



**NEXON**

**Investor Presentation  
Q4 2016**

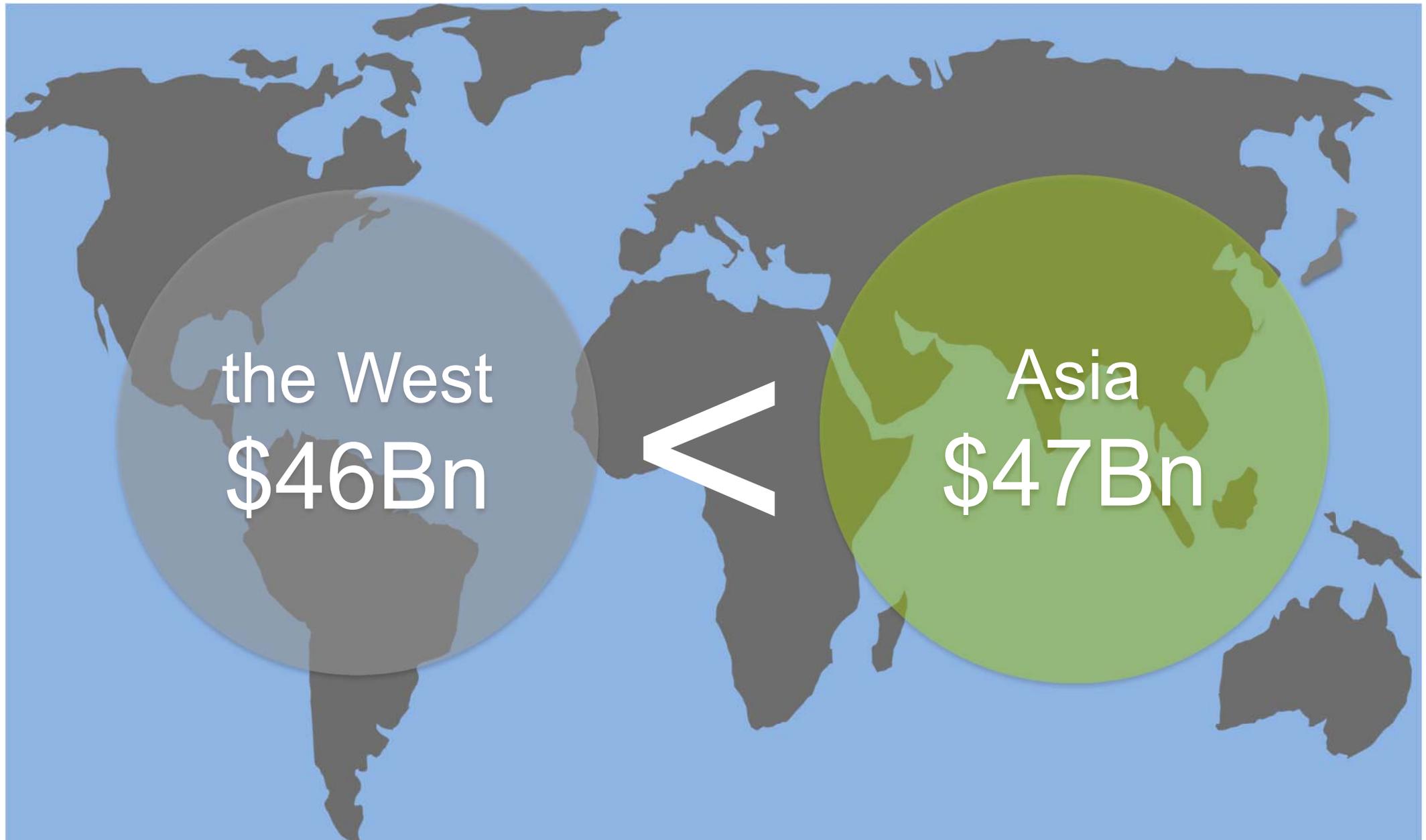
February 10, 2017  
NEXON Co., Ltd.



# Owen Mahoney

## President and Chief Executive Officer

# 1. Scale of Asian Games Market and Value of Nexon IP



<sup>1</sup> Games market size as of 2016 (Source: Newzoo)

## 2. Proven Longevity

### MapleStory 2003



13<sup>th</sup> year anniversary,  
long-term stability

### Dungeon&Fighter 2005



11 years of stability,  
2x the size of 2011

### DomiNations 2015

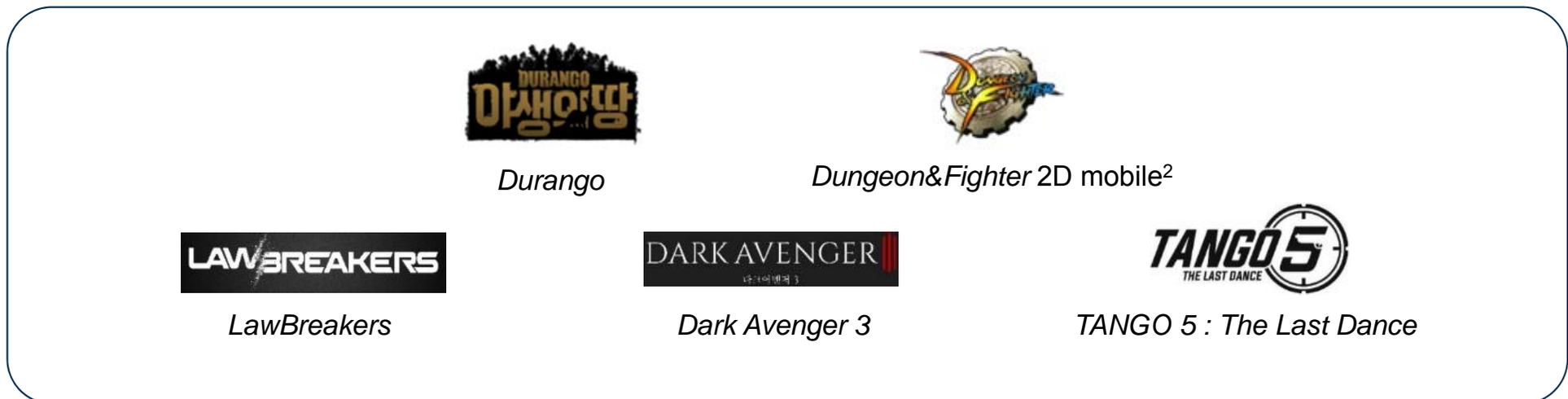


Bigger in the West than a year ago

<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.

### 3. Nexon's Pipeline

- Front edge of a wave of new games
- Stable cash flow funds experiments in unique and engaging games
- Deep capability – long history of experimentation with new games and new business models



<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.

<sup>2</sup> Mobile games based on the original IPs.

# Three Powerful Advantages

---

- Enormous opportunity in Asian markets
- Powerful franchises that perform as annuities
- Diversified and robust pipeline of new games

## Mobile – Publishing



<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.

# Dungeon & Fighter: Spirit: Trailer

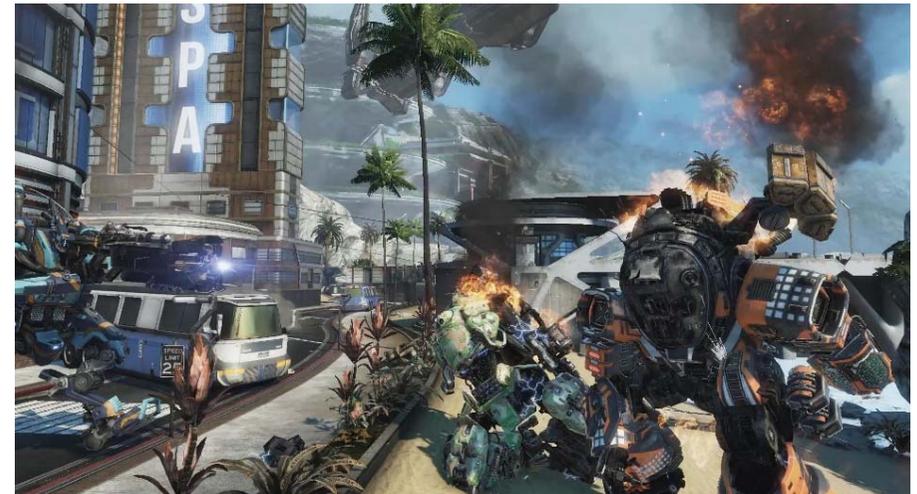
## Mobile – In-house



<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.

