

First Quarter FY15 Earnings Results

May 8, 2015



Disclaimer

This document contains information and financial data that have not been reviewed by an independent auditor.

The reason for our earnings release announcement prior to an independent auditor's review is to communicate our financial results to the market and investors in a timely manner.

Also, the information and projections contained in this document are based on our internal analysis of the market and industry environment. Please note that these estimates are subject to change according to the changes in the management environment and industry conditions.

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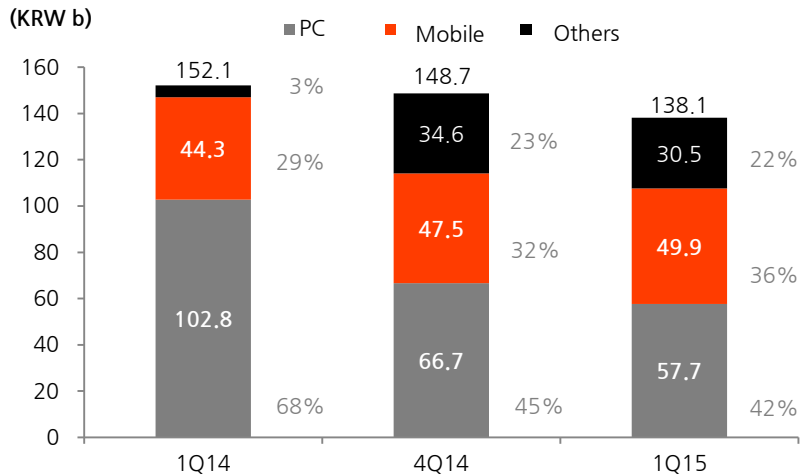
1. Earnings Summary

(KRW m)	1Q14	4Q14	1Q15	Y/Y	Q/Q
Sales	152,128	148,727	138,128	-9.2%	-7.1%
[By Business]					
Game	147,061	114,162	107,588	-26.8%	-5.8%
PC	102,802	66,693	57,683	-43.9%	-13.5%
Mobile	44,259	47,470	49,905	12.8%	5.1%
Others	5,067	34,565	30,540	502.7%	-11.6%
[Game Sales by Region]					
Domestic	98,481	66,419	65,650	-33.3%	-1.2%
Overseas	48,580	47,743	41,938	-13.7%	-12.2%
Operating Expenses	129,838	145,664	151,938	17.0%	4.3%
Commission	60,475	49,125	47,768	-21.0%	-2.8%
Labor	43,509	52,406	55,306	27.1%	5.5%
Marketing	8,901	15,611	20,496	130.3%	31.3%
Depreciation	5,327	8,662	9,404	76.5%	8.6%
Communications	2,413	6,702	6,405	165.4%	-4.4%
Others	9,212	13,158	12,560	36.3%	-4.5%
Operating Income	22,290	3,063	(13,810)	Turned to Loss	Turned to Loss
<i>Operating Margin</i>	<i>14.7%</i>	<i>2.1%</i>	<i>-10.0%</i>	<i>-24.7%p</i>	<i>-12.1%p</i>
Non-operating Income	14,151	45,762	12,759	-9.8%	-72.1%
Non-operating Expenses	12,838	18,175	10,195	-20.6%	-43.9%
Pre-tax Income	23,603	30,650	(11,247)	Turned to Loss	Turned to Loss
Income Tax	8,651	9,246	(745)	<i>n/m</i>	<i>n/m</i>
Net Income	14,952	21,405	(10,501)	Turned to Loss	Turned to Loss
<i>Net Income Margin</i>	<i>9.8%</i>	<i>14.4%</i>	<i>-7.6%</i>	<i>-17.4%p</i>	<i>-22.0%p</i>

