



**Consolidated Financial Results**  
**for the Nine Months Ended September 30, 2014**  
**[IFRS]**

November 13, 2014

Company name: NEXON Co., Ltd.

Stock exchange listing: Tokyo Stock Exchange

Stock code: 3659

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Scheduled date for filing of quarterly securities report: November 14, 2014

Scheduled date of commencing dividend payments: -

Supplementary briefing material on quarterly financial results: Yes

Quarterly financial results briefing: No

(Amounts of less than one million yen are rounded off.)

1. Consolidated Financial Results for the Nine Months Ended September 30, 2014 (from January 1, 2014 to September 30, 2014)

(1) Consolidated Operating Results

(% changes from the previous corresponding period)

(Millions of yen)

	Revenue		Operating income		Income before income taxes		Net income		Net income attributable to owners of the parent company		Total comprehensive income	
Nine months ended September 30, 2014	129,998	7.6%	46,257	(8.2)%	48,819	(3.6)%	34,152	(1.9)%	33,814	(2.2)%	21,132	(67.7)%
Nine months ended September 30, 2013	120,871	55.9%	50,378	30.9%	50,638	37.4%	34,813	25.3%	34,569	24.7%	65,499	124.9%

	Basic earnings per share from continuing operations	Diluted earnings per share from continuing operations
	Yen	Yen
Nine months ended September 30, 2014	77.55	76.35
Nine months ended September 30, 2013	79.05	77.69

(2) Consolidated Financial Position

(Millions of yen)

	Total assets	Total equity	Total equity attributable to owners of the parent company	Ratio of equity attributable to owners of the parent company
As of September 30, 2014	400,828	323,445	318,380	79.4%
As of December 31, 2013	418,851	313,059	308,482	73.6%

## 2. Dividends

(Yen)

	Annual Dividends				
	End of 1st Quarter	End of 2nd Quarter	End of 3rd Quarter	End of Year	Total
FY 2013	—	5.00	—	5.00	10.00
FY 2014	—	5.00	—		
FY 2014(Forecast)				5.00	10.00

(Note) Revision of most recently announced dividend forecasts: No

## 3. Consolidated Financial Results Forecast for the Year Ending December 31, 2014 (from January 1, 2014 to December 31, 2014)

(% changes from the previous fiscal year)

(Millions of yen)

	Revenue		Operating income		Income before income taxes		Net income		Net income attributable to owners of the parent company		Basic earnings per share
											Yen
Full year	169,143	8.9%	54,788	8.1%	57,874	19.0%	40,630	34.1%	40,236	33.5%	92.57
	172,127	10.8%	57,148	12.7%	60,234	23.8%	42,346	39.7%	41,952	39.2%	96.51

As it is difficult to estimate specific figures, disclosure is made with a range. For details, please refer to “1. Qualitative Information on Consolidated Financial Results for the Period under Review (3) Explanation on Future Forecast Information including Consolidated Financial Results Forecast” on page 7 of the Appendix.

\*(Notes)

(1) Changes in Significant Subsidiaries during the Period under Review (changes in specified subsidiaries accompanying changes in scope of consolidation): No

(2) Changes in Accounting Policies and Changes in Accounting Estimates

- |  |     |
|--|-----|
| 1) Changes in accounting policies required by IFRS:    | Yes |
| 2) Changes in accounting policies other than 1) above: | No  |
| 3) Changes in accounting estimates:                    | No  |

(3) Number of Shares Issued (common stock)

1) Total number of shares issued at the end of the period (including treasury stock):

As of September 30, 2014:	429,715,017 shares
As of December 31, 2013:	439,343,900 shares

2) Total number of treasury stock at the end of the period:

As of September 30, 2014:	- shares
As of December 31, 2013:	83 shares

3) Average number of shares during the period (cumulative):

Nine months ended September 30, 2014:	436,011,567 shares
Nine months ended September 30, 2013:	437,326,167 shares

\* Presentation regarding the Implementation Status of the Quarterly Review Process

This quarterly financial report is outside the scope of quarterly review procedures under the Financial Instruments and Exchange Act. At the time of disclosure of this quarterly financial report, review procedures for the Quarterly Consolidated Financial Statements are in progress.

\* Explanation of the Proper Use of Financial Results Forecasts and Other Notes

(Caution Concerning Forward-Looking Statements)

The forward-looking statements including the financial results forecast herein are based on information available to the Company and certain assumptions that can be deemed reasonable as of the date of publication of this document, and are not intended as the Company's commitment to achieve such forecasts. Actual results may differ significantly from these forecasts due to a wide range of factors. For conditions prerequisite to the financial results forecast and the points to be noted in the use thereof, please refer to "1. Qualitative Information on Consolidated Financial Results for the Period under Review (3) Explanation on Future Forecast Information including Consolidated Financial Results Forecast" on page 7 of the Appendix.

(Method of Obtaining Supplementary Briefing Material on Financial Results)

The supplementary briefing materials on quarterly financial results are available on the Company's website.

