



**NEXON**

## Investor Presentation Q2 2017

August 10, 2017 NEXON Co., Ltd.


# LawBreakers (Launched on August 8)

NEXON Co., Ltd.  
Q2 2017  
INVESTOR PRESENTATION



# Owen Mahoney

President and Chief Executive Officer

- Strong growth in Q2 revenues, operating income and net income year-over-year, exceeding our outlook
  - Driven by *Dungeon&Fighter* in China
  - Healthy user metrics continued from Q1, including robust user retention
  
- Q2 performance underscores Nexon's consistent and robust growth over the long-term
  - Deep live game operations
  - Extended content plans
  - Sustained player engagement
  - Longevity
  
- Robust 2H17 pipeline for launches around the world
  - *LawBreakers* launched on August 8 on Sony PlayStation®4 console and PC
  - Other launches include *Titanfall®: Assault*, *Battlejack®*, and *Dark Avenger 3*

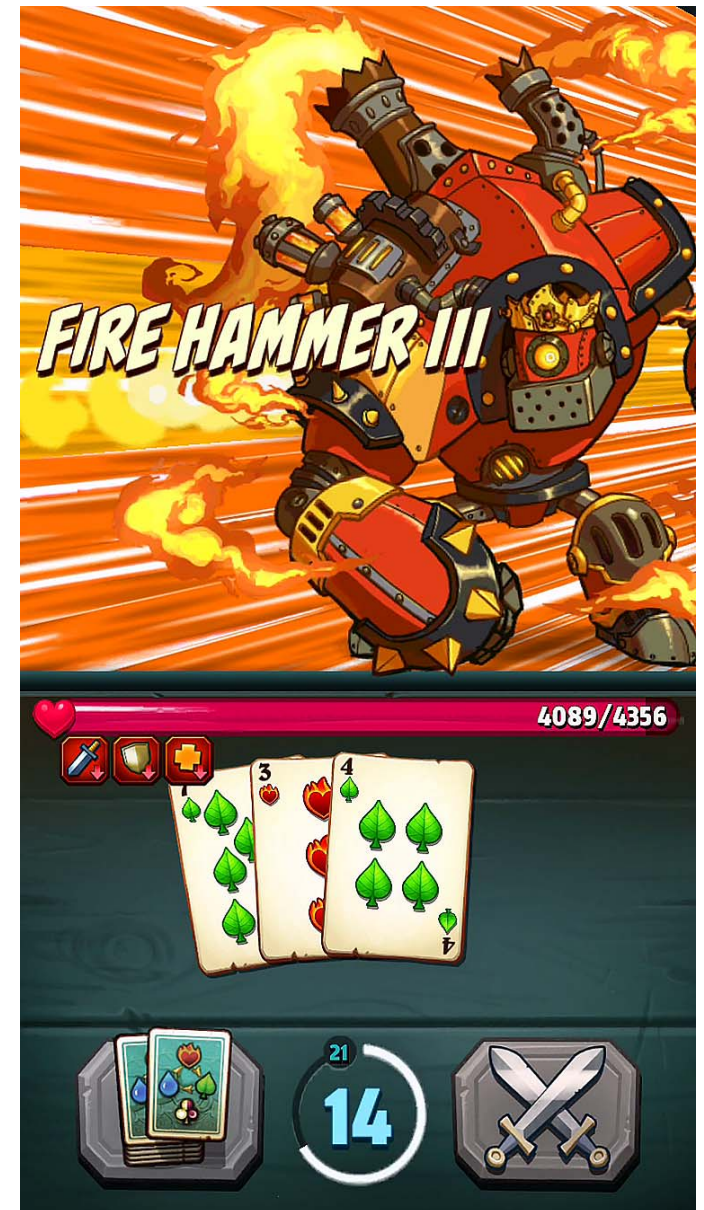
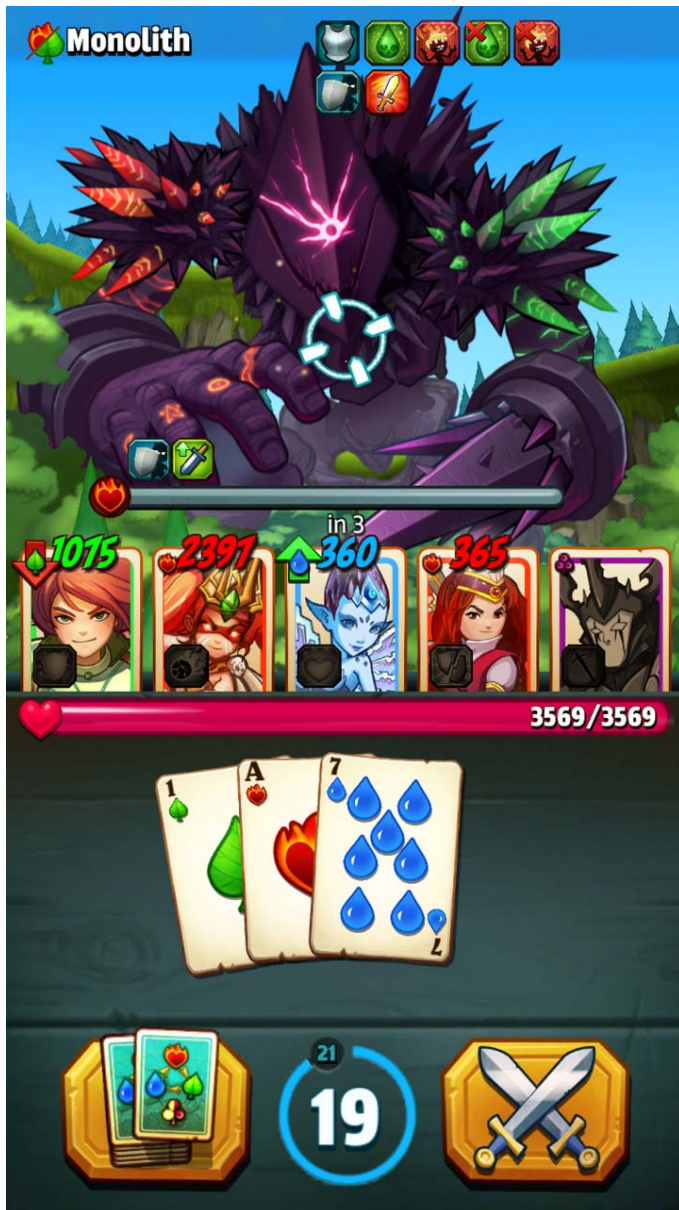