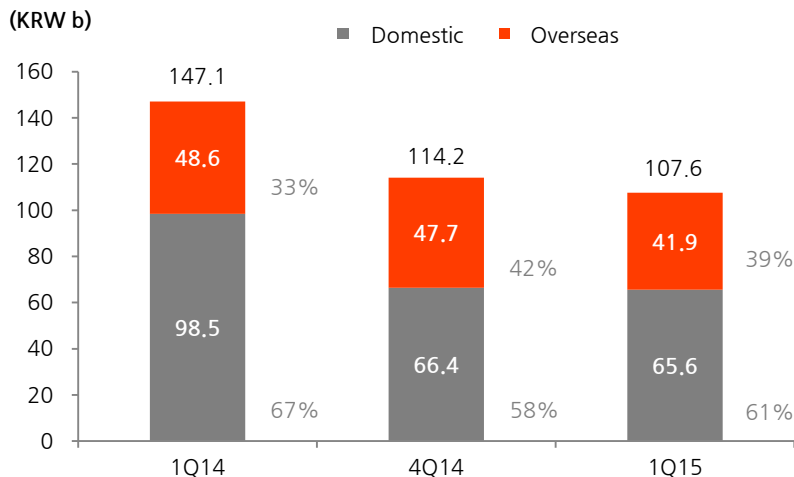
Note: Above figures have not been reviewed, but were prepared solely for investors' reference.

2. Sales

Sales by Division



Game Sales by Region



(KRW m)	1Q14	4Q14	1Q15	Y/Y	Q/Q
Sales	152,128	148,727	138,128	-9.2%	-7.1%
PC	102,802	66,693	57,683	-43.9%	-13.5%
Domestic	74,972	45,897	39,829	-46.9%	-13.2%
Overseas	27,830	20,796	17,854	-35.8%	-14.1%
Mobile	44,259	47,470	49,905	12.8%	5.1%
Domestic	23,509	20,522	25,821	9.8%	25.8%
Overseas	20,750	26,947	24,084	16.1%	-10.6%
Others	5,067	34,565	30,540	502.7%	-11.6%
Domestic	98,481	66,419	65,650	-33.3%	-1.2%
Overseas	48,580	47,743	41,938	-13.7%	-12.2%

[Sales] Decreased 7.1% Q/Q to KRW 138.1b due to sluggish PC business and base effect of consolidated subsidiaries in other sales, despite continued growth in mobile business

[PC] Declined 13.5% Q/Q to KRW 57.7b on additional revisions to web-board games and continued weakness in PC online games

[Mobile] Increased 5.1% to KRW 49.9b as sales contribution from newly-launched games, such as LINE POP 2 and Crusaders' Quest, increased

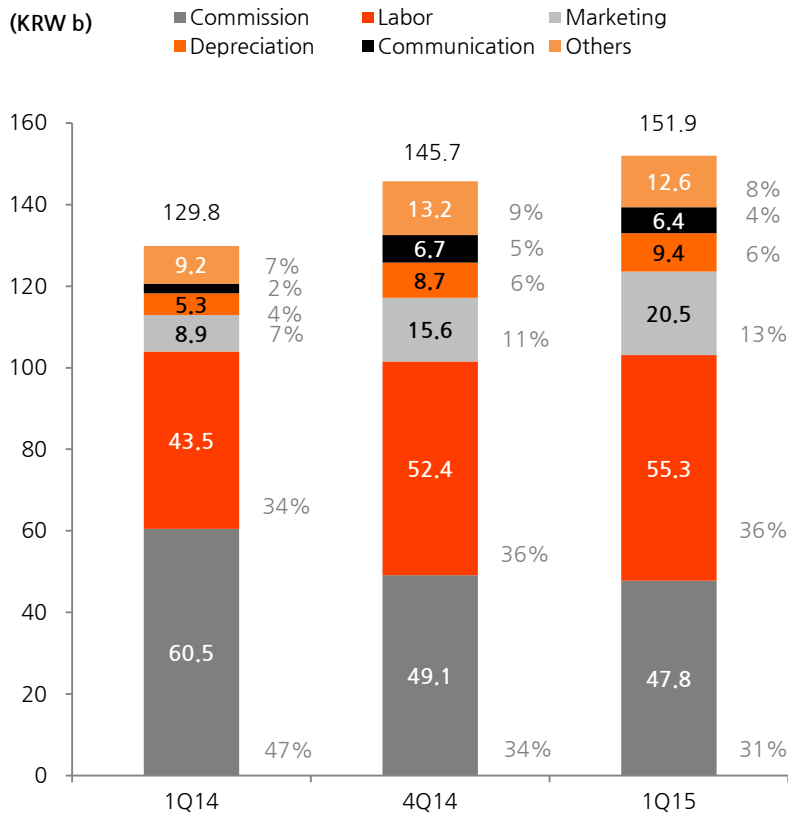
[Domestic Games] KRW 65.7b, or 61% of total game revenue

