Other (COGS) <sup>4</sup>	2,612	2,792	2,919	3,240	2,874
<b>Total SG&amp;A <sup>1</sup></b>	<b>16,412</b>	<b>14,202</b>	<b>16,362</b>	<b>19,234</b>	<b>17,298</b>
HR cost	3,261	3,463	3,668	4,416	4,036
PG fee <sup>5</sup>	5,491	4,046	4,608	5,078	5,229
R&D	1,649	1,939	1,886	1,877	2,007
Marketing/advertising expenses	3,209	1,941	3,618	5,088	3,173
Depreciation and amortization	797	859	896	1,010	1,009
Other	2,005	1,954	1,686	1,765	1,844
Other Income <sup>6</sup>	147	120	217	537	181
Other Expense <sup>7</sup>	24,454	187	576	3,930	3,146
Includes: impairment loss	24,364	128	556	3,737	2,689

<sup>1</sup> Breakdown of COGS and SG&As are unaudited.

<sup>2</sup> Royalty includes royalties paid to third-party developers in order for us to obtain the right to publish their games.

<sup>3</sup> HR cost includes salaries, bonuses and benefits for our live game developers, who support post launch servicing, updating and support for our games.

<sup>4</sup> 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.

<sup>5</sup> 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.

<sup>6</sup> Other Income includes other non-operating income, reversal of deferred revenue, gain on sale of properties, and gain on change in equity.

<sup>7</sup> 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.

# P&L Below Operating Income

(Unit: ¥ millions)

	FY2016				FY2017
	Q1	Q2	Q3	Q4	Q1
<b>Operating Income</b>	<b>¥3,703</b>	<b>¥13,379</b>	<b>¥16,292</b>	<b>¥7,287</b>	<b>¥39,762</b>
Finance Income <sup>1</sup>	823	808	819	21,790	1,202
Finance Costs <sup>2</sup>	6,549	4,401	7,016	(87)	15,920
<b>Equity income of affiliates, equity method companies</b>	<b>16</b>	<b>53</b>	<b>80</b>	<b>(48)</b>	<b>(12)</b>
<b>Income/(Loss) before Income Tax</b>	<b>(2,007)</b>	<b>9,839</b>	<b>10,175</b>	<b>29,116</b>	<b>25,032</b>
Tax expense <sup>3</sup>	4,072	2,262	2,357	17,911	5,220
<b>Net income/(loss) <sup>4</sup></b>	<b>(6,272)</b>	<b>7,564</b>	<b>7,635</b>	<b>11,206</b>	<b>19,906</b>

<sup>1</sup> 2016 Q4 Finance Income includes FX conversion gain related to foreign currency deposits & A/R.

<sup>2</sup> 2016 Q1, Q2, Q3, and 2017 Q1 Finance Costs are primarily caused by FX conversion loss related to foreign currency deposits & A/R.

<sup>3</sup> 2016 Q4 Tax Expense was significant due to the 14.6 billion yen deferred tax expense in relation to re-examination of tax effect accounting on overseas subsidiary's retained earnings.

<sup>4</sup> Net income/(loss) refers to net income/(loss) attributable to owners of the parent, as stated in Nexon's consolidated financial results.

# Key Cash Flow Statement

(Unit: ¥ millions)

	3 months ended March 31, 2016	3 months ended March 31, 2017
Cash flows from operating activities	¥17,667	¥6,410
Cash flows from investing activities	(484)	(6,702)
Cash flows from financing activities	(2,738)	297
Net increase / (decrease) in cash and cash equivalents	14,445	5
Cash and cash equivalents at beginning of fiscal year	194,225	152,683
Effect of exchange rate change on cash and cash equivalents	(10,045)	(1,566)
Cash and cash equivalents at end of fiscal year	198,625	151,122

# Balance Sheet

(Unit: ¥ millions)

	December 31, 2016	March 31, 2017
<b>Asset</b>		
Current Assets		
Cash and cash equivalents	¥152,683	¥151,122
Other deposits	173,226	173,946
Other current assets	40,188	75,448
<b>Total current assets</b>	<b>366,097</b>	<b>400,516</b>
Noncurrent assets		
Tangible assets	20,394	20,584
Goodwill	17,523	16,598
Intangible assets	7,127	5,943
Others	30,691	35,387
<b>Total noncurrent assets</b>	<b>75,735</b>	<b>78,512</b>
<b>Total assets</b>	<b>441,832</b>	<b>479,028</b>
<b>Liability</b>		
Current liabilities		
Current tax liabilities, current	5,511	8,357
Current borrowings	1,683	1,686
Others	27,810	28,004
<b>Total current liabilities</b>	<b>35,004</b>	<b>38,047</b>
Noncurrent liabilities		
Non-current borrowings	835	-
Others	28,299	29,362
<b>Total noncurrent liabilities</b>	<b>29,134</b>	<b>29,362</b>
<b>Total liabilities</b>	<b>64,138</b>	<b>67,409</b>
<b>Shareholders' equity</b>		
Capital stock	3,519	4,531
Capital surplus	86,753	46,209
Treasury shares	(0)	(0)
Other equity interest	56,254	69,298
Retained earnings	226,398	286,820
Non-controlling interests	4,770	4,761
<b>Total equity</b>	<b>377,694</b>	<b>411,619</b>
<b>Total liabilities and total equity</b>	<b>441,832</b>	<b>479,028</b>



