



# Investor Presentation

## Q1 2014

May 13, 2014

**NEXON Co., Ltd.**

# CEO Message

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- New management team has conducted extensive bottoms-up review of the business
  - Strengths:
    - Unparalleled experience and knowledge in online games
    - Multiple successful partnerships with likely more on the way
    - Compelling free-to-play business model that is in line with changing trends in the industry
    - Strong pipeline of new games
  - Points for improvement:
    - Monetization at higher levels of gameplay hurt some games
    - Over-emphasis on quantity over quality of games, especially on mobile
- Going forward, we will:
  - Focus on quality: re-allocating resources to our best games, cut all others
  - Re-engineering some of our games to improve game balance and user engagement
  - Focus on mobile through fun and differentiated games
- Some near-term risks to note:
  - *Dungeon&Fighter* in China: key milestone is tier-1 content update coming in June
  - Further operating income margin compression is likely; margins will reflect aggregate revenue, geographic mix, platform (mobile) mix, royalties
  - gloops goodwill (31 billion yen) may be subject to impairment depending on the pace of its transition to native games
- New initiatives to focus on quality could result in near term pressure on revenue and margins, but we believe this will benefit us through the generation of sustainable revenues, profit, and cash-flow

# Q1 2014 Results

# Highlights

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- First quarter revenues and operating income were above the high end of our outlook
  - ¥47.5 billion revenues, up 7% year-over-year on an as-reported basis, down 3% on a constant currency basis
  - ¥21.2 billion operating income, up 2% year-over-year, 45% operating margin
  - ¥16.1 billion net income<sup>1</sup>, up 7% year-over-year
  
- Revenue outperformance due to strength in China and Korea
  - China: Above high end of expectations, up 4% year-over-year on an as-reported basis, down 8% on a constant currency basis
    - Driven by the performance of *Dungeon&Fighter* Lunar New Year updates
    - *Dungeon&Fighter* MAUs were stable quarter-over-quarter
  - Korea: Strong performance of existing PC titles and newly released mobile titles such as *Legion of Heroes* drove revenue increase of 44% year-over-year on an as-reported basis, 28% on a constant currency basis
  
- Operating income outperformance influenced by lower-than-expected HR and Marketing costs

<sup>1</sup> Net income refers to net income attributable to owners of the parent, as stated in Nexon's consolidated financial results.

# Q1 Financial Results

(Unit: ¥ millions, except per share data)

## Select Consolidated Financial Data (IFRS)

	Q1 2013	Q1 2014 Outlook		Q1 2014	YoY %
		Low-end	High-end		
<b>Revenues</b>	<b>¥44,364</b>	<b>¥42,030</b>	<b>¥45,661</b>	<b>¥47,491</b>	<b>7%</b>
PC	36,877	35,672	38,658	40,297	9%
Mobile	7,487	6,358	7,003	7,194	(4%)
<b>Operating income</b>	<b>20,716</b>	<b>15,619</b>	<b>18,704</b>	<b>21,171</b>	<b>2%</b>
Net income <sup>1</sup>	15,150	12,128	14,480	16,144	7%
Earnings per share	34.77	27.60	32.96	36.74	6%
Cash and cash equivalents	110,510			149,040	
<b>Exchange rates</b>					
100 KRW/JPY	8.53	9.48	9.48	9.63	
CNY/JPY	14.73	16.40	16.40	16.83	
USD/JPY	92.42	100.46	100.46	102.78	

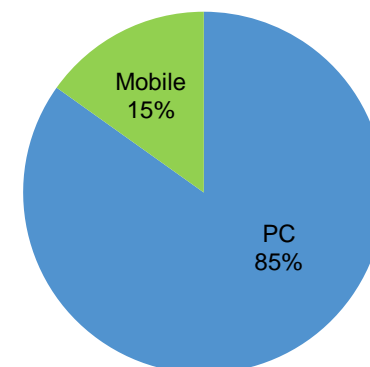
<sup>1</sup> Net income refers to net income attributable to owners of the parent, as stated in Nexon's consolidated financial results.

# Regional Revenues and Selected Performance Metrics

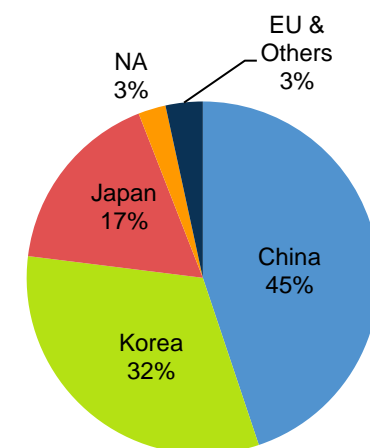
(Unit: ¥ millions)

: ¥ millions)		Q1 2014		YoY % Change	
		(As-Reported)	(Constant Currency)	(As-Reported)	(Constant Currency)
Revenue by Region <sup>1</sup>	Q1 2013				
China	¥20,409	¥21,302	¥18,853	4%	(8%)
Korea	10,589	15,251	13,509	44%	28%
Japan	9,927	8,121	8,121	(18%)	(18%)
North America	1,418	1,345	1,208	(5%)	(15%)
Europe and Others <sup>2</sup>	2,021	1,472	1,294	(27%)	(36%)
Nexon Total	44,364	47,491	42,985	7%	(3%)
Revenue by Platform					
PC	36,877	40,297	35,915	9%	(3%)
Mobile	7,487	7,194	7,069	(4%)	(6%)
Nexon Total	44,364	47,491	42,985	7%	(3%)
FX Rate					
100 KRW/JPY	8.53	9.63	8.53		
CNY/JPY	14.73	16.83	14.73		
USD/JPY	92.42	102.78	92.42		
Selected Performance Data (Excluding Mobile) <sup>3</sup>	Q1 2013	Q2 2013	Q3 2013	Q4 2013	Q1 2014
MAU (millions)	71.5	71.0	62.6	53.9	55.9
Pay Rate	11.5%	10.2%	10.4%	10.0%	11.0%
ARPPU <sup>4</sup>	2,532	2,181	2,447	2,617	3,639
ARPPU (constant currency) <sup>5</sup>	2,532	2,034	2,502	2,331	3,233

Q1 2014 Revenue by Platform



Q1 2014 Revenue by Region<sup>1</sup>



<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.