# Titanfall Online: Trailer

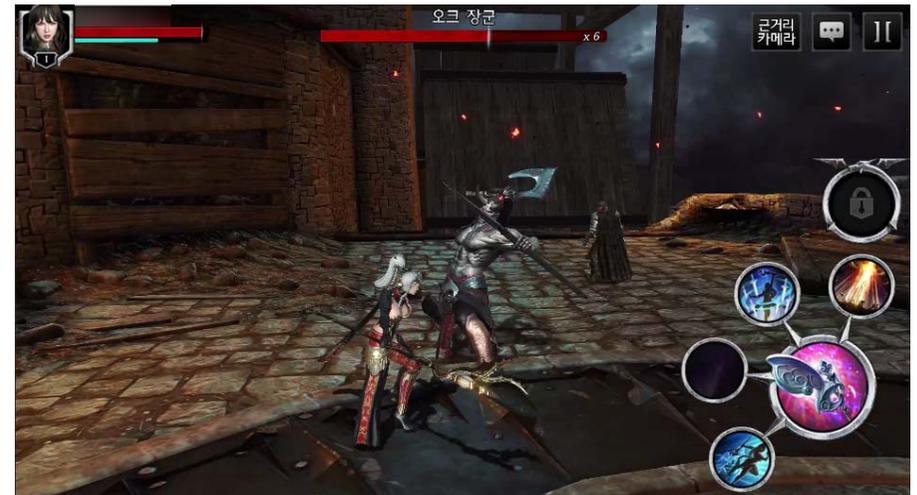
## PC – In-house



<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.

# Dark Avenger 3: Trailer

## Mobile – In-house



<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.



# Shiro Uemura

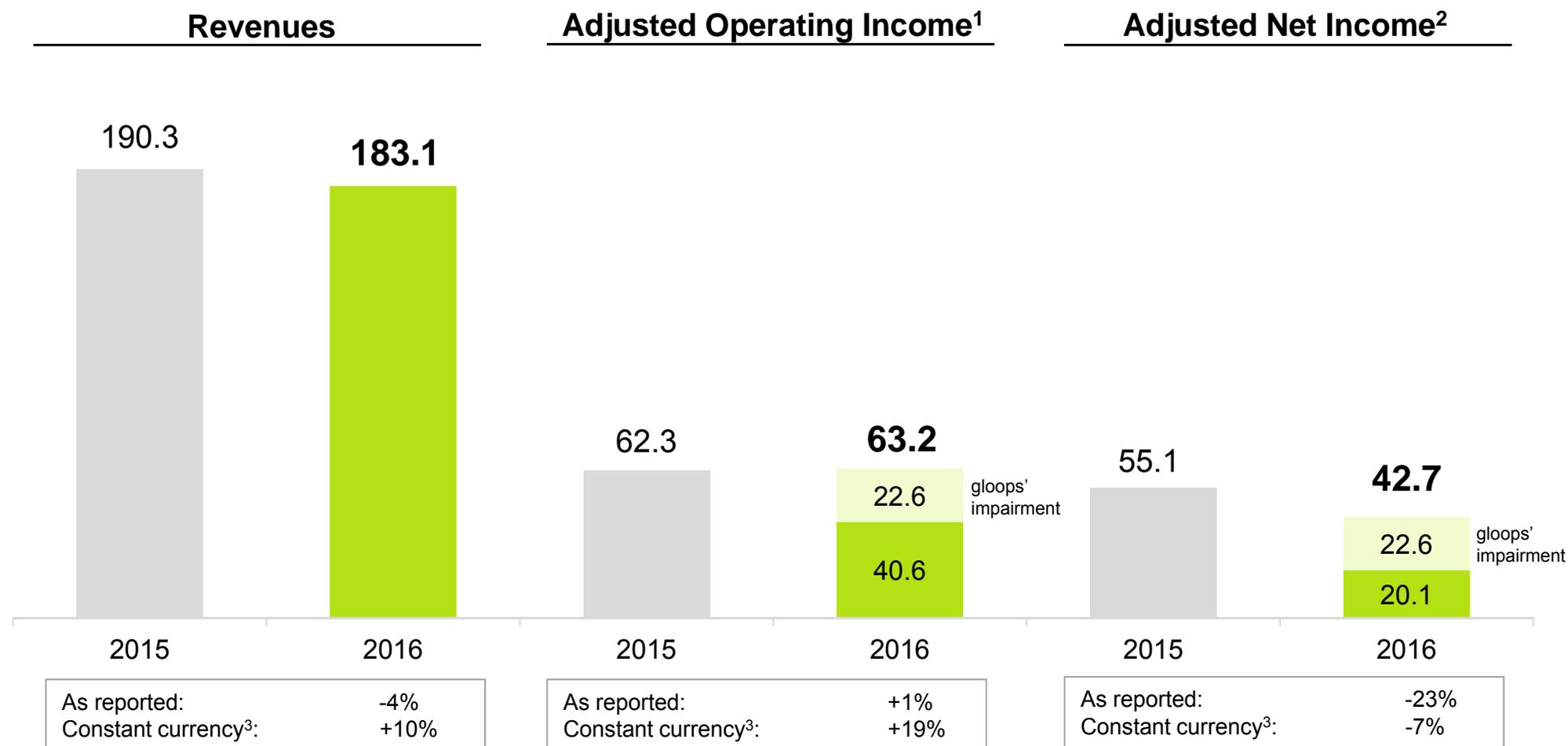
## Chief Financial Officer



# FY 2016 Results

# 2016 Financial Results

(Unit: ¥ billions)



<sup>1</sup> 2016 Operating Income is adjusted for the impairment loss on gloops' goodwill recorded in Q1 2016 of ¥22.6 billion.

<sup>2</sup> Net Income refers to Net Income attributable to owners of the parent company, as stated in Nexon's consolidated financial results. 2016 Net Income is adjusted for the impairment loss on gloops' goodwill recorded in Q1 2016 of ¥22.6 billion.

<sup>3</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.



# Q4 2016 Results

## Overview

- Stronger-than-expected results driven by robust performance of key titles primarily in China and Korea
- As-reported results affected by depreciation of the Japanese yen

## Financials

- Revenues ¥43.3 billion, down 6% year-over-year on as-reported basis, up 7% on constant currency<sup>1</sup> basis – exceeded our outlook driven by:
  - *Dungeon&Fighter* China's successful Winter update and in-game item sales
  - *EA SPORTS™ FIFA Online 3 / EA SPORTS™ FIFA Online 3 M* in Korea's successful live game operations and promotions
  - *HIT* in Taiwan and Thailand
- Operating income ¥7.3 billion – below our outlook primarily due to impairment loss of ¥3.7 billion on including prepaid royalties related to publishing titles
- Net income<sup>2</sup> ¥11.2 billion – exceeded our outlook primarily due to ¥20.6 billion FX gain on U.S. dollar-denominated cash deposits and accounts receivable partially offset by ¥14.6 billion deferred tax expense additionally recorded for undistributed profits of overseas subsidiaries

<sup>1</sup> In 2016 Q3, we implemented a new calculation methodology to more accurately reflect "constant currency" for *Dungeon&Fighter* China revenues. For details, see footnote on page17, "Regional Revenues".

