

# IR Presentation

March 2014



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- Focusing on Competitiveness in PC Online Business
  - Expansion of PC Online line-up
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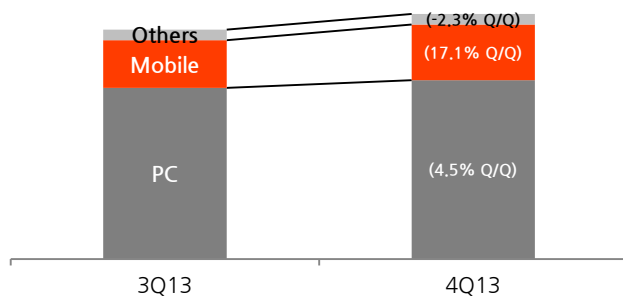
## 5. Appendix

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# 1. 4Q13 Earnings Summary

/ Highlights

Sales Trend



	4Q13		2013	
	(KRW b)	(Q/Q)	(KRW b)	(Y/Y)
<b>Sales</b>	<b>163.8</b>	<b>6.8%</b>	<b>641.8</b>	<b>2.6%</b>
PC	119.5	4.5%	489.8	-12.0%
Mobile	37.3	17.1%	130.1	228.7%
Others	7.0	-2.3%	21.8	-24.7%
<b>Operating Expenses</b>	<b>137.0</b>	<b>17.5%</b>	<b>462.8</b>	<b>8.2%</b>
Commission	66.0	25.1%	218.1	26.0%
Labor	44.3	0.8%	162.5	-5.5%
Marketing	10.2	188.1%	24.5	-10.7%
Depreciation	5.4	8.1%	17.7	13.4%
Others	11.1	-2.3%	39.9	1.5%
<b>Operating Income</b>	<b>26.8</b>	<b>-27.1%</b>	<b>179.0</b>	<b>-9.5%</b>
Operating Margin	16.4%	-7.6%p	27.9%	-3.7%p
Non-operating Income	13.3	16.0%	48.6	
Non-operating Expenses	25.4	1.3%	91.7	
<b>Pre-tax Income</b>	<b>14.7</b>	<b>-36.5%</b>	<b>135.8</b>	
Income Tax	6.8	-9.0%	39.8	
<b>Net Income</b>	<b>8.0</b>	<b>-49.4%</b>	<b>96.0</b>	
Net Income Margin	4.9%	-5.4%p	15.0%	

## Mobile



**KR**  
**Pokopang for Kakao** 4Q13 Sales **KRW 7.2b**  
 Puzzle  
 Developer: Treenod  
 Launched Oct. 2013  
 DAU **1,500,000**



**JP**  
**LINE Tsuru Tomo** 4Q13 Sales **JPY 527m**  
 Fishing  
 Developer: NHN PA  
 Launched 2Q 2013  
 DAU **130,000**

## PC Online



**KR**  
**EOS: Echo of Soul** 4Q13 Sales **KRW 13.0b**  
 MMORPG  
 Developer: Nvius  
 Launched Sep. 2013  
 Avg. PCU **30,000**

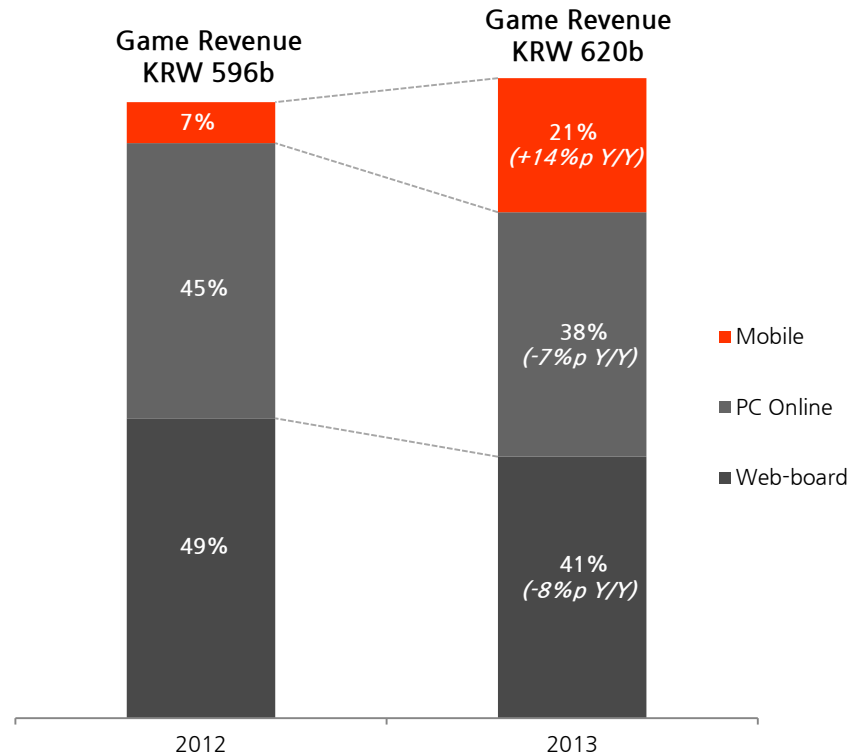


**JP**  
**Dragon Nest** 4Q13 Sales **JPY 531m**  
 Action RPG  
 Developer: Eyedentity  
 Launched Sep. 2012  
 Avg. PCU **10,000**

