

IR Presentation

January 2014



Table of Contents

1. Our Strategy

- Developing Quality Contents
- Portfolio Diversification
- Investment

2. Track Record

- Development
- Publishing

3. Game Line-up

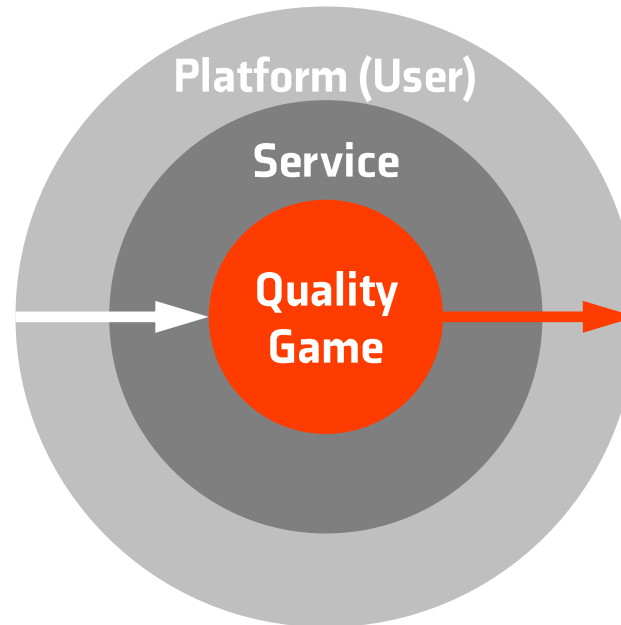
4. Major Issues

- Global Expansion
- Spin-off Plan
- Web-board Regulation

5. Appendix

1. Our Strategy

/ Developing Quality Contents



Lesson 1.

Even trend-leading platform had been replaced for every decade

Lesson 2.

However, quality games maintain its success in the market for decades

The key factor of winning game business is the contents itself

1. Our Strategy

/ Portfolio Diversification



1. Our Strategy

/ Investment

Investment Strategy

KRW 200billion by end-2014

20% More recruitment for talented game developer


20% Global operation and platform


60%

M&A and Investment opportunities

- 1) Strong cash balance
- 2) Domestic and overseas small/mid-sized studios
- 3) Acquisition of quality IP

Employees (2,402 as of end-3Q13)

 801 (1,371, consolidated)

 414 (529, consolidated)

 482

 19

 1



In Dec 2013, acquired a 3% stake in Ateam (3662 JP) and also agreed to form 50-50 JV in Jan 2014 to jointly develop and operate smartphone games



In Oct 2013, acquired a 22% stake in Devsisters for strategic partnership in both domestic and overseas markets



Successfully acquired a 55% stake in DancingAnchovy Entertainment Inc, in July 2013 to strengthen our overseas business

2. Track Record

/ Development: Korea



LINE POP
Puzzle
No.3 Puzzle Game in Japan

Cumulative Downloads

25,500,000

Gross Ranking

Top 10 in Japan

Service Period

14th month
since launched in Nov 2012



LINE Dozer
Arcade
No.3 Cards&Casino Game in Japan

5,000,000
(DAU 1,500,000)

Top 30 in Japan

Launched in Nov 2013



Fish Island
Fishing
No. 1 Fishing Game in Korea



6,000,000

Top 25 in Korea
Top 40 in Japan

17th month
since launched in Feb 2013



2. Track Record

/ Development: Japan

Overseas: Japan



LINE Tsuru Tomo (*Catch of the Day*)
Fishing / Launched 2Q 2013



LINE Hero Collect
TCG / Launched Nov. 2012

Daily UV
(Unique Visitor)

130,000

Cumulative
Downloads

1,500,000

3Q13 Sales

JPY 250 mil (100%+ Q/Q)

YTD-sales

JPY 700 mil



2. Track Record

/ Publishing: Mobile

Domestic



Pokopang for Kakao
Puzzle / Developer: Treenod
Launched Oct. 2013



Inner World
TCG / Developer: Softmax
Launched Jul. 2013

Cumulative Downloads

8,000,000

Cumulative Downloads

700,000

Gross Ranking

5th in Korea

Download Ranking

1st in Korea

MAU

(Monthly Active Users)