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## 1. Qualitative Information on Consolidated Financial Results for the Period under Review

### (1) Explanation on Operating Results

During the nine months ended September 30, 2014, the world economy continued to show a gradual improvement primarily in developed countries. In the U.S., business climate and employment condition continued to show improvement and consumer spending and residential market also showed a steady growth. In Europe, the economic situation varied between countries as the U.K. showed a steady recovery while Germany and France showed a negative growth, but the overall economy showed a moderate recovery trend. In Asia, the Chinese economy picked up as a result of the government's supportive measures, and a number of countries showed an economic improvement due to increased exports. The Japanese economy experienced a significant decline in consumer spending due to factors including a backlash of the last minute rise in demand before the consumption tax rise.

Three major trends are apparent in the game industry today. The first is the change from offline to online; the second is player migration from "single player games" to "multiplayer games"; and the third is the changes in monetization triggered by the introduction of "free-to-play" games. In addition to these changes, the penetration of broadband Internet environment on a global basis contributed to continuous expansion of PC online game market across the world, and the mobile game market also achieved the sharp growth supported by the rapid spread of smartphones (mobile phones with high functionality).

Under these circumstances, the Group is primarily engaged in PC online and mobile businesses. In order to provide users with an enjoyable game experience, the Group has endeavored to develop high-quality new game titles, obtain publishing rights of new games, and update the contents of existing game titles. Specifically, the Group has worked on various initiatives such as the enhancement of in-house game development capabilities, business alliance with other companies including co-development, acquisition of publishing rights of high-quality new game titles through investments in leading game developers, enhancement of the Group's development capabilities for native games in the mobile business and further reinforcement of the organization to enable attractive content updates for the existing game titles.

For the nine months ended September 30, 2014, the Group recorded revenue of ¥129,998 million (up 7.6% year-on-year), operating income of ¥46,257 million (down 8.2% year-on-year), income before income taxes of ¥48,819 million (down 3.6% year-on-year) and net income attributable to owners of the parent company of ¥33,814 million (down 2.2% year-on-year).

For the three months ended September 30, 2014, revenue increased year-on-year, and the factors contributed include continuing strong sales of *EA SPORTS™ FIFA Online 3* ("FIFA Online 3") and *EA SPORTS™ FIFA Online 3M* ("FIFA Online 3M") in Korea even after the FIFA World Cup, strong sales of our existing PC online game titles including *Dungeon&Fighter*, *MapleStory*, and *Mabinogi Heroes*, steady growth of mobile game titles including *Legion of Heroes*, and contribution by the sales of new mobile game titles released during the third quarter including *Legion of Heroes for Kakao* and *Three Sword Heroes*, as well as the weaker yen compared with the three months ended September 30, 2013. In terms of expenses, cost of sales increased year-on-year due to an increase in royalty payments in line with strong sales of *FIFA Online 3* and *FIFA Online 3M* and an increase in personnel costs as a result of increase in employees and weaker yen compared with the three months ended September 30, 2013. Selling, general and administrative expenses increased year-on-year due to increases in research and development cost, commission expense, stock option cost, and personnel cost.

Performance results by reportable segments for the nine months ended September 30, 2014 are as follows.

#### (a) Japan

In Japan, revenue amounted to ¥23,012 million (down 18.2% year-on-year) due to declined sales of both PC online games and mobile games, and segment loss amounted to ¥352 million (segment profit was ¥3,009 million for the nine months ended September 30, 2013).

#### (b) Korea

In Korea, as positive impact of the FIFA World Cup which significantly increased the number of new users continued after the event, strong sales of *FIFA Online 3* and *FIFA Online 3M* contributed to the business results. In addition, sales of our existing PC online game titles including *Dungeon&Fighter*, *MapleStory* and *Mabinogi Heroes* showed a strong growth as a result of well-received content updates, mobile game titles including *Legion of Heroes* showed a steady growth, and new mobile game titles released during the third quarter

including *Legion of Heroes for Kakao* and *Three Sword Heroes* also contributed to the business results. Revenue in Korea include royalty income of NEOPLE INC. (the local consolidated subsidiary of NEXON Korea Corporation, our consolidated subsidiary) attributable to license agreements in China. During the three months ended September 30, 2014, our core PC online game title in China *Dungeon&Fighter* trended stably after a major content update issued in summer and on National Day. As a result, revenue amounted to ¥97,955 million (up 18.8% year-on-year), and segment profit amounted to ¥48,142 million (up 2.0% year-on-year).

(c) China

In China, revenue amounted to ¥3,517 million (down 18.2% year-on-year), and segment profit amounted to ¥2,244 million (down 25.6% year-on-year) due to decline in consulting fees related to the existing PC online game titles.

(d) North America

In North America, sales from majority of existing game titles decreased, resulting in revenue of ¥3,850 million (down 11.5% year-on-year) and segment loss of ¥1,486 million (segment loss was ¥811 million for the nine months ended September 30, 2013).

