



# Investor Presentation

## Q1 2016

May 12, 2016

### NEXON Co., Ltd.

# Owen Mahoney

President and Chief Executive Officer

# Q1 Key Highlights

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- Solid financial performance, with revenues exceeding our outlook
  - Strong sales from *Dungeon&Fighter* in China, particularly around the important February Lunar New Year season and continuing into March
  - Better-than-expected performance in Korea across key PC and mobile titles
  
- Continued strong partnership development
  - 100% acquisition of Big Huge Games, the developer of mobile title *DomiNations*
    - Solidifies relationship for long-term comprehensive service of *DomiNations*
    - Establishes a beach-head of in-house development in the West
  - Strategic partnership with NAT Games, developer of mobile game *HIT*
    - Became the second largest shareholder with a 22.4% equity investment
    - Strengthens our relationship as we aim for a successful launch of *HIT* in the global market
    - Convertible bond investment in NAT Games' major shareholder Barunson E&A. Further reinforces relationship with NAT Games

# Shiro Uemura

Chief Financial Officer

# Q1 2016 Results

# Q1 Highlights

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- Revenues were ¥57.5 billion, up 11% year-over-year on an as-reported basis, up 23% on a constant currency<sup>1</sup> basis
  - Performance exceeded our outlook, with double-digit as-reported revenue growth despite strong Japanese yen appreciation against the Korean won, Chinese yuan and U.S. dollar
  - Outperformance was primarily driven by higher-than-expected sales from *Dungeon&Fighter* in China
- Operating income was ¥3.7 billion and net loss<sup>2</sup> was ¥6.3 billion, both below our outlook due to impairment loss
  - Operating income underperformance was primarily due to the impairment loss on gloops' goodwill of ¥22.6 billion
  - Excluding the one-time impairment loss on gloops' goodwill, operating income would have been ¥26.3 billion, exceeding our outlook
  - Net income<sup>2</sup> underperformance was primarily due to the impairment loss in addition to FX loss in foreign currency-denominated cash deposits and account receivables

<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, Neople, the Korean entity that develops *Dungeon&Fighter* for China, records its revenues in South Korean Won. The constant currency figures for the first quarter show what Neople revenues would have been had the KRW/JPY exchange rate not changed from last year's first quarter.

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

# Impairment Loss

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- Recorded ¥22.6 billion impairment loss of gloops' goodwill
  - Resulted from the postponement of the launch of new title *LAPLACE LINK* and the absence of new growth drivers for gloops
  - Impairment loss is recorded as “Other Expense” in the calculation of consolidated income statement as set by International Financial Reporting Standards, thus impacts operating income
  - No remaining balance of gloops' goodwill as of March 31<sup>st</sup> 2016

# Q1 Financial Results

(Unit: ¥ millions, except per share data)

	Q1 2015	Q1 2016 Outlook		Q1 2016	YoY %
		Low end	High end		
<b>Revenues</b>	<b>¥51,972</b>	<b>¥48,963</b>	~ <b>¥52,532</b>	<b>¥57,497</b>	<b>11%</b>
PC <sup>1</sup>	43,602	38,067	~ 40,506	45,054	3%
Mobile	8,370	10,896	~ 12,026	12,443	49%
<i>Japan</i>	4,487			3,554	(21%)
<i>ex-Japan</i>	3,883			8,889	129%
<b>Operating income</b>	<b>22,219</b>	<b>18,636</b>	~ <b>22,202</b>	<b>3,703</b>	<b>(83%)</b>
<b>Net income/(loss)<sup>2</sup></b>	<b>18,539</b>	<b>16,280</b>	~ <b>19,304</b>	<b>(6,272)</b>	<b>n/a</b>
Earnings/(Loss) per share	43.05	37.50	~ 44.46	(14.43)	
Exchange rates					
100 KRW/JPY	10.85	9.86	9.86	9.62	(11%)
CNY/JPY	19.32	18.01	18.01	17.65	(9%)
USD/JPY	119.09	118.34	118.34	115.48	(3%)

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

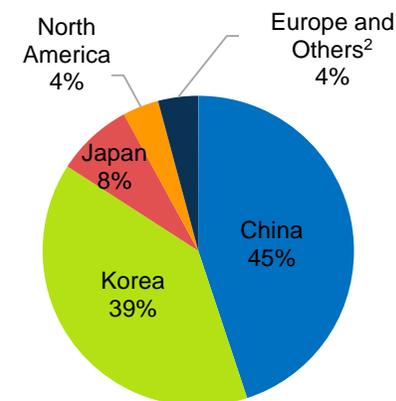
<sup>2</sup> Net income/(loss) refers to net income/(loss) attributable to owners of the parent, as stated in Nexon's consolidated financial results.

