NEXON

INVESTOR PRESENTATION

Q3 2019

Nov 7, 2019 NEXON Co., Ltd.

Owen Mahoney
President and Chief Executive Officer

Shiro Uemura
Chief Financial Officer

CEO Highlights

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Major Franchises Drove Continued Success in Korea

Streamlining Operations to Focus on Fewer but Bigger Games, Powerful IP and Deeply Immersive Online Virtual Worlds on Multiple Platforms

1

Revenues as planned. Korea business outperformed driven by strength in *MapleStory* and *FIFA ONLINE 4*[1]. Meanwhile, China underperformed due to lower-than-expected performance of *Dungeon&Fighter*.

2

MapleStory in Korea delivered an outstanding quarter on PC and mobile, with lifetime-high quarterly revenue in the 16-year franchise. Showcases the opportunity for success with live operations on multiple platforms

3

FIFA ONLINE 4[1] delivered strong results, with combined PC and mobile revenues increasing significantly year-over-year.

4

Dungeon&Fighter 2D Mobile[2]

- Preparing for the 2nd closed beta test in China
- Expect the full launch to occur within 1H 2020
- The schedule may change subject to the result of the 2nd closed beta test.

5

In September, made a strategic investment in Wonder Holdings. Min Hur, the founder, previously founded Neople in 2001, where he led the development of *Dungeon&Fighter*. Min has become an external advisor to Nexon's new game development in Korea.

6

In September, Nexon's shareholders ratified a plan for the full purchase of Embark Studios on a five-year timetable. Embark is moving quickly and building groundbreaking technology to create and deliver entirely new types of game experiences for the West.

[1] Official titles are *EA SPORTS™ FIFA ONLINE 4* (PC), *and EA SPORTS™ FIFA ONLINE 4 M* (mobile).

[2] Mobile game based on original IPs.

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China *Dungeon&Fighter*

Addressing a Near-term Challenge through Series of Updates Extending over Multiple Quarters

- Expect it to take another two to three quarters to get revenue back on track
- The operating team at Neople is working diligently to pull forward the timing of the new key update, which addresses the primary feedback of players.
- The new key update is set to launch in mid 1H 2020.
- Nexon has extensive experience listening to players. The live operations team moves quickly to update and improve elements of the game when the players do not appreciate something.
- Over the years, this has happened in several of our franchises. The changes usually result in renewed engagement.
- Confident in the long-term health of *Dungeon&Fighter* – a 11-year old franchise enjoyed daily by millions
- Expect the game to rebound and grow to new heights in players, revenue and, most of all, fun

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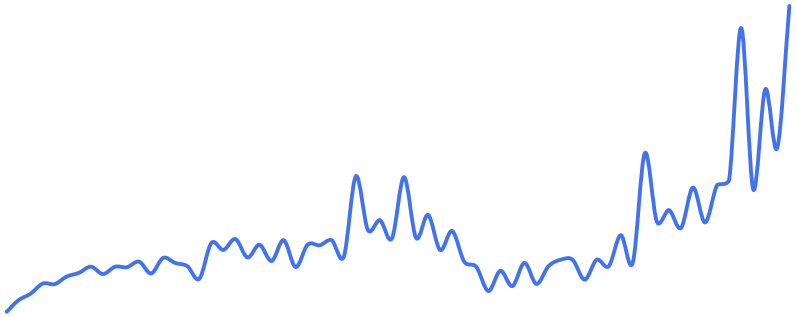
MapleStory Life-to-date Revenue Trend

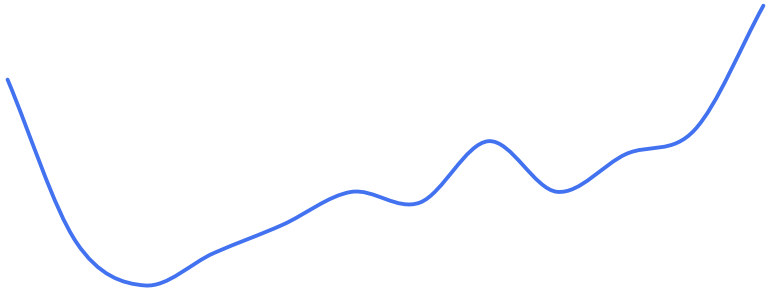
PC and Mobile Both Set Lifetime-high Quarterly Revenue for the 16-year Franchise; Demonstrates Online Games Can Grow to New Heights After Periods of Decline

Korea *MapleStory*



2003 2019

Korea *MapleStory M*



Q4 FY16 Q3 FY19

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Q3 2019 Results

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Q3 2019 Result Highlights

Revenues as Planned. Major Franchises Drove Strength in Korea; China was Below Our Outlook

Revenues

In the range of our outlook despite the FX headwind during the quarter. Revenues from Korea *MapleStory* and *FIFA ONLINE 4*[1] exceeded our outlook while China *Dungeon&Fighter*'s revenue was below our outlook.

Operating Income

Exceeded our outlook primarily due to lower-than-planned costs and a ¥7.5 billion gain on the step acquisition related to the consolidation of Embark Studios. These were partially offset by a ¥2.2 billion impairment loss primarily on goodwill of our Korean subsidiary.

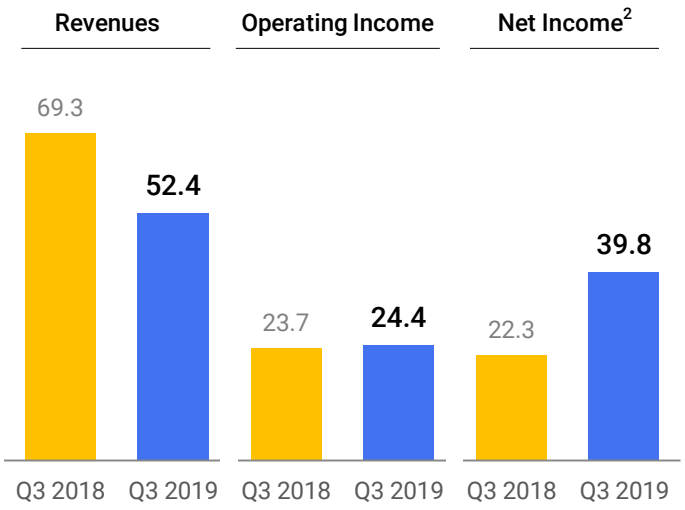
Net Income[2]

Exceeded our outlook due to a ¥15.4 billion FX gain primarily on U.S. dollar-denominated cash deposits

(Unit: ¥ millions, except per share data)

	Q3 2018	Q3 2019 Outlook			Q3 2019	YoY %
Revenues	**¥69,332**	*¥51,597*	~	*¥55,968*	**¥52,357**	*(24%)*
PC[3]	53,036	*38,456*	~	*41,355*	38,554	*(27%)*
Mobile	16,296	*13,141*	~	*14,613*	13,803	*(15%)*
Operating income	**23,712**	*20,586*	~	*24,406*	**24,419**	***3%***
Net income[2]	**22,305**	*21,825*	~	*24,983*	**39,844**	***79%***
Earnings per share	24.98	*24.35*	~	*27.87*	44.42	
Exchange rates						
100 KRW/JPY	9.96	*9.22*		*9.22*	9.00	*(10%)*
CNY/JPY	16.39	*15.74*		*15.74*	15.32	*(6%)*
USD/JPY	111.46	*108.28*		*108.28*	107.35	*(4%)*

(Unit: ¥ billions)



[1] Official titles are *EA SPORTS™ FIFA ONLINE 4* (PC).

[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.