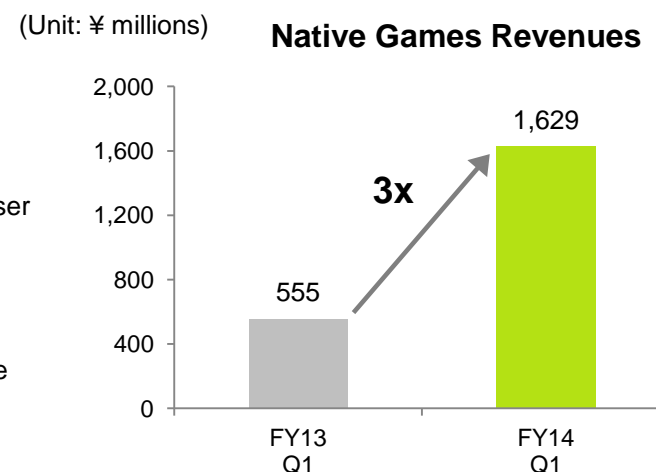
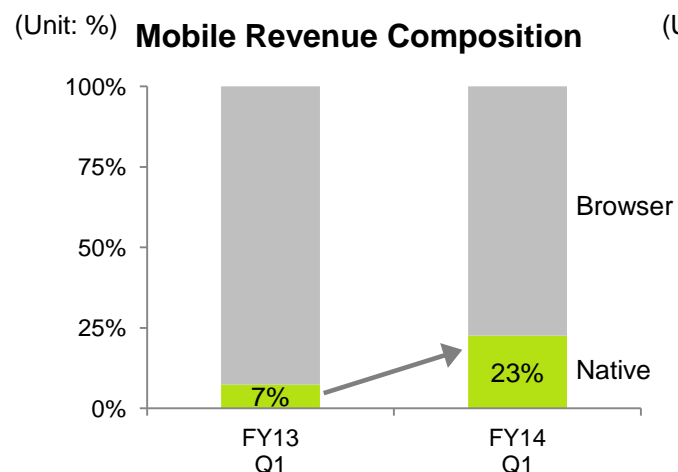
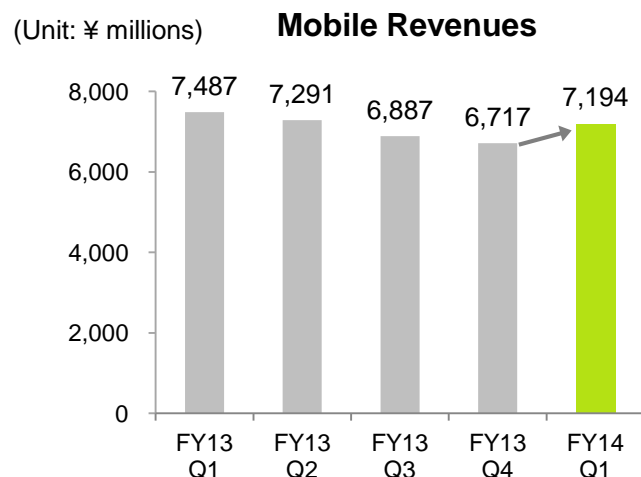
<sup>3</sup> Selected Performance Data is not dependent on accounting methods. The selected performance above excludes the mobile business.

<sup>4</sup> ARPPU (Average Revenue Per Paying User) is the average of monthly ARPPUs for the quarter.

<sup>5</sup> On a constant currency basis (using Q1 2013 currency exchange rates).

# Mobile Revenues Increased Quarter-over-Quarter

- Quarter-over-quarter mobile revenue growth in Q1 primarily driven by native games contribution
- Unique capabilities and experience from PC online games:
  - Immersive experience similar to PC achieved on mobile: *Legion of Heroes*
  - Synchronized functionality with PC online title: *FIFA Online 3 M*
- Continuing aggressive focus on delivering high-quality native mobile games
- Will release mobile games across various platforms and regions throughout 2014



# China – Highlights

- Revenues were ¥21.3 billion, up 4% year-over-year on an as-reported basis, down 8% on a constant currency basis
- *Dungeon&Fighter* surpassed high end of expectations supported by the Lunar New Year update
- *Dungeon&Fighter* MAUs were stable quarter-over-quarter from Q4-Q1