# Regional Revenues

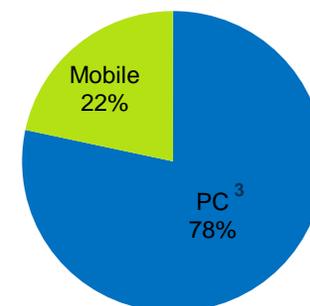
(Unit: ¥ millions)

	Q1 2015	Q1 2016		YoY % Change	
		(As-Reported)	(Constant Currency <sup>4</sup> )	(As-Reported)	(Constant Currency <sup>4</sup> )
<b>Revenue by Region<sup>1</sup></b>					
China	¥22,697	¥25,829	¥29,086	14%	28%
Korea	20,464	22,555	25,487	10%	25%
Japan	5,858	4,561	4,561	(22%)	(22%)
North America	1,695	2,163	2,262	28%	33%
Europe and Others <sup>2</sup>	1,258	2,389	2,616	90%	108%
<b>Nexon Total</b>	<b>51,972</b>	<b>57,497</b>	<b>64,012</b>	<b>11%</b>	<b>23%</b>
<b>Revenue by Platform</b>					
PC <sup>3</sup>	43,602	45,054	50,507	3%	16%
Mobile	8,370	12,443	13,505	49%	61%
Japan	4,487	3,554	3,554	(21%)	(21%)
ex-Japan	3,883	8,889	9,951	129%	156%
<b>Nexon Total</b>	<b>51,972</b>	<b>57,497</b>	<b>64,012</b>	<b>11%</b>	<b>23%</b>
<b>FX Rate</b>					
100 KRW/JPY	10.85	9.62	10.85	(11%)	
CNY/JPY	19.32	17.65	19.32	(9%)	
USD/JPY	119.09	115.48	119.09	(3%)	

Q1 2016 Revenue by Region<sup>1</sup>



Q1 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> 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, Neople, the Korean entity that develops *Dungeon&Fighter* for China, records its revenues in South Korean Won. The constant currency figures for the first quarter show what Neople revenues would have been had the KRW/JPY exchange rate not changed from last year's first quarter.

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

# China – Highlights

- *Dungeon&Fighter*

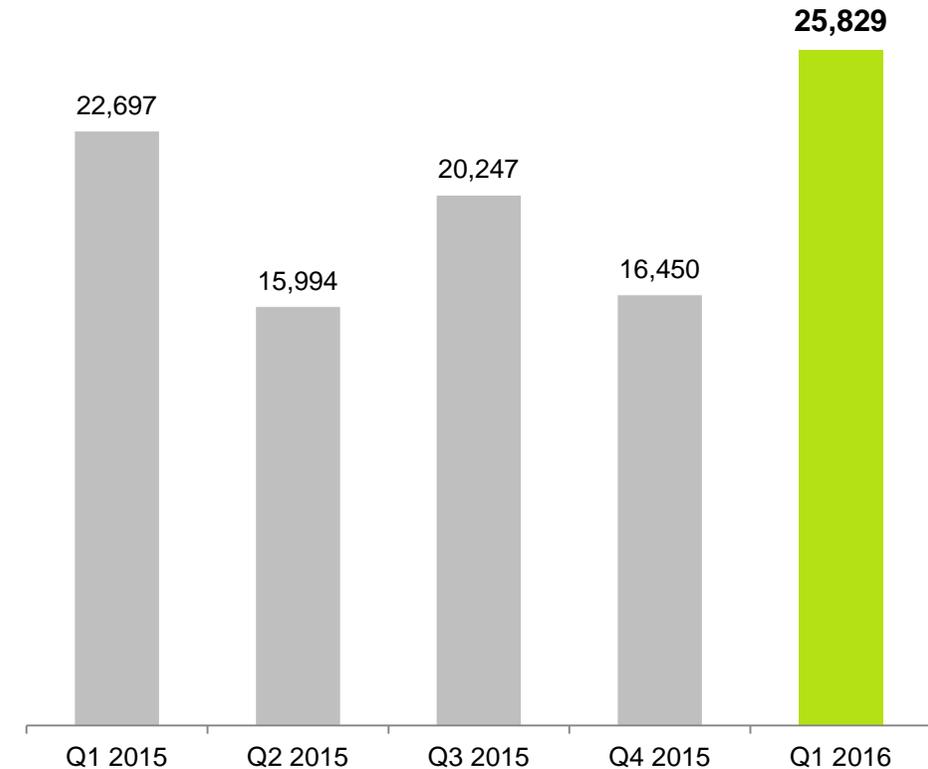
- Lunar New Year Update (1/26) well-received
- Solid performance particularly around the February Lunar New Year season and continuing into March
- MAUs increased while paying users decreased quarter-over-quarter due to a difficult comparison with Q4 2015
- Core approach is unchanged: continue to focus on stability and longevity

(Revenues in ¥ millions)

YoY% change:

As Reported: **+14%**

Constant Currency<sup>1</sup>: **+28%**



*Dungeon&Fighter*  
“Lunar New Year Update”



*Dungeon&Fighter* Gameplay

<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, Neople, the Korean entity that develops *Dungeon&Fighter* for China, records its revenues in South Korean Won. The constant currency figures for the first quarter show what Neople revenues would have been had the KRW/JPY exchange rate not changed from last year’s first quarter.

