



**NEXON**

BUSINESS REPORT  
TO SHAREHOLDERS

January 1 to December 31, 2014

Stock Code: 3659

# Continuing to Advance Our Commitment to Quality



Since the new management team came on board in March of last year, we have been heavily focused on game quality, both for new games in development as well as live games that we currently service around the globe.

2014 was a year of building for Nexon, and we are pleased with the substantial progress we made. In China, we introduced series of high-quality content updates for *Dungeon & Fighter*. In Korea, strong and consistent execution drove 52% year-over-year revenue growth. Particularly notable is the growth of our mobile business in Korea, which grew more than eight-fold year-over-year, as well as the strength of our PC online business, with many of our titles over a decade old but still continuing to grow. Another highlight is our North America business, which grew in the second half of 2014, driven by revamped game operations and increased marketing efforts under the new management team.

While we are making positive strides in a number of areas, in Japan our games did not consistently meet our high standards and expectations for quality as we

1994 1995 1996 1997 1998 1999 2000 2001 2002

### 1994

Founded in Korea



### 1996

Launch of world's first graphic MMORPG\*  
*The Kingdom of the Winds*



### 1999

Launch of world's first free-to-play game *QPLAY*



### 2003

Global launch of MMORPG\* *MapleStory*



### 2005

Headquarters relocated to Japan



# History



● Revenue\* 172,930 million yen

worked through the year in rapidly changing mobile and native game market dynamics. In 2015, we have sharpened our focus on quality, with a high level of attention on execution.

We are Nexon shareholders ourselves and like our fellow shareholders, we care deeply about building the value of our shares over the long term. In order to achieve this goal, we continue to believe that focusing on game quality is the best way to sustainably grow our business and drive long-term value for our shareholders. To that end, we are excited to enter into 2015 with the most robust game pipeline in our history. I look forward to reporting back to you next year.

**Owen Mahoney**

Representative Director, President and CEO



**2008**

Expansion into the China market with MMORPG\* *Dungeon & Fighter*



**2011**

Listed on the First Section of the Tokyo Stock Exchange as the biggest IPO in Japan in FY2011



**2012**

Full-scale entry into mobile game business with acquisition of "gloops, Inc." as a subsidiary



**2013**

Embarked on expansion of business in Western markets by entering into partnerships with leading game developers in Europe and North America



\*MMORPG: Massively multiplayer online role-playing game \*MORPG: Multiplayer online role-playing game \*Revenues in accordance with international accounting standards (IFRS) since FY2012

## Focus on strengthening the operation and development capabilities of the NEXON Group and on establishing partnerships with global game developers

In 2014, we focused on three areas, i.e. “Product” “People” and “Partners” under our new management team. We strengthened our ability to develop and operate truly fun and differentiated game titles, created

an appealing environment for supporting the activities of top talents, and established partnerships with global game developers that share our vision.

### 2014 Initiatives

February	18	Official launch of <i>Legion of Heroes</i> in Korea
March	25	Owen Mahoney assumed office as President and Chief Executive Officer
May	13	Share buyback program approved
	28	Entered into strategic partnership with “Socialspiel Entertainment”, an Austrian game developer
	29	Official launch of <i>EA SPORTS™ FIFA Online 3M</i> on Korea’s Google Play
June	5	Entered into an exclusive global publishing agreement for a new game title by U.S. developer “Turbo Studios”
	26	Entered into an exclusive global publishing agreement for a new game title by Canadian developer “United Front Games”
July	9	Nexon America entered into a partnership with U.S. game developer “Boss Key Productions”
	30	Nexon Korea entered into a publishing agreement with “Chukong Technologies” of China for servicing of mobile MMORPG <i>Legion of Heroes</i> in China
August	7	Entered into a partnership with German game developer “Envision Entertainment”
October	24	Global launch of mobile 3D MMORPG <i>Legion of Heroes</i> via Google Play in Europe and North America
	28	Announced <i>DomiNations</i> , a new mobile game by U.S. developer “Big Huge Games”

## Clear achievements through our efforts to improve the quality of both new and existing games

### 2014 Annual Results

We have taken initiative in the following areas to service even more fun and creative PC online and mobile games.

- Strengthening of internal game development capabilities
- Collaboration with strong partners
- Strategic investments in strong game developers
- Acquisition of publishing rights to new game titles
- Provision of appealing content updates

In Korea, revenues were up 52% year-over-year due to strong performance of PC online and mobile games.