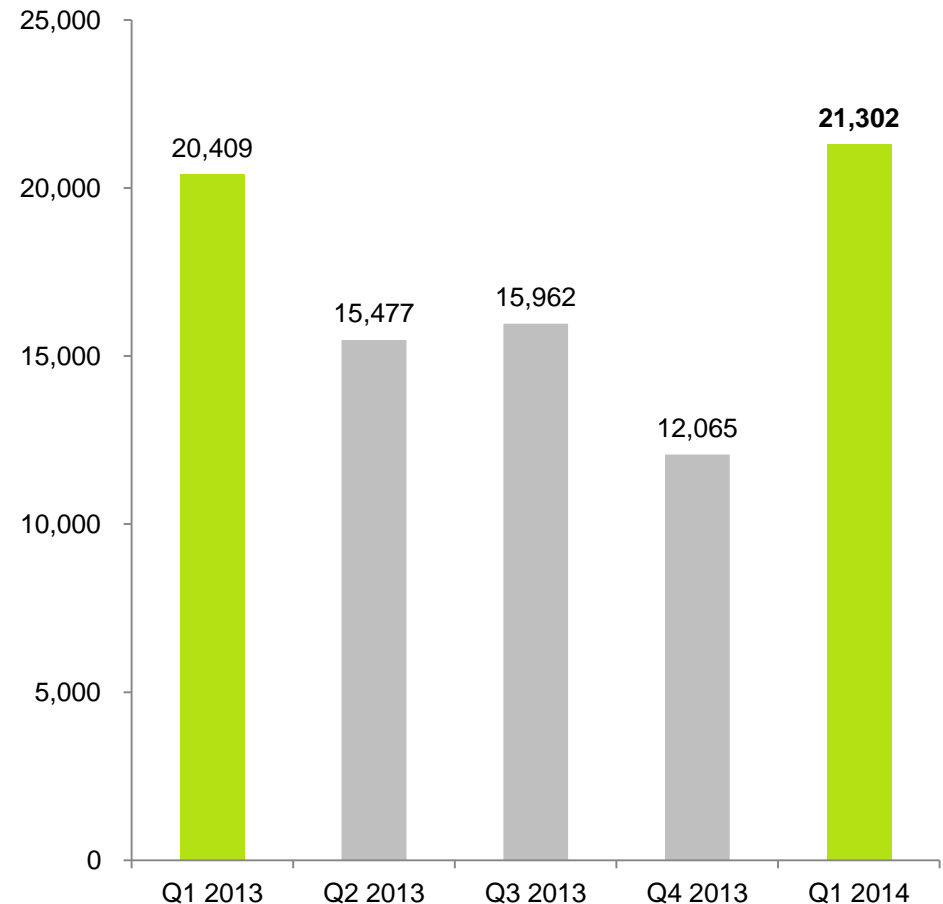
(Unit: ¥ millions)

## China

YoY% change:

As Reported: +4%

Constant Currency: -8%





# Korea – Highlights

- Revenues were ¥15.3 billion, up 44% year-over-year on an as-reported basis, 28% on a constant currency basis
- FIFA Online 3* experienced another strong quarter enhanced by updates and *FIFA Online 3 M* released in February
- Sudden Attack* set historical records of 17.6% of PC café market share and 230K MCCU<sup>1</sup>
- Launched five new mobile titles including *Legion of Heroes*, *Ring Toss*, *FIFA Online 3 M*
- Legion of Heroes* was launched on Google Play on February 14 and has been consistently ranking in the top 10 of Korean Google Play Top Grossing<sup>2</sup>
  - Full 3D MMORPG with KPIs similar to PC online games
  - 1 million downloads in under 3 weeks; only non-Kakao game in the top 10 top grossing<sup>2</sup>

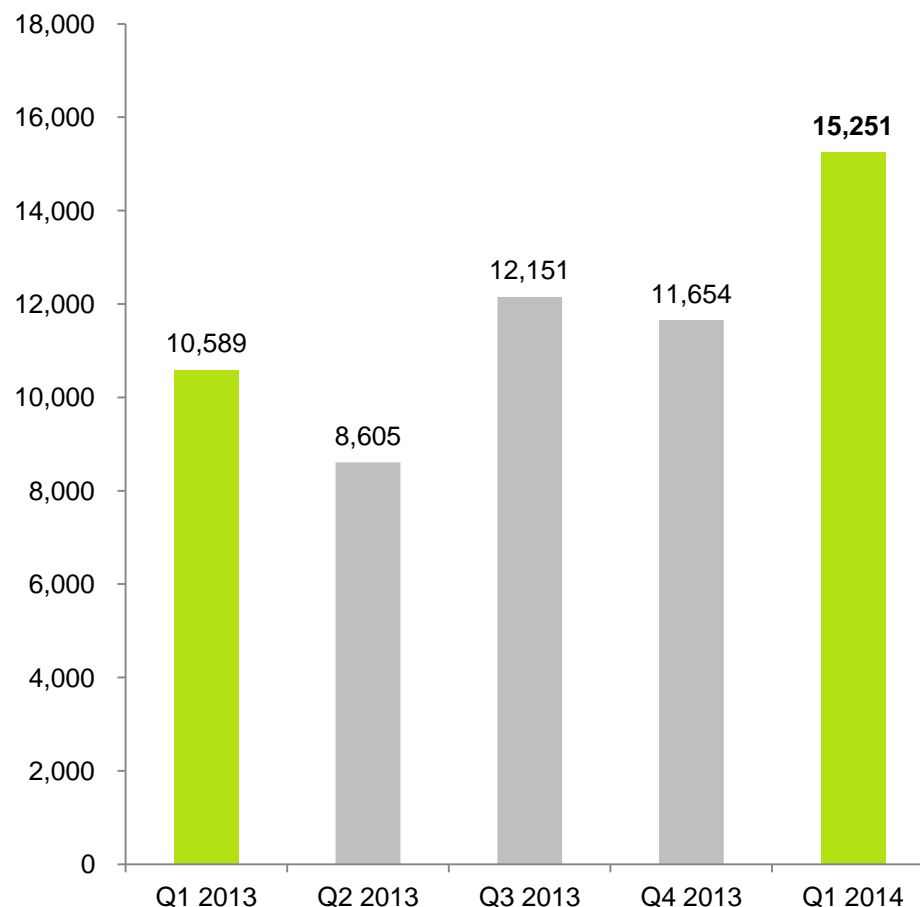
(Unit: ¥ millions)

