



NEXON

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

2017.1.1 - 2017.12.31 Stock Code 3659

TOP MESSAGE

Driving Long-Term Value for Players and Shareholders

Owen Mahoney
Representative Director,
President and Chief Executive Officer



Nexon ended full year 2017 with record-breaking financial results driven by our key titles across the regions, as well as new games launched during the period. *Dungeon&Fighter* had an outstanding 2017 and continues to be a powerful driver of our business. Our focus has always been on long-term value for customers, rather than harvesting short-term returns. We're excited looking ahead to 2018. We look forward to the global launch of *Durango: Wild Lands*, a revolutionary new open-world MMORPG, and *OVERHIT*, both of which were recently launched in Korea, as well as the further growth of games from our recently acquired developer, Pixelberry Studios, in the interactive narrative genre.

To adapt to our rapidly changing industry, we've made some changes to our management team. We named Jiwon Park, formerly CEO of Nexon Korea Corporation ("Nexon Korea"), to the newly created role of Chief Operating Officer for Nexon group. Junghun Lee, formerly Vice President of Business of Nexon Korea, has been appointed as CEO of Nexon Korea. These are two of Nexon's best executives, who've made enormous contributions to Nexon group. Jiwon expanded Nexon Korea's game line-up and rebuilt its live operations capabilities. Junghun has held various leadership positions in Nexon Korea and led the launch and success of several games, including *EA SPORTS™ FIFA Online 3* franchise, *HIT*, *Dark Avenger 3*, *AxE*, and *OVERHIT*.

We've also recently made some changes to our Western organization, integrating our two PC online game operating entities in the U.S. and Europe into one in an effort to better service that player base. Additionally, last year we set up Nexon OC Studio in Irvine, California, to enable us to better develop games that will resonate well with players in the West, complementing our existing development at Big Huge Games and Pixelberry Studios.

Lastly, we had recently decided to initiate a two-for-one stock split to increase the liquidity of our stock and expand the investor base, and also to shift to the Board of Directors with an Audit and Supervisory Committee in order to enhance corporate governance as well as execute business and make decisions with speed.

I look forward to your continued support to the company at this exciting time.

Performance Report

Record-Breaking Performance

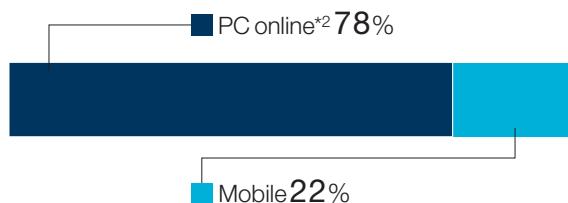
We continued to focus in FY2017 on boosting game development capabilities within the group, acquiring influential game development companies, forming business tie-ups with other companies that include joint development, delivering high-quality new titles, and boosting our development capabilities in the mobile business.

Dungeon&Fighter, one of our major PC online games, continues to thrive very well in China. In Korea, several of our major online titles, as well as the new mobile games of *Dark Avenger 3*, *AxE*, and *OVERHIT*, are doing very well and our sales revenue is increasing. Sales revenue around the world from our key titles of *Dungeon&Fighter* and *MapleStory* posted double-digit percentage growth (year-on-year).

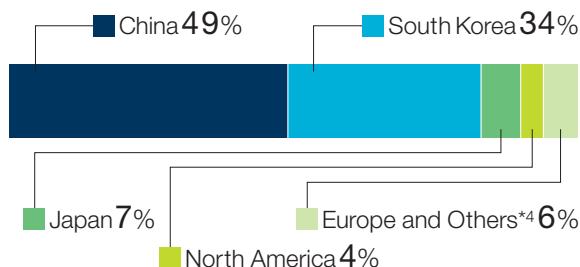
Pixelberry Studios joined the NEXON Group last year and its main title, *Choices: Stories You Play* has transitioned well.

The overall picture reflects the strength of NEXON's strategies and live services. NEXON will continue to expand our player base by creating distinctive titles, to focus on the live services that are our forte, and to provide games that players can enjoy over a long period of time.