In China, the number of users for *Dungeon & Fighter* remained stable throughout the year. Revenues increased, partly due to the weaker yen.

### Business Outlook

With the global expansion of broadband Internet environments and smartphone usage, we expect the online game market to continue to grow through PC and mobile phone usage in many countries worldwide.

We will continue to strive to enhance the quality of games. Our strong revenue base from existing titles will serve as a springboard for us to aim for long-term growth through the following three methods.

- Servicing of new high-quality PC online and mobile games
- Business expansion in Western markets
- Acquisition of companies with excellent intellectual properties (IPs) and development teams

## Financial Highlights (IFRS)

	FY2012	FY2013	FY2014
Revenue (million yen)	108,393	155,338	172,930
Operating income (million yen)	47,267	50,705	45,509
Net income (million yen)*	28,283	30,132	29,316
Total assets / Total equity attributable to owners of the parent (million yen)	320,188 / 218,728	418,851 / 308,482	437,022 / 340,380
Ratio of equity attributable to owners of the parent company (%)	68.3	73.6	77.9
Net income per share (yen)	65.4	68.8	67.4

\*Amounts attributable to owners of the parent company

# Our Mobile Business

## Excellent growth in Korea Service high-quality games worldwide for an even greater business growth

Mobile business revenues in Korea grew more than eight-fold year-over-year due to servicing of many new and engaging mobile games, including EA SPORTS™ FIFA Online 3M, Legion of Heroes, Three Sword Heroes, and Pocket MapleStory for Kakao.

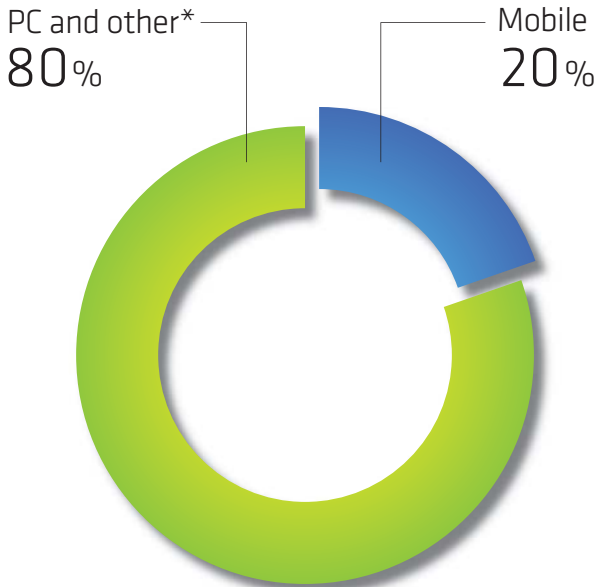
We will continue to service new high-quality mobile games worldwide.



EA SPORTS™  
FIFA Online 3M

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### ● 2014 Revenue by platform



\*Also includes revenues generated by sources other than PC online games and mobile games



Legion of Heroes

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### ● Legion of Heroes global rollout

Korea	
In service	Over 4 million downloads
Europe and North America	
In service	Over 2 million downloads
Japan	
To be launched this spring	To be launched as <i>LINE Cross Legion</i> on LINE GAME
China	
Launch schedule TBD	To be published by "Chukong Technologies"

## We are a global entertainment company

Our aim is to become the No.1 Global Entertainment Company. We currently service around 150 online games in more than 150 countries and regions including Asia, North America, South America, and Europe. We will continue to deliver even more fascinating online games to our users and aggressively grow our online business.