## Korea

YoY% change:

As Reported: +44%

Constant Currency: +28%

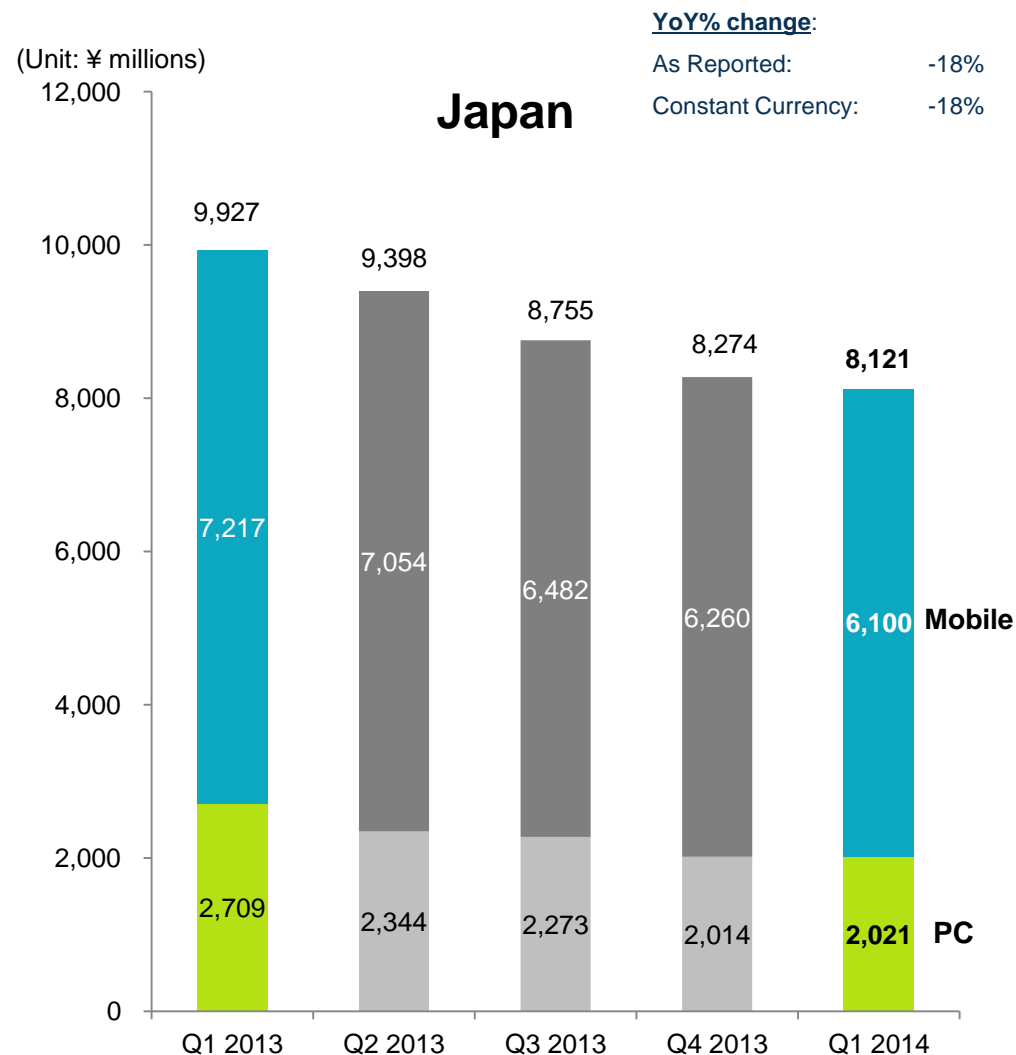


<sup>1</sup> Data source: Gametrics

<sup>2</sup> Data source: App Annie

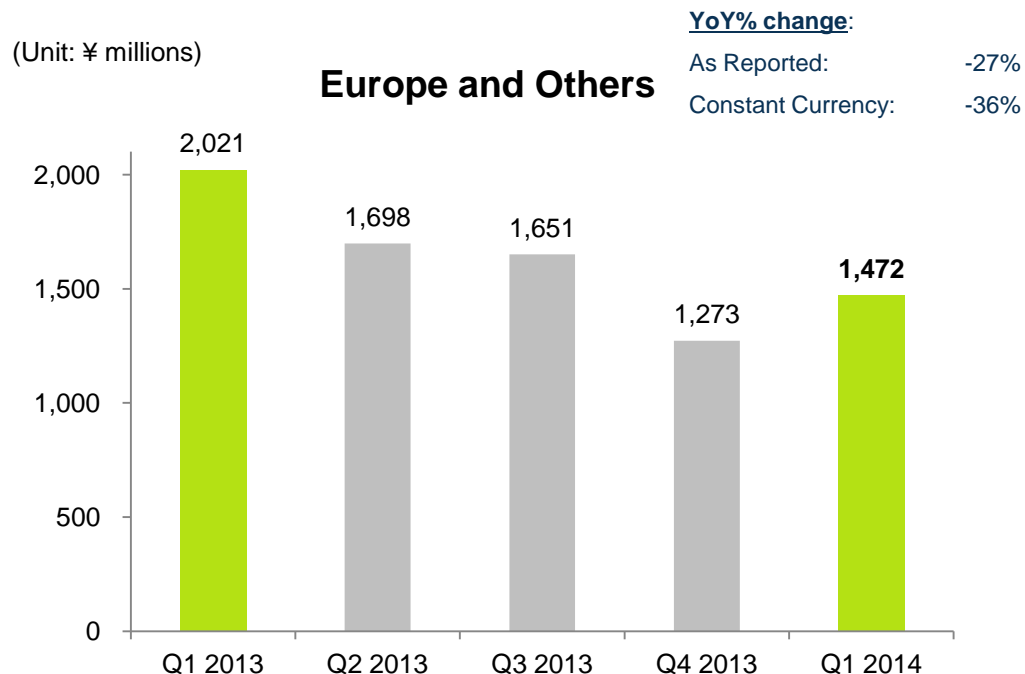
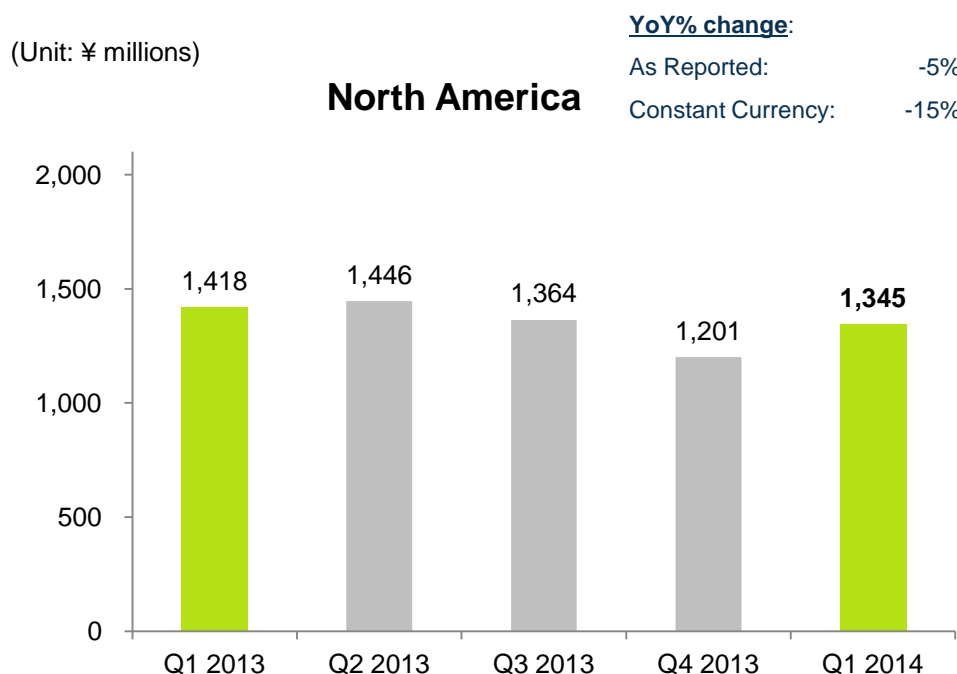
# Japan – Highlights

- Revenues were ¥8.1 billion, down 18% year-over-year, 2% quarter-over-quarter
- PC online and mobile revenues decreased year-over-year
- Launched 5 new mobile titles of which 2 were native, including *Magi: Dungeon & Magic*



# North America, Europe, and Others – Highlights

- Revenues in North America were ¥1.3 billion, down 5% year-over-year on an as-reported basis, 15% on a constant currency basis
- Revenues in Europe and other regions were ¥1.5 billion, down 27% year-over-year on an as-reported basis, 36% on a constant currency basis
- Teams and partners in place with strong pipeline of 2H 2014 launches; continuing to realign operations