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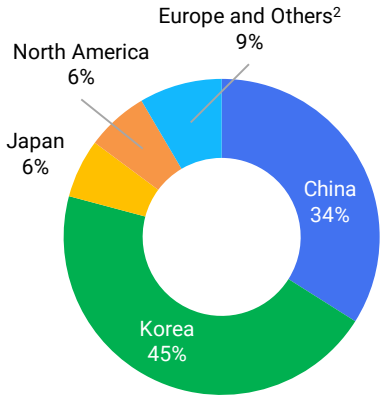
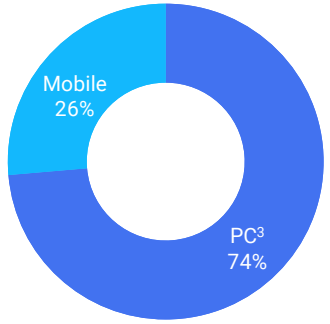
Q3 2019 Revenue Breakdown

(Unit: ¥ millions)	Q3 2018	Q3 2019 As-Reported	Q3 2019 Constant Currency[4]	YoY % Change As-Reported	YoY % Change Constant Currency[4]
Revenue by Region[1]					
China	¥31,216	¥17,783	¥19,175	*(43%)*	*(39%)*
Korea	23,168	23,657	26,179	*2%*	*13%*
Japan	3,541	3,151	3,281	*(11%)*	*(7%)*
North America	4,891	3,332	3,523	*(32%)*	*(28%)*
Europe and Others[2]	6,516	4,434	4,793	*(32%)*	*(26%)*
Nexon Total	69,332	**52,357**	**56,951**	***(24%)***	***(18%)***
Revenue by Platform					
PC[3]	53,036	38,554	41,966	*(27%)*	*(21%)*
Mobile	16,296	13,803	14,985	*(15%)*	*(8%)*
Nexon Total	69,332	**52,357**	**56,951**	***(24%)***	***(18%)***
FX Rate					
100 KRW/JPY	*9.96*	*9.00*	*9.96*	*(10%)*	
CNY/JPY	*16.39*	*15.32*	*16.39*	*(6%)*	
USD/JPY	*111.46*	*107.35*	*111.46*	*(4%)*	

Q3 2019 Revenue by Region[1]



Q3 2019 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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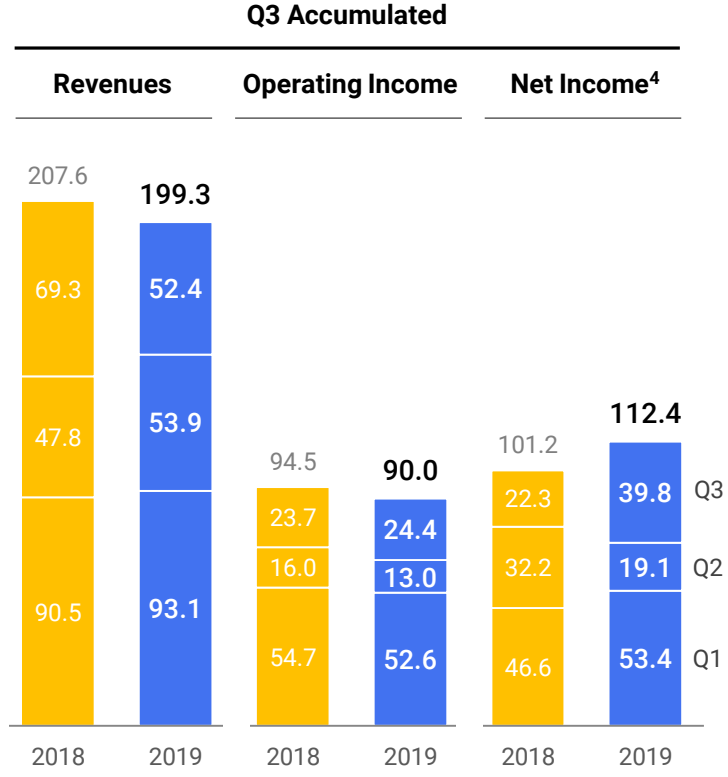
Q3 2019 Accumulated Results

(Unit: ¥ millions, except per share data)

	Q1-3 2018	Q1-3 2019 As-Reported	Q1-3 2019 Constant Currency[5]	YoY % Change As-Reported	YoY % Change Constant Currency[5]
Revenue by Region[1]					
China	¥115,103	¥96,615	¥102,629	*(16%)*	*(11%)*
Korea	58,223	65,401	70,098	*12%*	*20%*
Japan	9,747	11,592	11,923	*19%*	*22%*
North America	12,189	11,498	11,746	*(6%)*	*(4%)*
Europe and Others[2]	12,378	14,193	14,868	*15%*	*20%*
Nexon Total	207,640	**199,299**	**211,264**	***(4%)***	***2%***
Revenue by Platform					
PC[3]	166,147	154,318	163,990	*(7%)*	*(1%)*
Mobile	41,493	44,981	47,274	*8%*	*14%*
Nexon Total	207,640	**199,299**	**211,264**	***(4%)***	***2%***
Operating income	94,453	**90,007**	**96,824**	***(5%)***	***3%***
Net income[4]	101,168	**112,389**	**121,552**	***11%***	***20%***
Earnings per share	113.89	125.43			

(Unit: ¥ billions)



[1] Based on the regions in which revenues originate; not a representation of revenues according to Nexon entities.

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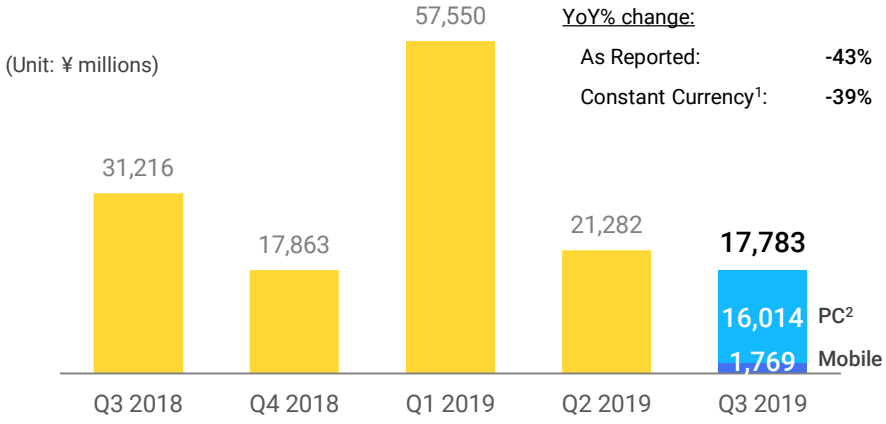
China / Korea – Highlights

China

Below our outlook. *KartRider Rush Plus* outperformed while *Dungeon&Fighter* underperformed due to lower-than-expected item sales in the latter half of Q3, as well as National Day package sales

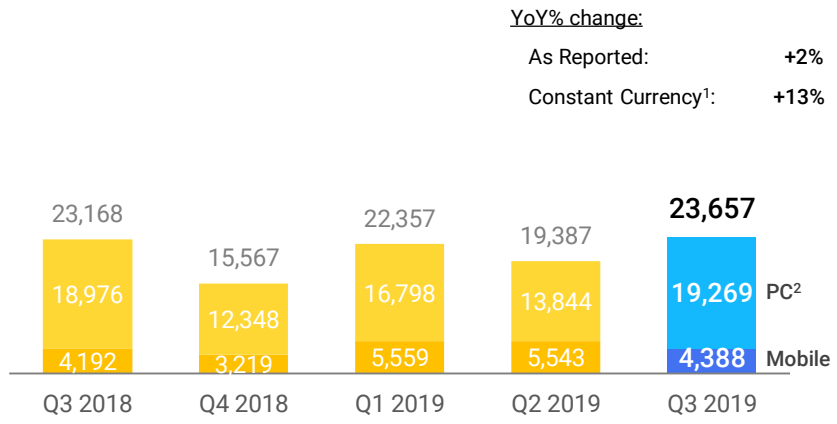
- *Dungeon&Fighter*
  - Introduced Summer update (7/4 – 8/16); National Day update (9/24)
  - MAUs decreased slightly both Y/Y and Q/Q.
  - Paying users which had declined since the June 11th anniversary update remained at a lower level; and decreased both Y/Y and Q/Q
  - ARPPU decreased Y/Y primarily due to lower daily item sales and National Day package sales and increased sequentially due to typical seasonality
- *KartRider Rush Plus* : Introduced a major content update (7/2); solid performance throughout the quarter



Korea

Outperformance driven by strong performances of *MapleStory*, *FIFA ONLINE 4*[3], and *MapleStory M*. Both PC[2] and mobile business grew Y/Y

- *MapleStory*: Record quarterly revenue. Constant currency revenue grew Y/Y on top of 129% Y/Y growth in Q3 2018. Strength driven by the successful Summer update, as well as Korean Thanksgiving holiday events and promotions
- *FIFA ONLINE 4*[3] / *FIFA ONLINE 4 M*[3]
  - Outperformance driven by strong package sales in August
  - Combined PC and mobile revenue increased significantly Y/Y against comparable period just after the service transition from *FIFA Online 3*[3] to *FIFA ONLINE 4*[3].
- *MapleStory M*: Record quarterly revenue. Grew 51% Y/Y. Strength driven by the successful content update and promotions



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[3] Official titles are *EA SPORTS™ FIFA Online 3* (PC), *EA SPORTS™ FIFA Online 3 M* (mobile), *EA SPORTS™ FIFA ONLINE 4* (PC), *and EA SPORTS™ FIFA ONLINE 4 M* (mobile).