# Korea – Highlights

- Mobile

- Revenues grew by 96% year-over-year, primarily driven by key titles including *HIT*, *DomiNations*, and *Legion of Heroes*
- Conducted CBT for *MapleStoryM* (Jan)

- PC: Started servicing *TERA™* (1/26)

(Revenues in ¥ millions)

YoY% change:

As Reported: **+10%**

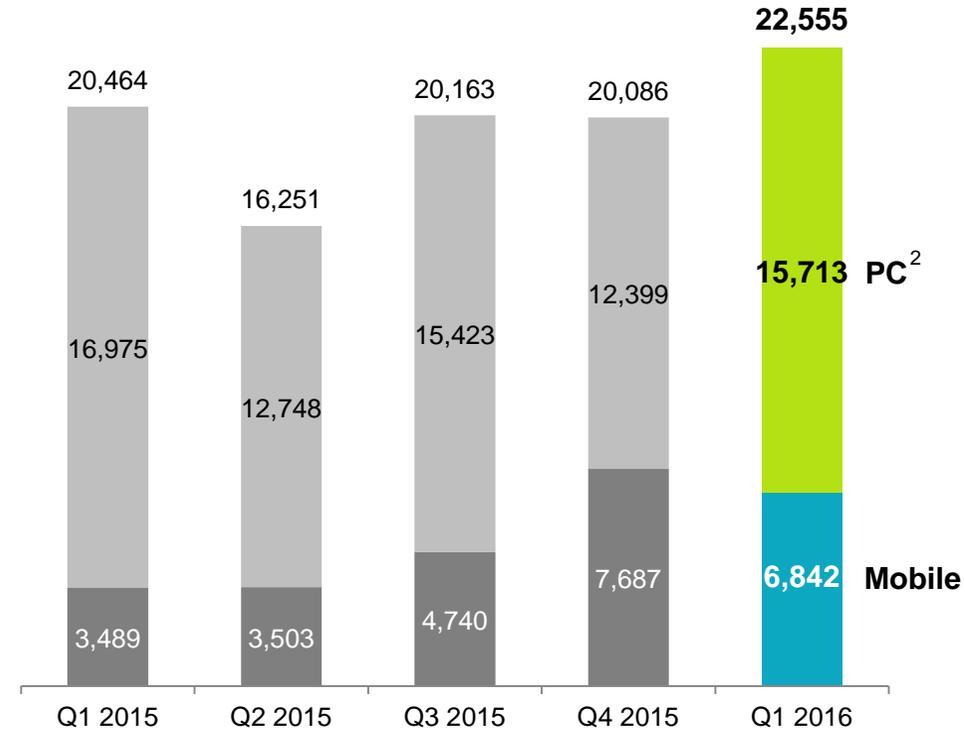
Constant Currency<sup>1</sup>: **+25%**



HIT Gameplay



TERA™



<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, Neople, the Korean entity that develops *Dungeon&Fighter* for China, records its revenues in South Korean Won. The constant currency figures for the first quarter show what Neople revenues would have been had the KRW/JPY exchange rate not changed from last year's first quarter.

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

# Japan – Highlights

- Mobile revenue was ¥3.6 billion, down 1% quarter-over-quarter
- PC revenue<sup>2</sup> was ¥1.0 billion, down 14% quarter-over-quarter
- Preparing for 2H 2016 pipeline

(Revenues in ¥ millions)

YoY% change:

As Reported: **-22%**

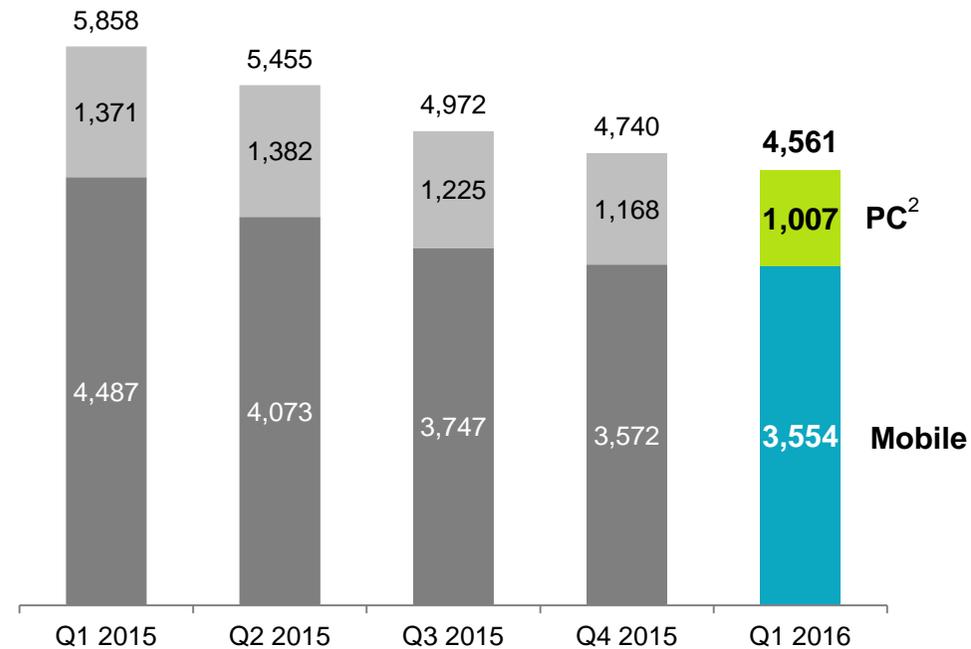
Constant Currency<sup>1</sup>: **-22%**



DomiNations "WORLD WAR Update"