(e) Other

In other regions, revenue amounted to ¥1,664 million (down 0.5% year-on-year), and segment loss amounted to ¥414 million (segment profit was ¥129 million for the nine months ended September 30, 2013).

(2) Explanation on Financial Position

(a) Assets, liabilities and equity

(Assets)

Total assets as of September 30, 2014 amounted to ¥400,828 million, a decrease of ¥18,023 million from December 31, 2013. Major components of the decrease included a decrease of ¥35,245 million from December 31, 2013 in other financial assets in non-current assets section as a result of mark-to-market of listed investment securities owned by the Company, an increase of ¥44,166 million in other deposits due to placement of term deposit, and a decrease of ¥24,688 million in cash and cash equivalents.

(Liabilities)

Total liabilities as of September 30, 2014 amounted to ¥77,383 million, a decrease of ¥28,409 million from December 31, 2013. Major components of the decrease included a decrease in borrowings of ¥11,747 million from repayment and a decrease of ¥10,382 million in deferred tax liabilities related to unrealized gain or loss on available-for-sale securities.

(Equity)

Equity as of September 30, 2014 totaled ¥323,445 million, an increase of ¥10,386 million from December 31, 2013. Major components of the increase included an increase of ¥29,441 million in retained earnings from recording net income and a decrease of ¥9,705 million in other equity interest due to a decrease in unrealized gain or loss on available-for-sale securities and foreign currency translation adjustments, recognized as other comprehensive income.

As a result, ratio of equity attributable to owners of the parent company was 79.4% (73.6% as of December 31, 2013).

(b) Cash flows

Cash and cash equivalents (“Cash”) as of September 30, 2014 was ¥114,155 million, a decrease of ¥24,688 million from December 31, 2013.

Cash flows from each activity for the nine months ended September 30, 2014 and their significant components are as follows:

(Cash flows from operating activities)

Net cash provided by operating activities was ¥41,930 million, compared to ¥38,457 million in the nine months ended September 30, 2013. Major inflows included income before income taxes of ¥48,819 million and depreciation and amortization of ¥11,600 million, and major outflows included payment of income taxes of ¥20,836 million.

(Cash flows from investing activities)

Net cash used in investing activities was ¥43,376 million, compared to ¥12,974 million in the nine months ended September 30, 2013. Major outflows included an increase in other deposits of ¥41,959 million.

(Cash flows from financing activities)

Net cash used in financing activities was ¥26,147 million, compared to ¥14,995 million in the nine months ended September 30, 2013. Major outflows included repayment of long-term borrowings of ¥11,153 million, purchases of treasury stock of ¥10,043 million and payment of cash dividends of ¥4,373 million.

(3) Explanation on Future Forecast Information including Consolidated Financial Results Forecast

The business environment surrounding the Group has been substantially changing in expectation of further development of the high-speed Internet environment for PC and mobile around the world. With regard to consolidated financial results forecast, it is difficult to forecast full-year financial results as it is difficult to project the growth speed of the PC online game and the mobile game market, in which the Group's main businesses operate, and the Group's revenue largely depends on such uncertain factors as preference of users and the presence of popular titles; accordingly, in order to provide more accurate information to our shareholders and investors, the Group decided to disclose financial results forecast for the following quarter with a range instead of full-year financial results forecast. "Consolidated Financial Results Forecast for the Year Ending December 31, 2014" is the sum of the actual consolidated financial results for the nine months ended September 30, 2014 and the financial results forecast for the three months ending December 31, 2014. For details, please refer to "Consolidated Financial Results Forecast for the Three Months Ending December 31, 2014 (from October 1, 2014 to December 31, 2014)" on page 8.

For the year ending December 31, 2014, the Group expects consolidated revenue in the range of ¥ 169,143~172,127 million (an increase of 8.9%~10.8% year-on-year), operating income in the range of ¥ 54,788~57,148 million (an increase of 8.1%~12.7% year-on-year), income before income taxes in the range of ¥ 57,874~60,234 million (an increase of 19.0%~23.8% year-on-year), net income in the range of ¥ 40,630~42,346 million (an increase of 34.1%~39.7% year-on-year), net income attributable to owners of the parent company in the range of ¥ 40,236~41,952 million (an increase of 33.5%~39.2% year-on-year), and basic earnings per share in the range of ¥ 92.57~96.51. The Group operates a global business in Japan, South Korea, China, the United States and other countries. Major exchange rates are assumed to be 1 U.S. dollar = ¥ 103.92, 100 South Korean won = ¥ 10.15 and 1 Chinese yuan = ¥ 16.87. In most cases, the exchange rates of both the South Korean won and Chinese yuan are linked to the U.S. dollar. We expect that every one Japanese yen move against the U.S. dollar will have an impact of approximately ¥ 330 million on revenue and approximately ¥ 110 million on operating income for the year ending December 31, 2014.