[Overseas Games] KRW 41.9b, or 39% of total game revenue

[Others] Decreased 11.6% Q/Q to KRW 30.5b due to base effect

3. Expenses

Operating Expenses



(KRW m)	1Q14	4Q14	1Q15	Y/Y	Q/Q
Operating Expenses	129,838	145,664	151,938	17.0%	4.3%
Commission	60,475	49,125	47,768	-21.0%	-2.8%
Labor	43,509	52,406	55,306	27.1%	5.5%
Marketing	8,901	15,611	20,496	130.3%	31.3%
Depreciation	5,327	8,662	9,404	76.5%	8.6%
Communications	2,413	6,702	6,405	165.4%	-4.4%
Others	9,212	13,158	12,560	36.3%	-4.5%

[Operating Expenses] Increased 4.3% Q/Q to KRW 151.9b

[Commission] Fell 2.8% Q/Q to KRW 47.8b as game revenue decreased

[Labor] Increased 5.5% Q/Q to KRW 55.3b due to newly consolidated subsidiaries

[Marketing] Rose 31.3% Q/Q to KRW 20.5b due to increased marketing expenses for newly-launched games
Breakdown by business: Games 60%, Non-games 40%

[Depreciation] Rose 8.6% Q/Q to KRW 9.4b with increased depreciation cost on tangible assets, such as hardware equipment

[Communications] Declined 4.4% Q/Q to KRW 6.4b

[Other] Decreased 4.5% Q/Q to KRW 12.6b

4. Incomes

(KRW m)	1Q14	4Q14	1Q15	Y/Y	Q/Q
Operating Income	22,290	3,063	(13,810)	<i>Turned to Loss</i>	<i>Turned to Loss</i>
<i>Operating Margin</i>	<i>14.7%</i>	<i>2.1%</i>	<i>-10.0%</i>	<i>-24.7%p</i>	<i>-12.1%p</i>
Financial Income	10,572	44,644	6,314	<i>-40.3%</i>	<i>-85.9%</i>
Equity Method Income	2,437	(394)	5,466	<i>124.3%</i>	<i>Turned to Profit</i>
Other Income	1,141	1,511	978	<i>-14.3%</i>	<i>-35.3%</i>
Financial Expense	7,735	3,250	1,158	<i>-85.0%</i>	<i>-64.4%</i>
Equity Method Loss	3,154	2,551	4,318	<i>36.9%</i>	<i>69.3%</i>
Other Expenses	1,949	12,373	4,719	<i>142.1%</i>	<i>-61.9%</i>
Pre-tax Income	23,603	30,650	(11,247)	<i>Turned to Loss</i>	<i>Turned to Loss</i>
Income Tax	8,651	9,246	(745)	<i>n/m</i>	<i>n/m</i>
Net Income	14,952	21,405	(10,501)	<i>Turned to Loss</i>	<i>Turned to Loss</i>
<i>Net Income Margin</i>	<i>9.8%</i>	<i>14.4%</i>	<i>-7.6%</i>	<i>-17.4%p</i>	<i>-22.0%p</i>