Over 100,000



2. Track Record

/ PC Online

Domestic



Football Day PC/Mobile
Sports / Developer: NHN Entertainment
Launched Dec. 2013



EOS: Echo of Soul PC
MMORPG / Developer: Nvius
Launched Sep.2013

PCU
(Peak Concurrent Users) **20,000**

PCU **30,000**

Monthly UV
(Unique Visitors) **300,000**

Time Share
Ranking **9th**



3. Game Line-up

/ Mobile



LINE PartyRun

Genre: Running / Developer: Orange Crew



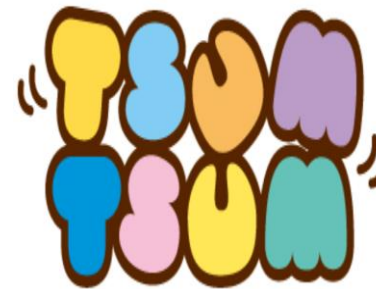
Derby Impact

Genre: Sports / Developer: Ateam Inc.



Guardian Stone

Genre: RPG / Developer: Delusion Studio



LINE Disney Tsumu Tsumu

Genre: Puzzle / Developer: NHN PlayArt



3. Game Line-up

/ PC Online



Football Day

Genre: Sports
Developer: NHN Entertainment



Winning Eleven Online 2014

Genre: Sports
Developer: NHN Entertainment & Konami



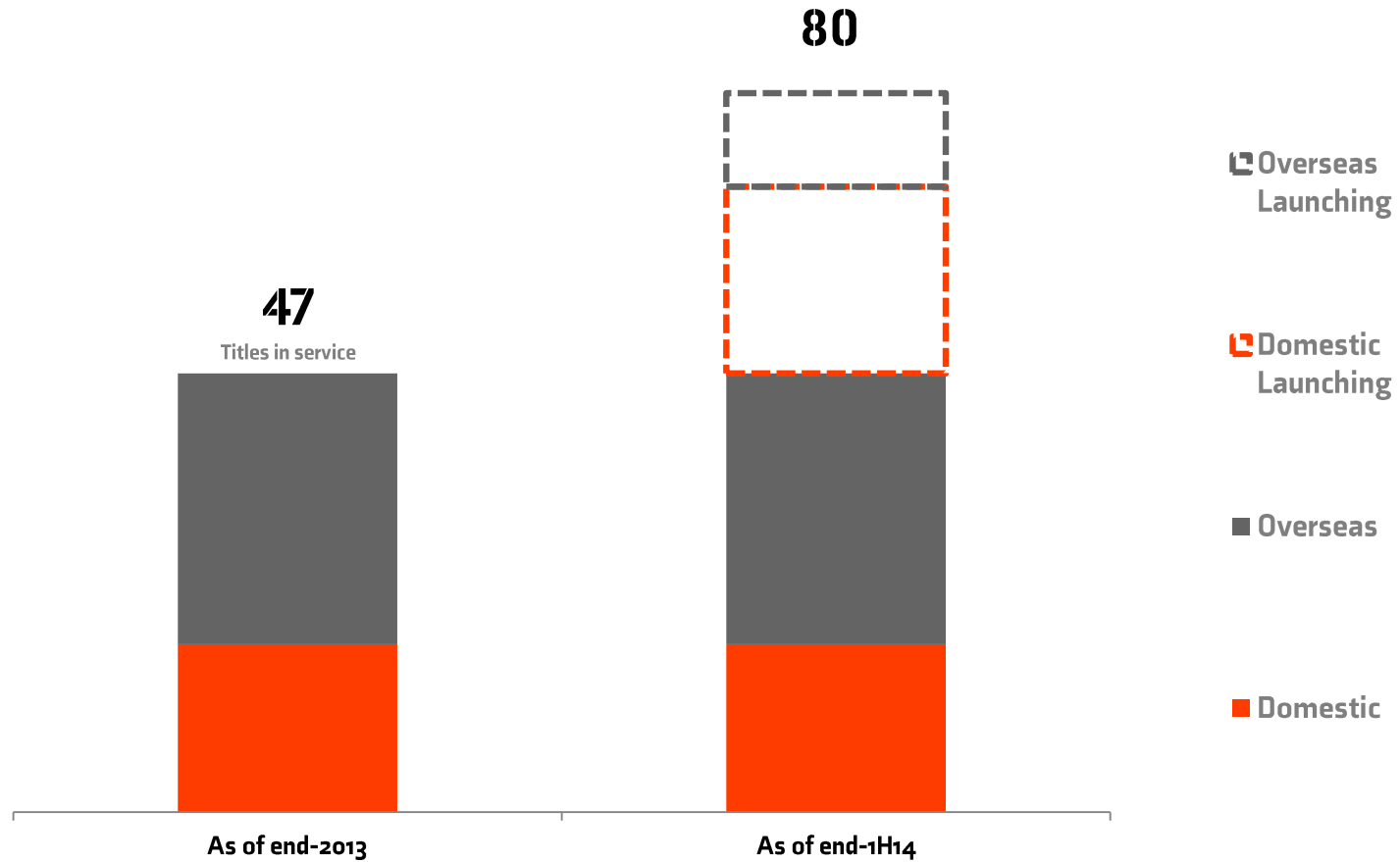
PAL Online

Genre: MMORPG
Developer: Dream Network



3. Game Line-up

/ 1H14



Mobile



Expansion leveraging 15 years of know-how and active cooperation with LINE



Securing competitiveness through China branch
Building solid relationship with local app stores and publishers



Market penetration through local partners and expansion of our local branch



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

Social Casino



ASEAN

Entry into overseas social casino market leveraging our casual DNA and a long period of experience