DomiNations Gameplay



<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, Neople, the Korean entity that develops *Dungeon&Fighter* for China, records its revenues in South Korean Won. The constant currency figures for the first quarter show what Neople revenues would have been had the KRW/JPY exchange rate not changed from last year's first quarter.

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

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

- Conducted CBT for *Riders of Icarus* in North America and Mexico (Jan)

(Revenues in ¥ millions)

YoY% change:

As Reported: **+28%**

Constant Currency<sup>2</sup>: **+33%**

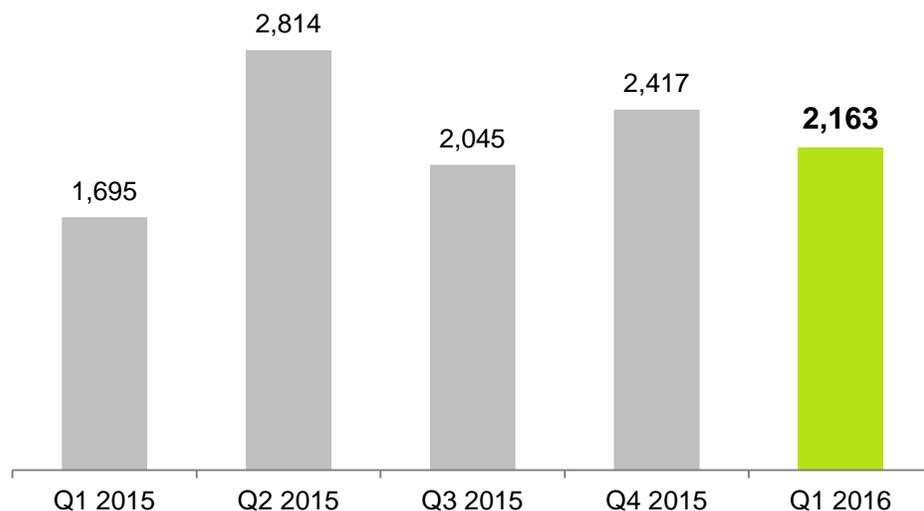
(Revenues in ¥ millions)

YoY% change:

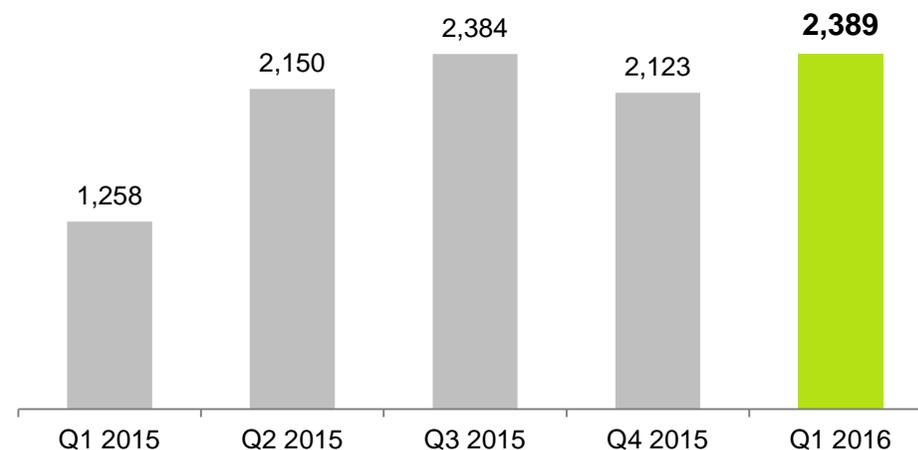
As Reported: **+90%**

Constant Currency<sup>2</sup>: **+108%**

## 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> 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, Neople, the Korean entity that develops *Dungeon&Fighter* for China, records its revenues in South Korean Won. The constant currency figures for the first quarter show what Neople revenues would have been had the KRW/JPY exchange rate not changed from last year's first quarter.