For the year ending December 31, 2014, revenue in the PC online business are forecasted to be ¥ 135,111~136,885 million. The fourth quarter in Korea and China generally experiences a weak growth after the strong seasonality in third quarter which includes summer vacation. In Korea, we are scheduled to launch high quality content update for our existing PC titles including *FIFA Online 3*, *Sudden Attack*, *Dungeon&Fighter* and *MapleStory*. Also in China, a high quality content update is scheduled for our main PC title *Dungeon&Fighter*. In the mobile business, new titles to be released in Q4 2014 including *Sudden Attack M: Dual League*, *Pocket MapleStory*, and *Skylock*, in addition to the existing mobile games, are expected to contribute to financial results, and revenue for the year ending December 31, 2014 is forecasted to be ¥ 34,032~35,242 million. While we expect the revenue for the twelve months ending December 31, 2014 to increase year-over-year, we expect costs to increase year-over-year, due to increases in variable costs including royalty payments for the external IP titles such as *FIFA Online 3* and *FIFA Online 3 M* and platform commissions related to mobile games as well as in personnel costs associated with salary and headcount increase and stock options. These financial results forecasts

are based on our judgment using available information at this time and include various uncertain factors; and accordingly, any change in the business condition may cause actual results to differ from the forecasts.

(Reference)

Consolidated Financial Results Forecast for the Three Months Ending December 31, 2014 (from October 1, 2014 to December 31, 2014)

(% changes from the previous fiscal year)

(Millions of yen)

	Revenue		Operating income		Income before income taxes		Net income		Net income attributable to owners of the parent company		Basic earnings per share
											Yen
4th Quarter	39,145	13.6%	8,531	—	9,055	—	6,478	—	6,422	—	14.93
	42,129	22.2%	10,891	—	11,415	—	8,194	—	8,138	—	18.92

## 2. Matters Related to Summary Information (Notes)

### (1) Changes in Significant Subsidiaries during the Period under Review:

Not applicable

### (2) Changes in Accounting Policies and Changes in Accounting Estimates:

(Changes in accounting policies required by IFRS)

The accounting policies used to prepare these condensed consolidated financial statements are consistent with those applied in the consolidated financial statements for the year ended December 31, 2013 unless otherwise noted, except for the new standards applied as listed below. The Group calculated income taxes for the nine months ended September 30, 2014, based on the estimated average annual effective tax rate.

The Group has applied the following standards from the Q1 2014 (from January 1, 2014 to March 31, 2014), but the application of these standards did not have material impacts on the nine months ended September 30, 2014 under review.

Standards	Title	Overview of New or Revised Standard
IAS 32	Financial Instruments: Presentation	Offsetting financial assets and financial liabilities
IFRS 10	Consolidated Financial Statements	Setting out exceptions regarding consolidation of subsidiaries by an entity that meets the definition of an investment entity
IFRS 12	Disclosure of Interests in Other Entities	Revision of the disclosure method for entities that meet the definition of an investment entity
IFRIC 21	Levies	Recognition of a liability for a levy imposed by a government

### 3. Condensed Consolidated Financial Statements

#### (1) Condensed Consolidated Statement of Financial Position

	(Millions of yen)	
	As of December 31, 2013	As of September 30, 2014
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	138,843	114,155
Trade and other receivables	22,469	30,188
Other deposits	43,409	87,575
Other financial assets	2,265	2,506
Other current assets	6,126	5,111
Subtotal	213,112	239,535
Assets held for sale	4,687	—
Total current assets	217,799	239,535
<b>Non-current assets</b>		
Property, plant and equipment	22,080	21,740
Goodwill	45,802	45,866
Intangible assets	26,653	18,700
Investments accounted for using equity method	2,560	2,298
Other financial assets	98,642	63,397
Other non-current assets	1,144	2,178
Deferred tax assets	4,171	7,114
Total non-current assets	201,052	161,293
Total assets	418,851	400,828

(Millions of yen)

	As of December 31, 2013	As of September 30, 2014
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	10,063	9,512
Deferred income	9,356	10,000
Borrowings	13,408	13,575
Income taxes payable	8,502	3,654
Other financial liabilities	812	477
Provisions	1,248	1,523
Other current liabilities	7,064	7,531
Total current liabilities	<u>50,453</u>	<u>46,272</u>
Non-current liabilities		
Deferred income	4,778	3,069
Borrowings	34,605	22,691
Other financial liabilities	2,248	2,124
Provisions	305	261
Other non-current liabilities	1,181	1,126
Deferred tax liabilities	12,222	1,840
Total non-current liabilities	<u>55,339</u>	<u>31,111</u>
Total liabilities	<u>105,792</u>	<u>77,383</u>
Equity		
Capital stock	51,952	52,226
Capital surplus	50,688	40,576
Treasury stock	(0)	—
Other equity interest	74,468	64,763
Retained earnings	131,374	160,815
Total equity attributable to owners of the parent company	<u>308,482</u>	<u>318,380</u>
Non-controlling interests	4,577	5,065
Total equity	<u>313,059</u>	<u>323,445</u>
Total liabilities and equity	<u>418,851</u>	<u>400,828</u>