# Q2 2014 Outlook

# Q2 2014 Business Outlook

(Unit: ¥ millions, except per share data)

- Expect Group revenues to be down 9% to 3% year-over-year on an as-reported basis, down 14% to 9% on a constant currency basis

	Q2 2013	Q2 2014		YoY	
<b>Revenues</b>	<b>¥36,624</b>	<b>¥33,481</b>	~ <b>¥35,610</b>	<b>(9%)</b>	~ <b>(3%)</b>
PC	29,333	26,068	~ 27,562	(11%)	~ (6%)
Mobile	7,291	7,413	~ 8,047	2%	~ 10%
<b>Operating income</b>	<b>13,425</b>	<b>6,303</b>	~ <b>7,966</b>	<b>(53%)</b>	~ <b>(41%)</b>
<b>Net income<sup>1</sup></b>	<b>11,365</b>	<b>4,305</b>	~ <b>5,549</b>	<b>(62%)</b>	~ <b>(51%)</b>
<b>Earnings per share</b>	<b>25.98</b>	<b>9.79</b>	~ <b>12.62</b>	<b>(62%)</b>	~ <b>(51%)</b>
<b>FX Rate Assumptions</b>					
100 KRW/JPY	8.81	9.63	9.63		
CNY/JPY	15.94	16.83	16.83		
USD/JPY	98.76	102.78	102.78		

- Every one Japanese yen move against the U.S. dollar would have the following impact on our financials for the second quarter of 2014<sup>2</sup>

