[This is an English translation prepared for the convenience of non-resident shareholders. Should there be any inconsistency between the translation and the official Japanese text, the latter shall prevail.]

Consolidated Financial Results for the Nine Months Ended September 30, 2017 [IFRS]

November 10, 2017

Company name: NEXON Co., Ltd.
Stock exchange listing: Tokyo Stock Exchange
Stock code: 3659
URL: http://www.nexon.co.jp/
Representative: Owen Mahoney, Chief Executive Officer and President
Contact: Shiro Uemura, Representative Director and Chief Financial Officer Phone: +81-3-3523-7910
Scheduled date for filing of quarterly securities report: November 10, 2017
Scheduled date of commencing dividend payments: -
Supplementary briefing material on quarterly financial results: Yes
Quarterly financial results briefing: No

(Amounts are rounded to nearest million yen)

1. Consolidated Financial Results for the Nine Months Ended September 30, 2017 (from January 1, 2017 to September 30, 2017)

(1) Consolidated Operating Results (cumulative) (% changes year-over-year)

(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, 2017	182,254	30.3%	78,744	135.9%	71,575	297.5%	58,761	530.7%	58,960	560.5%	67,661	—
Nine months ended September 30, 2016	139,875	(3.2)%	33,374	(35.8)%	18,007	(70.4)%	9,316	(81.8)%	8,927	(82.4)%	(23,360)	—

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended September 30, 2017	134.65	132.28
Nine months ended September 30, 2016	20.50	20.11

(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, 2017	522,207	452,892	448,187	85.8%
As of December 31, 2016	441,832	377,694	372,924	84.4%

2. Dividends

(Yen)

	Annual Dividends				
	End of 1st Quarter	End of 2nd Quarter	End of 3rd Quarter	End of Year	Total
FY 2016	—	5.00	—	0.00	5.00
FY 2017	—	0.00	—		
FY 2017 (Forecast)				0.00	0.00

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

3. Consolidated Financial Results Forecast for the Year Ending December 31, 2017 (from January 1, 2017 to December 31, 2017)

(% changes year-over-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	231,003 ～ 235,077	26.1% ～ 28.4%	90,972 ～ 94,165	123.7% ～ 131.6%	85,186 ～ 88,378	80.8% ～ 87.5%	70,209 ～ 72,869	242.1% ～ 255.1%	70,242 ～ 72,874	248.9% ～ 262.0%	160.11 ～ 166.11

(Note) 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 (3) Explanation on Future Forecast Information including Consolidated Financial Results Forecast” on page 4 of the Appendix.

*(Notes)

(1) Changes in Significant Subsidiaries during the Period : Yes

(Changes in specified subsidiaries accompanying changes in scope of consolidation)

Newly included: 1 (Name) JoongAng Pangyo Development Company

Excluded: －

(Note) For details, please refer to "2. Matters Related to Summary Information (Notes) (1) Changes in Significant Subsidiaries during the Period" on page 6 of the Appendix.

(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, 2017: 441,355,414 shares

As of December 31, 2016: 434,871,414 shares

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

As of September 30, 2017: 182 shares

As of December 31, 2016: 61 shares

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

Nine months ended September 30, 2017: 437,892,873 shares

Nine months ended September 30, 2016: 435,477,583 shares

*This quarterly financial report is outside the scope of quarterly review procedures.

*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 currently available to the Company and certain assumptions that can be deemed reasonable, 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 (3) Explanation on Future Forecast Information including Consolidated Financial Results Forecast" on page 4 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.

Contents of Appendix

1. Qualitative Information on Consolidated Financial Results for the Period

(1) Explanation on Operating Results

During the nine months ended September 30, 2017, Japan's economy was relatively stable in terms of corporate revenue and employment as a result of measures including continued monetary easing by the Bank of Japan and the government's economic stimulus packages. However, future outlook remains extremely difficult due to uncertainty in the external environment including exchange rate changes caused by unstable political conditions overseas and the slowdown of economic growth in China and other emerging countries.