### Main Overseas Subsidiaries



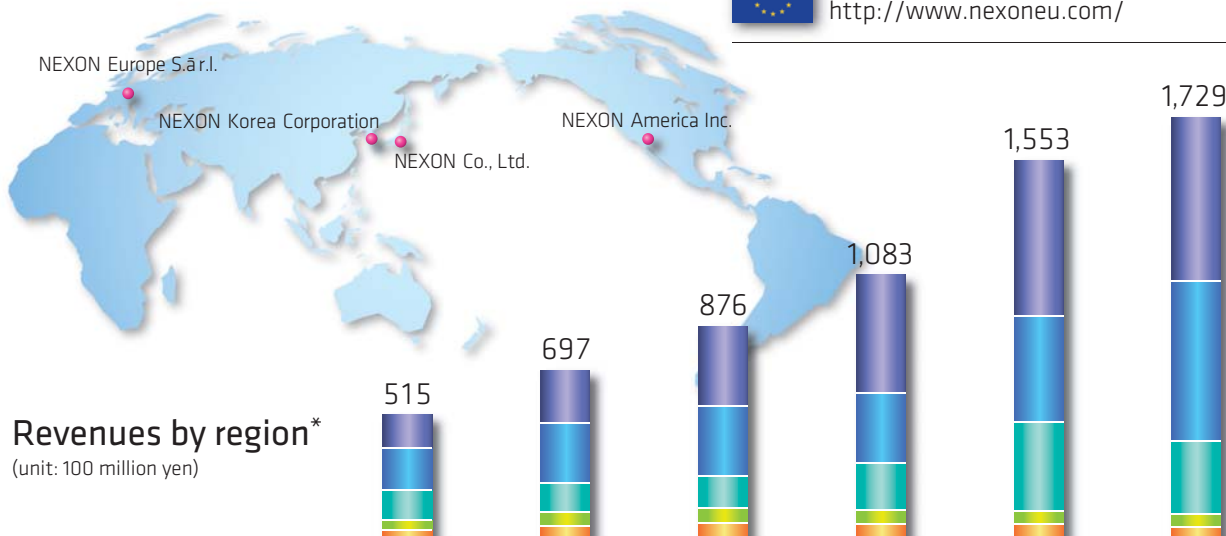
**NEXON Korea Corporation** founded Dec. 1994  
<http://www.nexon.com/>



**NEXON America Inc.** founded Sep. 2005  
<http://www.nexon.net/>



**NEXON Europe S.à r.l.** founded Nov. 2010  
<http://www.nexoneu.com/>



Revenues by region\*  
 (unit: 100 million yen)

China	139	215	327	483	639	670
Korea	171	246	286	287	430	654
Japan	123	121	130	192	364	299
North America	41	55	63	54	54	55
Other	39	57	68	67	66	51
Fiscal Year	2009/12	2010/12	2011/12	2012/12	2013/12	2014/12

\*Revenues are allocated to countries or regions based on the locations of customers  
 \*Revenues in accordance with international accounting standards (IFRS) since FY2012

## Richest pipeline on our history filled with fun and differentiated new games

### PC Online Games



#### MapleStory 2

With a unique worldview configured in blocks, *MapleStory 2* is an isometric-view full-3D MMORPG\* where all players can easily customize distinctive characters and enjoy dynamic battle action. It introduces a user-created content system under which players can create their own costumes and houses.



#### Ghost in the Shell Online

*Ghost in the Shell Online* is a next-generation FPS\* game based on the *Ghost in the Shell: Stand Alone Complex* series. Introducing various elements worthy of the *Ghost in the Shell* franchise, the game has players assume characters from the original story and experience futuristic battles as never before seen in FPS games.



#### Tree of Savior

*Tree of Savior* is a classic MMORPG\* in which players exercise a high degree of freedom in their quest for goddesses who have disappeared from a world covered in plant life. In a visual world featuring cute graphics with a painting-like sensibility, players can develop their very own characters from among more than 80 types of unique characters.

### Mobile Games



#### Durango

*Durango* is a pioneer-type open world MMORPG\* in which players build a society by developing the savage environment found when modern humans are thrown into the dinosaur era. The game provides a new playing style with players freely wielding their own originality and ingenuity as they fight for survival, explore, hunt, build communities, and so on.



#### Mabinogi: Duel

*Mabinogi: Duel* is a strategy-oriented trading card game in which players enjoy intricate play using a deck consisting of five types of resources and twelve cards. The most distinctive game features are that it is possible to select from a variety of playing methods, and that cards can be traded between players.



#### DomiNations

*DomiNations* is an innovative strategy game in which players try to develop their civilization and conquer not only the world but also outer space. Players can enjoy solo or cooperative play in many of the world's civilizations from the Stone Age to the Space Age.

## Our CSR initiatives value our ties with society and the community, and engage the children who are our future

At NEXON, we place great importance on the building of ties with society and the community through our services. We view improvement of the social environment as one of our important tasks and actively engage in activities to enrich the individuality and dreams of the children who are our future.

### Future Creators Project

Together with “Qremo IT school for kids”, we are supporting the creative future career development of children through activities so that they can become “creators who can give form to ideas.”