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

Japan

Results as planned. Revenues down Y/Y, primarily due to decrease in mobile business

- Benefited from *MapleStory M, MapleStory 2*, *FAITH* and *ArkResona* which launched in August.
- These were more than offset by the deceleration of *OVERHIT*, *Dynasty Warriors: Unleashed*, and browser-based mobile games.

North America

Results as planned. Y/Y decrease primarily due to the tough comparisons with Q3 2018, as well as *Choices*[4].

- Y/Y decrease primarily due to the deceleration of *Choices*[4], *MapleStory M* and *Darkness Rises*
- *MapleStory M* and *Darkness Rises* decreased Y/Y due to tough comparisons with Q3 2018 just after their services began.

Europe and Others[1]

Outperformance driven by *MapleStory M*. Y/Y decrease primarily due to the tough comparisons with Q3 2018

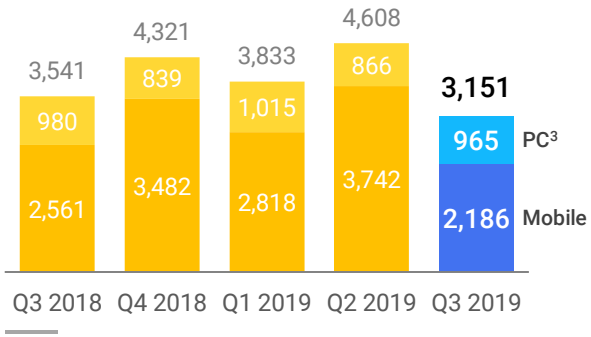
- Contribution from *Moonlight Blade*, *AxE* and *OVERHIT* launched in/after Q4 2018 were more than offset by the decreases in *Choices*[4], *MapleStory M* and *Darkness Rises*.
- *MapleStory M* and *Darkness Rises* decreased Y/Y due to tough comparisons with Q3 2018 just after their services began.

(Unit: ¥ millions)

YoY% change:

As Reported: -11%

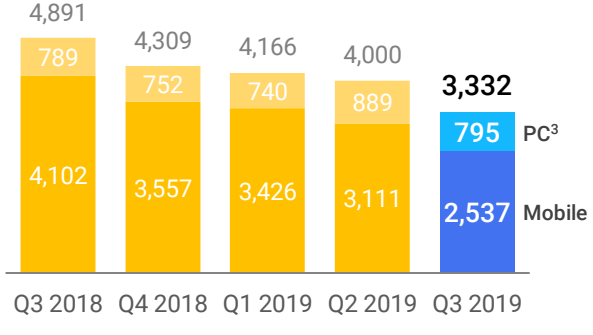
Constant Currency[2]: -7%



YoY% change:

As Reported: -32%

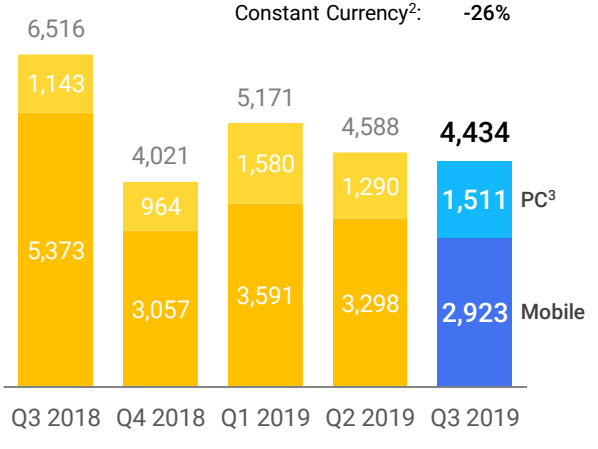
Constant Currency[2]: -28%



YoY% change:

As Reported: -32%

Constant Currency[2]: -26%



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[3] PC revenues include other revenues besides PC online games and mobile games.

[4] Official title is *Choices: Stories You Play*.

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Q4 2019 Outlook

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Q4 2019 Financial Outlook

Expect Strength in Korea; Revenues Expected to Decrease Y/Y in Other Regions

Revenues

- Constant currency[1] down 3% to up 4%
- Y/Y growth in Korea, driven by strength in *MapleStory* and the launch of *V4*, is expected to be offset primarily by China *Dungeon&Fighter*, *Choices*[2] and Japan mobile business

Operating Income

Expect costs and expenses to decrease Y/Y including:

- Marketing costs and variable costs
- Other Expense. Recorded a ¥3.0 billion impairment loss[3] in Q4 2018

Net Income[4]

Expect a year-over-year increase primarily driven by a year-over-year increase in operating income

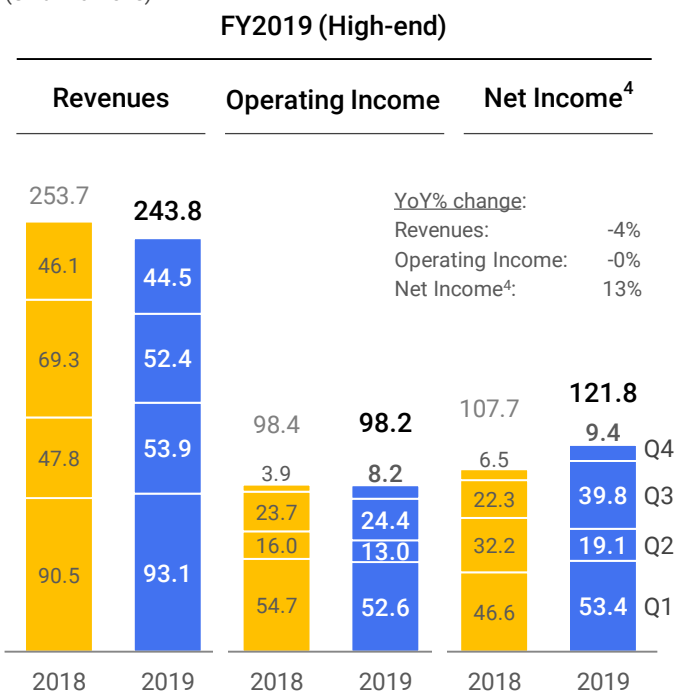
(Unit: ¥ millions, except per share data)

	Q4 2018	Q4 2019 Outlook			YoY %		
Revenues	¥46,081	**¥41,397**	~	**¥44,454**	*(10%)*	~	*(4%)*
PC[5]	32,724	27,588	~	29,472	*(16%)*	~	*(10%)*
Mobile	13,357	13,809	~	14,982	*3%*	~	*12%*
Operating income	3,907	**5,976**	~	**8,208**	***53%***	~	***110%***
Net income[4]	6,504	**7,565**	~	**9,421**	***16%***	~	***45%***
Earnings per share	7.27	8.44	~	10.52			
FX Rate Assumptions							
100 KRW/JPY	*10.03*	*9.14*		*9.14*	*(9%)*		
CNY/JPY	*16.30*	*15.31*		*15.31*	*(6%)*		
USD/JPY	*112.90*	*108.70*		*108.70*	*(4%)*		

Forex sensitivity[6]: Every one Japanese yen move against the U.S. dollar would have the following impact on our financials for Q4 2019

Revenues	0.38 billion yen
Operation Income	0.08 billion yen

(Unit: ¥ billions)



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[2] Official title is *Choices: Stories You Play*.

[3] In Q4 2018, we recorded ¥3.0 billion impairment loss primarily on NAT Games' game IP and goodwill.

[4] Net income refers to net income attributable to owners of the parent, as stated in Nexon's consolidated financial results.

[5] PC revenues include other revenues besides PC online games and mobile games.