# Titanfall®: Assault

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# Dark Avenger 3

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# Shiro Uemura

Chief Financial Officer



# Q2 2017 Results

# Q2 Highlights

- Revenues ¥47.1 billion, up 23% year-over-year as-reported, up 21% constant currency<sup>1</sup>
- Exceeded outlook primarily driven by *Dungeon&Fighter* China's successful 9<sup>th</sup> anniversary update and item sales
- Operating income ¥16.3 billion – exceeded outlook primarily due to the strong performance in high-margin China business
- Net income<sup>2</sup> ¥19.4 billion – exceeded outlook primarily due to operating income outperformance and an additional ¥6.3 billion primarily from FX gain

(Unit: ¥ millions, except per share data)

	Q2 2016	Q2 2017 Outlook		Q2 2017	YoY %
		Low end	High end		
<b>Revenues</b>	<b>¥38,123</b>	<b>¥41,310</b>	~	<b>¥44,811</b>	<b>23%</b>
PC <sup>3</sup>	28,915	30,262	~	32,641	23%
Mobile	9,208	11,048	~	12,170	25%
Japan	3,035			3,488	15%
ex-Japan	6,173			8,036	30%
<b>Operating income</b>	<b>13,379</b>	<b>11,158</b>	~	<b>13,987</b>	<b>22%</b>
<b>Net income<sup>2</sup></b>	<b>7,564</b>	<b>10,406</b>	~	<b>12,783</b>	<b>157%</b>
Earnings per share	17.36	23.82	~	29.26	44.42
Exchange rates					
100 KRW/JPY	9.30	9.74	9.74	9.85	6%
CNY/JPY	16.53	15.96	15.96	16.19	(2%)
USD/JPY	108.14	110.11	110.11	111.09	3%

<sup>1</sup> 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.

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

<sup>3</sup> PC revenue includes other revenues besides PC online games and mobile games.



# Revenue Breakdown

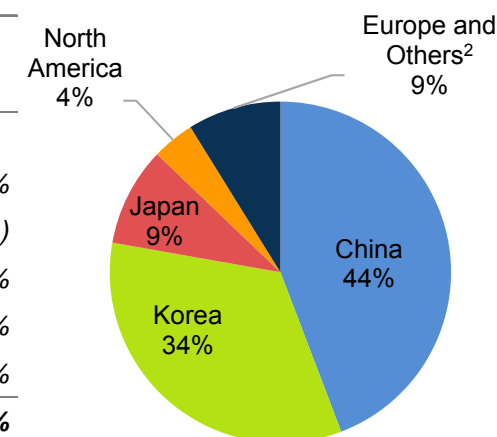
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(Unit: ¥ millions, except per share data)

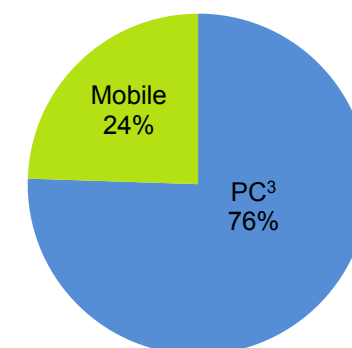
Unit: ¥ millions, except per share data)

	Q2 2016	Q2 2017		YoY % Change	
		As-Reported	Constant Currency <sup>4</sup>	As-Reported	Constant Currency <sup>4</sup>
Revenue by Region <sup>1</sup>					
China	¥15,625	¥20,803	¥21,272	33%	36%
Korea	14,954	15,801	14,845	6%	(1%)
Japan	3,891	4,412	4,412	13%	13%
North America	1,706	1,886	1,817	11%	7%
Europe and Others <sup>2</sup>	1,947	4,162	3,953	114%	103%
Nexon Total	38,123	47,064	46,299	23%	21%
Revenue by Platform					
PC <sup>3</sup>	28,915	35,540	35,270	23%	22%
Mobile	9,208	11,524	11,029	25%	20%
Japan	3,035	3,488	3,488	15%	15%
ex-Japan	6,173	8,036	7,541	30%	22%
Nexon Total	38,123	47,064	46,299	23%	21%
FX Rate					
100 KRW/JPY	9.30	9.85	9.30	6%	
CNY/JPY	16.53	16.19	16.53	(2%)	
USD/JPY	108.14	111.09	108.14	3%	

Q2 2017 Revenue by Region<sup>1</sup>



Q2 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 Europe as well as other Asian countries and South American countries.

<sup>3</sup> PC revenue includes other revenues besides PC online games and mobile games.

<sup>4</sup> 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.