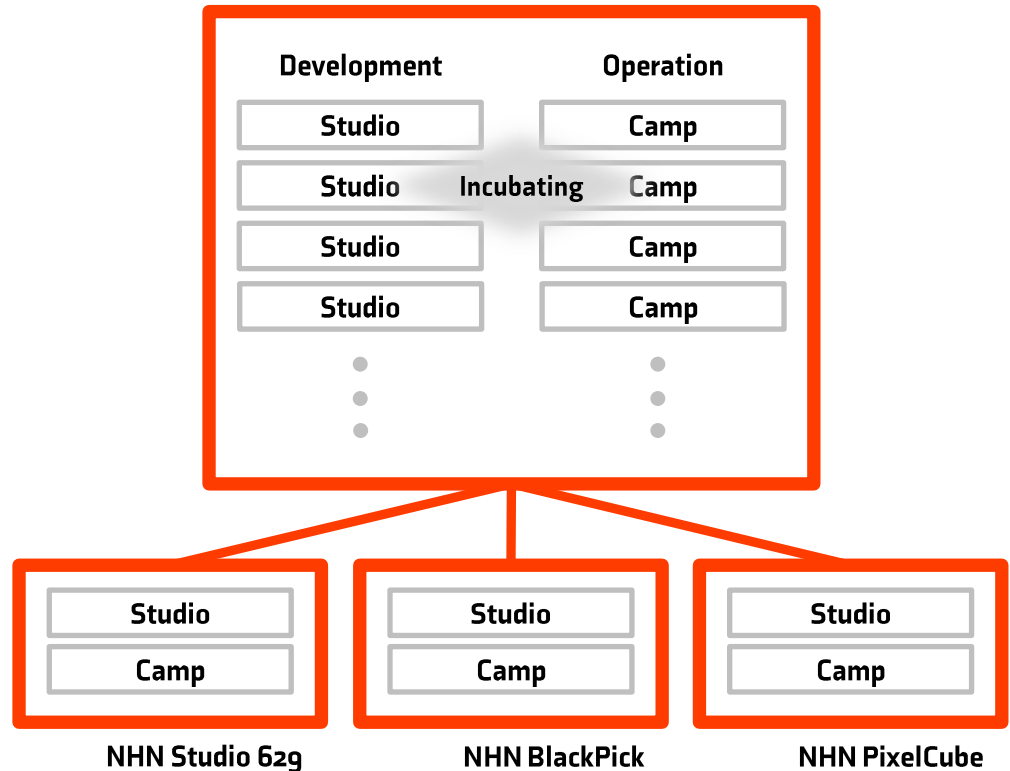
4. Major Issues

/ Spin-off Plan

AS-IS



TO-BE

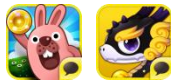


4. Major Issues

/ Spin-off Plan

To-be-spun off

■ NHN Studio629 POKO PANG, Wooparoo Mountain



■ NHN BlackPick EOS, ASTA, Winning Eleven, Football Day, Baseball 9, Team 9



■ NHN PixelCube Fish Island, LINE POP, LINE Jelly



Background & Expected Outcome

- To increase games' hit ratio through **responsible management system** with strengthened authority
- To **strengthen competitiveness** through slimmer organization structure and efficient decision-making process
- **Tailored incubation system** for units remaining at headquarters
- **Long-term increase in value** of both company and shareholders on enhanced competitiveness

4. Major Issues

- Jun 2013** MCST proposed regulatory measures for web-board games