[6] 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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Q4 2019 China / Korea Outlook

China

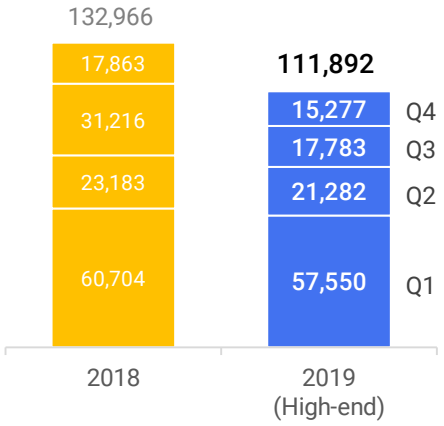
Expect Y/Y decrease of *Dungeon&Fighter*'s revenue to be larger than the contribution from *KartRider Rush Plus*

Dungeon&Fighter :

- Expect Q4 paying users and ARPPU to be lower than Q4 2018
- Conducting small-scale updates and in-game events throughout Q4, in addition to the National Day update, which continued from Q3
- Q4 updates and in-game events designed to improve user engagement including active users and paying users

(Unit: ¥ millions)

Q4 2018	Q4 2019 Outlook		YoY % Change	
Actual	Low-end	High-end	As-Reported	Constant Currency[1]
17,863	13,899 ~	15,277	*(22%) ~ (14%)*	*(18%) ~ (10%)*

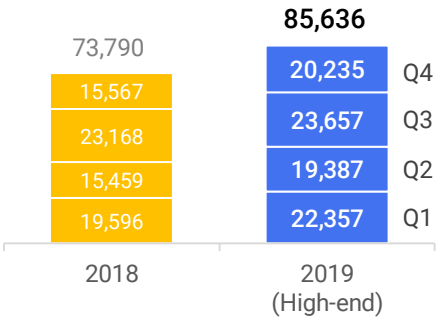


Korea

Expect revenues to increase Y/Y driven by the strength in *MapleStory*, as well as the mobile MMORPG *V4* which launched on Nov 7th.

- *MapleStory* : Expect Y/Y growth on top of the 34% Y/Y growth in Q4 2018
- Mobile: Expect Y/Y growth, benefiting from *V4* and *TRAHA*, as well as *MapleStory M*'s revenue increase. These are expected to be partially offset by the deceleration of *AxE* and *OVERHIT*.

Q4 2018	Q4 2019 Outlook		YoY % Change	
Actual	Low-end	High-end	As-Reported	Constant Currency[1]
15,567	19,212 ~	20,235	*23% ~ 30%*	*35% ~ 43%*



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Q4 2019 Japan / North America / Europe and Others[1] Outlook

Japan

Expect revenues to decrease Y/Y

- Contributions from *MapleStory M* and *MapleStory 2* to be more than offset by the deceleration of *Dynasty Warriors: Unleashed* and *FAITH*
- Q4 includes a two-month contribution from the browser-based mobile games, for the period prior to the sale of gloops' browser-based mobile business, which will close on December 1st

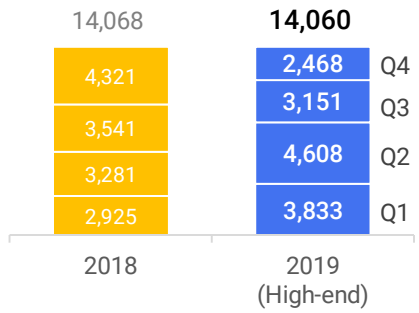
North America / Europe and Others[1]

Expect revenues to decrease Y/Y

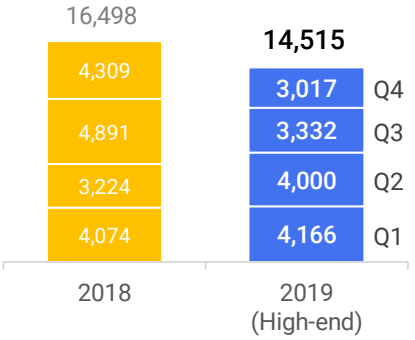
- Y/Y revenue decrease primarily due to the deceleration of *Choices*[2], *Darkness Rises* and *MapleStory M*
- Launched the global service of *Spiritwish* in October

(Unit: ¥ millions)

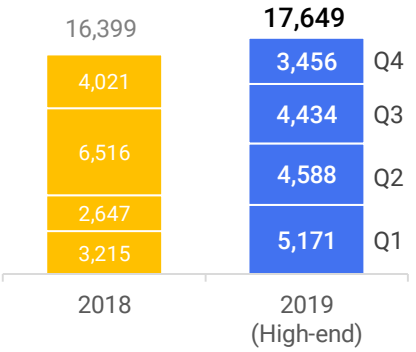
Q4 2018	Q4 2019 Outlook		YoY % Change	
Actual	Low-end	High-end	As-Reported	Constant Currency[3]
4,321	2,324 ~	2,468	*(46%) ~ (43%)*	*(44%) ~ (40%)*



Q4 2018	Q4 2019 Outlook		YoY % Change	
Actual	Low-end	High-end	As-Reported	Constant Currency[3]
4,309	2,760 ~	3,017	*(36%) ~ (30%)*	*(33%) ~ (27%)*



Q4 2018	Q4 2019 Outlook		YoY % Change	
Actual	Low-end	High-end	As-Reported	Constant Currency[3]
4,021	3,202 ~	3,456	*(20%) ~ (14%)*	*(15%) ~ (8%)*



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

[2] Official title is *Choices: Stories You Play*.

[3] 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.

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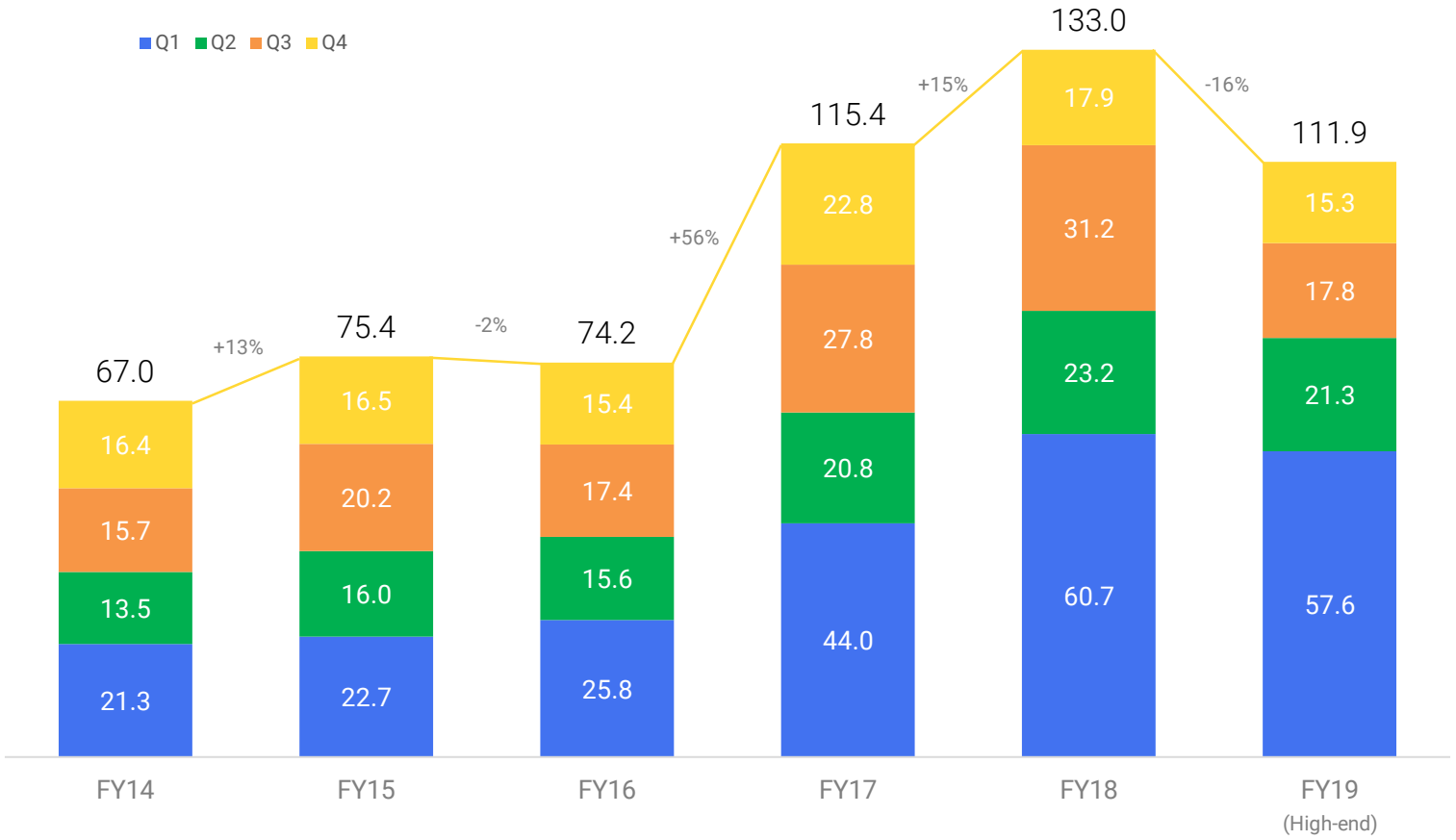
Historical China Revenues