# Q2 2016 Outlook

# Q2 2016 Business Outlook

- Expect revenues to be:
  - Down 12% to 6% year-over-year on an as-reported basis
  - Flat to up 8% on a constant currency<sup>1</sup> basis

(Unit: ¥ millions, except per share data)

	Q2 2015	Q2 2016 Outlook		YoY %	
<b>Revenues</b>	<b>¥42,664</b>	<b>¥37,470</b>	~ <b>¥40,277</b>	<b>(12%)</b>	~ <b>(6%)</b>
PC <sup>2</sup>	32,511	28,360	~ 30,182	(13%)	~ (7%)
Mobile	10,153	9,110	~ 10,095	(10%)	~ (1%)
<b>Operating income</b>	<b>11,320</b>	<b>11,496</b>	~ <b>13,885</b>	<b>2%</b>	~ <b>23%</b>
<b>Net income<sup>3</sup></b>	<b>13,010</b>	<b>10,324</b>	~ <b>12,343</b>	<b>(21%)</b>	~ <b>(5%)</b>
Earnings per share	30.35	23.72	~ 28.36		
FX Rate Assumptions					
100 KRW/JPY	11.07	9.58	9.58	(14%)	
CNY/JPY	19.76	16.94	16.94	(14%)	
USD/JPY	121.36	109.83	109.83	(10%)	

- 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 2016<sup>4</sup>

<b>Revenue</b>	0.3 billion yen
<b>Operating Income</b>	0.1 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, Neople, the Korean entity that develops *Dungeon&Fighter* for China, records its revenues in South Korean Won. The constant currency figures for the second quarter show what Neople revenues would have been had the KRW/JPY exchange rate not changed from last year's second quarter.

<sup>2</sup> PC revenue 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.

# Q2 2016 and Full-Year Regional Outlook



## China

### Q2

- Expect high single digit to low single digit % YoY decrease on an as-reported basis
- Expect high single digit to high teens % YoY increase on a constant currency<sup>1</sup> basis
- *Dungeon&Fighter*: Introduced Labor Day Update (Apr); 8<sup>th</sup> Anniversary Update scheduled (Jun)
- Conducted CBT for *MapleStory2* (Apr)

### Full-Year

- Mobile: Preparing for launch of *Dungeon&Fighter* mobile<sup>2</sup> (Publisher: Tencent)
- PC: Preparing for launch of *MapleStory2* (Publisher: Tencent)



## Japan

### Q2

- Expect 30+% to 20+% YoY decrease on an as-reported basis or on a constant currency<sup>1</sup> basis

### Full-Year

- PC
  - OBT scheduled for *Tree of Savior* (Aug)
  - Preparing for launch of *Sudden Attack 2*
- Mobile
  - gloops to launch *LAPLACE LINK*. Simultaneously releasing native / browser versions
  - Multiple native titles scheduled for launch in 2016



## Korea

### Q2

- Expect low single digit % YoY decrease to low single digit % YoY increase on an as-reported basis
- Expect low teens to high teens % YoY increase on a constant currency<sup>1</sup> basis
- PC
  - Tier 1 content update scheduled for key PC titles
  - Conducted CBT for *Sudden Attack 2* (Apr)
- Mobile: Conducted 2<sup>nd</sup> limited beta test for *Durango* (Apr)

### Full-Year

- Preparing launch for *Sudden Attack 2* (summer 2016)
- Multiple PC / mobile titles scheduled for launch in 2016



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

### Q2

- North America
  - Expect 30+% to 20+% YoY decrease on an as-reported basis
  - Expect 20+% YoY decrease on a constant currency<sup>1</sup> basis
- Europe and Others<sup>3</sup>
  - Expect high teens to low teens % YoY decrease on an as-reported basis
  - Expect high single digit % YoY decrease to flat on a constant currency<sup>1</sup> basis
- PC: Conducted 2<sup>nd</sup> CBT for *Riders of Icarus* (Apr)

### Full-Year

- PC: OBT scheduled for *Ghost in the Shell S.A.C. - First Assault Online*

<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, Neople, the Korean entity that develops *Dungeon&Fighter* for China, records its revenues in South Korean Won. The constant currency figures for the second quarter show what Neople revenues would have been had the KRW/JPY exchange rate not changed from last year's second quarter.

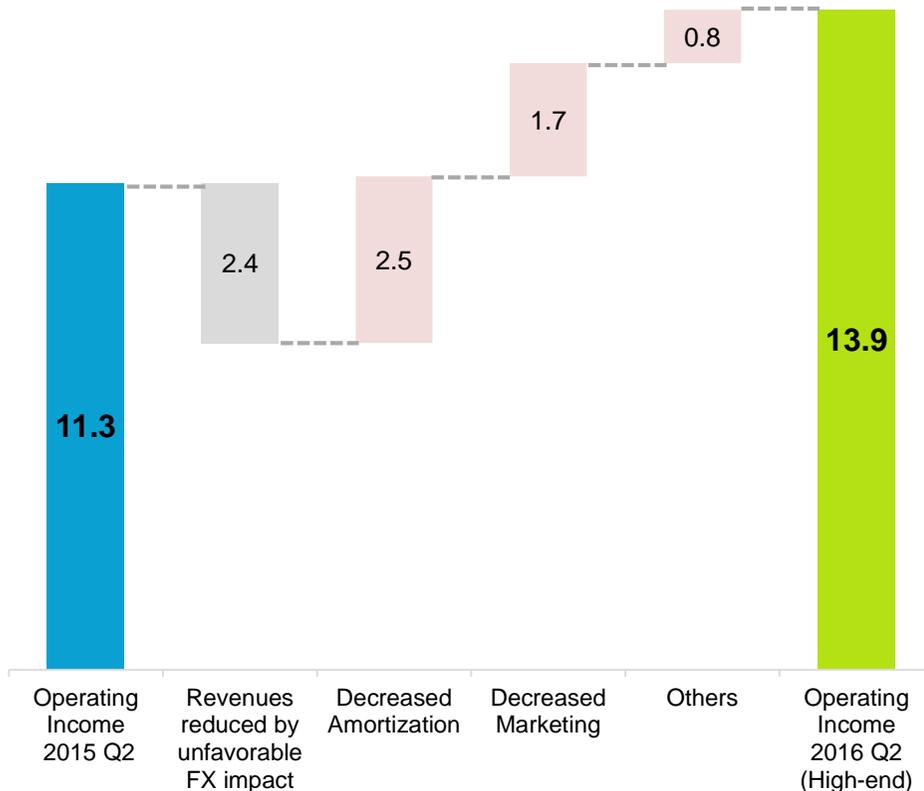
<sup>2</sup> A mobile game based on the original IP.