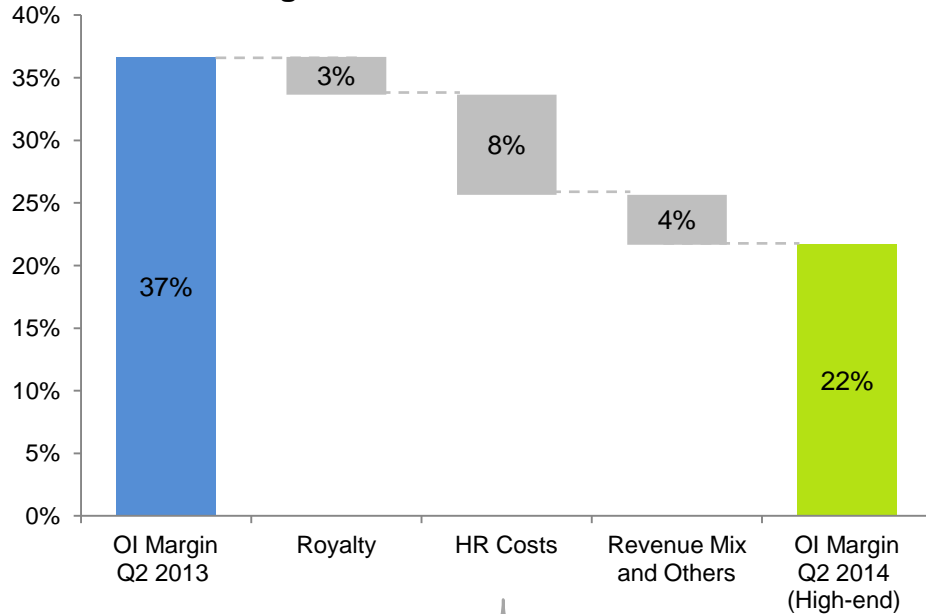
<b>Revenue</b>	0.27 billion yen
<b>Operating Income</b>	0.09 billion yen

<sup>1</sup> Net income refers to net income attributable to owners of the parent, as stated in Nexon's consolidated financial results.

<sup>2</sup> In most situations, the exchange rates of both the South Korean won and the Chinese yuan are linked to the U.S. dollar.

# Q2 2014 Operating Income Margin Outlook

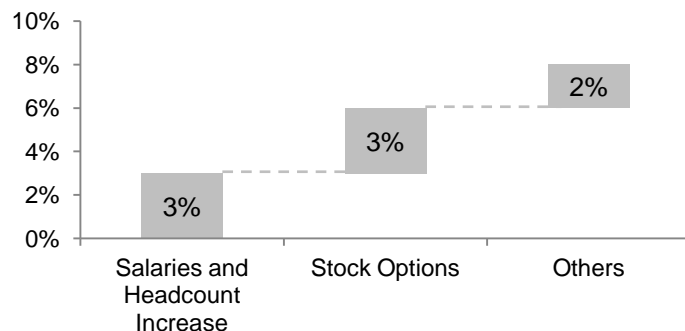
Margin Structure Shift Illustration<sup>1</sup>



Expect Q2 2014 operating margin of 19% to 22% due to:

- Royalty: Costs associated with third-party licensed games, including *FIFA Online 3* and *FIFA Online 3 M*
- HR Costs: Includes salary and headcount increase and grant of stock options
- Revenue Mix and Others: Change in the geographical revenue contribution with increased contribution from Korea, which has lower margin than China

HR Costs Breakdown Illustration<sup>1</sup>



<sup>1</sup> Chart is an approximation.

# Q2 2014 Regional Outlook

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## China

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- **Expect YoY double digit decrease on a constant currency basis**
- *Dungeon&Fighter* June tier-1 update was announced at the Tencent Games Conference on April 16. Promotion will continue through nation-wide marketing campaign
- *Dungeon&Fighter* June tier-1 update not expected to have significant impact on Q2 revenues
- Expect to launch at least one mobile (native) title during Q2



## Japan

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- **Expect YoY double digit decrease**
- PC: Expect existing titles to trend in-line with relatively flat market
- Mobile: Most revenue to come from existing browser games in Q2; focusing resources on shift to native games
- Plan to launch more than 5 mobile titles during Q2, including browser, gloops native and Korea-developed native games



## Korea

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- **Expect YoY double digit increase on a constant currency basis**
- Expect *FIFA Online 3* to drive revenue with the 2014 World Cup; promotions and updates scheduled in Q2
- Full three month revenue contribution of hit mobile titles launched in Q1, including *Legion of Heroes* (2/14) and *FIFA Online 3 Mobile* (2/27)
- Expect to launch over 5 mobile (native) titles during Q2

## US, EU and Others

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- **Expect YoY double digit decrease on a constant currency basis**
- Most revenue to come from existing PC games
- New titles to hit the market in Q2, including 3 mobile (native) titles in the US and *United Eleven* in Europe, a cross-platform soccer game

# 2014 Full Year Key Revenue Drivers and Risks

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## China

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- Revenue trends will depend on the performance of *Dungeon&Fighter* post the June tier-1 update and the performance of other existing titles
- Delay in government approval of new games could impact launch schedule
- No new Nexon PC launch has been announced



## Korea

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- Performance of *FIFA Online 3* and its mobile version, especially around the World Cup, could drive revenue and user metrics
- *Dungeon&Fighter*, *Sudden Attack*, and other existing titles continue to be large revenue contributors
- Hit mobile titles including *Legion of Heroes* and *FIFA Online 3 Mobile* to continue revenue contribution
- Additional mobile hits could generate more revenue upside