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

For the three months ended September 30, 2017, revenue grew significantly year-over-year due to continuing strong performance in China and favorable effect of foreign exchange rates, with the Japanese yen depreciating year-over-year against main foreign currencies in our business. In China, revenue increased significantly due mainly to well-received item sales in time for the summer and National Day content updates of *Dungeon&Fighter*, our main PC online game. In Korea, revenue grew year-over-year because major titles such as *EA SPORTS™ FIFA Online 3* ("*FIFA Online 3*") and *Dungeon&Fighter* showed a steady growth and increased year-over-year and *Dark Avenger 3* and *AxE* launched in Q3 2017 got off to a strong start which made up for a decrease in revenue from *Sudden Attack* and a mobile title *HIT* which showed strong performance in Q3 2016.

In terms of expenses, cost of sales increased year-over-year due to increases in royalty fee associated with strong performance of *FIFA Online 3* and personnel cost resulting from an increase in headcount of employees engaging in operation of existing game titles in Korea. Selling, general and administrative expenses increased year-over-year due to increased marketing costs and platform fees for the release of new titles including *Dark Avenger 3* and *AxE*. Finance costs decreased and finance income increased year-over-year due to foreign exchange gain in foreign currency-denominated cash deposits and accounts receivable.

As a result, for the nine months ended September 30, 2017, Nexon Group recorded revenues of ¥182,254 million (up 30.3% year-over-year), operating income of ¥78,744 million (up 135.9% year-over-year), income before income taxes of ¥71,575 million (up 297.5% year-over-year) and net income attributable to owners of the parent company of ¥58,960 million (up 560.5% year-over-year).

Performance results by reportable segments for the nine months ended September 30, 2017 are as follows:

(a) Japan

Revenues for the nine months ended September 30, 2017 amounted to ¥9,465 million (down 15.3% year-over-year), and segment loss amounted to ¥2,551 million (segment loss of ¥2,606 million for the nine months ended September 30, 2016). PC revenue increased while mobile revenue decreased in Japan.

(b) Korea

Revenues for the nine months ended September 30, 2017 amounted to ¥163,242 million (up 38.7% year-over-year), and segment profit amounted to ¥92,234 million (up 49.3% year-over-year). Major titles such as *FIFA Online 3* and *Dungeon&Fighter* showed a steady growth and increased year-over-year. *Dark Avenger 3* and *AxE* released in Q3 2017 contributed to sales increase. However, sales of *Sudden Attack* and *HIT* decreased significantly. Revenue in Korea includes royalty income of NEOPLE INC. (a subsidiary of NEXON Korea Corporation, our subsidiary) attributable to license agreements in China. For the nine months ended September 30, 2017, revenue showed an extremely strong growth driven by well-received item sales in time for the summer and National Day content updates of *Dungeon&Fighter*, our main PC online game.

(c) China

Revenues for the nine months ended September 30, 2017 amounted to ¥2,669 million (down 20.4% year-over-year), and segment profit amounted to ¥1,559 million (down 32.5% year-over-year).

(d) North America

Revenues for the nine months ended September 30, 2017 amounted to ¥6,403 million (down 3.0% year-over-year), and segment loss amounted to ¥4,931 million (segment loss of ¥3,248 million for the nine months ended September 30, 2016).

(e) Other

Revenues for the nine months ended September 30, 2017 amounted to ¥475 million (down 53.9% year-over-year), and segment loss amounted to ¥188 million (segment loss of ¥153 million for the nine months ended September 30, 2016).

(2) Explanation on Financial Position

(a) Assets, liabilities and equity

(Assets)

Total assets as of September 30, 2017 amounted to ¥522,207 million, an increase of ¥80,375 million from December 31, 2016. Major components include an increase of ¥35,395 million in cash and cash equivalent and an increase of ¥19,893 million in other deposits.

(Liabilities)

Total liabilities as of September 30, 2017 amounted to ¥69,315 million, an increase of ¥5,177 million from December 31, 2016. Major components include an increase of ¥1,634 million in deferred income, an increase of ¥1,019 million in deferred tax liabilities and an increase of ¥849 million in trade and other payables.

