



**B U S I N E S S R E P O R T
T O S H A R E H O L D E R S**

2016.1.1 - 2016.12.31 Stock Code 3659

Top Message

Generating long-term shareholder value supported by a stable revenue base driven by continued growth of long-running existing titles, as well as an exceptionally strong pipeline of new games

This year marks over 20 years since our founding and 5 years since our IPO on the Tokyo Stock Exchange. When looking at the broader game industry, Asia has been growing on par with the U.S. and Europe in terms of market size. Our deep understanding of the game market and its enormous business opportunities, as well as our unique ability to grow game titles over a long time horizon – including sustained hits like *Dungeon&Fighter* and *MapleStory* that have been growing for years – give Nexon great confidence and powerful advantages in the market.

This long-term approach to game development and servicing supports Nexon's stable revenue base, which also enables us to continue to develop a rich pipeline of new games. Heading into 2017, we are thrilled to introduce new titles, including *LawBreakers*, the first game from legendary game creator Cliff Bleszinski's new studio; *Dynasty Warriors Unleashed*, KOEI TECMO Games' popular IP franchise; and *Dark Avenger 3*, the newest installment in Boolean Games' renowned *Dark Avenger* franchise. We believe these new titles will continue to validate our proven and differentiated approach.

All the while, shareholder returns remain a top priority for Nexon, and we continue to focus on creating shareholder value by growing the business and allocating optimal capital to support shareholder returns through dividends and share buybacks. As for dividends for the year ended December 31, 2016, Nexon's negative retained earnings balance in our standalone financial statements, which is our dividend resource, did not support a year-end dividend. Therefore, upon careful examination, we have decided not to pay year-end dividends. We plan to resume the dividend for the mid-year in 2017.

At the same time, Nexon's Board of Directors has approved a new share repurchase program totaling 10 billion yen over a one-year period, which began on February 13, 2017. We will communicate additional details regarding the share repurchase program as we have them upon Board resolution.

I look forward to sharing our continued progress with you, with great opportunities ahead.

Owen Mahoney

Representative Director, President and Chief Executive Officer

A handwritten signature in black ink, appearing to read 'O. Mahoney', written in a cursive style.

Performance Report

Major titles showed strong performance, particularly in China and Korea

In 2016, we continued to focus on the enhancement of game development capabilities within Nexon Group, business alliance with other companies including joint development, acquisition of leading game development studio, launch of new high-quality games and engaging content updates for the existing game titles.

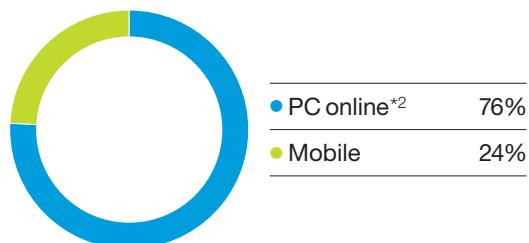
In China, the major content updates for our key PC title *Dungeon&Fighter* was well received by users. In Korea, our key PC titles such as *MapleStory* and *Dungeon&Fighter*, as well as mobile games released in the fourth quarter of 2016 such as *MapleStoryM* and *Sangokushi Sousouden Online* showed good performance. Revenues in Japan for the fourth quarter recorded the increase a quarter-over-quarter, due to the strong performance of new titles released in the second half of the fiscal year.

Our revenues, excluding the impact of the foreign exchange, increased. However, it decreased year-on-year on as-reported basis as the Japanese yen appreciated against the Korean won and Chinese yuan.

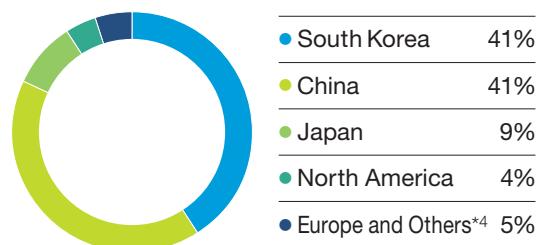
Profits decreased year-over-year mainly due to the negative impact of the foreign exchange, as well as the deferred tax expense additionally recorded for undistributed profits of overseas subsidiaries and impairment loss on gloops, Inc.'s goodwill.

Going forward, we make continuous efforts to deliver fun games which users can enjoy for a long time.