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

# Q2 2016 Operating Income Outlook

## YoY Operating Income Comparison

(Unit: ¥ billions)



Expect Q2 2016 operating income of ¥11.5 to ¥13.9 billion due to:

- Revenues reduced by depreciation of major functional currencies including the Korean Won and Chinese Yuan against JPY

Offset by:

- Decrease in marketing costs primarily due to absence of major new title launches
- Decrease in amortization expense due to completion of *Dungeon&Fighter* IP amortization
- Other operating expenses decrease year-over-year, primarily in Korea, due to the Korean Won depreciation against JPY

# Pipeline<sup>1</sup>

2016 and onward

PC Online



Sudden Attack 2



Riders of Icarus



Tree of Savior



Titanfall™



MapleStory2



Ghost in the Shell S.A.C.  
- First Assault Online



Need for Speed™ Edge



LawBreakers



Moonlight Blade

Mobile



HIT



MapleStoryM



Titanfall™ mobile<sup>3</sup>



Dungeon&Fighter  
mobile<sup>3</sup>



Project MNP



© KOEI TECMO GAMES

Sangokushi Sousouden  
Online<sup>2</sup>



LEGO® mobile<sup>3</sup>



Durango



LAPLACE LINK



FINAL FANTASY® XI  
mobile<sup>3</sup>

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

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

<sup>3</sup> Mobile games based on the 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.

# 2016 Tier 1 Content Update Schedule

	Game Title	Q1 2016	Q2 2016	2H 2016
China	 <i>Dungeon&amp;Fighter</i>	Female Ghost Knight 2 <sup>nd</sup> Awakening Update Lunar New Year Update	Labor Day Update 8 <sup>th</sup> Anniversary Update	Summer Update National Day Update
	 <i>Counter-Strike Online</i>	Lunar New Year Update	TBD	TBD
Korea	 <i>EA SPORTS™ FIFA Online 3</i>	Roster Update Lunar New Year Update	Children's Day promotion E-Sports system Update	Summer Update Roster Update
	 <i>MapleStory</i>	Heroes of Maple Update: Final Act (Continued) New Boss Monster Update	13 <sup>th</sup> Anniversary Update	Summer Update
	 <i>Dungeon&amp;Fighter</i>	New Dungeon Game Mode Update New Character Update: Demonic Lancer	Children's day Package Supplementary story characters 2 <sup>nd</sup> awakening	11 <sup>th</sup> Anniversary Update Korean Thanksgiving Update Rare Avatar & Christmas Package
	 <i>Sudden Attack</i>	Winter Update (Continued from Q4 2015) Celebrity Character Update	Spring Update	Summer Update

<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.

# Appendix

# Summary of Results and Key Operational Metrics

(Unit: ¥ millions except per share data)

	Q1 2015	Q2 2015	Q3 2015	Q4 2015	Q1 2016	YoY%
<i>(By Region)</i>						
China	¥22,697	¥15,994	¥20,247	¥16,450	¥25,829	14%
Korea	20,464	16,251	20,163	20,086	22,555	10%
Japan	5,858	5,455	4,972	4,740	4,561	(22%)
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Europe and Others	1,258	2,150	2,384	2,123	2,389	90%
<i>(By Platform)</i>						
PC <sup>1</sup>	43,602	32,511	39,481	32,677	45,054	3%
Mobile	8,370	10,153	10,330	13,139	12,443	49%
<i>Japan</i>	4,487	4,073	3,747	3,572	3,554	(21%)
<i>ex-Japan</i>	3,883	6,080	6,583	9,567	8,889	129%
<b>Revenue</b>	<b>51,972</b>	<b>42,664</b>	<b>49,811</b>	<b>45,816</b>	<b>57,497</b>	<b>11%</b>
<b>Operating income</b>	<b>22,219</b>	<b>11,320</b>	<b>18,436</b>	<b>10,315</b>	<b>3,703</b>	<b>(83%)</b>
<b>Net income/(loss) <sup>2</sup></b>	<b>18,539</b>	<b>13,010</b>	<b>19,184</b>	<b>4,399</b>	<b>(6,272)</b>	<b>n/a</b>
<b>Earnings/(loss) per share</b>	<b>43.05</b>	<b>30.35</b>	<b>44.47</b>	<b>10.14</b>	<b>(14.43)</b>	
<b>FX rate</b>						
100 KRW/JPY	10.85	11.07	10.46	10.52	9.62	(11%)
CNY/JPY	19.32	19.76	19.48	19.00	17.65	(9%)
USD/JPY	119.09	121.36	122.23	121.50	115.48	(3%)
<b>Key Performance (Excluding Mobile)</b>						
MAU (millions)	48.9	48.2	49.1	46.5	51.4	5%
Pay Rate	10.0%	10.0%	10.1%	11.8%	10.9%	n/a
ARPPU (as-reported)	4,805	3,508	4,470	3,162	4,676	(3%)