(Equity)

Equity as of September 30, 2017 amounted to ¥452,892 million, an increase of ¥75,198 million from December 31, 2016. Major components include a decrease of ¥37,126 million in capital surplus due to compensation of deficit and an increase of ¥97,823 million in retained earnings due to compensation of deficit and recording of net income.

As a result, ratio of equity attributable to owners of the parent company was 85.8% (84.4% as of December 31, 2016).

(b) Cash flows

Cash and cash equivalents (“Cash”) as of September 30, 2017 was ¥188,078 million, an increase of ¥35,395 million from December 31, 2016. The increase includes effects of exchange rate changes on cash and cash equivalents of (¥352) million.

Cash flows from each activity for the nine months ended September 30, 2017 and their significant components are as follows:

(Cash flows from operating activities)

Net cash provided by operating activities was ¥61,195 million, compared to ¥51,374 million in the nine months ended September 30, 2016. Major inflows include income before income taxes of ¥71,575 million and impairment loss of ¥8,492 million, and major outflows include an increase in trade and other receivables of ¥16,074 million.

(Cash flows from investing activities)

Net cash used in investing activities was ¥30,373 million, compared to ¥91,024 million in the nine months ended September 30, 2016. Major outflows include an increase of ¥20,139 million in other deposits, payments for purchases of investment securities of ¥3,811 million and payments for purchases of subsidiaries of ¥2,782 million.

(Cash flows from financing activities)

Net cash used in financing activities was ¥4,925 million, compared to ¥7,012 million in the nine months ended September 30, 2016. Major inflows include proceeds from exercise of stock options of ¥6,809 million, and major outflows include repayment of long-term borrowings of ¥1,683 million.

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

With regard to consolidated financial results forecast, it is difficult to forecast specific figures for full-year financial results as it is not easy to project the growth of the PC online game and the mobile game market in which Nexon Group's main businesses operate, and Nexon Group's revenue largely depends on such uncertain factors as preference of users and the presence of popular titles. In order to provide more accurate information to shareholders and investors, Nexon Group decided to disclose consolidated financial results forecast for the following quarter with a range. "Consolidated Financial Results Forecast for the Fiscal Year Ending December 31, 2017" is the sum of the actual consolidated financial results for the nine months ended September 30, 2017 and the financial results forecast for the three months ending December 31, 2017.

For the fiscal year ending December 31, 2017, Nexon Group expects consolidated revenue in the range of ¥231,003~235,077 million (an increase of 26.1%~28.4% year-over-year), operating income in the range of ¥90,972~94,165 million (an increase of 123.7%~131.6 % year-over-year), income before income taxes in the range of ¥85,186~88,378 million (an increase of 80.8%~87.5% year-over-year), net income in the range of ¥70,209~72,869 million (an increase of 242.1%~255.1% year-over-year), net income attributable to owners of the parent in the range of ¥70,242~72,874 million (an increase of 248.9%~262.0% year-over-year), and basic earnings per share in the range of ¥160.11~166.11. Nexon Group operates a global business in Japan, South Korea, China, the United States and other countries. Major exchange rates for Q4 2017 are assumed to be 1 U.S dollar = ¥112.95, 100 South Korean Won = ¥9.98 and 1 Chinese Yuan = ¥17.07. In general, the exchange rates of the South Korean Won and the Chinese Yuan to Japanese yen are assumed to be linked to the exchange rate of U.S. dollar to Japanese yen. We expect that every one Japanese yen move against the U.S. dollar will have an impact of approximately ¥447 million on revenue and approximately ¥132 million on operating income for the three months ending December 31, 2017.

As for the revenues based on customer location, for the three months ending December 31, 2017, our expectations are as follows.

In Korea, we expect positive revenue contributions due to the impact of contents updates of existing titles and mobile titles launched in the third quarter, i.e. *Dark Avenger 3* and *AxE*. We also expect positive revenue contributions from *OVERHIT*, which is scheduled for launch in the fourth quarter. Meantime we expect negative impact from *HIT*, however, year-over-year, we expect revenue increase to be larger than decrease resulting in growth in Korea.