(Unit: ¥ billions)



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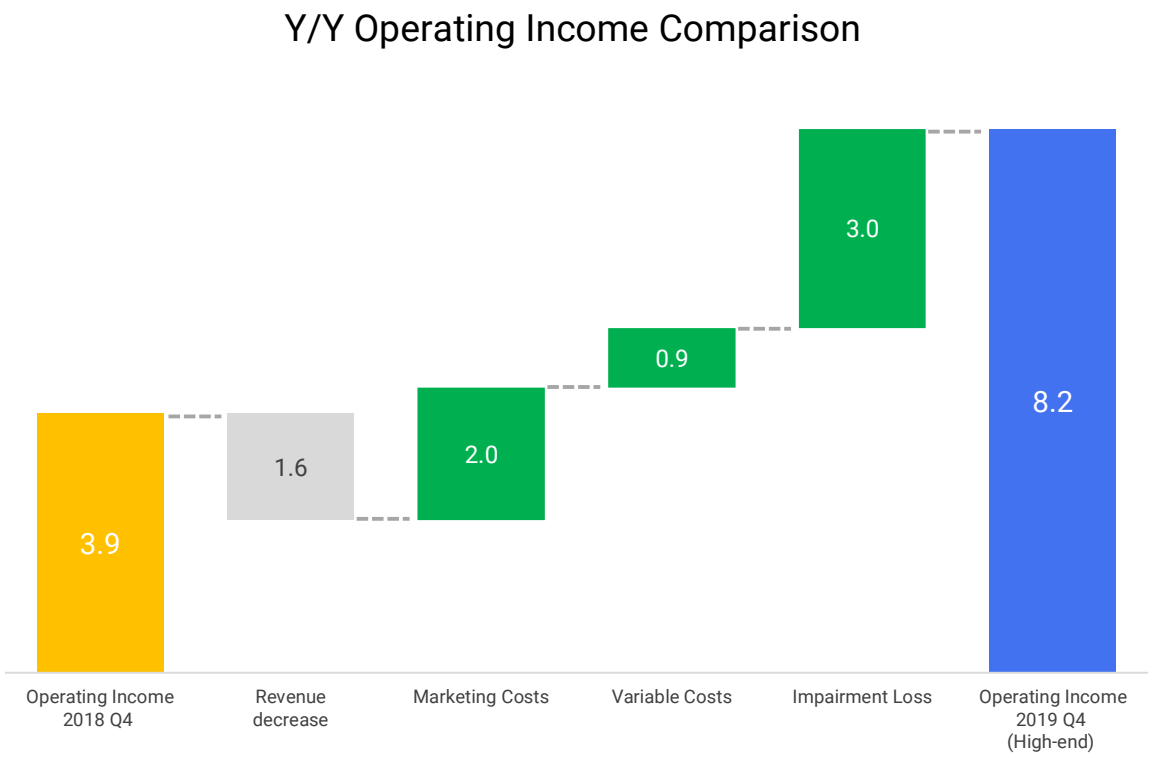
Q4 2019 Operating Income Outlook

(Unit: ¥ billions)



- Decreased revenues
- Decreased marketing costs compared with Q4 2018 with promotions for multiple new titles including the West service of *MapleStory 2* and *FAITH*'s Japan service, while having promotions for *V4*.
- Decreased variable costs including:
  - Royalty costs due to lower contributions from publishing titles including *Dynasty Warriors: Unleashed*
  - PG fees benefitting from stronger yen
- Decreased impairment loss[1] of ¥3.0 billion recorded in Q4 2018

[1] In Q4 2018, we recorded ¥3.0 billion impairment loss primarily on NAT Games' game IP and goodwill.

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2019 China *Dungeon&Fighter* Update Schedule

Period	Tier 1 Content Update	2018	2019
Q1	**Lunar New Year Update**	February 1st	January 21st
	2019: Level Cap Release	N/A	January 21st
Q2	Labor Day Update	April 26th	April 23rd
	Anniversary Update	June 19th	June 18th
Q3	Summer Update	July 5th	July 4th
	National Day Update	September 17th	September 24th
Q4	Winter Update	N/A	N/A

Indicates financially important updates

* 2019 update schedule is subject to change depending on various operational factors

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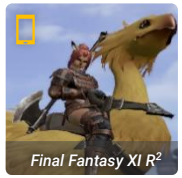
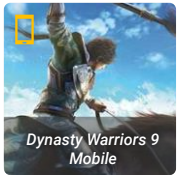
Pipeline[1]

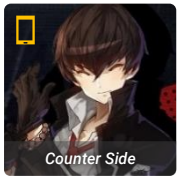
CHINA

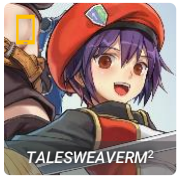
JAPAN

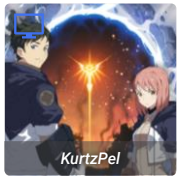


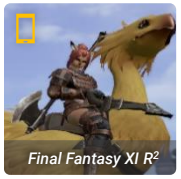


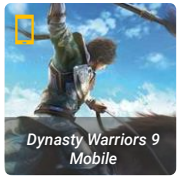
KOREA

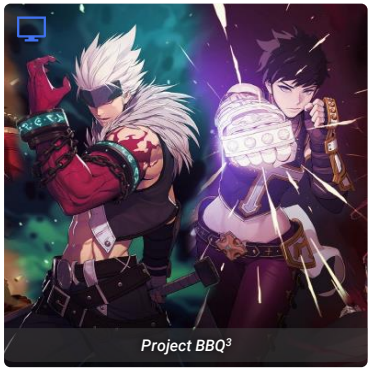




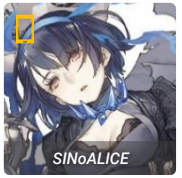


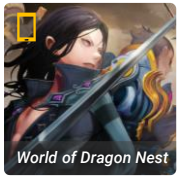


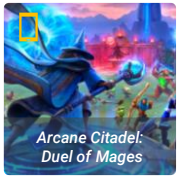


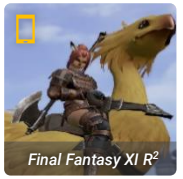


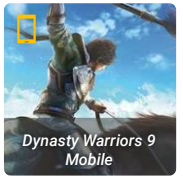
NORTH AMERICA & REST OF THE WORLD











PC ONLINE MOBILE

[1] Chart is illustrative excerpt of pipeline. [2] Mobile games based on original IPs. [3] PC 3D action RPG based on *Dungeon&Fighter* universe. [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 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019	Q2 2019	Q3 2019	YoY%
(By Region)								
China	¥60,704	¥23,183	¥31,216	¥17,863	¥57,550	¥21,282	¥17,783	*(43%)*
Korea	19,596	15,459	23,168	15,567	22,357	19,387	23,657	*2%*
Japan	2,925	3,281	3,541	4,321	3,833	4,608	3,151	*(11%)*
North America	4,074	3,224	4,891	4,309	4,166	4,000	3,332	*(32%)*
Europe and Others [1]	3,215	2,647	6,516	4,021	5,171	4,588	4,434	*(32%)*
(By Platform)								
PC [2]	76,074	37,037	53,036	32,724	77,639	38,125	38,554	*(27%)*
Mobile	14,440	10,757	16,296	13,357	15,438	15,740	13,803	*(15%)*
Revenue	**90,514**	**47,794**	**69,332**	**46,081**	**93,077**	**53,865**	**52,357**	***(24%)***
Operating income	**54,729**	**16,012**	**23,712**	**3,907**	**52,601**	**12,987**	**24,419**	***3%***
Net income [3]	**46,615**	**32,248**	**22,305**	**6,504**	**53,400**	**19,145**	**39,844**	***79%***
Earnings per share	**52.80**	**36.24**	**24.98**	**7.27**	**59.67**	**21.37**	**44.42**	
FX rate								
100 KRW/JPY	*10.11*	*10.12*	*9.96*	*10.03*	*9.80*	*9.43*	*9.00*	*(10%)*
CNY/JPY	*17.07*	*17.10*	*16.39*	*16.30*	*16.33*	*16.10*	*15.32*	*(6%)*
USD/JPY	*108.30*	*109.07*	*111.46*	*112.90*	*110.20*	*109.90*	*107.35*	*(4%)*
KPI (Excluding Mobile)								
MAU (millions)	35.3	33.3	37.5	32.7	35.0	34.6	35.4	*(6%)*
Pay Rate	19.3%	20.5%	16.3%	16.5%	16.5%	16.4%	11.5%	
ARPPU (as-reported)	8,028	3,313	5,260	3,392	9,265	3,885	4,837	*(8%)*

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

[2] PC revenues include other revenues besides PC online games and mobile games.