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

# Q4 Financial Results

(Unit: ¥ millions, except per share data)

	Q4 2015	Q4 2016 Outlook		Q4 2016	YoY %
		Low end	High end		
<b>Revenues</b>	<b>¥45,816</b>	<b>¥39,329</b>	~ <b>¥42,164</b>	<b>¥43,253</b>	<b>(6%)</b>
PC <sup>1</sup>	32,677	28,013	~ 29,714	31,352	(4%)
Mobile	13,139	11,316	~ 12,450	11,901	(9%)
<i>Japan</i>	3,572			3,277	(8%)
<i>ex-Japan</i>	9,567			8,624	(10%)
<b>Operating income</b>	<b>10,315</b>	<b>8,173</b>	~ <b>10,325</b>	<b>7,287</b>	<b>(29%)</b>
<b>Net income<sup>2</sup></b>	<b>4,399</b>	<b>7,697</b>	~ <b>9,504</b>	<b>11,206</b>	<b>155%</b>
Earnings per share	10.14	17.73	~ 21.89	25.78	
Exchange rates					
100 KRW/JPY	10.52	9.23	9.23	9.46	(10%)
CNY/JPY	19.00	15.42	15.42	15.97	(16%)
USD/JPY	121.50	103.81	103.81	109.30	(10%)

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

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

# Regional Revenues

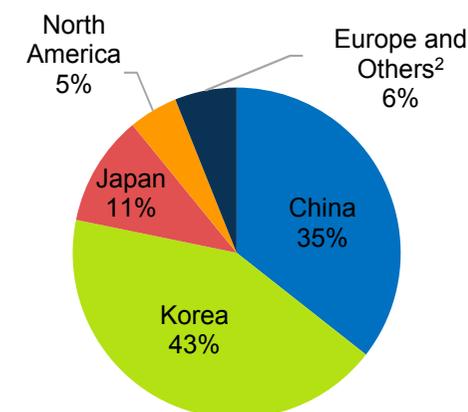
In 2016 Q3, we implemented a new calculation method to more accurately reflect "constant currency" for *Dungeon&Fighter* China revenues.

Only *Dungeon&Fighter* China revenues are impacted by the new calculation method. For details, see footnote 4 below.

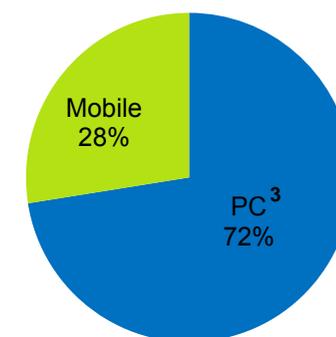
(Unit: ¥ millions)

	Q4 2015	Q4 2016			YoY % Change		
		As-Reported	New Constant Currency <sup>4</sup>	Old Constant Currency <sup>4</sup>	As-Reported	New Constant Currency <sup>4</sup>	Old Constant Currency <sup>4</sup>
<b>Revenue by Region<sup>1</sup></b>							
China	¥16,450	¥15,384	¥18,327	¥17,200	(6%)	11%	5%
Korea	20,086	18,441	20,556	20,556	(8%)	2%	2%
Japan	4,740	4,692	4,692	4,692	(1%)	(1%)	(1%)
North America	2,417	2,098	2,334	2,334	(13%)	(3%)	(3%)
Europe and Others <sup>2</sup>	2,123	2,638	2,935	2,935	24%	38%	38%
<b>Nexon Total</b>	<b>45,816</b>	<b>43,253</b>	<b>48,844</b>	<b>47,717</b>	<b>(6%)</b>	<b>7%</b>	<b>4%</b>
<b>Revenue by Platform</b>							
PC <sup>3</sup>	32,677	31,352	35,928	34,801	(4%)	10%	6%
Mobile	13,139	11,901	12,916	12,916	(9%)	(2%)	(2%)
<i>Japan</i>	3,572	3,277	3,277	3,277	(8%)	(8%)	(8%)
<i>ex-Japan</i>	9,567	8,624	9,639	9,639	(10%)	1%	1%
<b>Nexon Total</b>	<b>45,816</b>	<b>43,253</b>	<b>48,844</b>	<b>47,717</b>	<b>(6%)</b>	<b>7%</b>	<b>4%</b>
<b>FX Rate</b>							
100 KRW/JPY	10.52	9.46	10.52	10.52	(10%)		
CNY/JPY	19.00	15.97	19.00	19.00	(16%)		
USD/JPY	121.50	109.30	121.50	121.50	(10%)		

Q4 2016 Revenue by Region<sup>1</sup>



Q4 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> "Old Constant Currency" is the measure of constant currency we have been providing since the IPO. It is a non-GAAP measure used to show performance unaffected by fluctuations in FX rates versus JPY. Using the major local functional currency for respective Nexon Group entities' locations, the constant currency basis amounts are calculated using the average FX rates for the comparable fiscal quarter in the prior year and applied to the current fiscal quarter. For example, Neople, the Korean entity that develops *Dungeon&Fighter* for China, records its revenues in South Korean Won (KRW). The "old constant currency" figures show what Neople revenues would have been had the KRW/JPY exchange rate not changed from last year's same fiscal quarter.

However, the constant currency revenue recognition mechanism in China is complex. Specifically, Neople receives royalty revenues for *Dungeon&Fighter* China service from the local publisher (Tencent) in USD; Neople is a Korean entity and therefore keeps its accounting records in KRW; and Nexon Group is a Japanese-listed company and consolidated financial statements are therefore reported in JPY. Given the recent trend of the CNY, we no longer believe our prior approach is the most accurate presentation of constant currency results for China. As a result, we are changing the calculation methodology to more fully reflect that complexity.

"New Constant Currency" is a new calculation method we have introduced beginning with 2016 Q3 and will utilize going forward. Under the "New constant currency" method, 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. Only *Dungeon&Fighter* China revenues are impacted by the calculation methodology change.

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

## ▪ *Dungeon&Fighter*

- Active users remained high throughout the quarter – led to stronger-than-expected sales of in-game items in December
- National Day update continued from Q3 (9/27-11/17) / Winter update (12/1) – both well-received
- MAUs / paying users increased both quarter-over-quarter and year-over-year

(Revenues in ¥ millions)

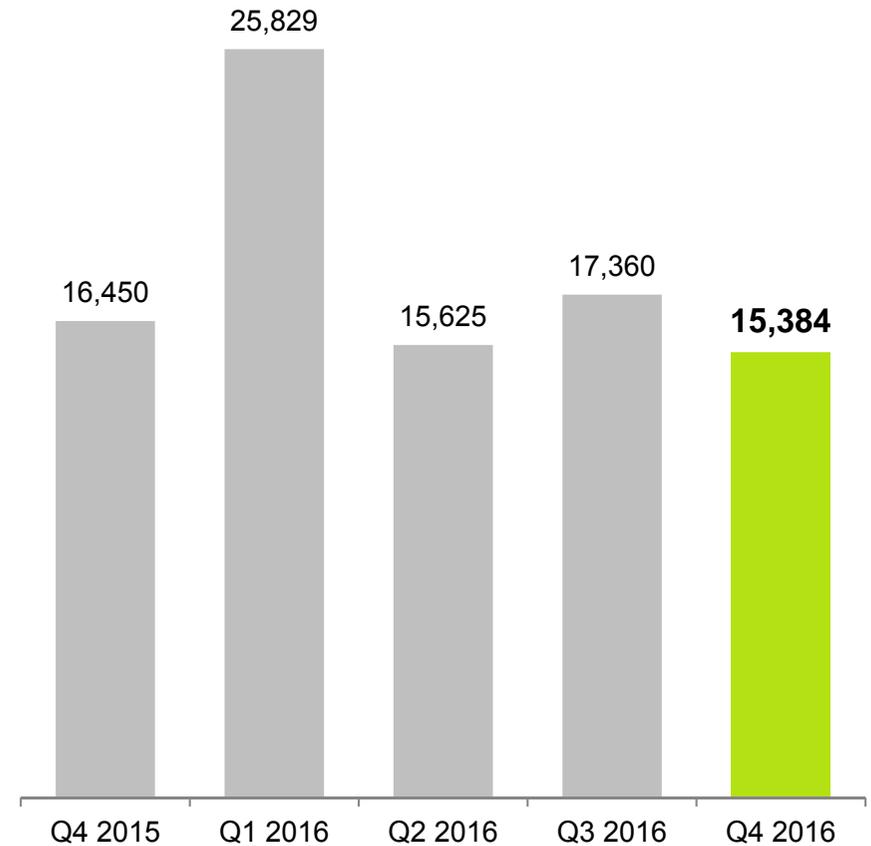
YoY% change:

As Reported:

**-6%**

Constant Currency<sup>1</sup>:

**+11%**



*Dungeon&Fighter*  
National Day Update



*Dungeon&Fighter* Gameplay

<sup>1</sup> Beginning with 2016 Q3, we have implemented a new calculation methodology to more accurately reflect "constant currency" for *Dungeon&Fighter* China revenues. For details, see footnote on page17, "Regional Revenues".

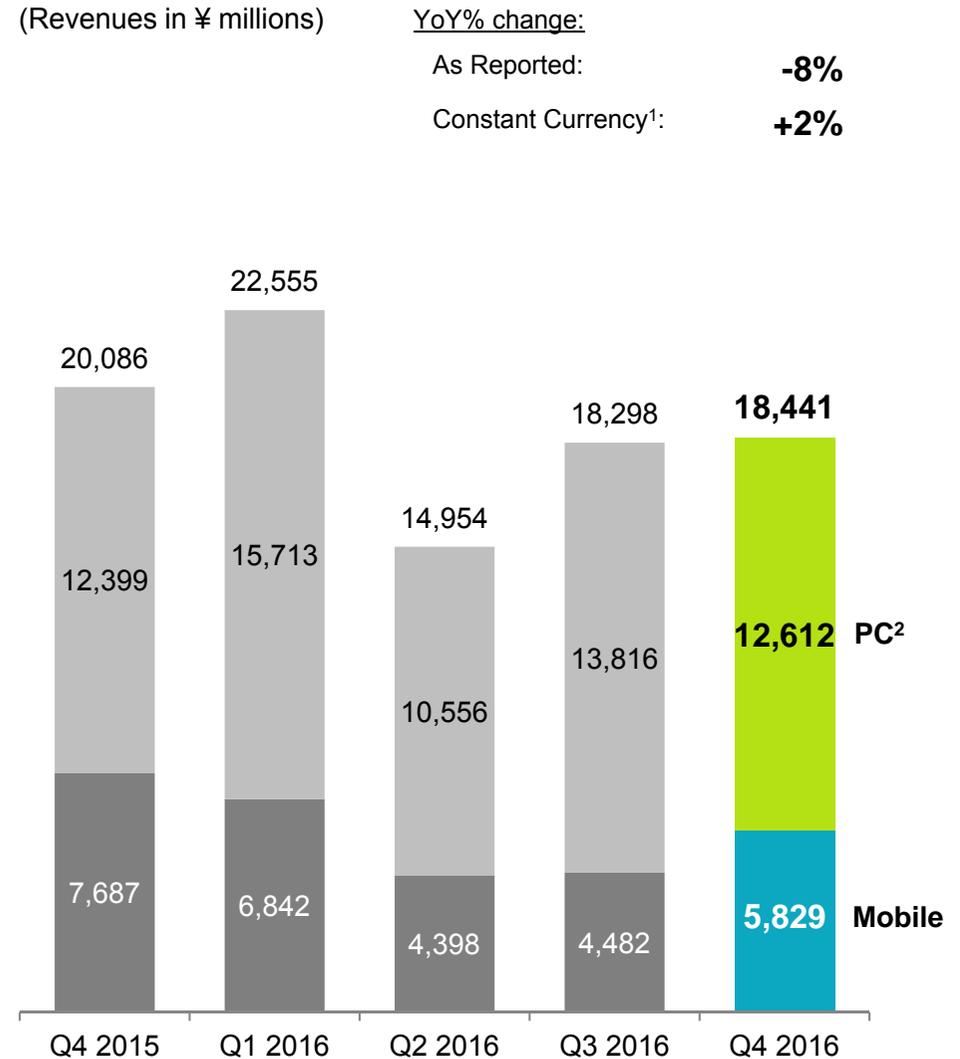
- Stronger-than-expected performance of *EA SPORTS™ FIFA Online 3 / EA SPORTS™ FIFA Online 3 M* particularly in November and December driven by:
  - Newly added player licenses in November
  - Successful live game operations and promotions
- Year-over-year growth from longstanding hits *MapleStory* and *Dungeon&Fighter* – *MapleStory* grew significantly year-over-year
- Launched *MapleStoryM* (Oct) and *Sangokushi Sousouden Online*<sup>3</sup> (Oct) – contributed to quarter-over-quarter mobile revenue growth



MapleStoryM



Sangokushi Sousouden Online<sup>3</sup>



<sup>1</sup> Beginning with 2016 Q3, we have implemented a new calculation methodology to more accurately reflect "constant currency" for *Dungeon&Fighter* China revenues. For details, see footnote on page17, "Regional Revenues".

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

<sup>3</sup> Title is tentative and may be subject to change.

## PC<sup>1</sup>

- Revenue ¥1.4 billion, up 33% quarter-over-quarter primarily driven by full-quarter contribution from *Tree of Savior*

(Revenues in ¥ millions)

YoY% change:

As Reported: **-1%**

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

## Mobile

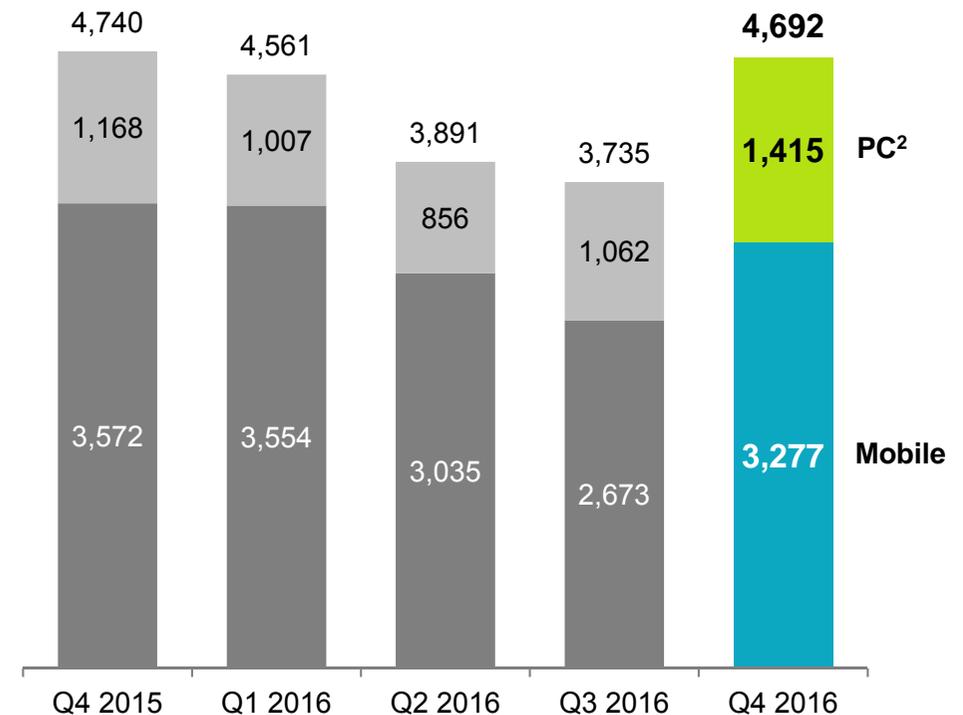
- Revenue ¥3.3 billion, up 23% quarter-over-quarter driven by:
  - Full-quarter contribution from *HIDE AND FIRE*
  - Successful launch of *HIT* (Dec)
- Revenues from native games accounted for approximately one third of mobile revenue



HIT



HIDE AND FIRE



<sup>1</sup> Beginning with 2016 Q3, we have implemented a new calculation methodology to more accurately reflect "constant currency" for *Dungeon&Fighter* China revenues. For details, see footnote on page17, "Regional Revenues".