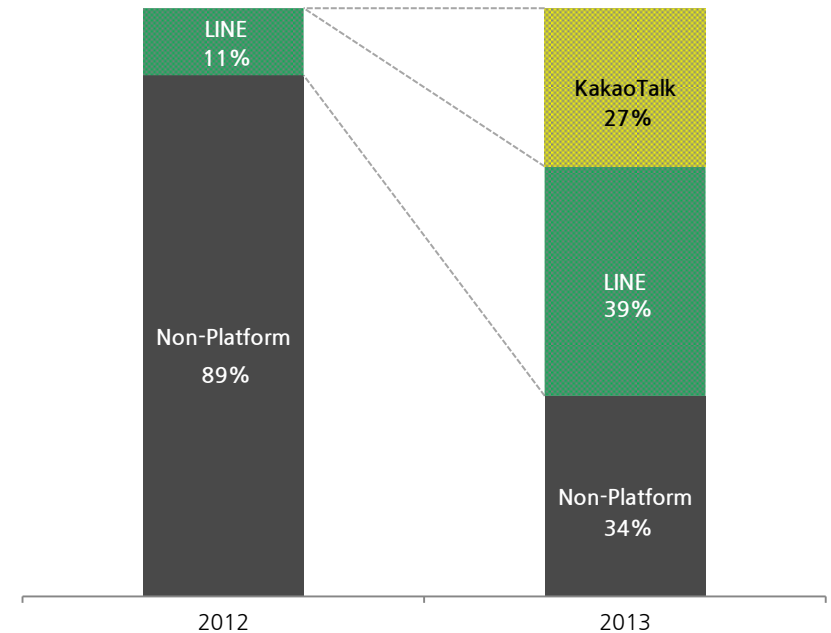
# 1. 4Q13 Earnings Summary

/ Breakdown

## Sales by Segment



## Sales by Mobile Platform



## 2. Service & Business Strategy

/ Service Strategy

### Growth Strategy



“The key factor of winning game business is the contents itself”

## 2. Service & Business Strategy

/ Strategy

### Growth Strategy by Segment

Concentrating on Key Game Business Growth  
by Global Expansion

Mobile

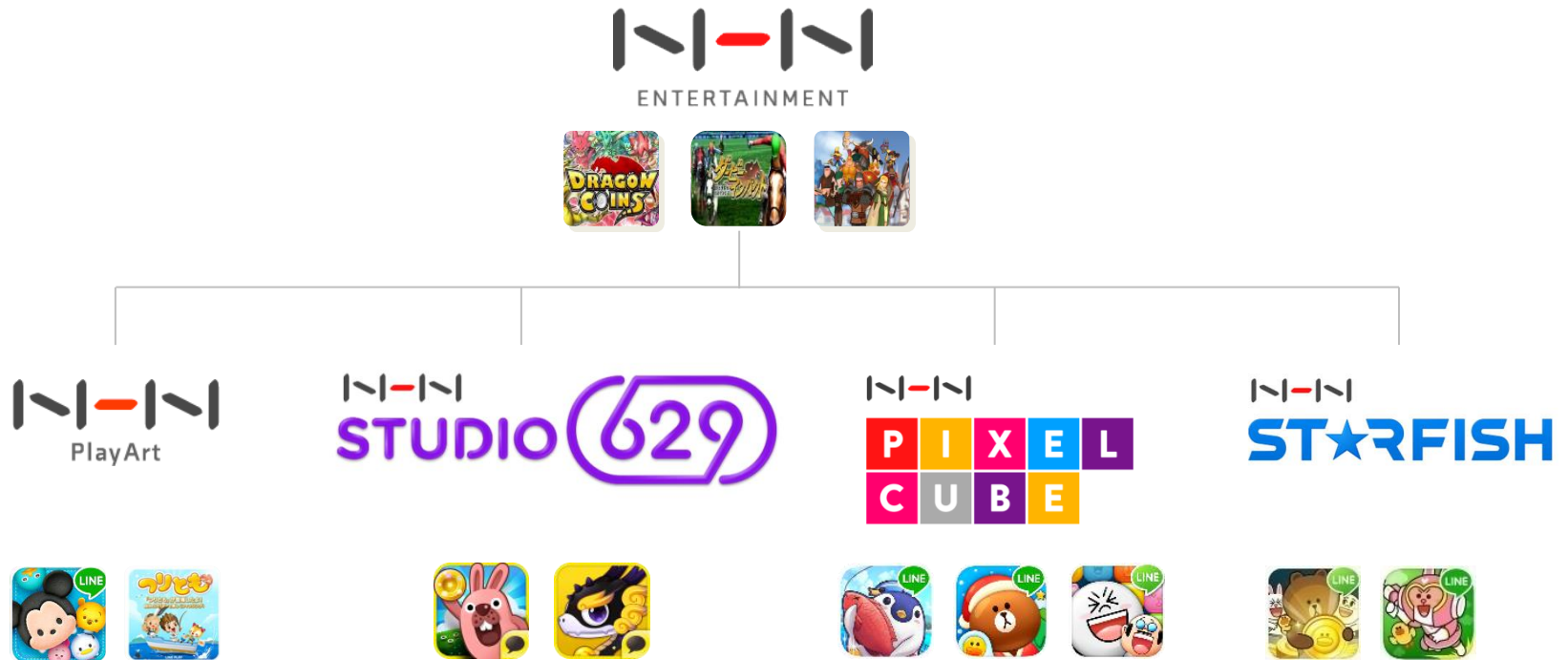
- Expanding development
- Enhancing game promotion through CGP and investment
- Alliance with various platforms for global expansion
- Domestic publishing of overseas-developed quality games