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

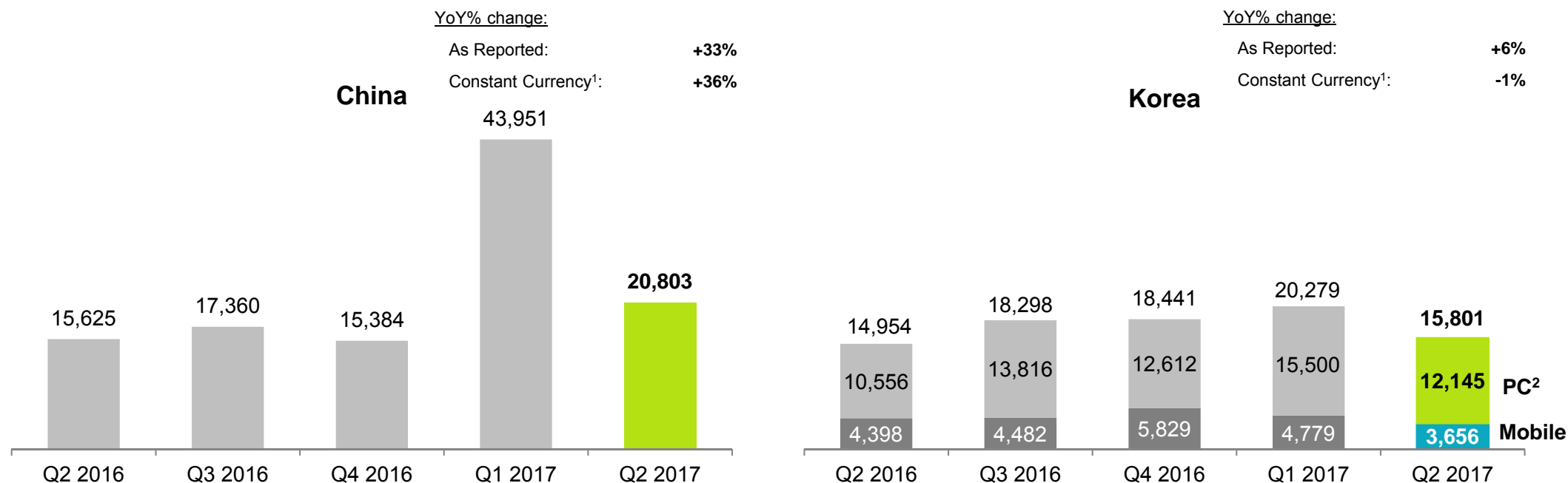
# China/Korea – Highlights

## China

- 9<sup>th</sup> anniversary update of *Dungeon&Fighter* introduced on June 22<sup>nd</sup> was well received
- New character Female Priest and sales of items, including avatars, were strong
- Dungeon&Fighter* revenues, ARPPUs, MAUs and paying users all grew year-over-year; ARPPUs decreased significantly quarter-over-quarter due to seasonality. MAUs and paying users decreased quarter-over-quarter due to seasonality

## Korea

- Strong performances from key PC online titles including *MapleStory* and *Dungeon&Fighter* compensated for deceleration of some titles
- MapleStory* 14<sup>th</sup> anniversary update introduced and receiving positive feedback



<sup>1</sup> 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.

<sup>2</sup> PC revenue includes other revenues besides PC online games and mobile games.



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

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**Japan:** *HIT* and *HIDE AND FIRE* continued to contribute to year-over-year growth in revenues. Revenues decreased quarter-over-quarter relative to the Q1 mass promotion of *HIT*

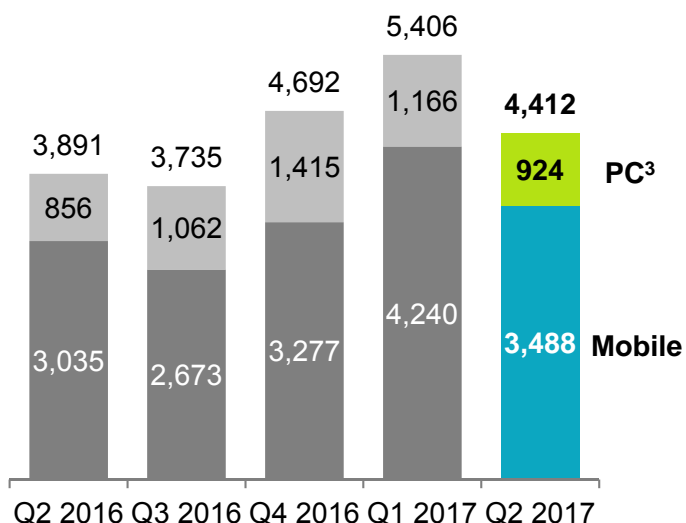
**North America:** Revenue increased year-over-year and was down slightly quarter-over-quarter. Focused on preparation for launch and operation of *LawBreakers*, which started service on August 8

**Europe and Others<sup>1</sup>:** Revenues increased year-over-year and quarter-over-quarter. *Dynasty Warriors Unleashed* released on March 30, especially well-received in Southeast Asia