(2) Condensed Consolidated Income Statement  
For the nine months ended September 30, 2013 and 2014

	(Millions of yen)	
	Nine months ended September 30,	
	2013	2014
	(From January 1, 2013 to September 30, 2013)	(From January 1, 2014 to September 30, 2014)
Revenue	120,871	129,998
Cost of sales	(24,793)	(32,819)
Gross profit	96,078	97,179
Selling, general and administrative expenses	(43,601)	(49,044)
Other income	490	597
Other expenses	(2,589)	(2,475)
Operating income	50,378	46,257
Finance income	2,412	3,694
Finance costs	(1,800)	(934)
Equity in losses of affiliates	(352)	(198)
Income before income taxes	50,638	48,819
Income taxes expense	(15,825)	(14,667)
Net income	34,813	34,152
Attributable to:		
Owners of the parent company	34,569	33,814
Non-controlling interests	244	338
Net income	34,813	34,152
Earnings per share (attributable to owners of the parent company)		(Yen)
Basic earnings per share	79.05	77.55
Diluted earnings per share	77.69	76.35

For the three months ended September 30, 2013 and 2014

	(Millions of yen)	
	Three months ended September 30,	
	2013	2014
	(From July 1, 2013 to September 30, 2013)	(From July 1, 2014 to September 30, 2014)
Revenue	39,883	45,613
Cost of sales	(9,229)	(12,731)
Gross profit	30,654	32,882
Selling, general and administrative expenses	(14,313)	(17,401)
Other income	225	180
Other expenses	(329)	(537)
Operating income	16,237	15,124
Finance income	739	5,122
Finance costs	(3,138)	(360)
Equity in income (losses) of affiliates	15	(93)
Income before income taxes	13,853	19,793
Income taxes expense	(5,712)	(6,132)
Net income	8,141	13,661
Attributable to:		
Owners of the parent company	8,054	13,585
Non-controlling interests	87	76
Net income	8,141	13,661
Earnings per share (attributable to owners of the parent company)		(Yen)
Basic earnings per share	18.35	31.49
Diluted earnings per share	18.08	31.00

(3) Condensed Consolidated Statement of Comprehensive Income  
For the nine months ended September 30, 2013 and 2014

	(Millions of yen)	
	Nine months ended September 30,	
	2013 (From January 1, 2013 to September 30, 2013)	2014 (From January 1, 2014 to September 30, 2014)
Net income	34,813	34,152
Other comprehensive income		
Items that will not be reclassified to net income		
Financial assets measured at fair value through other comprehensive income	16,897	(34,857)
Re-measurement of defined benefit pension plans	1	(1)
Other comprehensive income under equity method	(14)	—
Income taxes	(6,354)	13,361
Total items that will not be reclassified to net income	10,530	(21,497)
Items that may be reclassified subsequently to net income		
Exchange differences on translating foreign operations	20,160	8,452
Cash flow hedges	99	46
Other comprehensive income under equity method	(8)	(2)
Income taxes	(95)	(19)
Total items that may be reclassified subsequently to net income	20,156	8,477
Total other comprehensive income	30,686	(13,020)
Total comprehensive income	65,499	21,132
Attributable to:		
Owners of the parent company	64,828	20,607
Non-controlling interests	671	525
Total comprehensive income	65,499	21,132

For the three months ended September 30, 2013 and 2014

	(Millions of yen)	
	Three months ended September 30,	
	2013	2014
	(From July 1, 2013 to September 30, 2013)	(From July 1, 2014 to September 30, 2014)
Net income	8,141	13,661
Other comprehensive income		
Items that will not be reclassified to net income		
Financial assets measured at fair value through other comprehensive income	11,237	(13,837)
Re-measurement of defined benefit pension plans	0	(1)
Other comprehensive income under equity method	(20)	—
Income taxes	(4,177)	5,187
Total items that will not be reclassified to net income	7,040	(8,651)
Items that may be reclassified subsequently to net income		
Exchange differences on translating foreign operations	8,514	7,924
Cash flow hedges	24	16
Other comprehensive income under equity method	0	(2)
Income taxes	(9)	(6)
Total items that may be reclassified subsequently to net income	8,529	7,932
Total other comprehensive income	15,569	(719)
Total comprehensive income	23,710	12,942
Attributable to:		
Owners of the parent company	23,408	12,705
Non-controlling interests	302	237
Total comprehensive income	23,710	12,942

## (4) Condensed Consolidated Statement of Changes in Equity

For the nine months ended September 30, 2013 (From January 1, 2013 to September 30, 2013)

(Millions of yen)