### Summer Vacation One-Day Employee Experience

Every summer, we invite elementary and junior high school students to our office for a one-day experience in the workshops, office tours, Q&A sessions, and other activities, through which we support “career education” by having them think about the meaning of work and the relationship between themselves and society.




### Sponsorship Activities

As a sponsor of the Chiba Lotte Marines, we hold youth baseball camps with leading players as instructors, and we present season coupons to enthusiastic young baseball players in the Tokyo metropolitan area. Through these activities, we offer the “fun” and “excitement” of professional baseball to children and members of the community.



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# Financial Data (IFRS)

## Consolidated Statement of Financial Condition

(Units: millions of yen)

Account Items	Previous fiscal year as of December 31, 2013	Current fiscal year as of December 31, 2014
<b>Assets</b>		
Current assets	217,799	258,125
Non-current assets	201,052	178,897
Total assets	418,851	437,022
<b>Liabilities</b>		
Current liabilities	50,453	57,023
Non-current liabilities	55,339	34,522
Total liabilities	105,792	91,545
<b>Capital</b>		
Capital stock	51,952	52,481
Capital surplus	50,688	40,830
Treasury stock	△0	—
Other components of capital	74,468	92,044
Retained earnings	131,374	155,025
Total capital attributable to owners of parent company	308,482	340,380
Non-controlling interests	4,577	5,097
Total capital	313,059	345,477
Total liabilities and capital	418,851	437,022

## Consolidated statements of income

(Units: millions of yen)

Account Items	Previous fiscal year From January 1, 2013 to December 31, 2013	Current fiscal year From January 1, 2014 to December 31, 2014
Revenue	155,338	172,930
Cost of sales	△34,150	△44,335
Gross profit	121,188	128,595
Selling, general and administrative expenses	△59,575	△68,600
Other revenue	1,637	1,210
Other expenses	△12,545	△15,696
Operating income	50,705	45,509
Financial revenue	3,237	9,074
Financial expenses	△5,199	△1,714
Investment loss on equity method affiliates	△95	△198
Pretax net income	48,648	52,671
Income tax expenses	△18,343	△23,250
Net income	30,305	29,421

## Consolidated statements of cash flows

(Units: millions of yen)

Account Items	Previous fiscal year From January 1, 2013 to December 31, 2013	Current fiscal year From January 1, 2014 to December 31, 2014
Operating activities	60,208	58,118
Investing activities	△6,345	△61,820
Financing activities	△13,033	△27,050
Net change in cash and cash equivalents	40,830	△30,752
Cash and cash equivalents at beginning of period	84,736	138,843
Impact of exchange rate changes on cash and cash equivalents	13,277	9,638
Cash and cash equivalents at end of period	138,843	117,729

## Corporate Profile (as of Dec. 31, 2014)

Corporate Name	NEXON Co., Ltd.
Founded	December 18, 2002
Location	2-3-1, Shinkawa, Chuo-ku, Tokyo 104-0033 Tel.03-3523-7911
Capital Stock	¥52,332 million
Business	<ul style="list-style-type: none"> <li>•PC online game development and services</li> <li>•Mobile game development and services</li> <li>•Portal site planning and management</li> </ul>

## Board of Directors (as of Mar.27, 2015)

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

## Corporate Share Information (as of Dec. 31, 2014)

Total number of authorized shares	1,400,000,000
Number of shares issued	431,256,017
Number of shareholders	6,606

## Dividend

2013/Dec		2014/Dec	
Total 10 Yen	Year End 5 Yen	Total 10 Yen	Year End 5 Yen
	Interim 5 Yen		Interim 5 Yen

## Major Shareholders (Top 10 as of Dec. 31, 2014)

Name of Shareholders	Number of Shares (Thousand Shares)	Ratio (%)
NXC Corporation	177,631	41.19
NXMH B.V.B.A.	93,593	21.70
CBHK-KOREA SECURITIES DEPOSITORY-SAMSUNG	13,323	3.09
Min Seo	9,257	2.15
STATE STREET BANK AND TRUST COMPANY	7,897	1.83
CBNY-ORBIS SICAV	7,189	1.67
Japan Trustee Services Bank, Ltd. (Trust Account)	5,417	1.26
The Master Trust Bank of Japan, Ltd. (Trust Account)	4,443	1.03
CBNY-ORBIS FUNDS	4,396	1.02
The Foundation for Children's Library Culture Development	4,000	0.93

## Shareholder Breakdown (as of Dec. 31, 2014)