FY2017 Revenues by Platform



FY2017 Revenues by Region*3



Financial Highlights (IFRS)	FY2015	FY2016	FY2017
Revenues (million yen)	190,263	183,128	234,929
Operating income (million yen)	62,290	40,661	90,504
Net income*1 (million yen)	55,132	20,133	56,750
Total assets/ Total equity attributable to owners of the parent (million yen)	425,586 / 374,447	441,832 / 372,924	545,956 / 465,207
Ratio of equity attributable to owners of the parent company (%)	88.0	84.4	85.2
Basic earnings per share (yen)	127.9	46.3	129.4

*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.

News & Topics

Participation in G-STAR 2017 as a Main Sponsor

G-STAR 2017, Korea's largest game exhibition, was held in Busan Metropolitan City, Korea from Thursday, November 16 to Sunday, November 19, 2017. NEXON has exhibited there for the past 13 years, but this was our first time as a main sponsor.

Our desire to energize the gaming industry and boost players' enjoyment of new titles inspired our decision to exhibit as a main sponsor in 2017. Key visuals from well-known NEXON Group titles were on display throughout the venue and attracted a great deal of attention.

The NEXON booth attracted around 80,000 visitors and had the largest number ever of playable machines on display where players enthusiastically enjoyed the new titles during the four days of the exhibition.



Pixelberry Studios Becomes a Group Company Further Expanding Our Business in Distinctive Genres

In November 2017, NEXON went through an American subsidiary to acquire as a wholly-owned subsidiary Pixelberry Studios, the leading developer and operator in the interactive narrative mobile game genre.

Pixelberry Studios was founded in 2012 as an independent studio which focused on developing titles that respond to the needs of female players such as its well-known *Choices: Stories You Play*. It has created many compelling titles that stand out from the crowd.

Global distribution is being considered, and we aim to leverage NEXON's know-how to achieve further growth for the studio's business.



NEXON and Our Customers

NEXON periodically holds off-line events to boost interactions amongst the players and to familiarize players with our titles.

Events were held in Japan for titles such as *HIT*, *Tree of Savior* and *HIDE AND FIRE* in 2017. With schedules that included features such as battle tournaments for visitors to the event, special live performances of music from the game, and quizzes, there was plenty of interaction with the players.

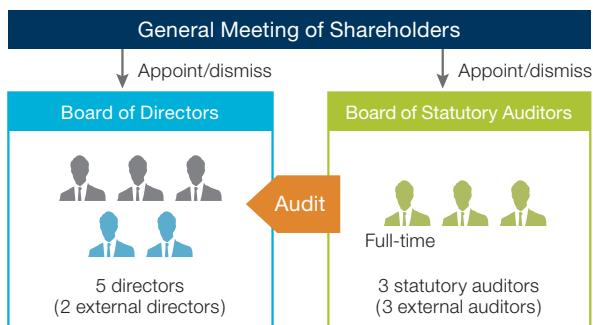
NEXON values the connections we build with players, and the connections that are built amongst players, and we plan to continue to create such opportunities for interaction.



Transition to a Company with an Audit and Supervisory Committee

NEXON has decided to transition from a company with a board of statutory auditors to a company with an audit and supervisory committee that has a majority of external directors. The members of the Audit and Supervisory Committee will become members of the Board of Directors. This is intended not only to strengthen the supervisory functions of the Board of Directors and further enhance the corporate governance structure, but also to speed up management decisions and provide greater maneuverability in how we conduct our business since the Board of Directors will significantly delegate its decision-making authority regarding business administration to the executive directors.

Company with a Board of Statutory Auditors



Company with an Audit and Supervisory Committee (From March 27, 2018)



Financial Data (IFRS)

Consolidated Statement of Financial Position (Units: millions of yen)		
Account Items	Previous fiscal year as of December 31, 2016	Current fiscal year as of December 31, 2017
Assets		
Current assets	366,097	442,619
Non-current assets	75,735	103,337
Total assets	441,832	545,956
Liabilities		
Current liabilities	35,004	41,547
Non-current liabilities	29,134	34,191
Total liabilities	64,138	75,738
Equity		
Capital stock	3,519	9,390
Capital surplus	86,753	41,021
Treasury stock	△0	—
Other equity interest	56,254	91,033
Retained earnings	226,398	323,763
Total equity attributable to owners of the parent	372,924	465,207
Non-controlling interests	4,770	5,011
Total equity	377,694	470,218
Total liabilities and equity	441,832	545,956