## YoY% change:

As Reported: +13%  
Constant Currency<sup>2</sup>: +13%

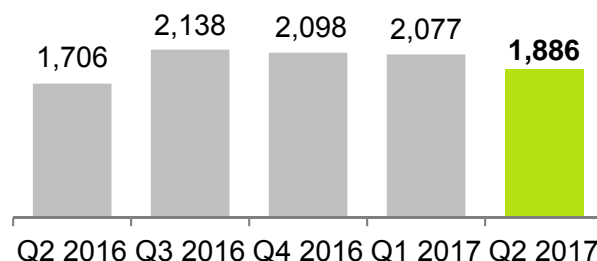
### Japan



## YoY% change:

As Reported: +11%  
Constant Currency<sup>2</sup>: +7%

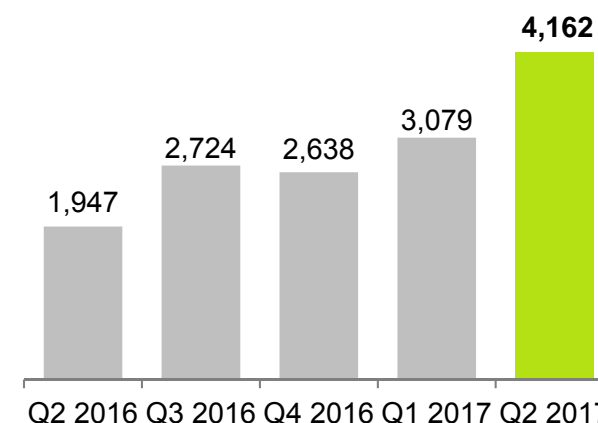
### North America



## YoY% change:

As Reported: +114%  
Constant Currency<sup>2</sup>: +103%

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



<sup>1</sup> "Europe and Others" includes Europe as well as other Asian countries and South American countries.

<sup>2</sup> 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.

<sup>3</sup> PC revenue includes other revenues besides PC online games and mobile games.

# Q3 2017 Outlook



# Q3 2017 Business Outlook

- Expect revenues to be:
  - Up 17% to 26% year-over-year on as-reported basis
  - Up 8% to 16% year-over-year on constant currency<sup>1</sup> basis

(Unit: ¥ millions, except per share data)

	Q3 2016	Q3 2017 Outlook			YoY %		
<b>Revenues</b>	<b>¥44,255</b>	<b>¥51,645</b>	~	<b>¥55,551</b>	<b>17%</b>	~	<b>26%</b>
PC <sup>2</sup>	34,474	39,806	~	42,457	15%	~	23%
Mobile	9,781	11,839	~	13,095	21%	~	34%
<b>Operating income</b>	<b>16,292</b>	<b>17,755</b>	~	<b>20,462</b>	<b>9%</b>	~	<b>26%</b>
<b>Net income<sup>3</sup></b>	<b>7,635</b>	<b>15,875</b>	~	<b>18,045</b>	<b>108%</b>	~	<b>136%</b>
Earnings per share	17.50	36.14	~	41.08			
FX Rate Assumptions							
100 KRW/JPY	9.15	9.93		9.93	9%		
CNY/JPY	15.36	16.62		16.62	8%		
USD/JPY	102.43	112.43		112.43	10%		

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

<b>Revenue</b>	0.45 billion yen
<b>Operating Income</b>	0.17 billion yen

<sup>1</sup> 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.

<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.

# Q3 2017 and Full-Year Regional Outlook

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## China

### Q3

- As-reported: Expect 20+% to 30+% YoY increase
- Constant currency<sup>1</sup>: Expect high teens % to 20+% YoY increase
- *Dungeon&Fighter*: Summer Update (July); scheduled to introduce National Day Update (Late September)

### Full-Year

- Continue development / preparation such as *Dungeon&Fighter* 2D mobile<sup>2</sup> and *MapleStory2* (Publisher: Tencent)



## Korea

### Q3

- As-reported: Expect high single digit % to high teens % YoY increase
- Constant currency<sup>1</sup>: Expect flat to high single digit % YoY increase
- Launched new mobile games *LEGO® Quest & Collect*, *Dark Avenger 3*

### Full-Year

- Multiple new PC online and mobile titles scheduled for launch:
  - Mobile: *AxE*, *Durango: Wild Lands*
  - PC: *Moonlight Blade*, *Titanfall™ Online*



## Japan

### Q3

- As-reported or constant currency<sup>1</sup>: Expect high single digit % to low teens % YoY increase
- Launched new PC online game *Counter-Strike Online 2* and new mobile game *StraStella*

### Full-Year

- Multiple new mobile titles scheduled for launch

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

### Q3

- North America
  - As-reported: Expect high single digit % to 20+% YoY increase
  - Constant currency<sup>1</sup>: Expect flat to low teens % YoY increase
- Europe and Others<sup>3</sup>
  - As-reported: Expect high single digit % to high teens % YoY increase
  - Constant currency<sup>1</sup>: Expect flat to high single digit % YoY increase
- Launched *LawBreakers* (August 8) for PS4® and PC
- Mobile: Launched *Titanfall®: Assault*. *Battlejack®* and other titles are scheduled to launch

### Full-Year

- Multiple mobile titles scheduled to launch

<sup>1</sup> 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.