	Equity attributable to owners of the parent company						Non-controlling interests	Total equity
	Capital stock	Capital surplus	Treasury stock	Other equity interest	Retained earnings	Total		
Balance at January 1, 2013	51,342	50,188	—	11,905	105,293	218,728	3,517	222,245
Net income for the period	—	—	—	—	34,569	34,569	244	34,813
Other comprehensive income	—	—	—	30,259	—	30,259	427	30,686
Total comprehensive income	—	—	—	30,259	34,569	64,828	671	65,499
Issue of shares	570	570	—	—	—	1,140	—	1,140
Stock issue cost	—	(3)	—	—	—	(3)	—	(3)
Payment of dividends	—	—	—	—	(4,370)	(4,370)	—	(4,370)
Share-based payments	—	—	—	751	—	751	—	751
Acquisitions and disposals of non-controlling interests	—	(104)	—	—	—	(104)	48	(56)
Acquisition of treasury stock	—	—	(0)	—	—	(0)	—	(0)
Transfer from other equity interest to retained earnings	—	—	—	(315)	315	—	—	—
Total transactions with the owners	570	463	(0)	436	(4,055)	(2,586)	48	(2,538)
Balance at September 30, 2013	51,912	50,651	(0)	42,600	135,807	280,970	4,236	285,206

For the nine months ended September 30, 2014 (From January 1, 2014 to September 30, 2014)

(Millions of yen)

	Equity attributable to owners of the parent company						Non-controlling interests	Total equity
	Capital stock	Capital surplus	Treasury stock	Other equity interest	Retained earnings	Total		
Balance at January 1, 2014	51,952	50,688	(0)	74,468	131,374	308,482	4,577	313,059
Net income for the period	—	—	—	—	33,814	33,814	338	34,152
Other comprehensive income	—	—	—	(13,207)	—	(13,207)	187	(13,020)
Total comprehensive income	—	—	—	(13,207)	33,814	20,607	525	21,132
Issue of shares	274	274	—	—	—	548	—	548
Stock issue cost	—	(2)	—	—	—	(2)	—	(2)
Payment of dividends	—	—	—	—	(4,373)	(4,373)	—	(4,373)
Share-based payments	—	—	—	3,502	—	3,502	—	3,502
Acquisitions and disposals of non-controlling interests	—	(341)	—	—	—	(341)	(37)	(378)
Acquisition of treasury stock	—	(43)	(10,000)	—	—	(10,043)	—	(10,043)
Retirement of treasury stock	—	(10,000)	10,000	—	—	—	—	—
Others	—	—	—	—	(0)	(0)	—	(0)
Total transactions with the owners	274	(10,112)	—	3,502	(4,373)	(10,709)	(37)	(10,746)
Balance at September 30, 2014	52,226	40,576	—	64,763	160,815	318,380	5,065	323,445

## (5) Condensed Consolidated Statement of Cash Flows

(Millions of yen)

	Nine months ended September 30,	
	2013 (From January 1, 2013 to September 30, 2013)	2014 (From January 1, 2014 to September 30, 2014)
Cash flows from operating activities		
Income before income taxes	50,638	48,819
Depreciation and amortization	10,249	11,600
Share-based compensation expenses	1,011	3,704
Interest and dividend income	(1,680)	(2,662)
Interest expense	508	386
Impairment loss	2,060	2,230
Equity in losses of affiliates	352	198
Increase in trade and other receivables	(5,493)	(6,487)
(Decrease) increase in trade and other payables	(204)	1,210
Decrease in deferred income	(2,318)	(1,111)
Other	900	3,042
Subtotal	56,023	60,929
Interest and dividends received	1,511	2,376
Interest paid	(710)	(539)
Income taxes paid	(18,367)	(20,836)
Net cash provided by operating activities	38,457	41,930
Cash flows from investing activities		
Increase in other deposits	(4,477)	(41,959)
Purchases of property, plant and equipment	(6,849)	(2,991)
Proceeds from sales of property, plant and equipment	400	450
Purchases of intangible assets	(1,425)	(2,059)
Payments associated with increase in long-term prepaid expenses	(1,408)	(1,331)
Payments for acquisition of investment securities	(2,398)	(1,563)
Proceeds from sale of investment securities	1,690	4,702
Purchases of affiliates	(260)	—
Proceeds from sales of affiliates	2,761	79
Purchases of subsidiaries	(1,165)	—
Other	157	1,296
Net cash used in investing activities	(12,974)	(43,376)
Cash flows from financing activities		
Net decrease in short-term borrowings	(233)	—
Repayment of long-term borrowings	(10,590)	(11,153)
Proceeds from exercise of stock options	878	349
Purchases of treasury stock	(0)	(10,043)
Cash dividends paid	(4,356)	(4,373)
Other	(694)	(927)
Net cash used in financing activities	(14,995)	(26,147)
Net increase (decrease) in cash and cash equivalents	10,488	(27,593)
Cash and cash equivalents at the beginning of the period	84,736	138,843
Effects of exchange rate changes on cash and cash equivalents	8,596	2,905
Cash and cash equivalents at the end of the period	103,820	114,155

(6) Notes on Going Concern Assumption

Not applicable

(7) Notes on Significant Changes in the Amount of Equity Attributable to Owners of the Parent Company

Not applicable

(8) Segment Information

(a) Outline of reportable segments

Reportable segments of the Group are components of the Group, for which separate financial statements are available, that are evaluated regularly by the board of directors in deciding how to allocate management resources and in assessing performance.