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

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

- Stronger-than-expected performance of *HIT* primarily in Taiwan and Thailand – drove year-over-year growth in Europe and Others<sup>1</sup>

(Revenues in ¥ millions)

YoY% change:

As Reported: **-13%**

Constant Currency<sup>2</sup>: **-3%**

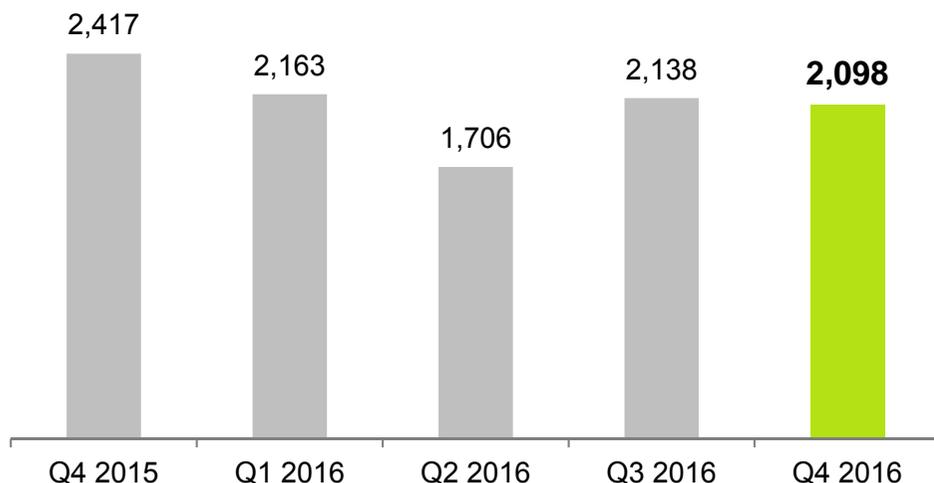
(Revenues in ¥ millions)

YoY% change:

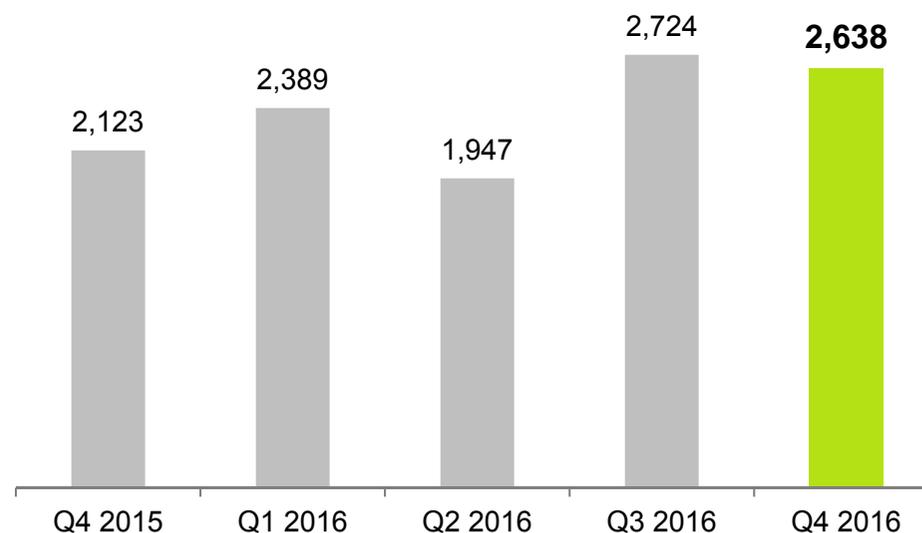
As Reported: **+24%**

Constant Currency<sup>2</sup>: **+38%**

**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> Beginning with 2016 Q3, we have implemented a new calculation methodology to more accurately reflect "constant currency" for *Dungeon&Fighter* China revenues. For details, see footnote on page 17, "Regional Revenues".



# Q1 2017 Outlook

# Q1 2017 Business Outlook

- Expect revenues to be:
  - Up 9% to 17% year-over-year on as-reported basis
  - Up 8% to 16% year-over-year on constant currency<sup>1</sup> basis

(Unit: ¥ millions, except per share data)

	Q1 2016	Q1 2017 Outlook		YoY%	
<b>Revenues</b>	<b>¥57,497</b>	<b>¥62,449</b>	~ <b>¥67,129</b>	<b>9%</b>	~ <b>17%</b>
PC <sup>2</sup>	45,054	52,108	~ 55,570	16%	~ 23%
Mobile	12,443	10,341	~ 11,559	(17%)	~ (7%)
<b>Operating income</b>	<b>3,703</b>	<b>30,346</b>	~ <b>34,763</b>	<b>719%</b>	~ <b>839%</b>
<b>Net income<sup>3</sup></b>	<b>(6,272)</b>	<b>27,075</b>	~ <b>30,776</b>	<b>n/a</b>	~ <b>n/a</b>
Earnings per share	(14.43)	62.26	~ 70.77		
FX Rate Assumptions					
100 KRW/JPY	9.62	9.75	9.75	1%	
CNY/JPY	17.65	16.68	16.68	(5%)	
USD/JPY	115.48	114.77	114.77	(1%)	

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

<b>Revenues</b>	0.44 billion yen
<b>Operating Income</b>	0.23 billion yen

<sup>1</sup> Beginning with 2016 Q3, we have implemented a new calculation methodology to more accurately reflect "constant currency" for *Dungeon&Fighter* China revenues. For details, see footnote on page17, "Regional Revenues".

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

<sup>3</sup> Net income refers to net income attributable to owners of the parent, as stated in Nexon's consolidated financial results.

<sup>4</sup> In most situations, the exchange rates of both the South Korean Won and the Chinese Yuan are linked to the U.S. dollar. For simplicity, forex sensitivity is calculated based on the assumption that Korean Won and Chinese Yuan move similarly against Japanese yen when there is an exchange rate movement in U.S. dollar and Japanese yen.

# Q1 2017 and Full-Year Regional Outlook



## China

### Q1

- As-reported basis or constant currency<sup>1</sup> basis: Expect 30+% to 40+% YoY increase
- *Dungeon&Fighter*: introduced Lunar New Year Update (Jan); Level Cap Update (Jan)

### Full-Year

- Mobile: preparing launch for a number of games including *Dungeon&Fighter 2D mobile*<sup>2</sup> (Publisher: Tencent)
- PC: preparing launch for *MapleStory2*



## Korea

### Q1

- As-reported basis or constant currency<sup>1</sup> basis: Expect high teens% to low teens% YoY decrease
- Launched *Dungeon & Fighter: Spirit* (Jan); *EVIL FACTORY* (Feb)
- Scheduled to launch *Dynasty Warriors Unleashed*<sup>3</sup>; *After the End: Forsaken Destiny* (Mar)

### Full-Year

- Multiple titles scheduled for launch including:
  - Mobile: *TANGO 5 : The Last Dance*, *Durango*, *Dark Avenger 3*
  - PC: *Titanfall Online*, *Need for Speed™ Edge*



## Japan

### Q1

- As-reported basis or constant currency<sup>1</sup> basis: Expect high single digit% to high teens% YoY increase
- Mobile: Launched *EVIL FACTORY* (Feb)

### Full-Year

- Multiple mobile titles scheduled for launch including *Dungeon & Fighter: Spirit*

<sup>1</sup> In 2016 Q3, we implemented a new calculation methodology to more accurately reflect "constant currency" for *Dungeon&Fighter* China revenues. For details, see footnote on page 17, "Regional Revenues".