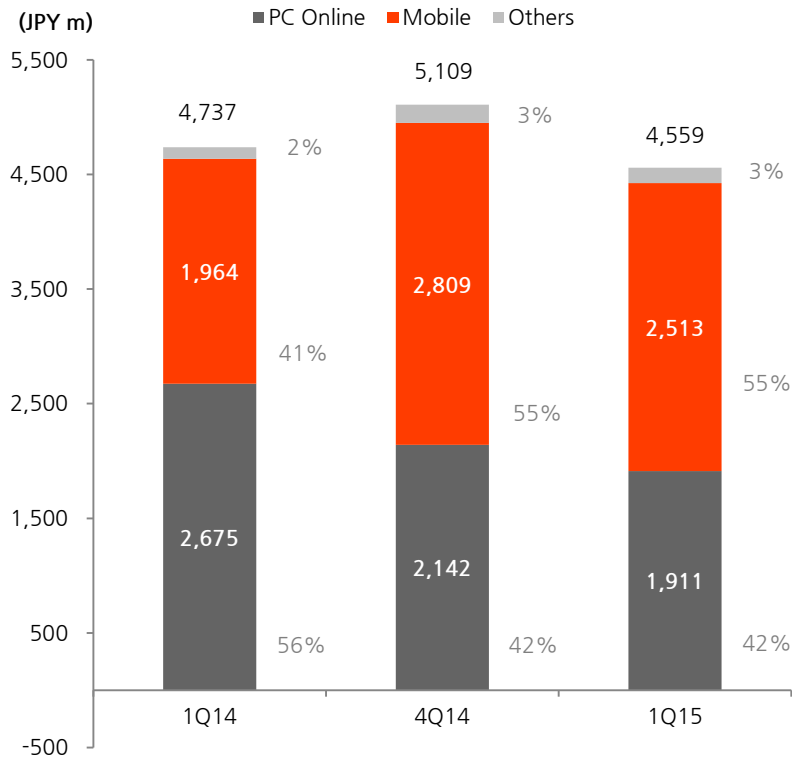
[Operating Income] Recorded operating loss of KRW 13.8b due to decreased revenue of PC business and increased operating expenses such as marketing & labor expenses

To the exclusion of marketing expenses for non-game business, operating loss would have recorded KRW 5.9b

[Net Income] Recorded net loss of KRW 10.5b

5. Japan Business

Sales



(JPY m)	1Q14	4Q14	1Q15	Y/Y	Q/Q
Sales	4,737	5,109	4,559	-3.8%	-10.8%
PC	2,675	2,142	1,911	-28.6%	-10.8%
Mobile	1,964	2,809	2,513	28.0%	-10.5%
Others	98	158	134	37.2%	-15.1%
Operating Expenses	4,098	4,988	4,355	6.3%	-12.7%
Operating Income	639	121	204	-68.1%	68.7%
OPM	13.5%	2.4%	4.5%	-9.0%p	2.1%p
Net Income	386	(12)	48	-87.6%	Turned to Profit
NPM	8.2%	-0.2%	1.1%	-7.1%p	1.3%p

[Sales] Fell 10.8% to JPY 4.6b while PC online remained muted and LINE Disney Tsum Tsum posted a natural decline in sales

[Operating Income] Increased 68.7% Q/Q to JPY 204m thanks to cost reduction

[Net Income] Posted JPY 48m net income and 1.1% margin

Appendix

1. Employees

Total 2,817 employees (As of end-1Q15)

	4Q14	1Q15	Q/Q	
Korea	NHN Entertainment	726	721	-5
	NHN PixelCube	115	112	-3
	NHN BlackPick	73	77	+4
	NHN Studio629	92	88	-4
	NHN Starfish	39	41	+2
	GodoSoft & Others	622	559	-63
Japan	NHN PlayArt	530	417	-113
	Techorus	165	336	+171
	PA Fukuhoka & Others	147	80	-67
USA	NHN USA	21	20	-1
	Monarc Gaming	34	37	+3
	Bee3Stars & Others	25	72	+47
Others	China	249	247	-2
	Singapore	6	10	+4
Total	2,844	2,817	-27	