- Aug 2013** “Web-board Game Restriction Act” approved by RRC
- Nov 2013** Approved by the legislative office
- Feb 2014** Implementation of the measures (3 months post-announcement)

MCST: Ministry of Culture, Sports and Tourism
RRC: Regulatory Reform Committee

Measures

- 1 Game money purchase capped at KRW 300,000/month
- 2 Maximum betting amount limited to KRW 30,000/round
- 3 24-hour access restriction upon daily loss of KRW 100,000
- 4 Prohibition of opponent selection (Random matching)
- 5 Prohibition of auto play
- 6 Enhanced self authentication

[Impact on business]

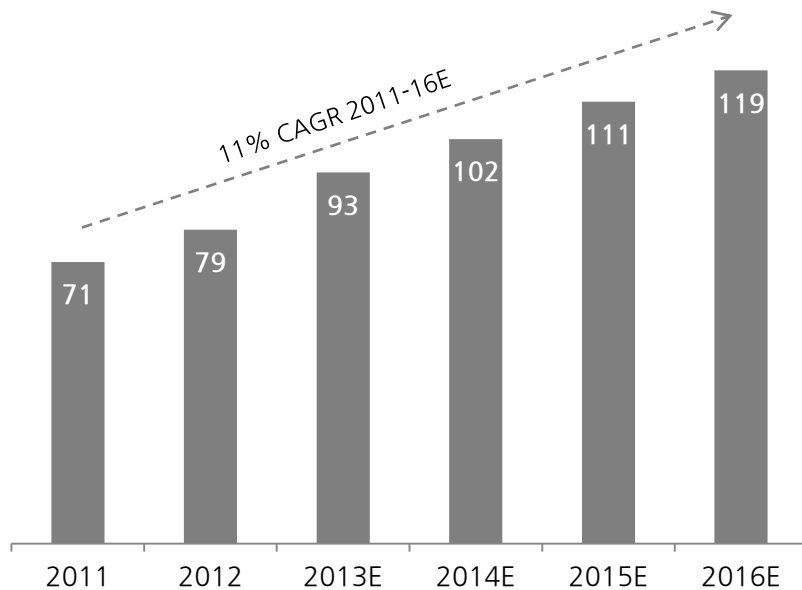
Deterioration of games’ enjoyability from limited betting.
Unfavorable impact to business due to users’ drop off.

[Our Plan]

Seeking opportunities of mid/long-term growth.
Web-board’s global expansion, such as US and ASEAN.