[3] Net income refers to net income attributable to owners of the parent, as stated in Nexon's consolidated financial results.

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COGS and SG&A

(Unit: ¥ millions)

	FY2018				FY2019		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Total Cost of Revenue [1]	**¥14,337**	**¥13,135**	**¥14,980**	**¥15,101**	**¥15,899**	**¥15,055**	**¥14,180**
Royalty [2]	3,979	2,980	3,868	3,626	4,510	4,119	4,344
HR cost (COGS) [3]	6,277	6,394	6,833	7,076	7,163	6,685	6,010
Other (COGS) [4]	4,081	3,761	4,279	4,399	4,226	4,251	3,826
Total SG&A [1]	**21,474**	**20,562**	**23,725**	**24,039**	**22,055**	**22,178**	**19,189**
HR cost	5,434	5,265	5,305	5,500	4,770	4,756	3,964
PG fee [5]	5,553	4,433	6,492	5,458	6,108	5,829	4,952
R&D	2,124	2,412	2,674	3,252	3,266	3,499	3,950
Marketing/advertising expenses	5,631	5,610	6,279	6,846	5,194	5,500	3,767
Depreciation and amortization	656	605	1,297	831	866	792	820
Other	2,076	2,237	1,678	2,152	1,851	1,802	1,736
Other Income [6]	359	3,006	382	116	429	181	7,708
Other Expense [7]	333	1,091	7,297	3,150	2,950	3,826	2,277
Includes: impairment loss	319	805	7,266	2,985	2,890	3,648	2,228

[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, gain on change in equity and gain on step acquisition.

[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)

	FY2018				FY2019		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Operating Income	**¥54,729**	**¥16,012**	**¥23,712**	**¥3,907**	**¥52,601**	**¥12,987**	**¥24,419**
Finance Income [1]	1,869	18,026	2,849	3,406	9,810	9,663	18,910
Finance Costs [2]	3,225	222	1,856	926	265	466	723
Equity profit / (loss) of affiliates, equity method companies	(23)	(187)	(97)	(530)	(334)	(101)	14
Income before Income Tax	**53,350**	**33,629**	**24,608**	**5,857**	**61,812**	**22,083**	**42,620**
Tax expense	6,845	1,613	4,982	1,027	9,005	3,588	3,596
Non-controlling interests	(110)	(232)	(2,679)	(1,674)	(593)	(650)	(820)
Net income [3]	**46,615**	**32,248**	**22,305**	**6,504**	**53,400**	**19,145**	**39,844**

[1] Finance Income includes interest income primarily on cash deposits. 2018 Q2, Q4 and 2019 Q1, Q2, Q3 Finance Income includes FX conversion gains related to foreign currency deposits and accounts receivable.

[2] 2018 Q1 and 2018 Q3 Finance Costs are primarily caused by FX conversion loss related to foreign currency deposits and accounts receivable.

[3] Net income refers to net income attributable to owners of the parent, as stated in Nexon's consolidated financial results.

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Cash Flow Statement

(Unit: ¥ millions)

	9 months ended September 30, 2018	9 months ended September 30, 2019
Cash flows from operating activities	¥82,703	¥82,727
Cash flows from investing activities	(71,423)	(99,412)
Cash flows from financing activities	6,238	(1,981)
Net increase / (decrease) in cash and cash equivalents	17,518	(18,666)
Cash and cash equivalents at beginning of fiscal year	153,242	205,292
Effect of exchange rate change on cash and cash equivalents	(1,829)	(9,145)
Cash and cash equivalents at end of fiscal year	168,931	177,481

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Balance Sheet

(Unit: ¥ millions)

	December 31, 2018	September 30, 2019
Asset		
Current Assets		
Cash and cash equivalents	¥205,292	¥177,481
Other deposits	276,550	326,674
Other current assets	52,818	44,121
Total current assets	**534,660**	**548,276**
Noncurrent assets		
Tangible assets	25,166	22,419
Goodwill	26,529	46,742
Intangible assets	26,021	22,627
Others	37,622	64,791
Total noncurrent assets	**115,338**	**156,579**
Total assets	**649,998**	**704,855**

	December 31, 2018	September 30, 2019
Liability		
Current liabilities		
Current tax liabilities	9,352	8,327
Current borrowings	4,324	3,911
Others	28,833	28,804
Total current liabilities	**42,509**	**41,042**
Noncurrent liabilities		
Non-current borrowings	-	-
Others	42,012	41,102
Total noncurrent liabilities	**42,012**	**41,102**
Total liabilities	**84,521**	**82,144**
Shareholders' equity		
Capital stock	14,402	17,562
Capital surplus	34,814	37,537
Treasury shares	(1)	(3,469)
Other equity interest	64,068	11,273
Retained earnings	441,985	551,767
Non-controlling interests	10,209	8,041
Total equity	**565,477**	**622,711**
Total liabilities and total equity	**649,998**	**704,855**

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P&L by Reporting Segment[1]

Notice of correction to P&L by Reporting Segment
Corrections has been made to Q1 2019 Investor Presentation, disclosed on May 10, 2019. Corrected "Revenue from external customers" of each reporting segment in Q1 2019 are underlined.

(Unit: ¥ millions)

	FY2018				FY2019		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Japan							
Revenue from external customers	¥2,469	¥2,112	¥2,593	¥2,980	¥2,469	¥1,884	¥1,952
Segment profit/(loss)	(1,756)	(2,018)	(1,806)	(1,649)	(958)	(1,165)	(455)
Korea							
Revenue from external customers	81,826	40,857	60,883	36,851	84,572	47,079	45,521
Segment profit/(loss)	57,739	17,962	33,661	11,275	56,865	19,038	20,849
China							
Revenue from external customers	646	597	878	1,206	870	669	695
Segment profit/(loss)	353	242	523	848	596	324	381
North America							
Revenue from external customers	5,440	4,187	4,943	4,723	4,716	3,862	3,730
Segment profit/(loss)	(1,460)	(1,951)	(1,704)	(3,375)	(1,385)	(1,613)	(1,233)
Others							
Revenue from external customers	133	41	35	321	450	371	459
Segment profit/(loss)	(177)	(135)	(55)	(158)	2	36	(560)
Adjustments							
Revenue from external customers	-	-	-	-	-	-	-
Segment profit/(loss)	4	(3)	8	0	2	12	6
Total							
Revenue from external customers	90,514	47,794	69,332	46,081	93,077	53,865	52,357
Segment profit/(loss)	54,703	14,097	30,627	6,941	55,122	16,632	18,988

[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, 2018	June 30, 2018	September 30, 2018	December 31, 2018	March 31, 2019	June 30, 2019	September 30, 2019
Japan	545	551	557	535	535	516	503
Korea	4,439	4,878	4,988	5,125	5,168	5,232	5,225
China	227	218	219	223	223	204	207
North America	424	428	465	479	487	485	422
Others	81	74	78	79	86	131	212
Total	**5,716**	**6,149**	**6,307**	**6,441**	**6,499**	**6,568**	**6,569**

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NJ Corporate Entity Financial Statement[1] (1)

(Unit: ¥ millions)