PC

- Focusing on competitiveness in PC Online business
- Expansion of PC Online line-up
- Aggressive Business Strategy within regulatory framework

# 3. Mobile

## Expanding Development



# 3. Mobile

## Cross Game Promotion



### Cookie Run + Pokopang

- Accomplished three million downloads in 5 days after breakthrough two million



### Pokopang + Wooparoo Mt.

DAU 190,000 → 320,000 +68%  
 Sales rank\* 27<sup>th</sup> → 13<sup>th</sup> +14

Reference : appannie.com \*

## Enhancing game line-up by investment



- Acquired a 3% stake in Ateam (Dec 2013)
- Completed establishment of JV development (Jan 2014)



- Successfully promoted Pokopang through CGP
- Acquired a 22% stake in Devsisters (Oct 2013)



- To strengthen our position in overseas markets
- Acquired a 55.3% stake in Dancinganchovy (Jul 2013)

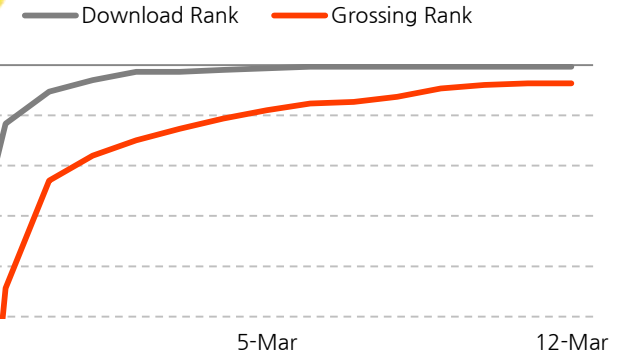
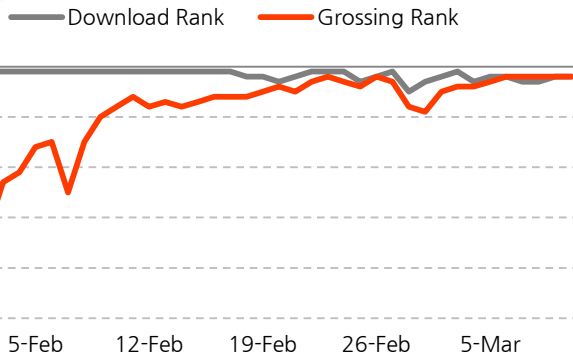
# 3. Mobile



**LINE Disney Tsum Tsum**  
Puzzle / Developer: NHN PlayArt & Disney  
Launched January 29, 2014



**Wara Store for Kakao**  
SNG / Developer: New. F. O  
Launched February 25, 2014



Source: AppAnnie

Source: AppAnnie

**12 games in service on LINE** (As of Jan '14)  
Expansion of line-up featuring LINE characters  
Potential opportunities in ex-Japan markets

**CGP (Cross Game Promotion)** between various games offered on Kakao platform

# 3. Mobile

## Global Expansion



- Building solid relationship with Qihoo 360, 91.com and other key local app stores

- Developing social casino games leveraging our casual DNA and a long period of experience (as the end of 1H 14)
- Cooperating with various platforms such as Facebook for global expansion



- Business expansion leveraging Singapore branch for in-depth analysis of the region

- Strengthening strategic partnership with LINE
- Publishing overseas high quality games in Korea