# P&L by Reporting Segment<sup>1</sup>

(Unit: ¥ millions)

	FY2016				FY2017
	Q1	Q2	Q3	Q4	Q1
<b>Japan</b>					
Revenue from external customers	¥4,184	¥3,575	¥3,410	¥4,256	¥3,532
Segment profit/(loss)	(265)	(1,038)	(1,303)	(1,185)	(903)
<b>Korea</b>					
Revenue from external customers	49,231	31,190	37,303	35,428	67,616
Segment profit/(loss)	28,167	15,171	18,446	12,786	44,005
<b>China</b>					
Revenue from external customers	1,330	929	¥1,092	1,177	1,305
Segment profit/(loss)	1,014	558	739	784	933
<b>North America</b>					
Revenue from external customers	2,347	2,075	2,181	2,177	2,128
Segment profit/(loss)	(818)	(1,218)	(1,212)	(1,591)	(1,272)
<b>Others</b>					
Revenue from external customers	405	354	269	215	211
Segment profit/(loss)	(103)	(31)	(19)	(109)	(31)
<b>Adjustments</b>					
Revenue from external customers	-	-	-	-	0
Segment profit/(loss)	15	4	-	(5)	(5)
<b>Total</b>					
Revenue from external customers	57,497	38,123	44,255	43,253	74,792
Segment profit/(loss)	28,010	13,446	16,651	10,680	42,727

<sup>1</sup> Representation based on location of Nexon's entities; not based on regions in which revenues originate.

# Number of Employees by Reporting Segment

Full-time employees	March 31, 2016	June 30, 2016	September 30, 2016	December 31, 2016	March 31, 2017
Japan	637	614	606	606	585
Korea	3,833	3,969	4,107	4,234	4,263
China	261	253	260	260	260
North America	302	316	339	340	322
Others	68	70	64	85	104
<b>Total</b>	<b>5,101</b>	<b>5,222</b>	<b>5,376</b>	<b>5,525</b>	<b>5,534</b>

# Nexon Japan Corporate Entity Financial Statement<sup>1</sup> (1)

NEXON Co., Ltd.  
Q1 2017  
INVESTOR PRESENTATION

(Unit: ¥ millions)

Condensed Income Statement	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016
<b>Revenue</b>	¥13,033	¥11,657	¥11,236	¥7,987	¥5,815	¥5,208
Cost of revenue	4,745	4,732	4,829	3,679	3,117	3,134
<b>Gross profit</b>	<b>8,287</b>	<b>6,924</b>	<b>6,407</b>	<b>4,308</b>	<b>2,698</b>	<b>2,074</b>
SG&A	5,896	6,517	7,275	7,585	6,470	6,736
<b>Operating profit</b>	<b>2,391</b>	<b>406</b>	<b>(868)</b>	<b>(3,277)</b>	<b>(3,772)</b>	<b>(4,662)</b>
Non-operating income	849	697	14,186	28,335	19,163	636
Includes: dividend income	394	135	12,926	24,613	18,869	22
Non-operating expenses	720	582	603	526	1,246	1,826
<b>Ordinary income</b>	<b>2,521</b>	<b>521</b>	<b>12,715</b>	<b>24,532</b>	<b>14,145</b>	<b>(5,852)</b>
Extraordinary income	-	-	-	244	6,443	852
Extraordinary losses	13	2,624	4,451	18,717	6,897	39,573
<b>Income / (loss) before income taxes</b>	<b>2,507</b>	<b>(2,102)</b>	<b>8,264</b>	<b>6,059</b>	<b>13,691</b>	<b>(44,573)</b>
Tax expense	986	50	725	4,656	5,519	(201)
<b>Net income / (loss)</b>	<b>1,521</b>	<b>(2,153)</b>	<b>7,539</b>	<b>1,403</b>	<b>8,172</b>	<b>(44,372)</b>

<sup>1</sup> 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).