Condensed Income Statement	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018
Revenue	**¥11,236**	**¥7,987**	**¥5,815**	**¥5,208**	**¥5,927**	**¥7,024**
Cost of revenue	4,829	3,679	3,117	3,134	3,438	3,510
Gross profit	**6,407**	**4,308**	**2,698**	**2,074**	**2,489**	**3,514**
SG&A	7,275	7,585	6,470	6,736	6,941	9,447
Operating profit / (loss)	**(868)**	**(3,277)**	**(3,772)**	**(4,662)**	**(4,452)**	**(5,933)**
Non-operating income	14,186	28,335	19,163	636	5,049	15,646
Includes: dividend income	12,926	24,613	18,869	22	4,612	15,025
Non-operating expenses	603	526	1,246	1,826	1,969	9,352
Ordinary income / (loss)	**12,715**	**24,532**	**14,145**	**(5,852)**	**(1,372)**	**361**
Extraordinary income	-	244	6,443	852	58	109
Extraordinary losses	4,451	18,717	6,897	39,573	9,643	138
Income / (loss) before income taxes	**8,264**	**6,059**	**13,691**	**(44,573)**	**(10,957)**	**332**
Tax expense	725	4,656	5,519	(201)	234	755
Net income / (loss)	**7,539**	**1,403**	**8,172**	**(44,372)**	**(11,191)**	**(423)**

[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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NJ Corporate Entity Financial Statement[1] (2)

(Unit: ¥ millions)

Condensed Balance Sheet	December 31, 2013	December 31, 2014	December 31, 2015	December 31, 2016	December 31, 2017	December 31, 2018
Current assets	**¥45,632**	**¥46,760**	**¥70,444**	**¥52,632**	**¥42,946**	**¥55,209**
Includes: cash and cash equivalents	32,367	30,711	68,997	49,531	41,868	53,096
Non-current assets	**135,011**	**101,337**	**38,190**	**6,438**	**5,494**	**4,836**
Property, plant and equipment	183	222	200	74	7	3
Intangeble assets	56	60	66	-	-	-
Investments and other assets	134,772	101,055	37,924	6,364	5,487	4,833
Total assets	**180,643**	**148,097**	**108,634**	**59,070**	**48,440**	**60,045**
Current liabilities	**13,103**	**16,345**	**3,506**	**2,341**	**1,796**	**2,303**
Non-current liabilities	**39,644**	**23,154**	**498**	**448**	**457**	**415**
Total liabilities	**52,747**	**39,499**	**4,004**	**2,789**	**2,253**	**2,718**
Shareholder's equity	**110,163**	**98,122**	**99,779**	**50,669**	**41,230**	**50,838**
Capital stock	51,868	52,332	56,227	3,307	9,183	14,199
Capital surplus	51,728	42,192	36,087	88,621	43,021	36,846
Includes: other capital surplus	50,000	40,000	30,000	86,064	34,588	23,397
Retained earnings	6,567	3,598	7,465	(41,259)	(10,974)	(206)
Includes: other retained earnings	6,130	2,724	6,160	(41,476)	(11,191)	(423)
Treasury shares	(0)	-	-	(0)	-	(0)
Valuation and translation adjustments	**15,844**	**6,536**	**246**	**77**	**(10)**	**(21)**
Subscription rights to shares	**1,889**	**3,940**	**4,605**	**5,535**	**4,967**	**6,510**
Total net assets	**127,896**	**108,598**	**104,630**	**56,281**	**46,187**	**57,327**

Statement of changes in equity (excerpt)	December 31, 2013	December 31, 2014	December 31, 2015	December 31, 2016	December 31, 2017	December 31, 2018
Payment of dividends	**(4,807)**	**(4,372)**	**(4,305)**	**(4,352)**	**-**	**-**
Acquisition of treasury shares	**(0)**	**(10,000)**	**(10,000)**	**(5,000)**	**(10,000)**	**(1)**
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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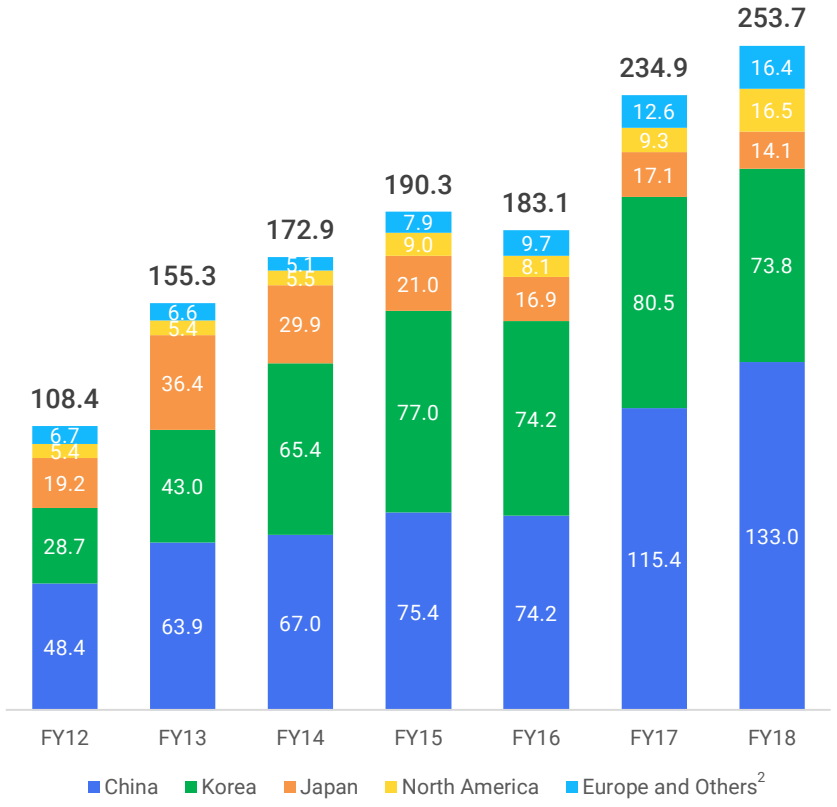
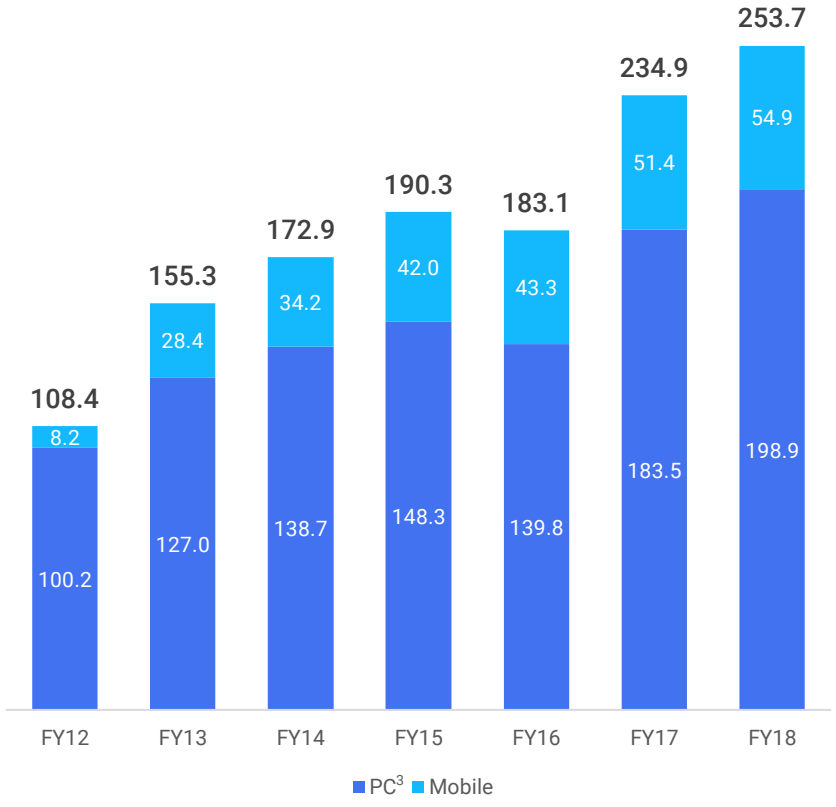
Historical Financials

(Unit: ¥ billions)

Revenue by Region[1]



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.