# 3. Mobile

## Domestic Publishing of Overseas-developed Quality Games



### Love Live! School Idol Festival

Rhythm Action

- Developer: KLab
- iOS grossing 10<sup>th</sup> (JP)
- AOS grossing 20<sup>th</sup> (JP)



### Puyo Puyo!! Quest

Puzzle RPG

- Developer: SEGA
- iOS grossing 20<sup>th</sup> (JP)
- AOS grossing 15<sup>th</sup> (JP)



### Dragon Coins

Dozer

- Developer: SEGA
- Launched in Nov. 2012 (JP)



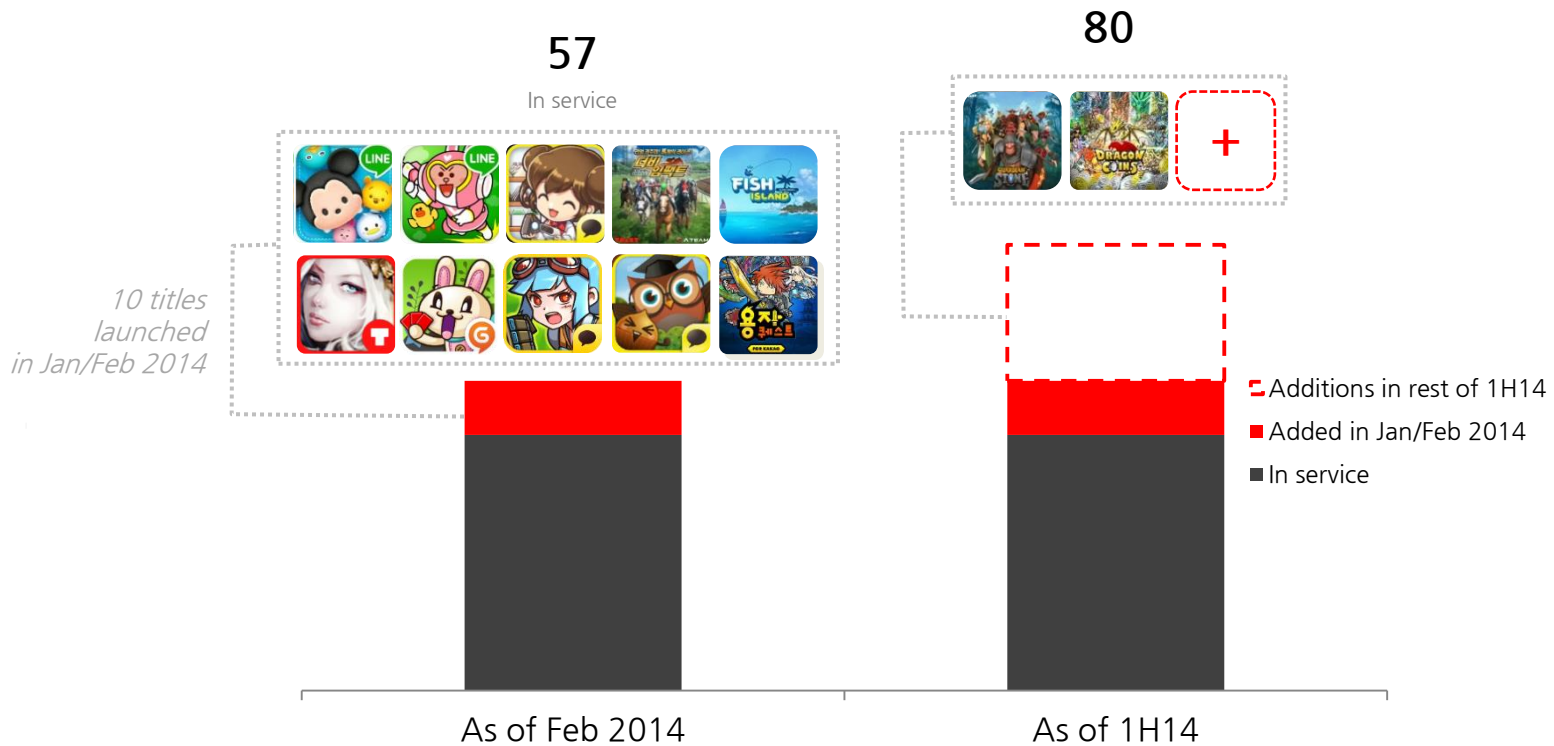
### Derby Impact

Sports

- Developer: Ateam
- iOS grossing 40<sup>th</sup> (JP)