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

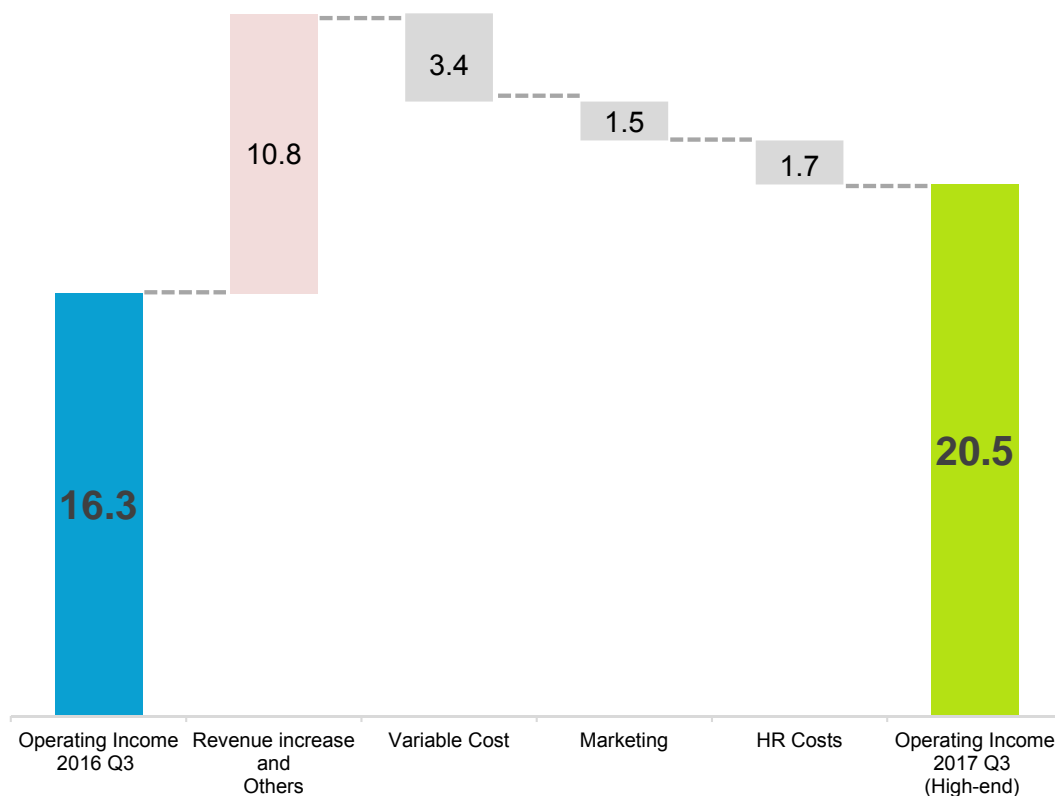
<sup>3</sup> "Europe and Others" includes Europe as well as other Asian countries and South American countries.

# Q3 2017 Operating Income Outlook

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## YoY Operating Income Comparison

(Unit: ¥ billions)



Expect Q3 2017 operating income of ¥17.8 to ¥20.5 billion due to:

### Positive driver

- Increased revenues, primarily driven by high-margin China business and contributions from new titles

### Negative drivers

- Increase in variable costs including:
  - Third-party royalty costs associated with third-party games and publishing titles
  - PG fee with increased mobile revenues
- Increase in marketing costs associated with the launch of new titles
- Increase in HR costs due to increased headcount, primarily in Korea

# 2017 China *Dungeon&Fighter* Update Schedule

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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> ~	June 22 <sup>nd</sup> ~
Q3	Summer Update	July 14 <sup>th</sup> ~	July 6 <sup>th</sup> ~
	National Day Update	September 27 <sup>th</sup> ~	Late September
Q4	Winter Update	December 1 <sup>st</sup> ~	TBD

\* 2017 update schedule is subject to change depending on various operational factors



Indicates financially important updates



# Pipeline<sup>1</sup>

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Q3 2017 and onward

PC Online



*LawBreakers*



*Need for Speed™ Edge*  
Electronic Arts



*Moonlight Blade*  
Tencent



*Titanfall™ Online*



*MapleStory2*

Mobile



*Titanfall®: Assault*



*Battlejack®*



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*Sangokushi Sousouden  
Online<sup>2</sup>*  
KOEI TECMO GAMES CO., LTD.



*FINAL FANTASY® XI  
mobile<sup>3</sup>*  
SQUARE ENIX



*Dungeon&Fighter 2D mobile<sup>3</sup>*



*Dark Avenger 3*



*AxE*



*Durango: Wild Lands*



*Tree of Savior:  
Mobile Remake*



*Mabinogi  
Mobile<sup>3</sup>*

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

<sup>2</sup> Title is tentative and may be subject to change.

<sup>3</sup> Mobile games based on original IPs.

<sup>4</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

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(Unit: ¥ millions except per share data)

	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017	YoY%
(By Region)							
China	¥25,829	¥15,625	¥17,360	¥15,384	¥43,951	¥20,803	33%
Korea	22,555	14,954	18,298	18,441	20,279	15,801	6%
Japan	4,561	3,891	3,735	4,692	5,406	4,412	13%
North America	2,163	1,706	2,138	2,098	2,077	1,886	11%
Europe and Others <sup>1</sup>	2,389	1,947	2,724	2,638	3,079	4,162	114%
(By Platform)							
PC <sup>2</sup>	45,054	28,915	34,474	31,352	63,114	35,540	23%
Mobile	12,443	9,208	9,781	11,901	11,678	11,524	25%
Japan	3,554	3,035	2,673	3,277	4,240	3,488	15%
ex-Japan	8,889	6,173	7,108	8,624	7,438	8,036	30%
<b>Revenue</b>	<b>57,497</b>	<b>38,123</b>	<b>44,255</b>	<b>43,253</b>	<b>74,792</b>	<b>47,064</b>	<b>23%</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>16,278</b>	<b>22%</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>19,448</b>	<b>157%</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>44.42</b>	
<b>FX rate</b>							
100 KRW/JPY	9.62	9.30	9.15	9.46	9.88	9.85	6%
CNY/JPY	17.65	16.53	15.36	15.97	16.50	16.19	(2%)
USD/JPY	115.48	108.14	102.43	109.30	113.64	111.09	3%
<b>KPI (Excluding Mobile)</b>							
MAU (millions)	51.4	44.7	44.3	41.0	44.9	41.2	(8%)
Pay Rate	10.9%	11.3%	11.4%	13.7%	16.1%	15.6%	38%
ARPPU (as-reported)	4,676	3,161	3,651	2,871	5,628	3,241	3%