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

<sup>3</sup> Mobile games based on *Dynasty Warriors7* IP.

<sup>4</sup> Europe and Others includes other Asian countries and South American countries.



## North America, Europe and Others<sup>4</sup>

### Q1

- North America
  - As-reported basis or constant currency<sup>1</sup> basis: Expect 20+% to high teens% YoY decrease
- Europe and Others<sup>4</sup>
  - As-reported basis or constant currency<sup>1</sup> basis: Expect low single digit% decrease to low teens% YoY increase
- Launched *EVIL FACTORY* (Feb); scheduled to launch *Dynasty Warriors Unleashed*<sup>3</sup>

### Full-Year

- Multiple titles scheduled for launch including *LawBreakers*

# 2017 China *Dungeon&Fighter* Update Schedule



Period	Tier 1 Content Update	2016	2017
Q1	Lunar New Year Update	January 26 <sup>th</sup> ~	January 17 <sup>th</sup> ~
	2016: Female Ghost Knight 2nd Awakening Update	March 24 <sup>th</sup> ~	
	2017: Level Cap Update		January 17 <sup>th</sup> ~
Q2	Labor Day Update	April 21 <sup>st</sup> ~	TBD
	Anniversary Update	June 16 <sup>th</sup> ~	TBD
Q3	Summer Update	July 14 <sup>th</sup> ~	TBD
	National Day Update	September 27 <sup>th</sup> ~	Likely to come earlier in 2017
Q4	Winter Update	December 1 <sup>st</sup> ~	TBD

\* 2017 update schedule is the plan as of present and subject to change depending on various operational factors

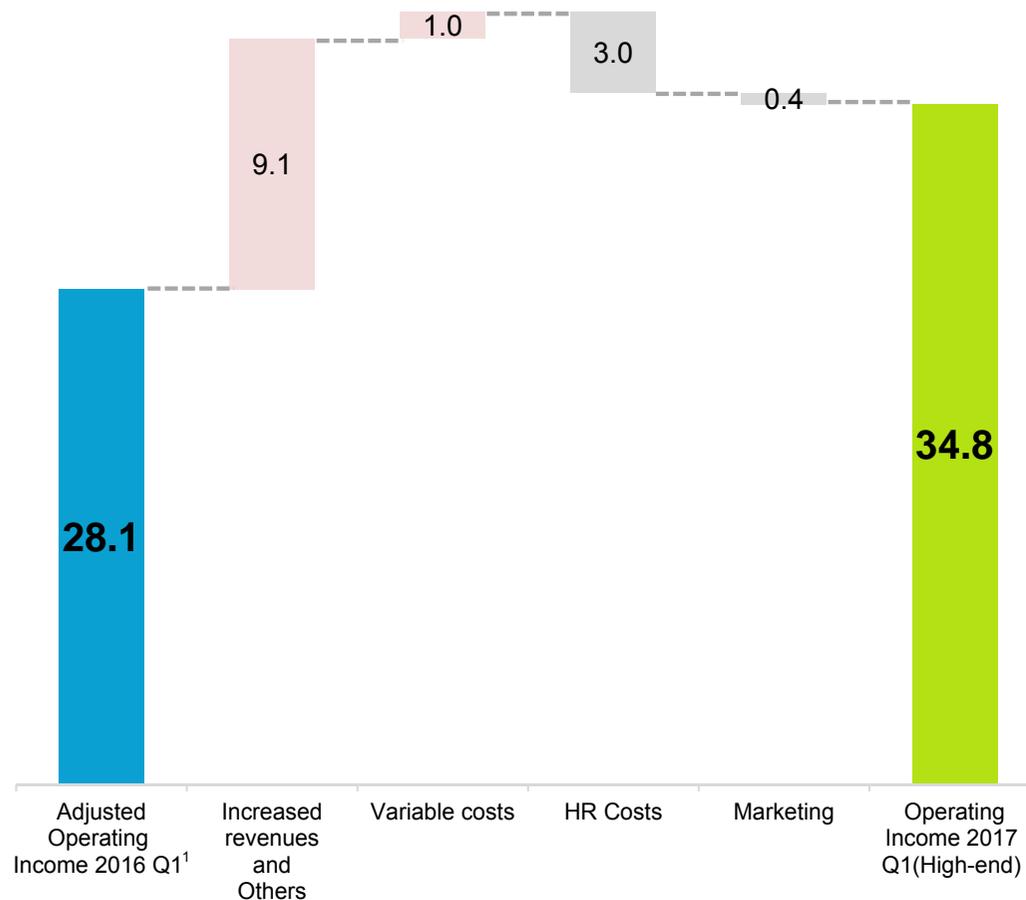
 Indicates financially important updates

<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.

# Q1 2017 Operating Income Outlook

## YoY Operating Income Comparison

(Unit: ¥ billions)



Expect Q1 2017 operating income of ¥30.3 to ¥34.8 billion due to:

- Increased revenues primarily driven by high-margin China business
- Lower variable costs including:
  - Third-party royalty costs associated with third-party games
  - Platform fee and PG fee with decreased mobile browser game revenues in Japan and decreased revenues from *Sudden Attack* in Korea
- Increase in HR costs due to increased headcount primarily in Korea
- Increase in marketing costs associated with the launch of multiple new titles

<sup>1</sup> 2016 Q1 Operating Income is adjusted for the impairment loss on gloops' goodwill recorded in Q1 2016 of ¥22.6 billion and prepaid royalties and game IPs of ¥1.8 billion yen.

- Nexon Japan corporate entity's retained earnings did not support a year-end dividend for 2016
  - Recorded net loss of ¥44.4 billion for 2016 in Nexon Japan corporate entity, primarily due to the ¥23.5 billion write-down on gloops' stocks and ¥12.9 billion bad debt expense on loans to subsidiaries we recorded in the 1<sup>st</sup> quarter and 4<sup>th</sup> quarter respectively
  - As a result, Nexon Japan corporate entity's retained earnings – source for funding the dividend – turned negative at minus ¥41.3 billion
  - Scheduled to resume the dividend for the mid-year in 2017
  
- The board of directors approved the policy to initiate a new share repurchase program of one-year period from February 13<sup>th</sup>, 2017
  - Total amount of ¥10 billion
  - Terms and conditions of share repurchase program to be resolved by the board

2017 and onward

PC Online



Need for Speed™ Edge



LawBreakers



Moonlight Blade



Titanfall Online



MapleStory2

Mobile



Dynasty Warriors  
Unleashed<sup>2</sup>



© KOEI TECMO GAMES

Sangokushi Sousouden  
Online<sup>3</sup>



Dark Avenger 3



Durango



Dungeon & Fighter: Spirit<sup>5</sup>



Dungeon&Fighter 2D mobile<sup>6</sup>



After the End:  
Forsaken Destiny



LEGO® Quest & Collect<sup>4</sup>



TANGO 5 : The Last Dance



MapleStoryM



FINAL FANTASY® XI  
mobile<sup>6</sup>



Tree of Savior:  
Mobile Remake

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

<sup>2</sup> Mobile games based on *Dynasty Warriors* IP.

<sup>3</sup> Title is tentative and may be subject to change.

<sup>4</sup> Official service name of LEGO® mobile.

<sup>5</sup> Official service name of *Dungeon&Fighter* 3D mobile.

<sup>6</sup> Mobile games based on the original IPs.

<sup>7</sup> The letters, graphics, symbols, logos and other marks shown in this material are trademarks or registered trademarks owned by respective right holders.