# 3. Mobile

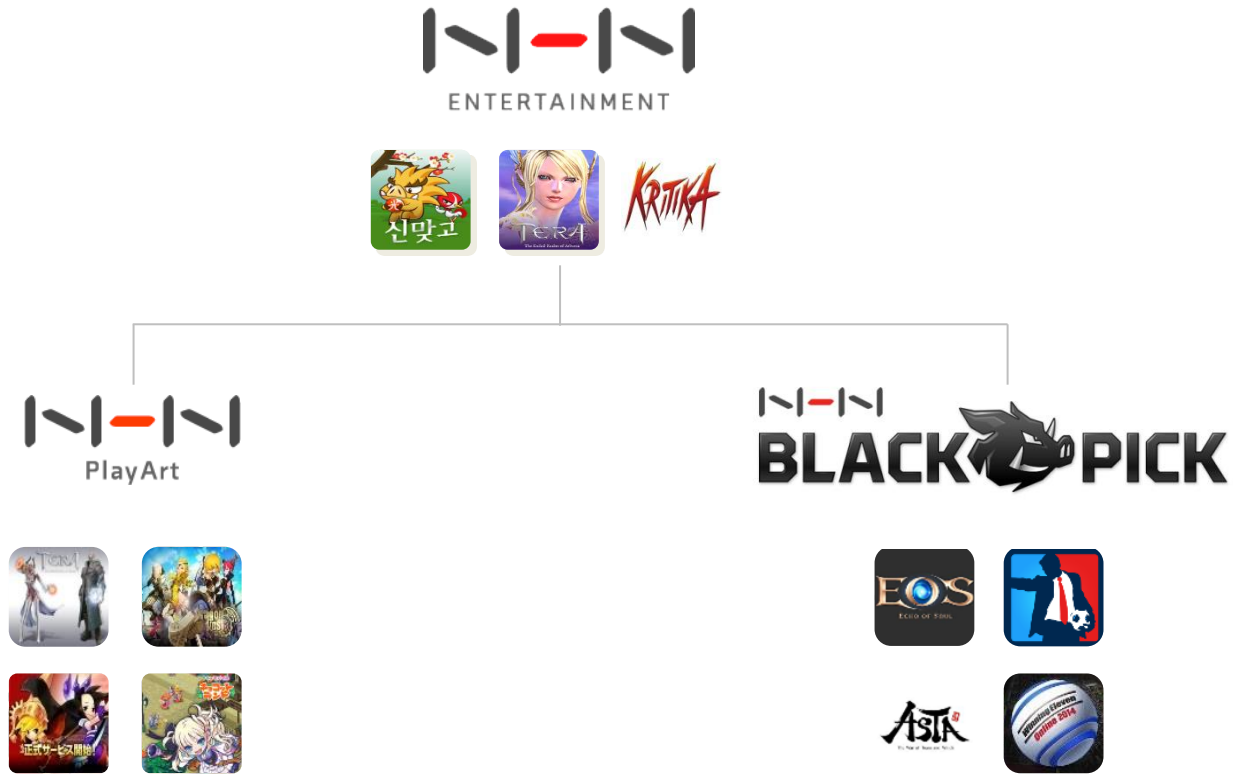
## Mobile Line-up in 1H14



Targeting 30 Mobile Launchings in 1H14 (15 in-house & 15 3<sup>rd</sup>-party)

# 4. PC

## Focusing on Competitiveness in PC Online Business



# 4. PC



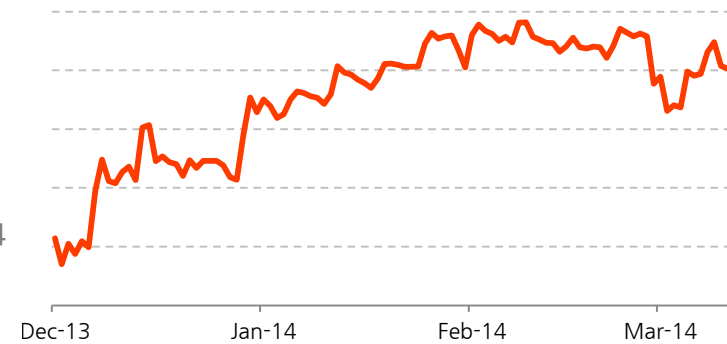
## Football Day

Sports / Developer: NHN Entertainment  
Launched December 2013

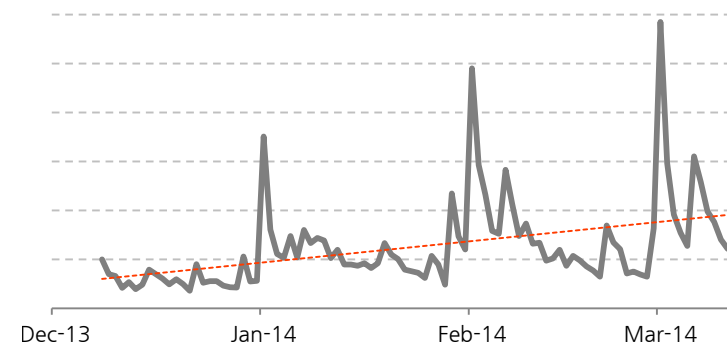
Solid performance in Korea  
after launching in Dec 2013