## Japan

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- PC online market not expected to grow; Nexon PC revenue primarily from existing PC titles
- Most of Nexon's Japan mobile revenues expected to continue coming from browser games
- The browser mobile game market continues to experience overall decline, but the rate of decline seems to be slowing down
- Main focus is transition into native games: majority of new mobile games should be native games







## US, EU and Others

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- Revenue contribution will continue to come primarily from existing PC titles
- Mobile publishing titles from strategic studio investments will be launched in the second half of 2014



# 2014 Major Title Tier 1 Content Update Schedule




















		Q1	Q2	2H
China	 Dungeon&Fighter	Lunar New Year Update	June Content Update	National Holiday Update
	 Counter-Strike Online	Lunar New Year Update		
	 FIFA Online 3		World Cup Update	
Korea	 MapleStory	"You&I " Content Update	11 <sup>th</sup> Anniversary Update	
	 Dungeon&Fighter	"Knight" Content Update	"Gunner Upgrade" Content Update	"Raid" Content Update
	 Sudden Attack	Winter Content Update (Continued from Q4 2013)		Summer Update
	Others		Mabinogi 10 <sup>th</sup> Anniversary Update Dota 2 Sponsorship League	

Note 1: Schedule is subject to change

Note 2: Key updates are circled

# 2014 Pipeline

- Expect to launch 20+ mobile titles across the regions in 2014

	Q1 2014	Q2 2014	2H 2014 and Onward
PC		 United Eleven (NHN) (Europe) Cross-platform	 (Korea)  Ghost in the Shell, from Neople Studio (Korea)  Peria Chronicles (Korea)  Developed by Robotoki (Global)
Mobile	 (Korea)  Legion of Heroes (Korea)  To Love Ru (Japan)  Ring Toss (Korea)	 Magia Break (Japan)  Red Muffler for Kakao (Korea)  Fantasy Runners (China)  Title from Nexon M (US)	 Titles from Nexon Korea  Titles from Nexon Japan  Title from Nexon GT (Korea)  Title from SecretNewCo (US)  Title from gloops (Japan)  Title from Shiver Entertainment (US)

Note 1: Formerly GameHi

Note 2: Schedule is subject to change

# Announcement of Share Buyback

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- Buyback is in addition to our currently planned dividend of five yen per share every six months
- Details of share buyback program:
  - Date of Announcement: May 13<sup>th</sup>, 2014
  - Class of Stock: Common shares
  - Total Number of Shares: Up to 12,500,000 (2.8% of the total number of shares outstanding excluding treasury shares)
  - Total Amount: Up to 10,000,000,000 yen
  - Period: From May 14<sup>th</sup>, 2014 to August 14<sup>th</sup>, 2014
  - Acquisition method: Auction market on Tokyo Stock Exchange

# Appendix

# Summary of Results and Key Operational Metrics

(Unit: ¥ millions except per share data)

	Q1 2013	Q2 2013	Q3 2013	Q4 2013	Q1 2014	YoY%
<i>(By Region)</i>						
China	¥20,409	¥15,477	¥15,962	¥12,065	¥21,302	4%
Korea	10,589	8,605	12,151	11,654	15,251	44%
Japan	9,927	9,398	8,755	8,274	8,121	(18%)
North America	1,418	1,446	1,364	1,201	1,345	(5%)
Europe and Others	2,021	1,698	1,651	1,273	1,472	(27%)
<i>(By Business)</i>						
PC online	36,877	29,333	32,995	27,750	40,297	9%
Mobile	7,487	7,291	6,887	6,717	7,194	(4%)
<b>Revenue</b>	<b>44,364</b>	<b>36,624</b>	<b>39,883</b>	<b>34,467</b>	<b>47,491</b>	<b>7%</b>
<b>Operating income</b>	<b>20,716</b>	<b>13,425</b>	<b>16,237</b>	<b>327</b>	<b>21,171</b>	<b>2%</b>
<b>Net income/(loss)<sup>1</sup></b>	<b>15,150</b>	<b>11,365</b>	<b>8,054</b>	<b>(4,437)</b>	<b>16,144</b>	<b>7%</b>
<b>Earnings per share</b>	<b>34.77</b>	<b>25.98</b>	<b>18.35</b>	<b>(10.10)</b>	<b>36.74</b>	<b>6%</b>
<b>Cash and deposits</b>	<b>110,510</b>	<b>112,235</b>	<b>103,820</b>	<b>138,843</b>	<b>149,040</b>	
<b>FX rate</b>						
100 KRW/JPY	8.53	8.81	8.94	9.48	9.63	
CNY/JPY	14.73	15.94	16.06	16.40	16.83	
USD/JPY	92.42	98.76	98.95	100.46	102.78	
<b>Key Performance (Excluding Mobile)</b>						
MAU (millions)	71.5	71.0	62.6	53.9	55.9	
Pay Rate	11.5%	10.2%	10.4%	10.0%	11.0%	
ARPPU (as-reported)	2,532	2,181	2,447	2,617	3,639	
ARPPU (constant currency) <sup>2</sup>	2,532	2,034	2,502	2,331	3,233	

<sup>1</sup> Net income/(loss) refers to net income attributable to owners of the parent, as stated in Nexon's consolidated financial results.

<sup>2</sup> Using the currency rates of Q1 2013.