# 2H 2016 – 1H 2017 Tier 1 Content Update Schedule

	Game Title	2H 2016	Q1 2017	Q2 2017
China	 <i>Dungeon&amp;Fighter</i>	Q3: Summer Update National Day Q4: Winter Update	Lunar New Year Update Level Cap Update	Labor Day Update, 9 <sup>th</sup> Anniversary Update
	 <i>Counter-Strike Online</i>	Q3: Summer Update National Day Update Q4: Winter Update	Lunar New Year Update	TBD
Korea	 <i>EA SPORTS™ FIFA Online 3</i>	Q3: Europe League Legend Update Q4: FOM Update Trade 3.0 Update	Roster Update	3on3 New Mode Update
	 <i>MapleStory</i>	Q3: MapleStory V Update 5th job Advancement Q4: MapleStory Beyond Update	MapleStory Beyond Update (Continued from Q4 2016) Maple Union System Update New Area : Arcana Update	TBD
	 <i>Dungeon&amp;Fighter</i>	Q3: Summer Update 11 <sup>th</sup> Anniversary Update Korean Thanksgiving Update Q4: Rare Avatar & Christmas Package	New Character Update: Priestess, Lunar New Year avatar	New Dungeon Game Update
	 <i>Sudden Attack</i>	Q3 : Summer Event & Update Q4 : Winter Update	Winter Update (Masters Challenge)	Spring 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

NEXON Co., Ltd.  
Q4 2016  
INVESTOR PRESENTATION

(Unit: ¥ millions except per share data)

	Q1 2015	Q2 2015	Q3 2015	Q4 2015	Q1 2016	Q2 2016	Q3 2016	Q4 2016	YoY%
<i>(By Region)</i>									
China	¥22,697	¥15,994	¥20,247	¥16,450	¥25,829	¥15,625	¥17,360	¥15,384	(6%)
Korea	20,464	16,251	20,163	20,086	22,555	14,954	18,298	18,441	(8%)
Japan	5,858	5,455	4,972	4,740	4,561	3,891	3,735	4,692	(1%)
North America	1,695	2,814	2,045	2,417	2,163	1,706	2,138	2,098	(13%)
Europe and Others <sup>1</sup>	1,258	2,150	2,384	2,123	2,389	1,947	2,724	2,638	24%
<i>(By Platform)</i>									
PC <sup>2</sup>	43,602	32,511	39,481	32,677	45,054	28,915	34,474	31,352	(4%)
Mobile	8,370	10,153	10,330	13,139	12,443	9,208	9,781	11,901	(9%)
<i>Japan</i>	4,487	4,073	3,747	3,572	3,554	3,035	2,673	3,277	(8%)
<i>ex-Japan</i>	3,883	6,080	6,583	9,567	8,889	6,173	7,108	8,624	(10%)
<b>Revenue</b>	<b>51,972</b>	<b>42,664</b>	<b>49,811</b>	<b>45,816</b>	<b>57,497</b>	<b>38,123</b>	<b>44,255</b>	<b>43,253</b>	<b>(6%)</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>13,379</b>	<b>16,292</b>	<b>7,287</b>	<b>(29%)</b>
<b>Net income/(loss)<sup>3</sup></b>	<b>18,539</b>	<b>13,010</b>	<b>19,184</b>	<b>4,399</b>	<b>(6,272)</b>	<b>7,564</b>	<b>7,635</b>	<b>11,206</b>	<b>155%</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>17.36</b>	<b>17.50</b>	<b>25.78</b>	
<b>FX rate</b>									
100 KRW/JPY	10.85	11.07	10.46	10.52	9.62	9.30	9.15	9.46	(10%)
CNY/JPY	19.32	19.76	19.48	19.00	17.65	16.53	15.36	15.97	(16%)
USD/JPY	119.09	121.36	122.23	121.50	115.48	108.14	102.43	109.30	(10%)
<b>Key Performance Indicators (Excluding Mobile)</b>									
MAU (millions)	48.9	48.2	49.1	46.5	51.4	44.7	44.3	41.0	(12%)
Pay Rate	10.0%	10.0%	10.1%	11.8%	10.9%	11.3%	11.4%	13.7%	16%
ARPPU (as-reported)	4,805	3,508	4,470	3,162	4,676	3,161	3,651	2,871	(9%)

<sup>1</sup> Europe and Others includes Asian countries (excluding Japan, Korea and China) and South American countries.

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

<sup>3</sup> Net income/(loss) refers to net income/(loss) attributable to owners of the parent, as stated in Nexon's consolidated financial results.

# COGS and SG&A

(Unit: ¥ millions)

	FY2015				FY2016			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
<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>	<b>¥10,475</b>	<b>¥11,242</b>	<b>¥13,339</b>
Royalty <sup>2</sup>	5,621	4,263	5,355	5,745	5,935	3,274	3,988	4,736
HR cost (COGS) <sup>3</sup>	4,022	3,950	4,334	4,674	4,528	4,409	4,335	5,363
Other (COGS) <sup>4</sup>	2,959	2,879	2,863	3,036	2,612	2,792	2,919	3,240
<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>	<b>14,202</b>	<b>16,362</b>	<b>19,234</b>
HR cost	3,695	3,738	3,428	3,602	3,261	3,463	3,668	4,416
PG fee <sup>5</sup>	4,631	4,813	5,128	5,708	5,491	4,046	4,608	5,078
R&D	1,963	1,971	1,729	1,569	1,649	1,939	1,886	1,877
Marketing/advertising expenses	1,630	3,728	3,921	5,272	3,209	1,941	3,618	5,088
Depreciation and amortization	3,026	3,176	2,275	950	797	859	896	1,010
Other	1,831	2,159	1,788	2,481	2,005	1,954	1,686	1,765
Other Income <sup>6</sup>	124	90	101	1,306	147	120	217	537
Other Expense <sup>7</sup>	499	757	655	3,770	24,454	187	576	3,930

<sup>1</sup> Breakdown of COGS and SG&As are unaudited.

<sup>2</sup> Royalty includes royalties paid to third-party developers in order for us to obtain the right to publish their games.

<sup>3</sup> HR cost includes salaries, bonuses and benefits for our live game developers, who support post launch servicing, updating and support for our games.

<sup>4</sup> Other (COGS) primarily consists of depreciation and amortization of assets related to existing games, connection fees (mainly comprised of co-location and datacenter fees, internet bandwidth and access fees), and the costs of purchasing and maintaining our servers and computer equipment.

<sup>5</sup> PG fee in SG&A includes commissions made to external payment gateway companies when users purchase in-game items in PC Online games that we service. It also includes mobile carrier-related commissions we pay regarding our Japanese mobile browser games, commissions we pay to Apple/Google regarding our mobile native games globally, and platform commission fees related to mobile browser games.

<sup>6</sup> Other Income includes other non-operating income, reversal of deferred revenue, gain on sale of properties, and gain on change in equity.

<sup>7</sup> Other Expense includes other non-operating expenses, loss on sale/disposal of properties, loss on impairment of tangible fixed assets, loss on impairment of intangible assets, loss on impairment of other fixed assets and loss on change in equity. It also includes impairment loss of game IPs and goodwill.

# P&L Below Operating Income

(Unit: ¥ millions)

	FY2015				FY2016			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
<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>¥13,379</b>	<b>¥16,292</b>	<b>¥7,287</b>
Finance Income <sup>1</sup>	2,576	2,331	4,277	841	823	808	819	21,790
Finance Costs <sup>2</sup>	117	97	234	3,952	6,549	4,401	7,016	(87)
<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>53</b>	<b>80</b>	<b>(48)</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>	<b>9,839</b>	<b>10,175</b>	<b>29,116</b>
Tax expense <sup>3</sup>	5,835	452	3,239	2,879	4,072	2,262	2,357	17,911
<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>	<b>7,564</b>	<b>7,635</b>	<b>11,206</b>

<sup>1</sup> 2015 Q1, Q2, Q3, 2016 Q4 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> 2015 Q4 and 2016 Q1, Q2, Q3, 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. 2016 Q4 Tax Expense was big due to a 14.6 billion yen deferred tax expense in relation to re-examination of tax effect accounting on overseas subsidiary's retained earnings.