In China, we launched the National Day Update for our main PC title *Dungeon&Fighter* in September 2017. The update was off to a great start and we expect its impact to contribute to the fourth quarter. Therefore, we expect revenue to increase year-over-year for the three months ending December 31, 2017.

In Japan, we expect a decrease in revenues from PC online game *Tree of Savior*, mobile game *HIDE AND FIRE* and browser games. While *HIT* is a positive driver of revenue, it is eclipsed by negative drivers of revenue resulting in a revenue decrease year-over-year.

In North America, we expect revenue to increase year-over-year mainly due to revenue contributed from Pixelberry Studios scheduled to come under the scope of consolidation of Nexon in the fourth quarter(detailed in "Subsequent Event").

In Europe and Others, while *MapleStory* and *Tree of Savior* are scheduled for launch in Thailand, we expect an overall decrease in revenues from existing titles. Therefore, we expect revenue to decrease year-over- year.

As for costs for the three months ending December 31, 2017, we expect personnel cost to increase year-over-year due to an increase in headcount in Korea and marketing costs to increase year-over-year due to marketing campaigns including the launch of new titles.

The financial results forecast is based on our judgment using available information at this time and include various uncertain factors. Accordingly, any change in the business condition may cause actual results to differ from the forecast.

(Reference)

Consolidated financial results forecast for the three months ending December 31, 2017 (from October 1, 2017 to December 31, 2017)

(% 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	48,749 ～ 52,823	12.7% ～ 22.1%	12,229 ～ 15,421	67.8% ～ 111.6%	13,610 ～ 16,802	(53.3)% ～ (42.3)%	11,447 ～ 14,107	2.2% ～ 25.9%	11,281 ～ 13,913	0.7% ～ 24.2%	25.56 ～ 31.52

2. Matters Related to Summary Information (Notes)

(1) Changes in Significant Subsidiaries during the Period

In Q3 2017, JoongAng Pangyo Development Company came under the scope of consolidation of Nexon due to the acquisition of 99.9% of its shares outstanding on September 6, 2017 by Nexon's consolidated subsidiary NEXON GT Co.,Ltd. Moreover, the company became a subsidiary of Nexon and is also deemed a specified subsidiary because the amount of its capital is equivalent to ten one hundredth (10/100) or more of Nexon's capital.

(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, 2016 unless otherwise noted, except for the new standards applied as listed below. Nexon Group calculated income taxes for the nine months ended September 30, 2017, based on the estimated average annual effective tax rate.

Nexon Group has applied the following standards from Q1 2017 (from January 1, 2017 to March 31, 2017), but the application of these standards did not have material impacts on the nine months ended September 30, 2017.

Standards	Title	Overview of New or Revised Standard
IFRS 12	Disclosure of Interests in Other Entities	Clarified that disclosure requirements under IFRS 12 apply to interests classified as held for sale or discontinued operations in accordance with IFRS 5 (subject to limited exceptions)
IAS 7	Statement of Cash Flows	Amended disclosure of changes in liabilities arising from financing activities
IAS 12	Income taxes	Clarified accounting treatment for deferred tax assets related to debt instruments measured at fair value

3. Condensed Consolidated Financial Statements and Major Notes

(1) Condensed Consolidated Statement of Financial Position

(Millions of yen)

	As of December 31, 2016	As of September 30, 2017
Assets		
Current assets		
Cash and cash equivalents	152,683	188,078
Trade and other receivables	27,037	43,586
Other deposits	173,226	193,119
Other financial assets	2,895	3,906
Other current assets	10,256	10,631
Total current assets	366,097	439,320
Non-current assets		
Property, plant and equipment	20,394	25,785
Goodwill	17,523	15,715
Intangible assets	7,127	4,168
Investments accounted for using equity method	6,662	4,230
Other financial assets	18,236	26,245
Other non-current assets	551	1,266
Deferred tax assets	5,242	5,478
Total non-current assets	75,735	82,887
Total assets	441,832	522,207

(Millions of yen)