The Group is engaged in production, development and distribution of PC online games and mobile games, and the Company and its domestic consolidated subsidiaries (in Japan) and its local consolidated subsidiaries (overseas) develop overall strategies and operate business activities for their respective products and services in each region as independent units. Accordingly, the Group is comprised of geographical segments based on production, development, and distribution of PC online games and mobile games. There are five reportable segments: “Japan”, “Korea”, “China”, “North America” and “Other” which includes Europe and Asian countries.

(b) Revenue, profit or loss by reportable segment

Information on the segments of the Group is as follows:

(For the nine months ended September 30)

For the nine months ended September 30, 2013 (From January 1, 2013 to September 30, 2013)

(Millions of yen)

	Reportable Segments					Total	Adjustments (Note 3)	Consolidated
	Japan	Korea	China	North America	Other			
Revenue								
Revenue from external customers	28,125	82,425	4,298	4,352	1,671	120,871	—	120,871
Intersegment revenue	64	3,338	—	189	182	3,773	(3,773)	—
Total	28,189	85,763	4,298	4,541	1,853	124,644	(3,773)	120,871
Segment profit or loss (Note 1)	3,009	47,179	3,017	(811)	129	52,523	(46)	52,477
Other income (expense), net								(2,099)
Operating income								50,378
Finance income (costs), net								612
Equity in losses of affiliates								(352)
Income before income taxes								50,638

- (Notes)
1. Segment profit or loss is calculated by deducting cost of sales and selling, general and administrative expenses from revenue.
  2. Price for intersegment transactions is based on the general market price.
  3. Adjustments in segment profit or loss of ¥ (46) million represent elimination of intersegment transactions.

For the nine months ended September 30, 2014 (From January 1, 2014 to September 30, 2014)

(Millions of yen)

	Reportable Segments					Total	Adjustments (Note 3)	Consolidated
	Japan	Korea	China	North America	Other			
Revenue								
Revenue from external customers	23,012	97,955	3,517	3,850	1,664	129,998	—	129,998
Intersegment revenue	11	2,643	—	6	8	2,668	(2,668)	—
Total	23,023	100,598	3,517	3,856	1,672	132,666	(2,668)	129,998
Segment profit or loss (Note 1)	(352)	48,142	2,244	(1,486)	(414)	48,134	1	48,135
Other income (expense), net								(1,878)
Operating income								46,257
Finance income (costs), net								2,760
Equity in losses of affiliates								(198)
Income before income taxes								48,819

- (Notes)
1. Segment profit or loss is calculated by deducting cost of sales and selling, general and administrative expenses from revenue.
  2. Price for intersegment transactions is based on the general market price.
  3. Adjustments in segment profit or loss of ¥ 1 million represent elimination of intersegment transactions.

(For the three months ended September 30)

For the three months ended September 30, 2013 (From July 1, 2013 to September 30, 2013)

(Millions of yen)

	Reportable Segments					Total	Adjustments (Note 3)	Consolidated
	Japan	Korea	China	North America	Other			
Revenue								
Revenue from external customers	8,764	27,799	1,397	1,402	521	39,883	—	39,883
Intersegment revenue	1	1,085	—	63	101	1,250	(1,250)	—
Total	8,765	28,884	1,397	1,465	622	41,133	(1,250)	39,883
Segment profit or loss (Note 1)	1,184	14,506	944	(365)	104	16,373	(32)	16,341
Other income (expense), net								(104)
Operating income								16,237
Finance income (costs), net								(2,399)
Equity in income of affiliates								15
Income before income taxes								13,853

- (Notes)
1. Segment profit or loss is calculated by deducting cost of sales and selling, general and administrative expenses from revenue.
  2. Price for intersegment transactions is based on the general market price.
  3. Adjustments in segment profit or loss of ¥ (32) million represent elimination of intersegment transactions.

For the three months ended September 30, 2014 (From July 1, 2014 to September 30, 2014)

(Millions of yen)

	Reportable Segments					Total	Adjustments (Note 3)	Consolidated
	Japan	Korea	China	North America	Other			
Revenue								
Revenue from external customers	7,237	35,361	1,035	1,461	519	45,613	—	45,613
Intersegment revenue	3	897	—	1	—	901	(901)	—
Total	7,240	36,258	1,035	1,462	519	46,514	(901)	45,613
Segment profit or loss (Note 1)	(15)	15,542	620	(476)	(191)	15,480	1	15,481
Other income (expense), net								(357)
Operating income								15,124
Finance income (costs), net								4,762
Equity in losses of affiliates								(93)
Income before income taxes								19,793

- (Notes)
1. Segment profit or loss is calculated by deducting cost of sales and selling, general and administrative expenses from revenue.
  2. Price for intersegment transactions is based on the general market price.
  3. Adjustments in segment profit or loss of ¥1 million represent elimination of intersegment transactions.