<sup>4</sup> Net income/(loss) refers to net income/(loss) attributable to owners of the parent, as stated in Nexon's consolidated financial results.

# Key Cash Flow Statement

(Unit: ¥ millions)

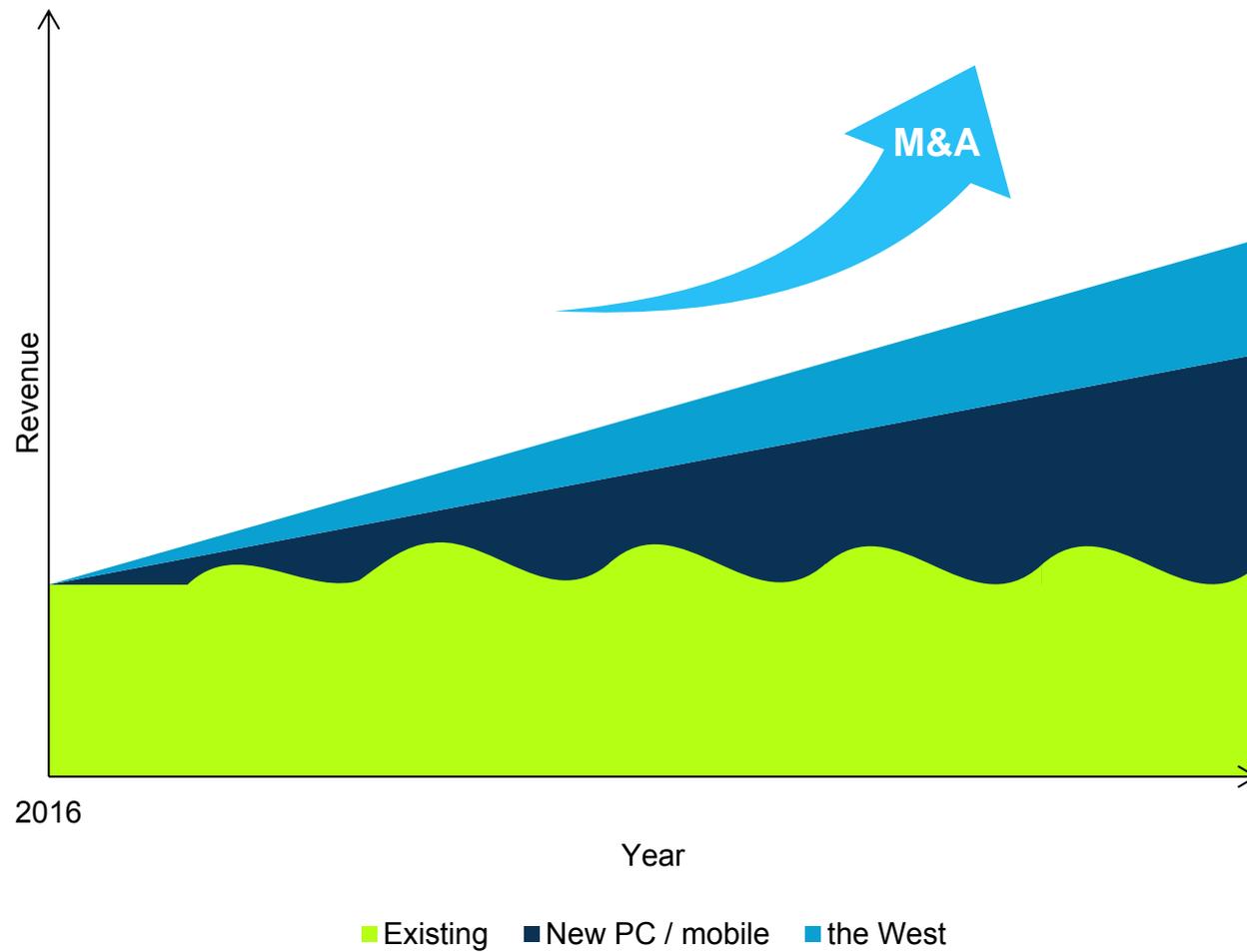
	12 months ended December 31, 2015	12 months ended December 31, 2016
Cash flows from operating activities	¥60,152	¥73,293
Cash flows from investing activities	56,412	(97,084)
Cash flows from financing activities	(35,639)	(9,275)
Net increase / (decrease) in cash and cash equivalents	80,925	(33,066)
Cash and cash equivalents at beginning of fiscal year	117,729	194,225
Effect of exchange rate change on cash and cash equivalents	(4,429)	(8,476)
Cash and cash equivalents at end of fiscal year	194,225	152,683

# Balance Sheet

(Unit: ¥ millions)

	December 31, 2015	December 31, 2016
<b>Asset</b>		
Current Assets		
Cash and cash equivalents	¥194,225	¥152,683
Other current assets	137,445	213,414
<b>Total current assets</b>	<b>331,670</b>	<b>366,097</b>
Noncurrent assets		
Tangible assets	22,027	20,394
Goodwill	35,387	17,523
Intangible assets	7,520	7,127
Others	28,982	30,691
<b>Total noncurrent assets</b>	<b>93,916</b>	<b>75,735</b>
<b>Total assets</b>	<b>425,586</b>	<b>441,832</b>
<b>Liability</b>		
Current liabilities		
Current tax liabilities, current	7,135	5,511
Current borrowings	1,916	1,683
Others	27,833	27,810
<b>Total current liabilities</b>	<b>36,884</b>	<b>35,004</b>
Noncurrent liabilities		
Non-current borrowings	2,501	835
Others	6,520	28,299
<b>Total noncurrent liabilities</b>	<b>9,021</b>	<b>29,134</b>
<b>Total liabilities</b>	<b>45,905</b>	<b>64,138</b>
<b>Equity</b>		
Capital stock	56,441	3,519
Capital surplus	34,597	86,753
Treasury shares	-	(0)
Other equity interest	73,308	56,254
Retained earnings	210,101	226,398
Non-controlling interests	5,234	4,770
<b>Total equity</b>	<b>379,681</b>	<b>377,694</b>
<b>Total liabilities and total equity</b>	<b>425,586</b>	<b>441,832</b>

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



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

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.

This presentation is prepared to offer reference information about NEXON group to the investors and is intended to generally provide investors and analysts with financial and operational information about Nexon, but not to solicit or recommend any sale or purchase of stock or other securities of Nexon. NEXON Co., Ltd. ("Nexon") has not verified and would assume no responsibility for the accuracy, appropriation, or completeness thereof. This presentation does not contain all relevant information relating to Nexon or the sale of its shares, including, without limitation, the information that would be stated under the captions "Risk Factors", "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Business" in an annual report. Any investment decision with respect to any shares of Nexon should be made solely upon the basis of the information contained in the disclosure documents and is qualified in its entirety by reference to the detailed information appearing in the disclosure documents.

This presentation includes non-GAAP and non-IFRS financial measures, including but not limited to key performance indicators, as well as ratios calculated on the basis thereof. These non-GAAP and non-IFRS financial measures should not be considered in isolation or as a substitute for the most directly comparable financial measures included in our consolidated financial statements and presented in accordance with IFRS.

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

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

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

# Q1 2017 Earnings Release Schedule (Tentative)

Q1 2017 financial results are scheduled for release on **May 12 (Fri), 2017**.

Nexon management is scheduled to host an earnings conference call with Japanese – English consecutive translation for investors, analysts and the media on the same day.

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



**NEXON**