2-1. Financial Statement (Parent)

Income Statement

(KRW m)	1Q14	2Q14	3Q14	4Q14	1Q15
Sales	80,877	49,120	56,403	56,404	56,752
Game	75,704	44,132	52,117	53,010	53,386
Others	5,174	4,988	4,287	3,394	3,366
Operating Expenses	62,176	53,589	55,971	54,439	63,441
Commission	34,746	26,079	27,912	27,852	28,549
Labor	17,569	16,052	17,666	16,508	18,056
Marketing	4,304	4,182	3,545	3,493	10,294
Depreciation	2,307	3,705	3,287	3,405	3,305
Others	3,251	3,572	3,561	3,175	3,237
Operating Income	18,701	(4,469)	433	1,965	(6,689)
<i>Operating Margin</i>	<i>23.1%</i>	<i>-9.1%</i>	<i>0.8%</i>	<i>3.5%</i>	<i>-11.8%</i>
Financial Income	3,985	3,705	3,395	64,357	2,330
Other Income	1,010	4,134	848	755	868
Financial Expense	8	45	193	7,369	348
Other Expense	5,835	2,305	1,232	1,106	2,085
Pre-tax Income	17,852	1,019	3,251	2,108	(5,924)
Income Tax	5,382	771	767	6,920	(756)
Net Income	12,470	248	2,484	3,068	(5,168)
<i>Net Income Margin</i>	<i>15.4%</i>	<i>0.5%</i>	<i>4.4%</i>	<i>5.4%</i>	<i>-9.1%</i>

Balance Sheet

(KRW m)	1Q14	2Q14	3Q14	4Q14	1Q15
Current Assets	445,082	408,399	344,032	181,331	416,974
Cash and Cash Equivalent	308,299	299,928	237,781	76,289	323,584
Accounts Receivables	113,173	85,161	83,465	83,213	71,649
Others	23,610	23,310	22,786	21,828	21,742
Non-current Assets	706,551	728,738	786,007	991,194	1,037,518
Tangible Assets	17,185	17,444	23,364	27,638	31,845
Intangible Assets	23,807	14,427	14,675	18,931	16,040
Investment Assets	559,593	606,074	658,115	862,226	892,330
Others	105,966	90,794	89,853	82,399	97,304
Total Assets	1,151,633	1,137,137	1,130,039	1,172,525	1,454,493
Current Liabilities	65,489	44,842	39,169	39,800	63,060
Accounts Payables	37,144	23,099	26,184	23,236	26,494
Short-term Borrowings	0	0	0	6,227	26,756
Accrued Income Taxes	14,583	9,535	6,085	1,717	1,572
Others	13,762	12,209	6,901	8,620	8,238
Non-current Liabilities	32,644	31,652	33,244	35,385	38,701
Long-term Accounts Payables	1,038	5,719	6,461	7,407	9,152
Long-term Borrowings	6,756	6,587	6,454	0	0
Allowance for Severance Pay	24,850	19,346	20,329	27,977	29,548
Total Liabilities	98,132	76,494	72,414	75,185	101,761
Shareholders' Equity	1,053,501	1,060,643	1,057,625	1,097,340	1,352,732
Paid-in Capital	7,583	7,583	7,583	7,583	9,783
Capital Surplus	1,004,559	1,004,559	1,004,559	1,004,559	1,273,687
Capital Adjustment	(2,704)	(2,704)	(8,759)	(25,244)	(24,900)
Other Comprehensive Income	10,608	5,280	8,069	56,776	46,150
Retained Earnings	33,455	45,926	46,174	53,666	48,012
Non-controlling Interests	0	0	0	0	0
Total Equity	1,053,501	1,060,643	1,057,625	1,097,340	1,352,732

2-2. Financial Statement (Consolidated)