FY2016 Revenues by Platform



FY2016 Revenues by Region*3



Financial Highlights (IFRS)	FY2014	FY2015	FY2016
Revenues (million yen)	172,930	190,263	183,128
Operating income (million yen)	45,509	62,290	40,661
Net income*1 (million yen)	29,316	55,132	20,133
Total assets/ Total equity attributable to owners of the parent (million yen)	437,022 / 340,380	425,586 / 374,447	441,832 / 372,924
Ratio of equity attributable to owners of the parent company (%)	77.9	88.0	84.4
Basic earnings per share (yen)	67.4	127.9	46.3

*1) Net income refers to net income attributable to owners of the parent. *2) PC online revenue includes revenues other than PC / mobile revenues. *3) Based on the regions in which revenues originate; not a representation of revenues according to Nexon entities. *4) Europe and Others include other Asian countries and the South American countries.

Participated in G-STAR, Korea's largest game exhibition Showcasing the largest number of titles in the largest exhibition booth in Nexon's history



G-STAR 2016 was held in Busan, Korea for four days from November 17 to 20 in 2016. With the year's theme of "Life Beyond", which highlights the road to further joy beyond life, Nexon created the largest booth in Nexon's history occupying one-third of the entire venue, and showcased 35 titles (7 PC online titles and 28 mobile titles), the largest number of titles in Nexon's history.

In the Nexon's booth, there were not only footage showcase but also many hands-on experiences available for new PC and mobile titles. From the first day, Nexon's booth was packed with visitors enjoying our extensive game pipeline.

The Nexon booth also featured a "Stage Zone", where various exciting events introducing our new titles and e-Sports* competitions were held. Moreover, as our first trial, we broadcasted the competitions at the G-STAR in the NEXON ARENA, Nexon's e-Sports facility in Seoul, Korea, where visitors could experience the excitement of the Nexon booth at G-STAR in real-time during the event.

Also in addition to the pop-up store where official goods were sold, Nexon's booth featured the "Nexon Contents Festival", where fans displayed and sold their own hand-crafted goods based on Nexon's titles.



Top: Nexon's e-Sports Competition Bottom left: Nexon Contents Festival Bottom right: Nexon's Booth

* "e-Sports" is an abbreviation of "electronic sports", and broadly refers to games in which sports, athletics or similar recreational activities are simulated with electronic devices. Players compete against each other in sports matches via a computer game or video game. (Reference: Japan e-Sports Association website.(Japanese Only))

NEXON's initiatives for the rapidly growing e-Sports market on a global scale

The Nexon Group was ahead of others entering e-Sports market and involved in various ways since the genre's early days. We, as the Nexon Group, have held e-Sports competitions for many years, as well as operating the NEXON ARENA, one of the largest e-Sports facility in Korea. On November 30, 2016, we entered into a strategic partnership with an e-Sports broadcasting company Loud Communications, our joint operator of the NEXON ARENA since 2013. By working together closely, the two companies will accelerate the promotion of Nexon's own game leagues. We also plan to use Loud Communications' affiliated broadcasting platforms in regions such as North America and China to expand our game leagues globally.



e-Sports Competition of HIT

Introducing new titles through our rich pipeline

In 2016, with our focus on developing and launching new titles, we delivered a large number of new titles globally. Heading into 2017, we continue to offer new titles leveraging our know-how cultivated for a long time in developing fun and differentiated game titles as well as our operating ability to grow them over a long time. We are preparing to introduce new titles through our rich pipeline, including *LawBreakers*, PC online game, and *Dark Avengers 3*, mobile game.



Financial Data (IFRS)

Consolidated Statement of Financial Position

(Units: millions of yen)

Account Items	Previous fiscal year as of December 31, 2015	Current fiscal year as of December 31, 2016
Assets		
Current assets	331,670	366,097
Non-current assets	93,916	75,735
Total assets	425,586	441,832
Liabilities		
Current liabilities	36,884	35,004
Non-current liabilities	9,021	29,134
Total liabilities	45,905	64,138
Equity		
Capital stock	56,441	3,519
Capital surplus	34,597	86,753
Treasury stock	—	△0
Other equity interest	73,308	56,254
Retained earnings	210,101	226,398
Total equity attributable to owners of the parent	374,447	372,924
Non-controlling interests	5,234	4,770
Total equity	379,681	377,694
Total liabilities and equity	425,586	441,832

Consolidated Income Statement

(Units: millions of yen)

Account Items	Previous fiscal year From January 1, 2015 to December 31, 2015	Current fiscal year From January 1, 2016 to December 31, 2016
Revenues	190,263	183,128
Cost of sales	△49,701	△48,131
Gross profit	140,562	134,997
Selling, general and administrative expenses	△74,212	△66,210
Other income	1,621	1,021
Other expenses	△5,681	△29,147
Operating income	62,290	40,661
Financial income	7,587	6,583
Finance costs	△1,962	△222
Equity in profit of affiliates	91	101
Income before income taxes	68,006	47,123
Income taxes expense	△12,405	△26,602
Net income*	55,132	20,133

*Net income refers to net income attributable to owners of the parent.