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

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

# COGS and SG&A

(Unit: ¥ millions)

	FY2015				FY2016
	Q1	Q2	Q3	Q4	Q1
<b>Total Cost of Revenue</b> <sup>1</sup>	<b>¥12,602</b>	<b>¥11,092</b>	<b>¥12,552</b>	<b>¥13,455</b>	<b>13,075</b>
Royalty <sup>2</sup>	5,621	4,263	5,355	5,745	5,935
HR cost (COGS) <sup>3</sup>	4,022	3,950	4,334	4,674	4,528
Other (COGS) <sup>4</sup>	2,959	2,879	2,863	3,036	2,612
<b>Total SG&amp;A</b> <sup>1</sup>	<b>16,776</b>	<b>19,585</b>	<b>18,269</b>	<b>19,582</b>	<b>16,412</b>
HR cost	3,695	3,738	3,428	3,602	3,261
PG fee <sup>5</sup>	4,631	4,813	5,128	5,708	5,491
R&D	1,963	1,971	1,729	1,569	1,649
Marketing/advertising expenses	1,630	3,728	3,921	5,272	3,209
Depreciation and amortization	3,026	3,176	2,275	950	797
Other	1,831	2,159	1,788	2,481	2,005
Other Income <sup>6</sup>	124	90	101	1,306	147
Other Expense <sup>7</sup>	499	757	655	3,770	24,454

<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, loss on change in equity, and loss on liquidation of subsidiaries. Q1 2015, Q2 2015, Q3 2015, Q4 2015, and Q1 2016 Other Expense includes impairment of game IP and impairment of goodwill.

# P&L Below Operating Income

(Unit: ¥ millions)

	FY2015				FY2016
	Q1	Q2	Q3	Q4	Q1
<b>Operating Income</b>	<b>¥22,219</b>	<b>¥11,320</b>	<b>¥18,436</b>	<b>¥10,315</b>	<b>¥3,703</b>
Finance Income <sup>1</sup>	2,576	2,331	4,277	841	823
Finance Costs <sup>2</sup>	117	97	234	3,952	6,549
<b>Equity income of affiliates, equity method companies</b>	<b>4</b>	<b>11</b>	<b>11</b>	<b>65</b>	<b>16</b>
<b>Income/(Loss) before Income Tax</b>	<b>24,682</b>	<b>13,565</b>	<b>22,490</b>	<b>7,269</b>	<b>(2,007)</b>
Tax expense <sup>3</sup>	5,835	452	3,239	2,879	4,072
<b>Net income/(loss) <sup>4</sup></b>	<b>18,539</b>	<b>13,010</b>	<b>19,184</b>	<b>4,399</b>	<b>(6,272)</b>

<sup>1</sup> 2015 Q1, Q2, Q3 Finance Income includes FX conversion gain related to foreign currency deposits & A/R. In addition, 2015 Q1 Finance Income includes dividend received from investee.

<sup>2</sup> 2015Q4 and 2016Q1 Finance Costs are primarily caused by FX conversion loss related to foreign currency deposits & A/R.

<sup>3</sup> 2015 Q2 Tax Expense was small because of the partial reversal of income taxes payable due to the difference in opinion between the tax authorities being resolved during 2015 Q2 with regards to the estimate of income taxes payable recorded in FY2014 at a Korean subsidiary based on findings from tax inspection by the tax authorities.