# COGS and SG&A

(Unit: ¥ millions)

	FY2013				FY2014
	Q1	Q2	Q3	Q4	Q1
<b>Total Cost of Revenue <sup>1</sup></b>	<b>¥7,831</b>	<b>¥7,734</b>	<b>¥9,229</b>	<b>¥9,358</b>	<b>¥10,249</b>
Royalty <sup>2</sup>	2,673	2,180	3,539	3,046	4,055
HR cost (COGS) <sup>3</sup>	2,875	3,193	3,014	3,219	3,461
Other(COGS) <sup>4</sup>	2,283	2,361	2,676	3,093	2,733
<b>Total SG&amp;A <sup>1</sup></b>	<b>15,343</b>	<b>13,945</b>	<b>14,313</b>	<b>15,973</b>	<b>14,855</b>
HR cost	3,004	3,241	2,814	3,063	3,602
PG fee <sup>5</sup>	2,259	2,037	2,322	2,202	2,661
R&D	659	860	1,035	1,263	1,120
Marketing / advertising expenses	1,878	3,202	2,211	2,409	1,382
Depreciation and amortization	2,488	2,552	2,556	2,753	2,802
Other <sup>5</sup>	5,055	2,052	3,375	4,283	3,288
Other Income <sup>6</sup>	164	102	225	1,147	208
Other Expense <sup>7</sup>	638	1,622	329	9,956	1,424

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

<sup>2</sup> Royalty costs include royalties paid to third-party developers for 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 Fees in SG&A include 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 browser games.

<sup>6</sup> Other in SG&A includes mobile platform commission fees.

<sup>7</sup> Other Income includes other non-operating income, reversal of deferred revenue, gain on sale of properties, and gain on change in equity.

<sup>8</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. Q2 2013, Q4 2013, and Q1 2014 Other Expense includes impairment of game IP and impairment of goodwill.

# P&L Below Operating Income

(Unit: ¥ millions)

	FY2013				FY2014
	Q1	Q2	Q3	Q4	Q1
<b>Operating Income</b>	<b>¥20,716</b>	<b>¥13,425</b>	<b>¥16,237</b>	<b>¥327</b>	<b>¥21,171</b>
Finance Income <sup>1</sup>	2,336	2,342	739	1,244	1,014
Finance Costs <sup>2</sup>	196	1,471	3,137	3,819	385
<b>Equity income/(losses) of affiliates, equity method companies</b>	<b>(268)</b>	<b>(99)</b>	<b>15</b>	<b>258</b>	<b>(32)</b>
<b>Income/(Loss) before Income Tax</b>	<b>22,588</b>	<b>14,197</b>	<b>13,854</b>	<b>(1,990)</b>	<b>21,768</b>
Tax expense	(7,238)	(2,875)	(5,714)	(2,519)	(5,446)
<b>Net Income/(loss) <sup>3</sup></b>	<b>15,150</b>	<b>11,365</b>	<b>8,054</b>	<b>(4,437)</b>	<b>16,144</b>

<sup>1</sup> 2013 Q1 and Q2 Financial Income are mainly caused by FX

<sup>2</sup> 2013 Q2 Finance Costs are primarily due to a loss recorded from the disposal of JCE shares. 2013 Q3 Finance Costs are primarily due to the U.S. dollar to Korean won exchange rate impact chiefly associated with *Dungeon&Fighter* royalties from China. Finance cost for Q4 2013 includes impairment loss of equity method affiliates, mainly from 6waves.

Impairment losses in equity method affiliates are recorded in finance costs under IFRS.

<sup>3</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, 2013	3 months ended March 31, 2014
Cash flows from operating activities	¥2,424	¥9,233
Cash flows from investing activities	26,557	10,942
Cash flows from financing activities	(6,663)	(7,276)
Net increase in cash and cash equivalents	22,318	12,899
Cash and cash equivalents at beginning of fiscal year	84,736	138,843
Effect of exchange rate change on cash and cash equivalents	3,456	(2,702)
Cash and cash equivalents at end of fiscal year	110,510	149,040



# Balance Sheet

(Unit: ¥ millions)

	December 31, 2013	March 31, 2014
<b>Asset</b>		
Current Assets		
Cash and cash equivalents	¥138,843	¥149,040
Other current assets	78,956	75,639
<b>Total current assets</b>	<b>217,799</b>	<b>224,679</b>
Noncurrent assets		
Tangible assets	22,080	20,913
Goodwill	45,802	45,136
Intangible assets	26,653	22,501
Others	106,517	93,320
<b>Total noncurrent assets</b>	<b>201,052</b>	<b>181,870</b>
<b>Total assets</b>	<b>418,851</b>	<b>406,549</b>
<b>Liability</b>		
Current liabilities		
Current tax liabilities, current	8,502	8,407
Current borrowings	13,408	14,149
Others	28,543	25,620
<b>Total current liabilities</b>	<b>50,453</b>	<b>48,176</b>
Noncurrent liabilities		
Non-current borrowings	34,605	27,988
Others	20,734	14,925
<b>Total noncurrent liabilities</b>	<b>55,339</b>	<b>42,913</b>
<b>Total liabilities</b>	<b>105,792</b>	<b>91,089</b>
<b>Equity</b>		
Issued capital	51,952	52,024
Share premium	50,688	50,782
Other equity interest	74,468	62,689
Retained earnings	131,374	145,321
Non-controlling interests	4,577	4,644
<b>Total equity</b>	<b>313,059</b>	<b>315,460</b>
<b>Total liabilities and total equity</b>	<b>418,851</b>	<b>406,549</b>

# 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	A trial period during which a trial model (beta version) of a game is tested by a limited number of users or groups.
Open Beta	A trial period during which a trial model (beta version) of a game is tested 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.

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- 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
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