	As of December 31, 2016	As of September 30, 2017
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	9,472	10,321
Deferred income	9,313	11,185
Borrowings	1,683	835
Income taxes payable	5,511	6,088
Other financial liabilities	1,523	506
Provisions	2,396	3,189
Other current liabilities	5,106	5,281
Total current liabilities	35,004	37,405
Non-current liabilities		
Deferred income	8,392	8,154
Borrowings	835	2,473
Other financial liabilities	644	404
Provisions	327	265
Other non-current liabilities	1,741	2,400
Deferred tax liabilities	17,195	18,214
Total non-current liabilities	29,134	31,910
Total liabilities	64,138	69,315
Equity		
Capital stock	3,519	7,976
Capital surplus	86,753	49,627
Treasury stock	(0)	(0)
Other equity interest	56,254	66,363
Retained earnings	226,398	324,221
Total equity attributable to owners of the parent company	372,924	448,187
Non-controlling interests	4,770	4,705
Total equity	377,694	452,892
Total liabilities and equity	441,832	522,207

(2) Condensed Consolidated Income Statement

For the nine months ended September 30, 2016 and 2017

(Millions of yen)

	Nine months ended September 30	
	2016 (From January 1, 2016 to September 30, 2016)	2017 (From January 1, 2017 to September 30, 2017)
Revenue	139,875	182,254
Cost of sales	(34,792)	(42,304)
Gross profit	105,083	139,950
Selling, general and administrative expenses	(46,976)	(53,780)
Other income	484	1,657
Other expenses	(25,217)	(9,083)
Operating income	33,374	78,744
Finance income	2,448	3,845
Finance costs	(17,964)	(10,484)
Equity in profit (loss) of affiliates	149	(530)
Income before income taxes	18,007	71,575
Income taxes expense	(8,691)	(12,814)
Net income	9,316	58,761
Attributable to:		
Owners of the parent company	8,927	58,960
Non-controlling interests	389	(199)
Net income	9,316	58,761
Earnings per share (attributable to owners of the parent company)	(Yen)	(Yen)
Basic earnings per share	20.50	134.65
Diluted earnings per share	20.11	132.28

For the three months ended September 30, 2016 and 2017

(Millions of yen)

	Three months ended September 30	
	2016 (From July 1, 2016 to September 30, 2016)	2017 (From July 1, 2017 to September 30, 2017)
Revenue	44,255	60,398
Cost of sales	(11,242)	(14,953)
Gross profit	33,013	45,445
Selling, general and administrative expenses	(16,362)	(19,834)
Other income	217	762
Other expenses	(576)	(3,669)
Operating income	16,292	22,704
Finance income	819	2,117
Finance costs	(7,016)	(15)
Equity in profit (loss) of affiliates	80	(178)
Income before income taxes	10,175	24,628
Income taxes expense	(2,357)	(4,981)
Net income	7,818	19,647
Attributable to:		
Owners of the parent company	7,635	19,606
Non-controlling interests	183	41
Net income	7,818	19,647
Earnings per share (attributable to owners of the parent company)	(Yen)	(Yen)
Basic earnings per share	17.50	44.53
Diluted earnings per share	17.24	43.70

(3) Condensed Consolidated Statement of Comprehensive Income

For the nine months ended September 30, 2016 and 2017

(Millions of yen)

	Nine months ended September 30	
	2016 (From January 1, 2016 to September 30, 2016)	2017 (From January 1, 2017 to September 30, 2017)
Net income	9,316	58,761
Other comprehensive income		
Items that will not be reclassified to net income		
Financial assets measured at fair value through other comprehensive income	(1,199)	1,554
Re-measurement of defined benefit pension plans	1	(0)
Other comprehensive income under equity method	0	—
Income taxes	324	(667)
Total items that will not be reclassified to net income	(874)	887
Items that may be reclassified subsequently to net income		
Exchange differences on translating foreign operations	(31,803)	8,012
Other comprehensive income under equity method	1	1
Total items that may be reclassified subsequently to net income	(31,802)	8,013
Total other comprehensive income	(32,676)	8,900
Total comprehensive income	(23,360)	67,661
Attributable to:		
Owners of the parent company	(23,186)	67,679
Non-controlling interests	(174)	(18)
Total comprehensive income	(23,360)	67,661