Consolidated Income Statement (Units: millions of yen)		
Account Items	Previous fiscal year From January 1, 2016 to December 31, 2016	Current fiscal year From January 1, 2017 to December 31, 2017
Revenues	183,128	234,929
Cost of sales	△48,131	△56,656
Gross profit	134,997	178,273
Selling, general and administrative expenses	△66,210	△75,088
Other income	1,021	1,385
Other expenses	△29,147	△14,066
Operating income	40,661	90,504
Financial income	6,583	6,308
Finance costs	△222	△26,212
Equity in profit (loss) of affiliates	101	△605
Income before income taxes	47,123	69,995
Income taxes expense	△26,602	△13,478
Net income*	20,133	56,750

*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, 2016 to December 31, 2016	Current fiscal year From January 1, 2017 to December 31, 2017
Operating activities	73,293	80,718
Investing activities	△97,084	△81,891
Financing activities	△9,275	△3,019
Net (decrease) increase in cash and cash equivalents	△33,066	△4,192
Cash and cash equivalents at the beginning of the year	194,225	152,683
Effects of exchange rate changes on cash and cash equivalents	△8,476	4,751
Cash and cash equivalents at the end of the year	152,683	153,242

Corporate & Stock Data

As of December 31, 2017 (The company location and board members are as of March 27, 2018)

Corporate Profile

Corporate Name	NEXON Co., Ltd.
Founded	December 18, 2002
Location	1-4-5 Roppongi, Minato-ku, Tokyo 106-0032 Tel.+81-3-6629-5318
Capital Stock	¥9,183million (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

Board Members

Representative Director, President and CEO	Owen Mahoney
Representative Director and CFO	Shiro Uemura
Director and COO	Jiwon Park
Director (Audit and Supervisory Committee Member)	Dohwa Lee
External Director (Audit and Supervisory Committee Member)	Satoshi Honda
External Director (Audit and Supervisory Committee Member)	Shiro Kuniya

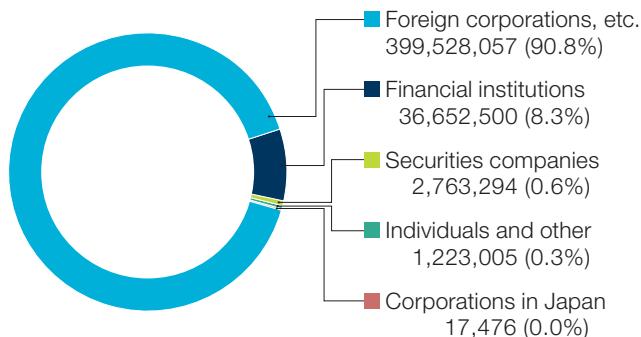
Corporate Share Information

Total number of authorized shares	1,400,000,000
Number of shares issued	440,184,332
Number of shareholders	2,864

Major Shareholders

Name of Shareholders (Top10)	Number of Shares (Thousand Shares)	Ratio (%)
NXC Corporation	136,631	31.0
NXMH B.V.B.A.	83,593	19.0
HSBC-FUND SERVICES CLIENTS A/C 006	10,023	2.3
Japan Trustee Services Bank, Ltd. (trust account)	8,829	2.0
KOREA SECURITIES DEPOSITORY-SAMSUNG	8,616	2.0
The Master Trust Bank of Japan, Ltd. (trust account)	7,753	1.8
STATE STREET BANK AND TRUST COMPANY	6,937	1.6
ORBIS SICAV	6,449	1.5
STATE STREET BANK CLIENT OMNIBUS OM04	6,222	1.4
Min Seo	5,607	1.3

Shareholder Breakdown



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, all notices will be published in Nihon Keizai Shimbun. Public notices URL http://ir.nexon.co.jp/ir/kokoku.html



www.nexon.co.jp

NEXON Co., Ltd. 1-4-5 Roppongi, Minato-ku, Tokyo 106-0032