Consolidated Statement of Cash Flows

(Units: millions of yen)

Account Items	Previous fiscal year From January 1, 2015 to December 31, 2015	Current fiscal year From January 1, 2016 to December 31, 2016
Operating activities	60,152	73,293
Investing activities	56,412	△97,084
Financing activities	△35,639	△9,275
Net (decrease) increase in cash and cash equivalents	80,925	△33,066
Cash and cash equivalents at the beginning of the year	117,729	194,225
Effects of exchange rate changes on cash and cash equivalents	△4,429	△8,476
Cash and cash equivalents at the end of the year	194,225	152,683

Corporate & Stock Data (as of December 31, 2016, except for "Directors and Statutory Auditors" and "Dividend")

Corporate Profile

Corporate Name	NEXON Co., Ltd.
Founded	December 18, 2002
Location	2-3-1, Shinkawa, Chuo-ku, Tokyo 104-0033 Tel.+81-3-3523-7911
Capital Stock	¥3,307million (Non-consolidated)
Business	<ul style="list-style-type: none"> •PC online game development and services •Mobile game development and services •Portal site planning and management

Directors and Statutory Auditors (as of March 28, 2017)

Representative Director, President and CEO	Owen Mahoney
Representative Director and CFO	Shiro Uemura
Director	Jiwon Park
External Director	Satoshi Honda
External Director	Shiro Kuniya
Full-time Statutory Auditor	Hideo Koyama
Statutory Auditor	Iwao Ohtomo
Statutory Auditor	Ryoji Mori

Corporate Share Information

Total number of authorized shares	1,400,000,000
Number of shares issued	434,871,414
Number of shareholders	3,384

Dividend (as of March 28, 2017)

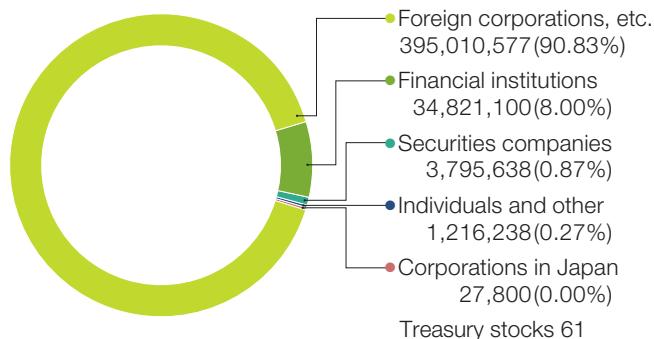
	2014/Dec	2015/Dec	2016/Dec
Interim	5yen	5yen	5yen
Year End	5yen	5yen	—
Total	10yen	10yen	5yen

Major Shareholders

Name of Shareholders (Top10)	Number of Shares (Thousand Shares)	Ratio (%)
NXC Corporation	157,631	36.24
NXMH B.V.B.A.	83,593	19.22
CBHK-KOREA SECURITIES DEPOSITORY-SAMSUNG	17,790	4.09
CBNY-ORBIS SICAV	12,322	2.83
Japan Trustee Services Bank, Ltd. (trust account)	8,917	2.05
Min Seo	7,607	1.74
The Master Trust Bank of Japan, Ltd. (trust account)	6,034	1.38
CBNY-ORBIS FUNDS	5,541	1.27
NORTHERN TRUST CO. (AVFC) RE IEDU UCITS CLIENTS NON LENDING 15 PCT TREATY ACCOUNT	5,088	1.17
THE BANK OF NEW YORK 133522	4,656	1.07

*Ratio is rounded down to the second decimal place.

Shareholder Breakdown



*Ratio is rounded down to the second decimal place.



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Fiscal year	From January 1 to December 31
Annual general meeting of shareholders	March
Record date	December 31
Dividend record dates	June 30 and December 31
The number of shares per unit	100 shares
Administrator of shareholder registry	Sumitomo Mitsui Trust Bank, Limited 1-4-1, Marunouchi, Chiyoda-ku, Tokyo
Contact	Sumitomo Mitsui Trust Bank, Limited Stock Transfer Agency Planning Department 2-8-4, Izumi, Suginami-ku, Tokyo 168-0063 ☎ 0120-782-031 URL http://www.smtb.jp/personal/agency/index.html
Method for public notices	Electronic public notices are to be used. However, in the event that an accident or other unavoidable circumstances make it impossible to use an electronic public notice, the notices will be published in Nihon Keizai Shimbun. Public notices URL http://ir.nexon.co.jp/ir/kokoku.html

NEXON Co., Ltd.

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