For the three months ended September 30, 2016 and 2017

(Millions of yen)

	Three months ended September 30	
	2016 (From July 1, 2016 to September 30, 2016)	2017 (From July 1, 2017 to September 30, 2017)
Net income	7,818	19,647
Other comprehensive income		
Items that will not be reclassified to net income		
Financial assets measured at fair value through other comprehensive income	(796)	2,220
Re-measurement of defined benefit pension plans	(0)	(0)
Other comprehensive income under equity method	2	—
Income taxes	216	(814)
Total items that will not be reclassified to net income	(578)	1,406
Items that may be reclassified subsequently to net income		
Exchange differences on translating foreign operations	6,223	3,240
Other comprehensive income under equity method	0	0
Total items that may be reclassified subsequently to net income	6,223	3,240
Total other comprehensive income	5,645	4,646
Total comprehensive income	13,463	24,293
Attributable to:		
Owners of the parent company	13,171	24,214
Non-controlling interests	292	79
Total comprehensive income	13,463	24,293

(4) Condensed Consolidated Statement of Changes in Equity

For the nine months ended September 30, 2016 (From January 1, 2016 to September 30, 2016)

(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, 2016	56,441	34,597	—	73,308	210,101	374,447	5,234	379,681
Net income for the period	—	—	—	—	8,927	8,927	389	9,316
Other comprehensive income	—	—	—	(32,113)	—	(32,113)	(563)	(32,676)
Total comprehensive income	—	—	—	(32,113)	8,927	(23,186)	(174)	(23,360)
Reclassification from capital stock to capital surplus	(55,227)	55,227	—	—	—	—	—	—
Issue of shares	1,602	1,602	—	—	—	3,204	—	3,204
Stock issue cost	—	(12)	—	—	—	(12)	—	(12)
Dividends	—	—	—	—	(4,353)	(4,353)	—	(4,353)
Share-based compensation	—	—	—	484	—	484	—	484
Purchase of non-controlling interests	—	(287)	—	—	—	(287)	(407)	(694)
Purchase of treasury stock	—	(0)	(2,167)	—	—	(2,167)	—	(2,167)
Reclassification from other equity interest to retained earnings	—	—	—	(507)	507	—	—	—
Others	—	—	—	—	10	10	—	10
Total transactions with the owners	(53,625)	56,530	(2,167)	(23)	(3,836)	(3,121)	(407)	(3,528)
Balance at September 30, 2016	2,816	91,127	(2,167)	41,172	215,192	348,140	4,653	352,793

For the nine months ended September 30, 2017 (From January 1, 2017 to September 30, 2017)

(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, 2017	3,519	86,753	(0)	56,254	226,398	372,924	4,770	377,694
Net income for the period	—	—	—	—	58,960	58,960	(199)	58,761
Other comprehensive income	—	—	—	8,719	—	8,719	181	8,900
Total comprehensive income	—	—	—	8,719	58,960	67,679	(18)	67,661
Reclassification from capital surplus to retained earnings	—	(41,476)	—	—	41,476	—	—	—
Issue of shares	4,457	4,457	—	—	—	8,914	—	8,914
Stock issue cost	—	(30)	—	—	—	(30)	—	(30)
Share-based compensation	—	—	—	(827)	—	(827)	—	(827)
Purchase of non-controlling interests	—	(74)	—	—	—	(74)	(96)	(170)
Changes arising from sale of consolidated subsidiaries	—	(3)	—	—	(396)	(399)	49	(350)
Purchases of treasury stock	—	—	(0)	—	—	(0)	—	(0)
Reclassification from other equity interest to retained earnings	—	—	—	2,217	(2,217)	—	—	—
Total transactions with the owners	4,457	(37,126)	(0)	1,390	38,863	7,584	(47)	7,537
Balance at September 30, 2017	7,976	49,627	(0)	66,363	324,221	448,187	4,705	452,892