<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

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(Unit: ¥ millions)

	FY2016				FY2017	
	Q1	Q2	Q3	Q4	Q1	Q2
<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>	<b>¥12,584</b>
Royalty <sup>2</sup>	5,935	3,274	3,988	4,736	5,635	4,413
HR cost (COGS) <sup>3</sup>	4,528	4,409	4,335	5,363	6,258	5,447
Other (COGS) <sup>4</sup>	2,612	2,792	2,919	3,240	2,874	2,724
<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>	<b>16,648</b>
HR cost	3,261	3,463	3,668	4,416	4,036	3,527
PG fee <sup>5</sup>	5,491	4,046	4,608	5,078	5,229	4,715
R&D	1,649	1,939	1,886	1,877	2,007	2,056
Marketing/advertising expenses	3,209	1,941	3,618	5,088	3,173	3,650
Depreciation and amortization	797	859	896	1,010	1,009	856
Other	2,005	1,954	1,686	1,765	1,844	1,844
Other Income <sup>6</sup>	147	120	217	537	181	714
Other Expense <sup>7</sup>	24,454	187	576	3,930	3,146	2,268
Includes: impairment loss	24,364	128	556	3,737	2,689	2,185

<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

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(Unit: ¥ millions)

	FY2016				FY2017	
	Q1	Q2	Q3	Q4	Q1	Q2
<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>¥16,278</b>
Finance Income <sup>1</sup>	823	808	819	21,790	1,202	6,271
Finance Costs <sup>2</sup>	6,549	4,401	7,016	(87)	15,920	294
<b>Equity income/(loss) of affiliates, equity method companies</b>	<b>16</b>	<b>53</b>	<b>80</b>	<b>(48)</b>	<b>(12)</b>	<b>(340)</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>	<b>21,915</b>
Tax expense <sup>3</sup>	4,072	2,262	2,357	17,911	5,220	2,613
<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>	<b>19,448</b>

<sup>1</sup> 2016 Q4 and 2017 Q2 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

NEXON Co., Ltd.  
Q2 2017  
INVESTOR PRESENTATION

(Unit: ¥ millions)

	6 months ended June 30, 2016	6 months ended June 30, 2017
Cash flows from operating activities	¥26,520	¥42,369
Cash flows from investing activities	(48,015)	(20,181)
Cash flows from financing activities	(1,904)	3,088
Net increase / (decrease) in cash and cash equivalents	(23,399)	25,276
Cash and cash equivalents at beginning of fiscal year	194,225	152,683
Effect of exchange rate change on cash and cash equivalents	(22,758)	(1,171)
Cash and cash equivalents at end of fiscal year	148,068	176,788

# Balance Sheet

NEXON Co., Ltd.  
Q2 2017  
INVESTOR PRESENTATION

(Unit: ¥ millions)

	December 31, 2016	June 30, 2017
<b>Asset</b>		
Current Assets		
Cash and cash equivalents	¥152,683	¥176,788
Other deposits	173,226	183,380
Other current assets	40,188	48,325
<b>Total current assets</b>	<b>366,097</b>	<b>408,493</b>
Noncurrent assets		
Tangible assets	20,394	20,097
Goodwill	17,523	14,948
Intangible assets	7,127	4,476
Others	30,691	34,963
<b>Total noncurrent assets</b>	<b>75,735</b>	<b>74,484</b>
<b>Total assets</b>	<b>441,832</b>	<b>482,977</b>
<b>Liability</b>		
Current liabilities		
Current tax liabilities	5,511	3,691
Current borrowings	1,683	1,668
Others	27,810	24,017
<b>Total current liabilities</b>	<b>35,004</b>	<b>29,376</b>
Noncurrent liabilities		
Non-current borrowings	835	0
Others	28,299	27,973
<b>Total noncurrent liabilities</b>	<b>29,134</b>	<b>27,973</b>
<b>Total liabilities</b>	<b>64,138</b>	<b>57,349</b>
<b>Shareholders' equity</b>		
Capital stock	3,519	6,301
Capital surplus	86,753	47,964
Treasury shares	(0)	(0)
Other equity interest	56,254	60,941
Retained earnings	226,398	305,798
Non-controlling interests	4,770	4,624
<b>Total equity</b>	<b>377,694</b>	<b>425,628</b>
<b>Total liabilities and total equity</b>	<b>441,832</b>	<b>482,977</b>

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

NEXON Co., Ltd.  
Q2 2017  
INVESTOR PRESENTATION

(Unit: ¥ millions)