<sup>4</sup> Net income/(loss) refers to net income 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, 2015	3 months ended March 31, 2016
Cash flows from operating activities	¥13,460	¥17,667
Cash flows from investing activities	(3,809)	(484)
Cash flows from financing activities	(4,936)	(2,738)
Net increase in cash and cash equivalents	4,715	14,445
Cash and cash equivalents at beginning of fiscal year	117,729	194,225
Effect of exchange rate change on cash and cash equivalents	(1,454)	(10,045)
Cash and cash equivalents at end of fiscal year	120,990	198,625

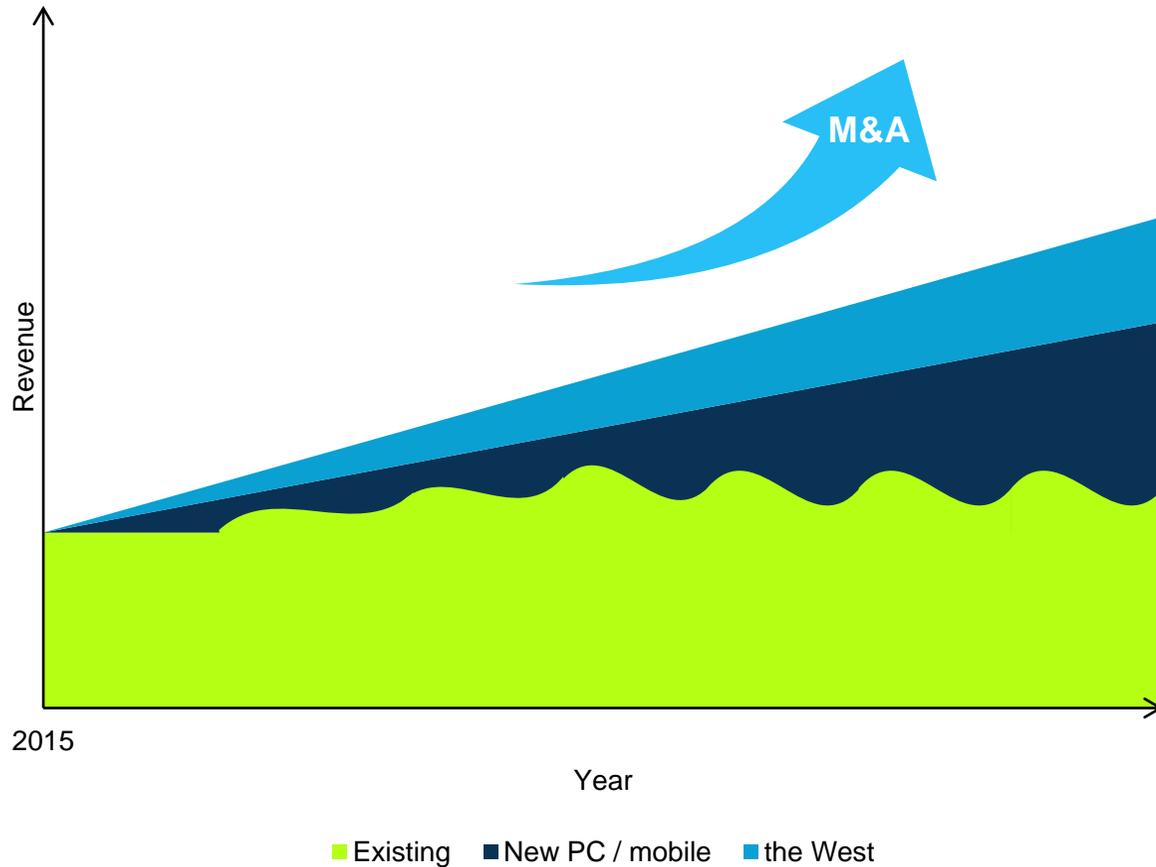
# Balance Sheet

(Unit: ¥ millions)

	December 31, 2015	March 31, 2016
<b>Asset</b>		
Current Assets		
Cash and cash equivalents	¥194,225	¥198,625
Other current assets	137,445	134,177
<b>Total current assets</b>	<b>331,670</b>	<b>332,802</b>
Noncurrent assets		
Tangible assets	22,027	20,875
Goodwill	35,387	15,673
Intangible assets	7,520	8,243
Others	28,982	27,763
<b>Total noncurrent assets</b>	<b>93,916</b>	<b>72,554</b>
<b>Total assets</b>	<b>425,586</b>	<b>405,356</b>
<b>Liability</b>		
Current liabilities		
Current tax liabilities, current	7,135	7,060
Current borrowings	1,916	1,666
Others	27,833	25,046
<b>Total current liabilities</b>	<b>36,884</b>	<b>33,772</b>
Noncurrent liabilities		
Non-current borrowings	2,501	1,668
Others	6,520	9,227
<b>Total noncurrent liabilities</b>	<b>9,021</b>	<b>10,895</b>
<b>Total liabilities</b>	<b>45,905</b>	<b>44,667</b>
<b>Equity</b>		
Capital stock	56,441	57,029
Capital surplus	34,597	35,153
Treasury shares	-	(0)
Other equity interest	73,308	60,992
Retained earnings	210,101	202,350
Non-controlling interests	5,234	5,165
<b>Total equity</b>	<b>379,681</b>	<b>360,689</b>
<b>Total liabilities and total equity</b>	<b>425,586</b>	<b>405,356</b>

# Our Business Continues to Evolve

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

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

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

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

# Q2 2016 Earnings Release Schedule (Tentative)

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Q2 2016 financial results are scheduled for release on **August 10 (Wed), 2016**.

Nexon management is scheduled to host an earnings presentation for investors, analysts and the media (in Japanese), and a live conference call (in English) on the same day.

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



**NEXON**