Overall Gaming

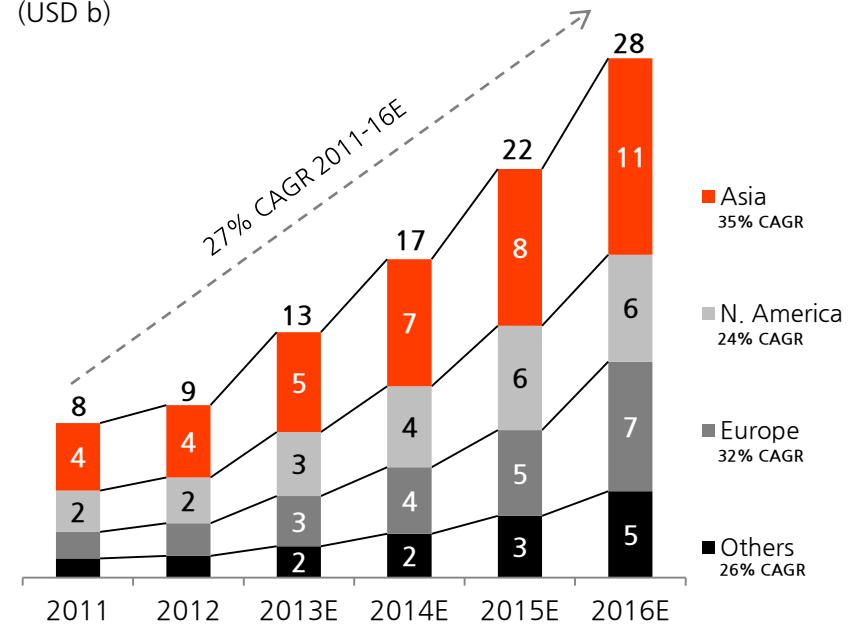
(USD b)



- Source: Gartner

Mobile Gaming

(USD b)



- Source: Gartner, IDG

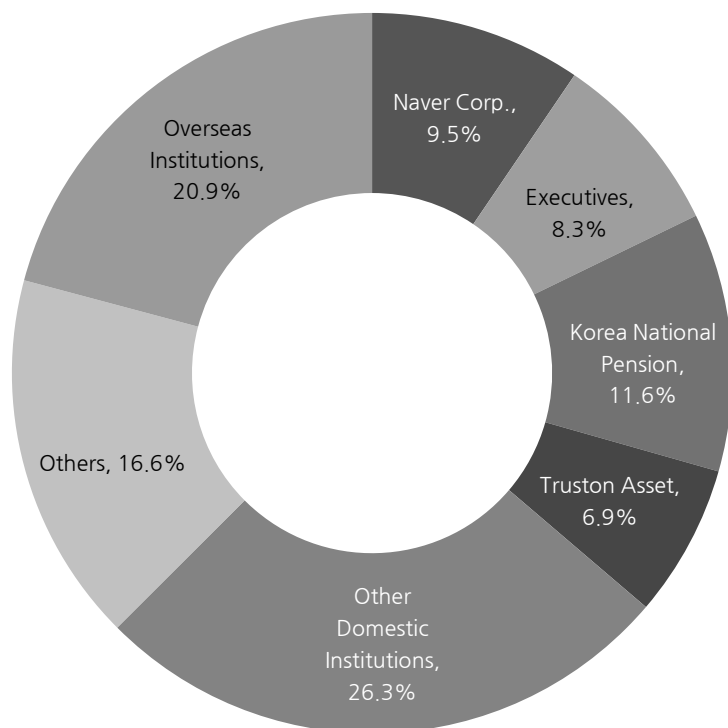
Solid expansion of mobile gaming amid continued growth of overall market



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"



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-3Q13)

801 employees (NHN Entertainment)

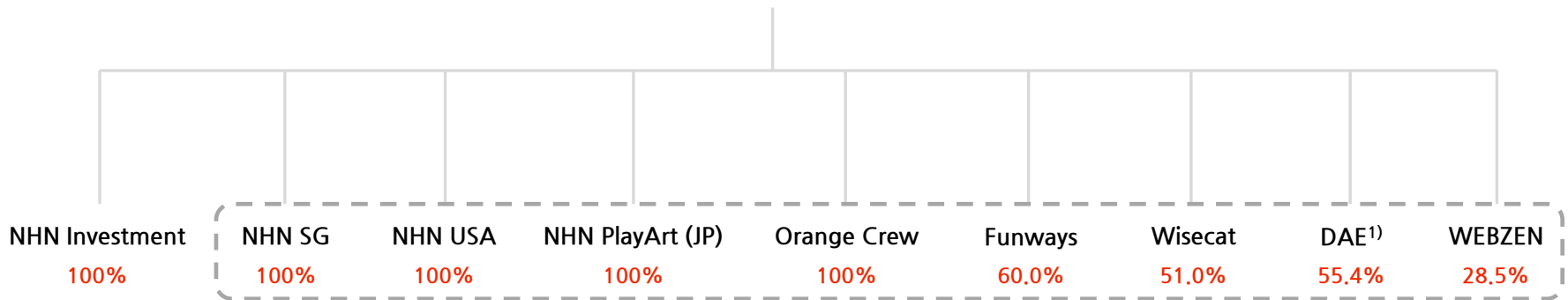
2,402 employees (Consolidated)