(c) Information on each region

Revenue from external customers are as follows:

(For the nine months ended September 30)

	(Millions of yen)	
	For the nine months ended September 30, 2013 (From January 1, 2013 to September 30, 2013)	For the nine months ended September 30, 2014 (From January 1, 2014 to September 30, 2014)
Japan	28,080	23,009
Korea	31,345	48,660
China	51,848	50,517
North America	4,228	3,896
Other	5,370	3,916
Total	<u>120,871</u>	<u>129,998</u>

- (Notes)
1. Revenue is classified into country or region category based on the customers' location.
  2. The category of country or region is based on geographic proximity.
  3. Main countries or regions in each category:
    - (1) North America: USA and Canada
    - (2) Other: Europe, Central and South America and Asian countries

(For the three months ended September 30)

	(Millions of yen)	
	For the three months ended September 30, 2013 (From July 1, 2013 to September 30, 2013)	For the three months ended September 30, 2014 (From July 1, 2014 to September 30, 2014)
Japan	8,755	7,232
Korea	12,151	19,976
China	15,962	15,685
North America	1,364	1,420
Other	1,651	1,300
Total	<u>39,883</u>	<u>45,613</u>

- (Notes)
1. Revenue is classified into country or region category based on the customers' location.
  2. The category of country or region is based on geographic proximity.
  3. Main countries or regions in each category:
    - (1) North America: USA and Canada
    - (2) Other: Europe, Central and South America and Asian countries

(9) Subsequent Event

(Grant of stock options (Subscription rights to shares))

Pursuant to Articles 236, 238 and 239 of the Companies Act and the resolution of the Annual General Meeting of Shareholders held on March 25, 2014, the Board of Directors' Meeting held on October 20, 2014 passed a resolution issuing subscription rights to shares as stock options to directors and employees of the Company's subsidiary and granted them on October 21, 2014.

The following presents the details:

Date of resolution	Date of resolution of the Board of Directors' Meeting: October 20, 2014
Category and number of eligible persons	Directors and employees of the Company's subsidiary: 4
Class of shares to be issued upon exercise of subscription rights to shares	Common stock
Number of shares	100,000 shares (Note 1)
Exercise price upon exercise of subscription rights to shares	865 yen (Note 2)
Exercise period of subscription rights to shares	The exercise period shall be from October 21, 2014 to October 20, 2020. In the event that the last date of the exercise period is a non-business day of the Company, it shall be the business day immediately preceding such date.
Conditions for exercise of subscription rights to shares	The holder of subscription rights to shares must be a director or an employee of the Company or its subsidiaries at the time of the exercise to be eligible, except when a director or an employee of the Company or its subsidiaries loses its position as a director or an employee due to resignation or retirement, dismissal or discharge (excluding punitive dismissal or any other event similar thereto), or death or disability, or when there is any other due reason specifically provided by the Board of Directors.
Matters on the transfer of subscription rights to shares	Subscription rights to shares shall not be transferred or pledged as collateral.
Matters on substitute payment	—
Matters on grant of subscription rights to shares at the Company's restructuring and other activities	—

(Notes) 1. In the event that the Company splits its common stock (including allotment of its common stock without contribution) or consolidates its common stock, the number of shares to be issued upon exercise of each unit of subscription rights to shares shall be adjusted according to the formula outlined below. Provided, however, that such adjustment shall be made only to those remain unexercised at the time of such adjustment, and any fraction less than one share resulting from such adjustment shall be rounded down.

Number of shares after adjustment = Number of shares before adjustment × Ratio of split or consolidation

In the event that the Company conducts merger, a company split, a share exchange, share transfer or when there is any other inevitable reason necessitating an adjustment of the number of shares, the number of shares shall be adjusted within a reasonable scope upon consideration of the conditions and other matters pertaining to the merger, company split, share exchange or share transfer, etc.

2. In the event that the Company splits its common stock (including allotment of its common stock without contribution) or consolidates its common stock after the Allotment Date, the Exercise Price shall be adjusted according to the following formula. Any fraction of less than one yen shall be rounded up.

$$\text{Exercise Price after adjustment} = \text{Exercise Price before adjustment} \times \frac{1}{\text{Ratio of split or consolidation}}$$

In addition to the above, when the Company merges with another company, carries out company split, or reduces its capital, or any other event similar thereto, and an adjustment of the Exercise Price is required after the Allotment Date, the Exercise Price shall be adjusted to an extent reasonable with a resolution of the Board of Directors.