Overseas launching before World Cup 2014

## Active Users Trend



## ARPU Trend



# 4. PC

/ Strategy

## Expansion of Domestic Publishing



**Winning Eleven Online 2014**  
Sports / Developer: NHN Entertainment & Konami



**PAL Online**  
MMORPG / Developer: Dream Network

## Strengthening Japanese PC Lineup

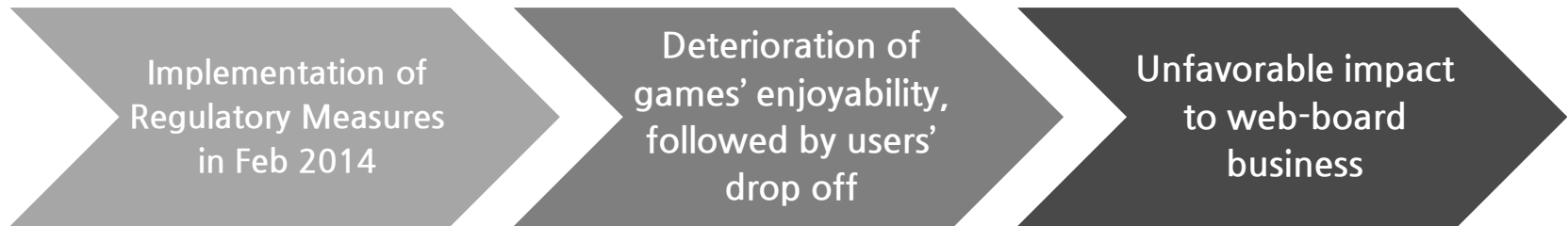


**Inazuma Eleven**  
Sports RPG / Developer: level 5



**Dungeon Striker**  
RPG / Developer: Eyedentity Games

## Web-board Regulation and Strategy



## Strategic Direction

### Aggressive Business Strategy within Regulatory Framework

Active and aggressive strategy execution

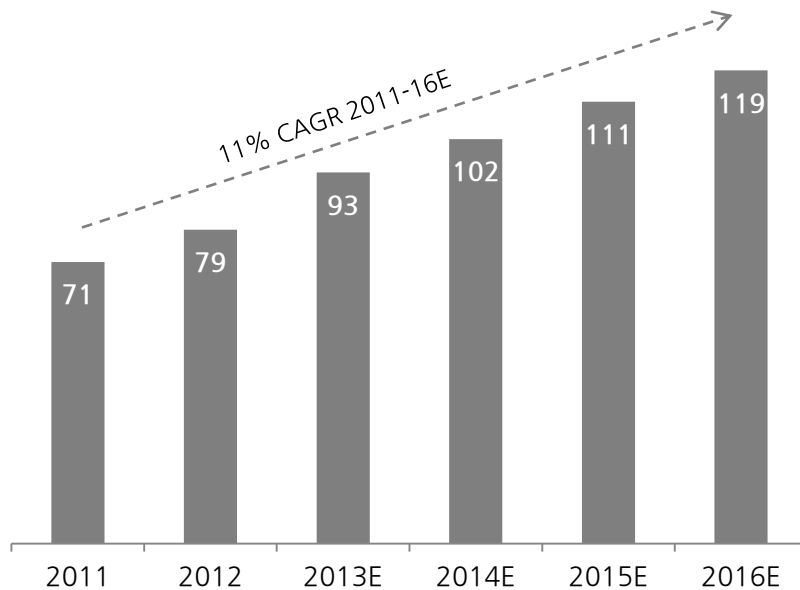
Seeking various opportunities of mid/long-term growth