	FY2016				FY2017	
	Q1	Q2	Q3	Q4	Q1	Q2
<b>Japan</b>						
Revenue from external customers	¥4,184	¥3,575	¥3,410	¥4,256	¥3,532	¥3,067
Segment profit/(loss)	(265)	(1,038)	(1,303)	(1,185)	(903)	(948)
<b>Korea</b>						
Revenue from external customers	49,231	31,190	37,303	35,428	67,616	41,390
Segment profit/(loss)	28,167	15,171	18,446	12,786	44,005	20,120
<b>China</b>						
Revenue from external customers	1,330	929	¥1,092	1,177	1,305	665
Segment profit/(loss)	1,014	558	739	784	933	300
<b>North America</b>						
Revenue from external customers	2,347	2,075	2,181	2,177	2,128	1,802
Segment profit/(loss)	(818)	(1,218)	(1,212)	(1,591)	(1,272)	(1,587)
<b>Others</b>						
Revenue from external customers	405	354	269	215	211	140
Segment profit/(loss)	(103)	(31)	(19)	(109)	(31)	(55)
<b>Adjustments</b>						
Revenue from external customers	-	-	-	-	-	-
Segment profit/(loss)	15	4	-	(5)	(5)	2
<b>Total</b>						
Revenue from external customers	57,497	38,123	44,255	43,253	74,792	47,064
Segment profit/(loss)	28,010	13,446	16,651	10,680	42,727	17,832

<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

NEXON Co., Ltd.  
Q2 2017  
INVESTOR PRESENTATION

Full-time employees	March 31, 2016	June 30, 2016	September 30, 2016	December 31, 2016	March 31, 2017	June 30, 2017
Japan	637	614	606	606	585	561
Korea	3,833	3,969	4,107	4,234	4,263	4,292
China	261	253	260	260	260	254
North America	302	316	339	340	322	332
Others	68	70	64	85	104	113
<b>Total</b>	<b>5,101</b>	<b>5,222</b>	<b>5,376</b>	<b>5,525</b>	<b>5,534</b>	<b>5,552</b>

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

NEXON Co., Ltd.  
Q2 2017  
INVESTOR PRESENTATION

(Unit: ¥ millions)

Condensed Income Statement	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016
<b>Revenue</b>	<b>¥13,033</b>	<b>¥11,657</b>	<b>¥11,236</b>	<b>¥7,987</b>	<b>¥5,815</b>	<b>¥5,208</b>
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 / (loss)</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.  
Q2 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>	<b>¥93,487</b>	<b>¥51,806</b>	<b>¥45,632</b>	<b>¥46,760</b>	<b>¥70,444</b>	<b>¥52,632</b>
Includes: cash and cash equivalents	90,800	48,952	32,367	30,711	68,997	49,531
<b>Non-current assets</b>	<b>34,517</b>	<b>99,900</b>	<b>135,011</b>	<b>101,337</b>	<b>38,190</b>	<b>6,438</b>
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>	<b>128,005</b>	<b>151,707</b>	<b>180,643</b>	<b>148,097</b>	<b>108,634</b>	<b>59,070</b>
<b>Current liabilities</b>	<b>3,102</b>	<b>14,302</b>	<b>13,103</b>	<b>16,345</b>	<b>3,506</b>	<b>2,341</b>
<b>Non-current liabilities</b>	<b>18,443</b>	<b>40,230</b>	<b>39,644</b>	<b>23,154</b>	<b>498</b>	<b>448</b>
<b>Total liabilities</b>	<b>21,545</b>	<b>54,532</b>	<b>52,747</b>	<b>39,499</b>	<b>4,004</b>	<b>2,789</b>
<b>Shareholder's equity</b>	<b>106,012</b>	<b>105,943</b>	<b>110,163</b>	<b>98,122</b>	<b>99,779</b>	<b>50,669</b>
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>	<b>(7)</b>	<b>(9,555)</b>	<b>15,844</b>	<b>6,536</b>	<b>246</b>	<b>77</b>
<b>Subscription rights to shares</b>	<b>455</b>	<b>786</b>	<b>1,889</b>	<b>3,940</b>	<b>4,605</b>	<b>5,535</b>
<b>Total net assets</b>	<b>106,459</b>	<b>97,174</b>	<b>127,896</b>	<b>108,598</b>	<b>104,630</b>	<b>56,281</b>
<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>	<b>(1,058)</b>	<b>-</b>	<b>(4,807)</b>	<b>(4,372)</b>	<b>(4,305)</b>	<b>(4,352)</b>
<b>Acquisition of treasury shares</b>	<b>-</b>	<b>-</b>	<b>(0)</b>	<b>(10,000)</b>	<b>(10,000)</b>	<b>(5,000)</b>
<b>Cancellation of treasury shares</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>10,000</b>	<b>10,000</b>	<b>5,000</b>

<sup>1</sup> Excerpt of NEXON Co., Ltd.'s standalone financial statements included in Annual Securities Report (Yuuka Shouken Houkusho). 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)



## Korea



MapleStory (PC)



Dungeon&Fighter (PC)



EA SPORTS™ FIFA Online 3 (PC)



Sudden Attack (PC)



EA SPORTS™ FIFA Online 3 M (Mobile)



Dynasty Warriors Unleashed (Mobile)



Sangokushi Sousouden Online<sup>4</sup> (Mobile)

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## Japan



HIT (Mobile)



HIDE AND FIRE (Mobile)



Sangokushi Battle (Mobile)



MapleStory (PC)



Mabinogi (PC)



Dungeon&Fighter (PC)



Tree of Savior (PC)



## North America



MapleStory (PC)



DomiNations (Mobile)

## Rest of the World



MapleStory (PC)

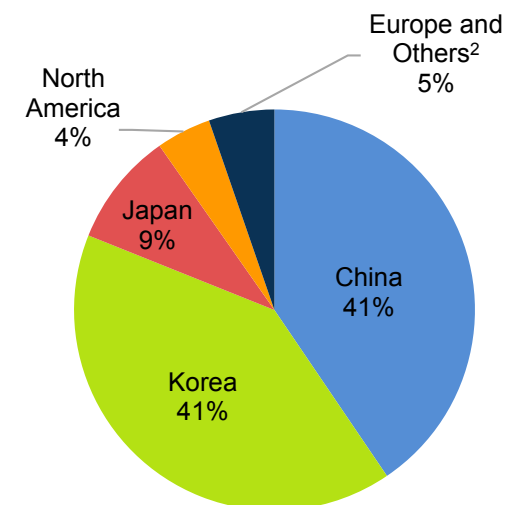


HIT (Mobile)