# Nexon Japan Corporate Entity Financial Statement<sup>1</sup> (2)

NEXON Co., Ltd.  
Q1 2017  
INVESTOR PRESENTATION

(Unit: ¥ millions)

Condensed Balance Sheet	December 31, 2011	December 31, 2012	December 31, 2013	December 31, 2014	December 31, 2015	December 31, 2016
<b>Current assets</b>	¥93,487	¥51,806	¥45,632	¥46,760	¥70,444	¥52,632
Includes: cash and cash equivalents	90,800	48,952	32,367	30,711	68,997	49,531
<b>Non-current assets</b>	34,517	99,900	135,011	101,337	38,190	6,438
Property, plant and equipment	289	216	183	222	200	74
Intangible assets	709	59	56	60	66	-
Investments and other assets	33,518	99,624	134,772	101,055	37,924	6,364
<b>Total assets</b>	128,005	151,707	180,643	148,097	108,634	59,070
<b>Current liabilities</b>	3,102	14,302	13,103	16,345	3,506	2,341
<b>Non-current liabilities</b>	18,443	40,230	39,644	23,154	498	448
<b>Total liabilities</b>	21,545	54,532	52,747	39,499	4,004	2,789
<b>Shareholder's equity</b>	106,012	105,943	110,163	98,122	99,779	50,669
Capital stock	50,300	51,342	51,868	52,332	56,227	3,307
Capital surplus	50,160	51,202	51,728	42,192	36,087	88,621
Includes: other capital surplus	-	50,000	50,000	40,000	30,000	86,064
Retained earnings	5,551	3,398	6,567	3,598	7,465	(41,259)
Includes: other retained earnings	5,551	3,398	6,130	2,724	6,160	(41,476)
Treasury shares	-	-	(0)	-	-	(0)
<b>Valuation and translation adjustments</b>	(7)	(9,555)	15,844	6,536	246	77
<b>Subscription rights to shares</b>	455	786	1,889	3,940	4,605	5,535
<b>Total net assets</b>	106,459	97,174	127,896	108,598	104,630	56,281
<b>Statement of changes in equity (excerpt)</b>	<b>December 31, 2011</b>	<b>December 31, 2012</b>	<b>December 31, 2013</b>	<b>December 31, 2014</b>	<b>December 31, 2015</b>	<b>December 31, 2016</b>
<b>Payment of dividends</b>	(1,058)	-	(4,807)	(4,372)	(4,305)	(4,352)
<b>Acquisition of treasury shares</b>	-	-	(0)	(10,000)	(10,000)	(5,000)
<b>Cancellation of treasury shares</b>	-	-	-	10,000	10,000	5,000

<sup>1</sup> 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).

# Key Titles by Region



## China



Dungeon&Fighter (PC)



Counter-Strike Online (PC)



MapleStory (PC)



## Japan



MapleStory (PC)



Dungeon&Fighter (PC)



Tree of Savior (PC)



Mabinogi (PC)



HIT (Mobile)



HIDE AND FIRE (Mobile)

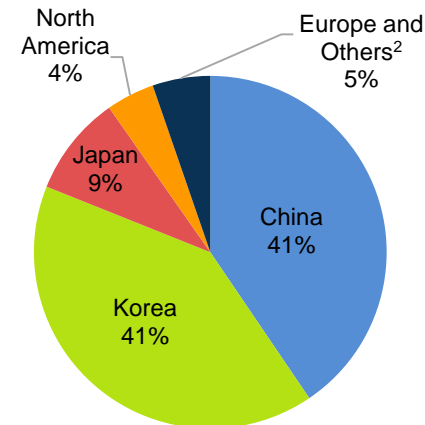


DomiNations (Mobile)



Sangokushi Battle (Mobile)

## 2016 Revenue by Region<sup>1</sup>



## Korea



EA SPORTS™ FIFA Online 3 (PC)



Dungeon&Fighter (PC)



MapleStory (PC)



Sudden Attack (PC)



EA SPORTS™ FIFA Online 3 M (Mobile)



HIT (Mobile)



Sangokushi Sousouden Online (Mobile)



## North America



MapleStory (PC)



DomiNations (Mobile)

## Rest of the World



MapleStory (PC)

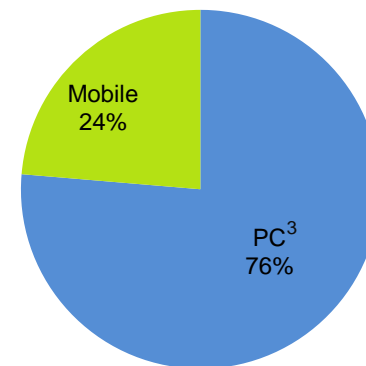


HIT (Mobile)



DomiNations (Mobile)