### Preparation of Countermeasures

Counterplans in place by likely scenario based on internal simulation

## Overall Gaming

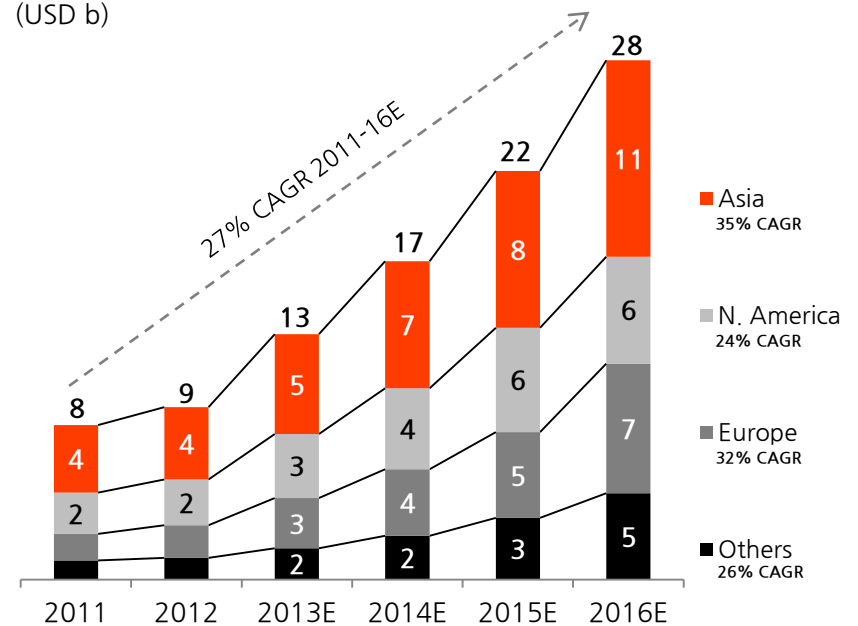
(USD b)



- Source: Gartner

## Mobile Gaming

(USD b)



- Source: Gartner, IDG

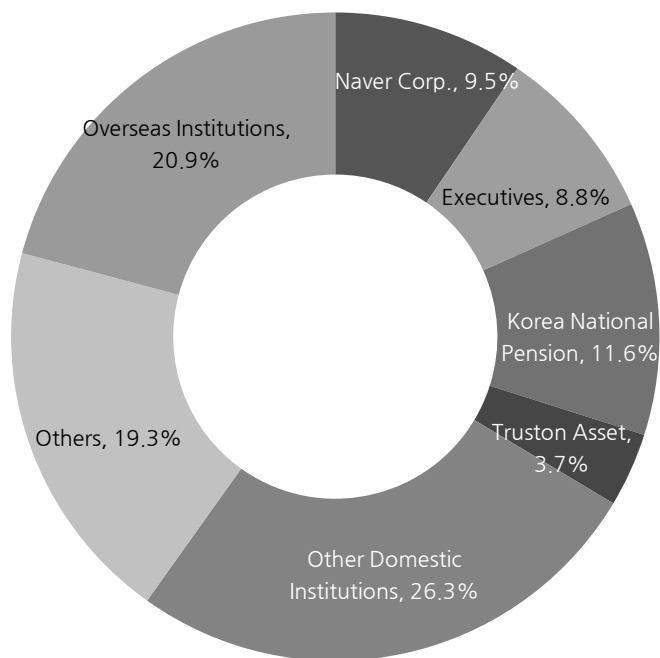
Robust expansion of mobile gaming amid continued growth of overall industry



**Ujin Chung, CEO**

- CEO, NHN Entertainment
- Director of Business Center , NHN Entertainment
- Head of Casual Game Business, NHN Corp.
- Head of Business Development, NHN USA
- Search Solution
- Seoul National University

## Holding Structure



As of December 31, 2013  
Ownership of domestic institutions and others internally estimated

## Description

- **Listed Market**  
KOSPI  
Stock code: 181710 KS
- **Total shares listed**  
15,165,025 shares
- **Employees** (As of end-4Q13)  
2,532 employees (Consolidated)
  - 892 (NHN Entertainment)
  - 422 (NHN PlayArt, Japan)
- **Headquarters**  
Play Museum, Seongnam-si, Gyeonggi-do



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1998 NOV	Established Hangame Communications Corp
1999 DEC	Launched Hangame game portal
2000 JUL	Acquired by Naver Communication Corp
2000 SEP	Ranked first among world gaming websites by Alexa.com
2001 MAR	Launched Hangame Premium service, world's first fee-based game business model
2001 SEP	Renamed as NHN Corp - Search portal "Naver", Online gaming "Hangame"
2006 DEC	Acquired Personal Info Protection ISO27001 certificate, world's first in the gaming industry
2008 APR	Opened Hangame Clean Center to help create a safe and sound gaming culture
2011 JAN	Launched TERA service in Korea and Japan (August)
2011 AUG	Launched mobile games, starting with Sachunsung, New Mot-Go, Run and Hit, and Every Farm
2012 SEP	Launched Fish Island, smartphone fishing game and Golden Glove, real-time baseball game
2013 MAR	NHN Corp announced to split off Hangame business
2013 AUG	Renamed NHN Entertainment Corp after split off and listed in KOSPI market
2013 AUG	Newly launched global mobile brand, "TOAST"