(5) Condensed Consolidated Statement of Cash Flows

(Millions of yen)

	Nine months ended September 30	
	2016 (From January 1, 2016 to September 30, 2016)	2017 (From January 1, 2017 to September 30, 2017)
Cash flows from operating activities		
Income before income taxes	18,007	71,575
Depreciation and amortization	4,646	4,308
Share-based compensation expenses	1,471	1,247
Interest and dividend income	(2,426)	(3,792)
Interest expense	22	18
Impairment loss	25,048	8,492
Equity in (profit) loss of affiliates	(149)	530
Exchange loss	16,069	7,051
(Increase) decrease in trade and other receivables	(2,139)	(16,074)
(Increase) decrease in other current assets	(3,750)	(5,919)
(Decrease) increase in trade and other payables	(1,759)	1,162
(Decrease) increase in deferred income	6,978	1,524
Other	(540)	(263)
Subtotal	61,478	69,859
Interest and dividends received	2,627	3,274
Interest paid	(16)	(20)
Income taxes paid	(12,715)	(11,918)
Net cash provided by operating activities	51,374	61,195
Cash flows from investing activities		
Decrease (increase) in other deposits	(66,826)	(20,139)
Purchases of property, plant and equipment	(1,996)	(1,880)
Proceeds from sales of property, plant and equipment	22	41
Purchases of intangible assets	(1,012)	(684)
Payments associated with increase in long-term prepaid expenses	(1,263)	(40)
Purchases of investment securities	(1,643)	(3,811)
Proceeds from sale and redemption of investment securities	366	529
Purchases of affiliates	(3,773)	(1,748)
Purchases of subsidiaries	(6,630)	(2,782)
Extension of long-term loans receivable	(5,002)	(24)
Other	(3,267)	165
Net cash used in investing activities	(91,024)	(30,373)
Cash flows from financing activities		
Net decrease in short-term borrowings	(250)	—
Repayment of long-term borrowings	(1,676)	(1,683)
Proceeds from exercise of stock options	2,205	6,809
Purchases of treasury stock	(2,167)	(0)
Purchase of treasury stock of subsidiaries	(657)	(124)
Cash dividends paid	(4,351)	(1)
Other	(116)	(76)
Net cash (used in) provided by financing activities	(7,012)	4,925
Net (decrease) increase in cash and cash equivalents	(46,662)	35,747
Cash and cash equivalents at the beginning of the period	194,225	152,683
Effects of exchange rate changes on cash and cash equivalents	(21,590)	(352)
Cash and cash equivalents at the end of the period	125,973	188,078

(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

Pursuant to the resolution at the meeting of the board of directors held on February 23, 2017, the Company transferred other capital surplus of ¥41,476 million to retained earnings brought forward in order to compensate its deficit and also to secure mobility and flexibility in execution of its capital policy in the future, in accordance with Article 452 and Article 459, Paragraph 1, Item 3 of the Companies Act and Article 38, Paragraph 1 of the Articles of Incorporation of the Company.

There is no significant change in total equity attributable to owners of the parent company of Nexon Group.

(8) Segment Information

(a) Outline of reportable segments

Reportable segments of Nexon Group are components of Nexon 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.

Nexon 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, Nexon Group is comprised of geographical business segments based on production, development, and distribution of PC online games and mobile games. Nexon Group has formed its reportable segments by consolidating business segments based on the geographic location since subsidiaries in the same region, due to their business characteristics, receive similar impact of the foreign exchange fluctuation risk on their operating results and the ratio of the impact to operating results is high. 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 Nexon Group is as follows:

(For the nine months ended September 30)

For the nine months ended September 30, 2016 (From January 1, 2016 to September 30, 2016)

(Millions of yen)

	Reportable Segments					Total	Adjustments (Note 3)	Consolidated
	Japan	Korea	China	North America	Other			
Revenue								
Revenue from external customers	11,169	117,724	3,351	6,603	1,028	139,875	—	139,875
Intersegment revenue	139	1,594	—	689	89	2,511	(2,511)	—
Total	11,308	119,318	3,351	7,292	1,117	142,386	(2,511)	139,875
Segment profit or loss (Note 1)	(2,606)	61,784	2,311	(3,248)	(153)	58,088	19	58,107
Other income (expense), net								(24,733)
Operating income								33,374
Finance income (costs), net (Note 4)								(15,516)
Equity in profit of affiliates								149
Income before income taxes								18,007

(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 ¥19 million represent elimination of intersegment transactions.