- 801 (NHN Entertainment)

- 414 (NHN PlayArt, Japan)

- **Headquarters**

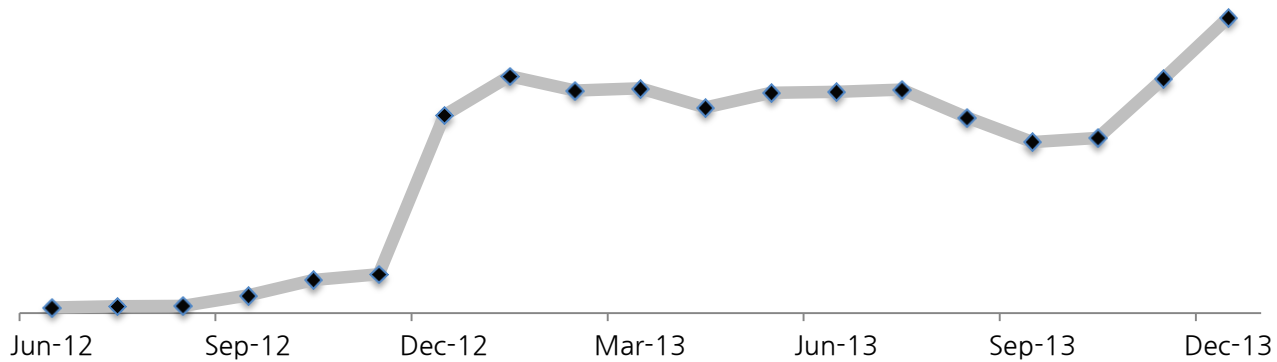
Play Museum, Seongnam-si, Gyeonggi-do



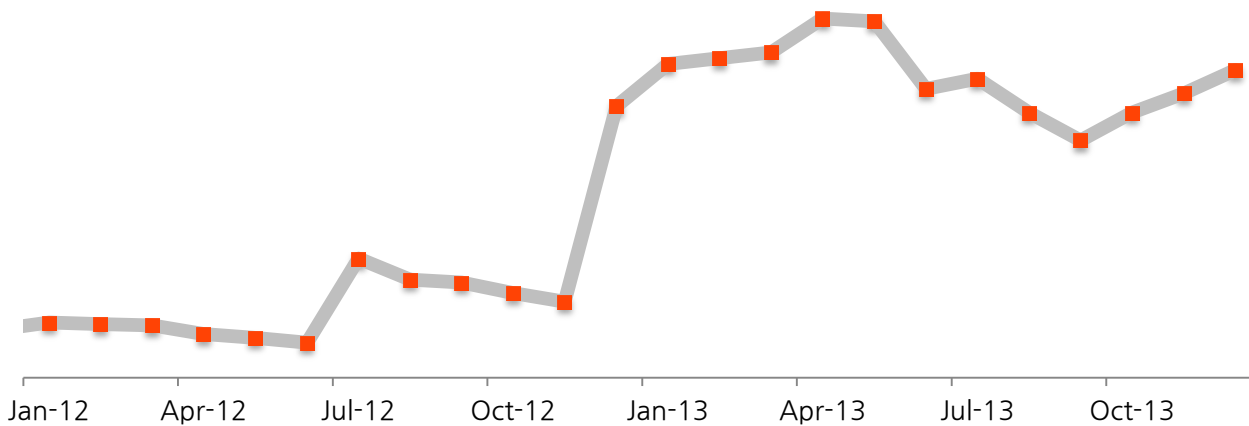
Game subsidiaries

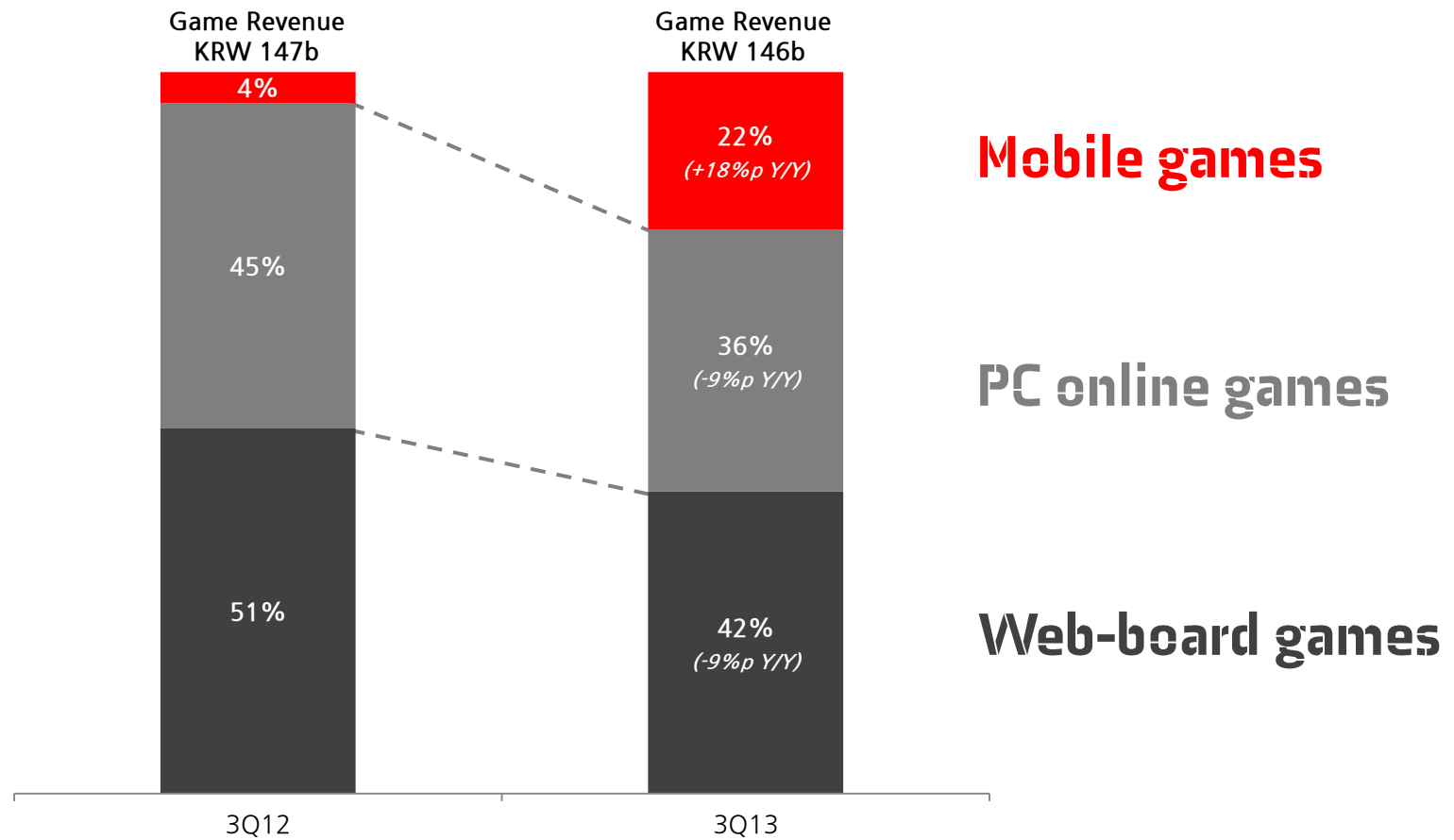
¹⁾ DancingAnchoy Entertainment

[Mobile] Paying Users



[Mobile] Monthly Active Users





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

Note: Above figures have not been audited, but were prepared solely for investors' reference.

Thank You