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# Appendix

(KRW m)	1Q12	2Q12	3Q12	4Q12	1Q13	2Q13	3Q13	4Q13
<b>Sales</b>	<b>167,277</b>	<b>147,031</b>	<b>155,249</b>	<b>155,783</b>	<b>166,108</b>	<b>158,417</b>	<b>153,405</b>	<b>163,827</b>
[By Business]								
Game	159,580	138,705	146,917	151,154	161,973	154,976	146,191	156,779
PC	151,271	131,793	140,579	133,133	135,183	120,853	114,315	119,461
Mobile	8,309	6,911	6,338	18,021	26,790	34,123	31,877	37,319
Others	7,697	8,326	8,331	4,628	4,135	3,441	7,214	7,048
[Game Sales by Region]								
Domestic	100,802	83,857	88,997	89,574	110,095	107,703	101,865	112,053
Overseas	58,777	54,847	57,920	61,581	51,878	47,273	44,326	44,726
<b>Operating Expenses</b>	<b>116,347</b>	<b>103,237</b>	<b>102,872</b>	<b>105,159</b>	<b>103,649</b>	<b>105,473</b>	<b>116,647</b>	<b>137,022</b>
Commission	45,892	40,516	41,793	44,946	47,400	51,971	52,747	65,965
Labor	48,119	45,005	41,016	37,902	36,856	37,476	43,934	44,276
Marketing	7,943	3,608	6,395	9,521	6,446	4,308	3,546	10,216
Depreciation	3,626	4,364	3,724	3,912	3,852	3,420	5,019	5,423
Others	10,768	9,744	9,945	8,877	9,094	8,298	11,401	11,142
<b>Operating Income</b>	<b>50,930</b>	<b>43,794</b>	<b>52,377</b>	<b>50,624</b>	<b>62,459</b>	<b>52,943</b>	<b>36,758</b>	<b>26,806</b>
<i>Operating Margin</i>	<i>30.4%</i>	<i>29.8%</i>	<i>33.7%</i>	<i>32.5%</i>	<i>37.6%</i>	<i>33.4%</i>	<i>24.0%</i>	<i>16.4%</i>

# Appendix

## / Financial Statement

Balance Sheet (Parent) (KRW m)	3Q13	4Q13
<b>Current Assets</b>	<b>458,385</b>	<b>445,082</b>
Cash and Cash Equivalent	328,830	308,299
Accounts Receivables	100,131	113,173
Others	29,423	23,610
<b>Non-current Assets</b>	<b>637,238</b>	<b>706,551</b>
Tangible Assets	4,255	17,185
Intangible Assets	21,833	23,807
Investment Assets	503,290	559,593
Others	107,860	105,966
<b>Total Assets</b>	<b>1,095,622</b>	<b>1,151,633</b>
<b>Current Liabilities</b>	<b>47,641</b>	<b>65,489</b>
Accounts Payable	30,464	37,144
Accrued Income Taxes	5,627	14,583
Others	11,550	13,762
<b>Non-current Liabilities</b>	<b>30,838</b>	<b>32,644</b>
Accounts Payable	793	1,038
Long-term borrowing	6,894	6,756
Allowance for Severance Pay	23,151	24,850
<b>Total Liabilities</b>	<b>78,478</b>	<b>98,132</b>
Shareholders' Equity	1,017,144	1,053,501
Paid-in Capital	7,583	7,583
Capital Surplus	1,004,559	1,004,559
Capital Adjustment	(2,704)	(2,704)
Other Comprehensive Income	(1,330)	10,608
Retained Earnings	9,036	33,455
<b>Total Equity</b>	<b>1,017,144</b>	<b>1,053,501</b>

Balance Sheet (Consolidated) (KRW m)	3Q13	4Q13
<b>Current Assets</b>	<b>711,138</b>	<b>677,986</b>
Cash and Cash Equivalent	534,573	494,342
Accounts Receivables	140,477	157,388
Others	36,089	26,256
<b>Non-current Assets</b>	<b>429,060</b>	<b>500,266</b>
Tangible Assets	15,143	28,764
Intangible Assets	45,341	55,705
Investment Assets	238,324	289,315
Others	130,253	126,482
<b>Total Assets</b>	<b>1,140,199</b>	<b>1,178,252</b>
<b>Current Liabilities</b>	<b>104,946</b>	<b>119,588</b>
Accounts Payable	68,845	74,707
Short-term Borrowings	2,099	1,588
Accrued Income Taxes	11,071	20,797
Others	22,932	22,495
<b>Non-current Liabilities</b>	<b>44,560</b>	<b>45,648</b>
Accounts Payable	951	1,030
Long-term borrowing	10,894	12,639
Allowance for Severance Pay	30,557	29,513
Others	2,159	2,466
<b>Total Liabilities</b>	<b>149,506</b>	<b>165,236</b>
Shareholders' Equity	983,759	1,003,426
Paid-in Capital	7,583	7,583
Capital Surplus	968,531	968,531
Capital Adjustment	(2,612)	(3,431)
Other Comprehensive Income	616	10,791
Retained Earnings	9,641	19,952
Non-controlling Interests	6,934	9,591
<b>Total Equity</b>	<b>990,692</b>	<b>1,013,016</b>