Income Statement

(KRW m)	1Q14	2Q14	3Q14	4Q14	1Q15
Sales	152,128	119,798	136,210	148,727	138,128
Game	147	112,076	118,184	114,162	107,588
Others	5,067	7,722	18,026	34,565	30,540
Operating Expenses	129,838	127,104	142,394	145,664	151,938
Commission	60,475	46,804	48,171	49,125	47,768
Labor	43,509	47,648	53,091	52,406	55,306
Marketing	8,901	12,044	18,760	15,611	20,496
Depreciation	5,327	7,415	6,860	8,662	9,404
Communications	2,413	2,592	3,063	6,702	6,405
Others	9,212	10,601	12,449	13,158	12,560
Operating Income	22,290	(7,306)	(6,183)	3,063	(13,810)
<i>Operating Margin</i>	<i>14.7%</i>	<i>-6.1%</i>	<i>-4.5%</i>	<i>2.1%</i>	<i>-10.0%</i>
Financial Income	10,572	14,172	25,216	44,644	6,314
Equity Method Income	2,437	1,967	3,554	(394)	5,466
Other Income	1,141	3,942	902	1,511	978
Financial Expense	7,735	1,414	6,420	3,250	1,158
Equity Method Loss	3,154	3,797	2,090	2,551	4,318
Other Expense	1,949	2,854	1,361	12,373	4,719
Pre-tax Income	23,603	4,710	13,618	30,650	(11,247)
Income Tax	8,651	2,610	1,738	9,246	(745)
Net Income	14,952	2,100	11,880	21,405	(10,501)
<i>Net Income Margin</i>	<i>9.8%</i>	<i>1.8%</i>	<i>8.7%</i>	<i>14.5%</i>	<i>-7.6%</i>

Balance Sheet

(KRW m)	1Q14	2Q14	3Q14	4Q14	1Q15
Current Assets	671,150	594,119	534,579	467,006	682,752
Cash and Cash Equivalent	495,330	430,056	355,591	286,759	517,611
Accounts Receivables	144,605	129,743	144,662	144,793	131,164
Others	31,215	34,321	34,326	35,454	33,977
Non-current Assets	518,739	581,695	693,575	805,852	844,894
Tangible Assets	29,856	37,246	47,532	63,151	67,009
Intangible Assets	75,299	100,684	167,873	160,958	155,010
Investment Assets	288,551	317,543	345,914	457,106	489,176
Others	125,033	126,222	132,256	124,637	133,700
Total Assets	1,189,889	1,175,815	1,228,154	1,272,858	1,527,647
Current Liabilities	110,582	106,883	138,580	152,020	167,936
Accounts Payables	67,684	65,718	67,913	89,043	69,884
Short-term Borrowings	1,046	1,144	25,709	30,651	60,720
Accrued Income Taxes	17,388	14,219	8,050	5,653	2,059
Others	24,464	25,801	36,908	26,674	35,273
Non-current Liabilities	48,673	50,251	79,310	77,972	66,803
Long-term Accounts Payables	5,066	4,814	5,102	5,655	4,513
Long-term Borrowings	10,541	10,600	33,202	25,903	19,217
Allowance for Severance Pay	31,241	33,004	34,500	28,596	30,175
Others	1,825	1,834	6,505	17,818	12,898
Total Liabilities	159,255	157,133	217,890	229,992	234,739
Shareholders' Equity	1,015,133	1,003,917	995,121	1,027,022	1,271,843
Paid-in Capital	7,583	7,583	7,583	7,583	9,783
Capital Surplus	968,531	968,531	968,531	968,531	1,237,659
Capital Adjustment	(3,447)	(9,490)	(26,130)	(25,958)	(28,557)
Other Comprehensive Income	7,554	220	(3,908)	944	(12,851)
Retained Earnings	34,912	37,074	49,045	75,922	65,810
Non-controlling Interests	15,501	14,764	15,143	15,844	21,064
Total Equity	1,030,634	1,018,681	1,010,264	1,042,866	1,292,907

Thank You