## 2016 Revenue by Platform

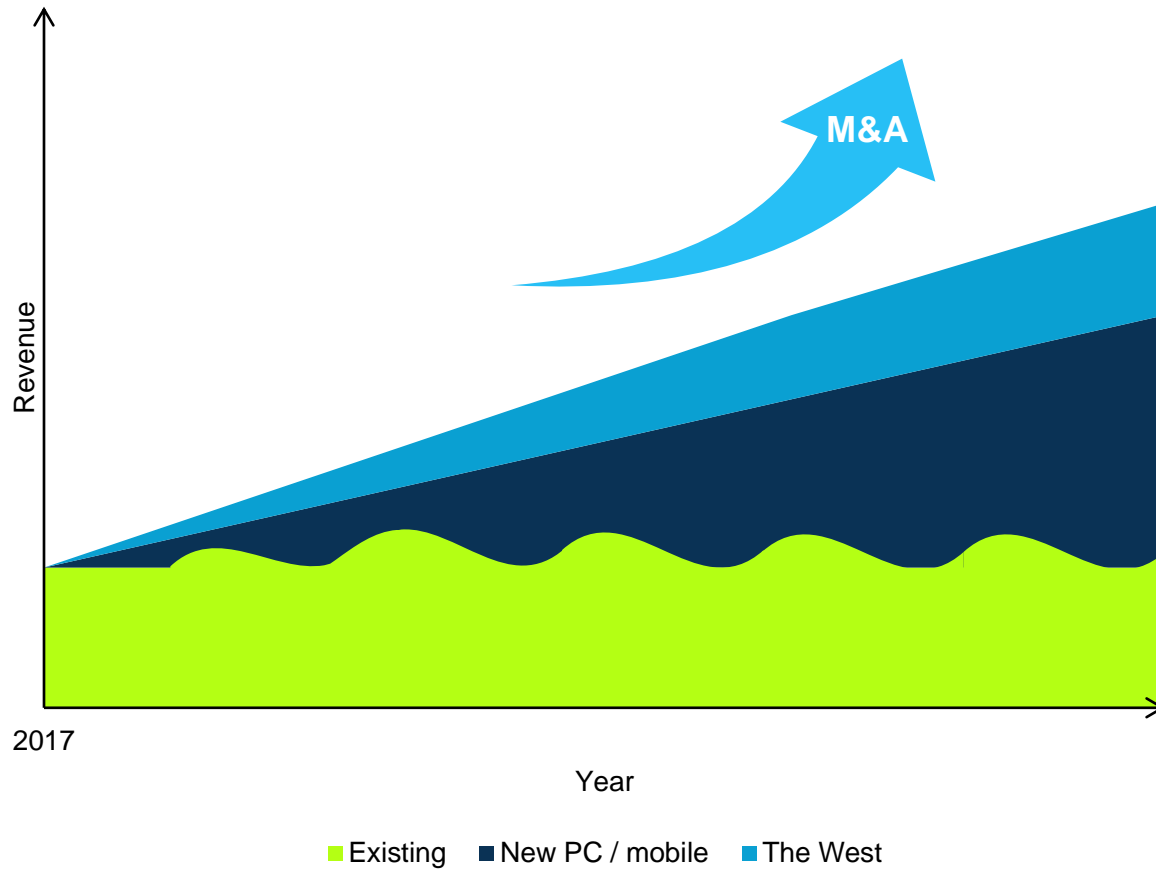


<sup>1</sup> Based on the regions in which revenues originate; not a representation of revenues according to Nexon entities.

<sup>2</sup> Europe and Others includes other Asian countries and South American countries.

<sup>3</sup> PC revenue includes revenues other than PC/mobile revenues.

## Long-term Growth Vision and Evolution<sup>1</sup>



<sup>1</sup> Above graph is illustrative and not to scale.

# Nexon Developers Conference 17 (1)



# Nexon Developers Conference 17 (2)





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 participation
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.

This presentation is prepared to offer reference information about NEXON group to the investors and is intended to generally provide investors and analysts with financial and operational information about Nexon, but not to solicit or recommend any sale or purchase of stock or other securities of Nexon. NEXON Co., Ltd. (“Nexon”) has not verified and would assume no responsibility for the accuracy, appropriation, or completeness thereof. This presentation does not contain all relevant information relating to Nexon or the sale of its shares, including, without limitation, the information that would be stated under the captions “Risk Factors”, “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and “Business” in an annual report. Any investment decision with respect to any shares of Nexon should be made solely upon the basis of the information contained in the disclosure documents and is qualified in its entirety by reference to the detailed information appearing in the disclosure documents.

This presentation includes non-GAAP and non-IFRS financial measures, including but not limited to key performance indicators, as well as ratios calculated on the basis thereof. These non-GAAP and non-IFRS financial measures should not be considered in isolation or as a substitute for the most directly comparable financial measures included in our consolidated financial statements and presented in accordance with IFRS.

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.

# Q2 2017 Earnings Release Schedule (Tentative)

Q2 2017 financial results are scheduled for release on **Thursday, August 10, 2017**.

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.



**NEXON**