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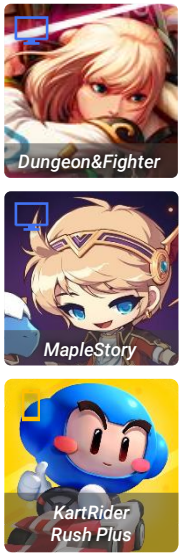
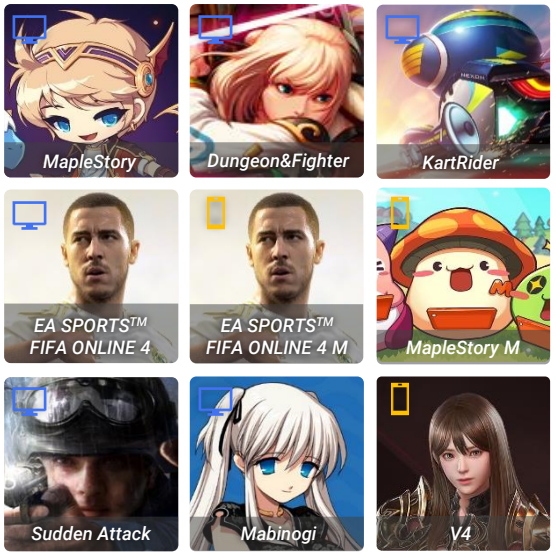
Key Titles by Region[1]

China

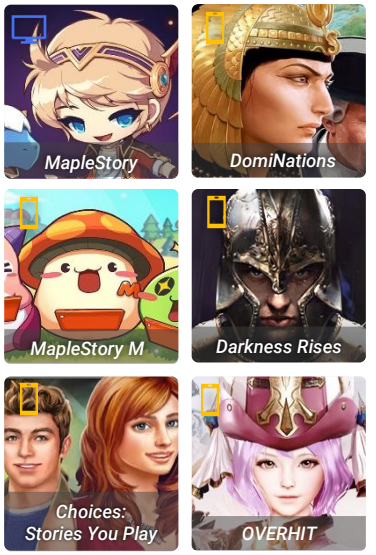


Korea



Japan

N. America and Rest of the World

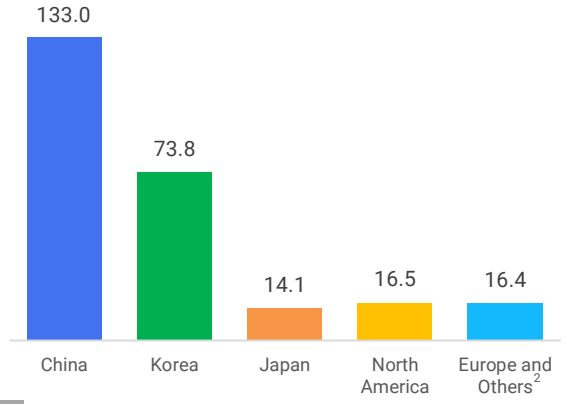


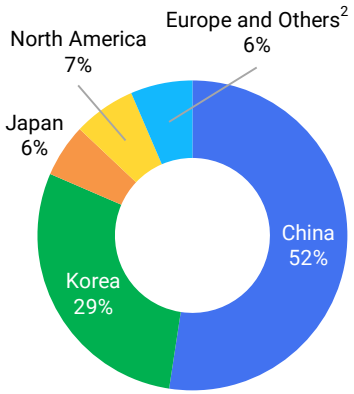
PC ONLINE

MOBILE

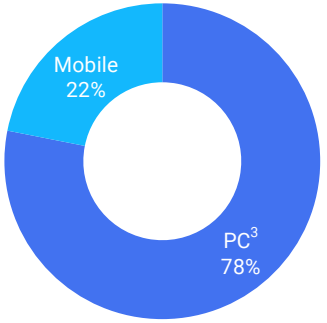
FY2018 Revenue by Region[1]

(Unit: ¥ billions)





FY2018 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.

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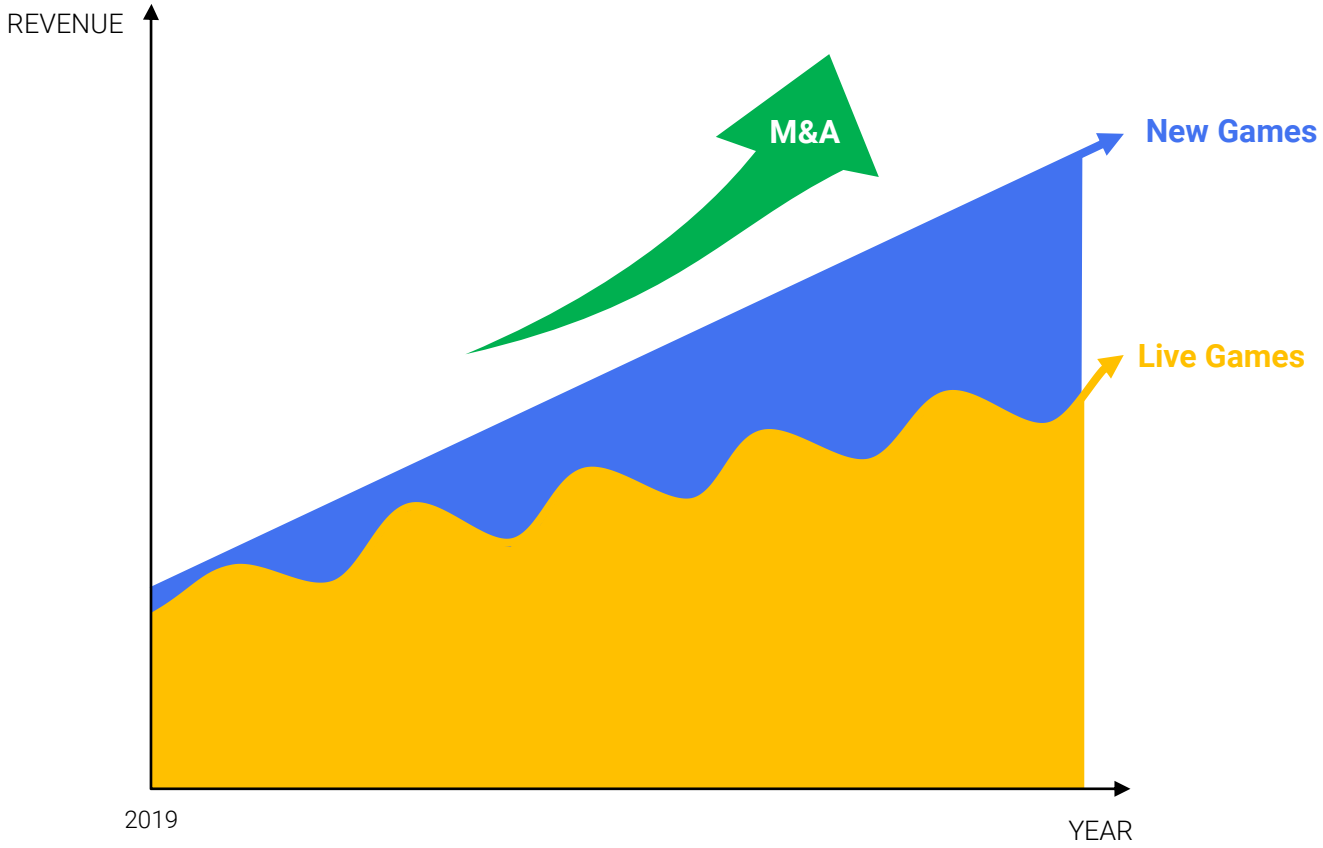
Long-term Growth Vision[1]



[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 on 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)	Monthly total number of users who logged in and played Nexon’s PC online games. MAU in this presentation is the quarterly average of such numbers. Nexon’s PC online games include game developed and serviced by Nexon group, games developed by Nexon group and serviced by non-Nexon group publishers, and game developed by non Nexon group acquired publishing rights.
ARPPU (average revenue per paying user)	The amount obtained by dividing monthly PC online game gross revenues by the number of monthly paying users. ARPPU in this presentation is the quarterly average of such numbers. Gross revenues used in the calculation are in-game sales, and exclude other revenues included in PC revenues such as sales from PC café time charge.
Pay Rate	The percentage rate obtained by dividing the number of monthly paying users by the number of monthly active users. Pay rate in this presentation is calculated using the quarterly average of such numbers.
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 version (beta version) of a game offered for a certain period of time to a limited number of users or groups. A Limited Beta Test in an even smaller-scale trial mode of a game with fewer numbers of users or group
Open Beta Test (OBT)	A trial version (beta version) of a game a certain period of time without restrictions on participation. OBT is usually conducted after CBT.
Tier One Update	Large scale update to existing PC games typically launched in Q1 or Q3 around peak season
Tier Two Update	Smaller update 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:

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- 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.

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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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Q4 2019 Earnings Release Schedule

Q4 2019 financial results are scheduled for release on

Thursday, February 13th, 2020.

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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