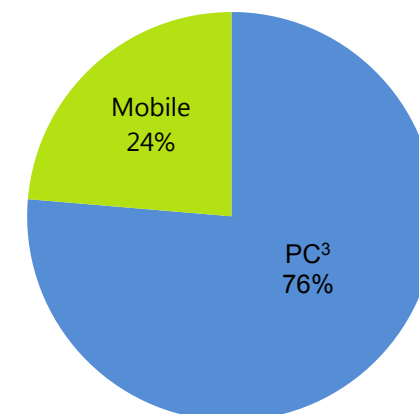


Dynasty Warriors Unleashed (Mobile)

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



## 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.

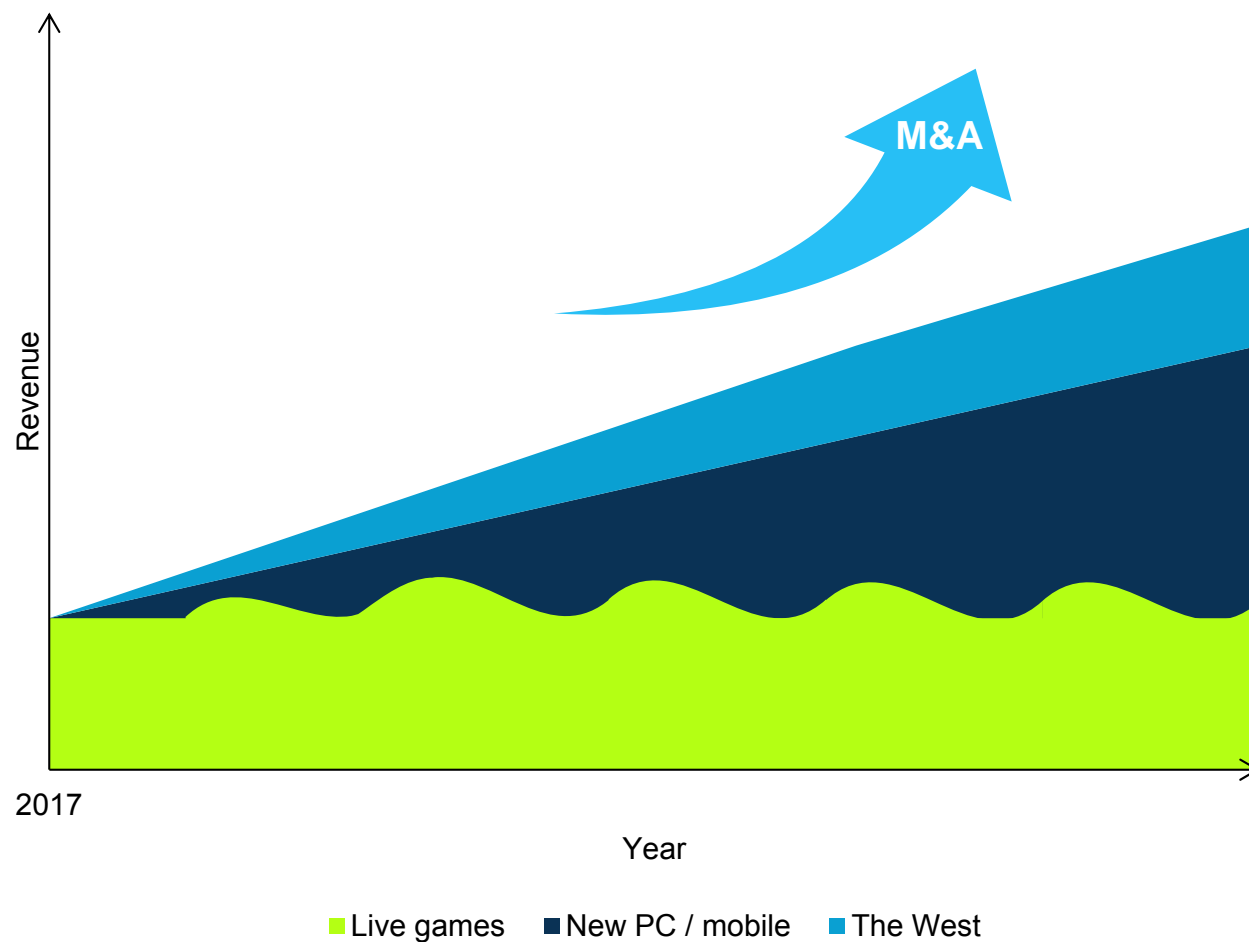
<sup>4</sup> Title is tentative and may be subject to change.



# Long-term Growth Vision

NEXON Co., Ltd.  
Q2 2017  
INVESTOR PRESENTATION

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



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

# 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 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.

# Disclaimer

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.

# Q3 2017 Earnings Release Schedule (Tentative)

NEXON Co., Ltd.  
Q2 2017  
INVESTOR PRESENTATION

Q3 2017 financial results are scheduled for release on **Friday, November 10, 2017**. Nexon management is scheduled to host an earnings conference call with Japanese – English simultaneous translation for investors, analysts and the media on the same day.

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



**NEXON**