4. A major component of finance cost is foreign exchange loss of ¥17,656 million.

For the nine months ended September 30, 2017 (From January 1, 2017 to September 30, 2017)

(Millions of yen)

	Reportable Segments					Total	Adjustments (Note 3)	Consolidated
	Japan	Korea	China	North America	Other			
Revenue								
Revenue from external customers	9,465	163,242	2,669	6,403	475	182,254	—	182,254
Intersegment revenue	247	1,438	—	494	388	2,567	(2,567)	—
Total	9,712	164,680	2,669	6,897	863	184,821	(2,567)	182,254
Segment profit or loss (Note 1)	(2,551)	92,234	1,559	(4,931)	(188)	86,123	47	86,170
Other income (expense), net								(7,426)
Operating income								78,744
Finance income (costs), net (Note 4)								(6,639)
Equity in loss of affiliates								(530)
Income before income taxes								71,575

(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 ¥ 47 million represent elimination of intersegment transactions.

4. A major component of finance cost is foreign exchange loss of ¥10,175 million.

(For the three months ended September 30)

For the three months ended September 30, 2016 (From July 1, 2016 to September 30, 2016)

(Millions of yen)

	Reportable Segments					Total	Adjustments (Note 3)	Consolidated
	Japan	Korea	China	North America	Other			
Revenue								
Revenue from external customers	3,410	37,303	1,092	2,181	269	44,255	―	44,255
Intersegment revenue	41	493	―	150	67	751	(751)	―
Total	3,451	37,796	1,092	2,331	336	45,006	(751)	44,255
Segment profit or loss (Note 1)	(1,303)	18,446	739	(1,212)	(19)	16,651	(0)	16,651
Other income (expense), net								(359)
Operating income								16,292
Finance income (costs), net (Note 4)								(6,197)
Equity in profit of affiliates								80
Income before income taxes								10,175

(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 ¥(0) million represent elimination of intersegment transactions.
4. A major component of finance cost is foreign exchange loss of ¥7,025 million.

For the three months ended September 30, 2017 (From July 1, 2017 to September 30, 2017)

(Millions of yen)

	Reportable Segments					Total	Adjustments (Note 3)	Consolidated
	Japan	Korea	China	North America	Other			
Revenue								
Revenue from external customers	2,866	54,236	699	2,473	124	60,398	―	60,398
Intersegment revenue	95	456	―	146	152	849	(849)	―
Total	2,961	54,692	699	2,619	276	61,247	(849)	60,398
Segment profit or loss (Note 1)	(700)	28,109	326	(2,072)	(102)	25,561	50	25,611
Other income (expense), net								(2,907)
Operating income								22,704
Finance income (costs), net								2,102
Equity in loss of affiliates								(178)
Income before income taxes								24,628

(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 ¥ 50 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)

	Nine months ended September 30, 2016 (From January 1, 2016 to September 30, 2016)	Nine months ended September 30, 2017 (From January 1, 2017 to September 30, 2017)
Japan	12,187	13,699
Korea	55,807	59,687
China	58,814	92,560
North America	6,007	6,111
Other	7,060	10,197
Total	139,875	182,254

(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)

	Three months ended September 30, 2016 (From July 1, 2016 to September 30, 2016)	Three months ended September 30, 2017 (From July 1, 2017 to September 30, 2017)
Japan	3,735	3,881
Korea	18,298	23,607
China	17,360	27,806
North America	2,138	2,148
Other	2,724	2,956
Total	44,255	60,398

(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

(d) Revenue by major business

Revenue by business is as follows:

(For the nine months ended September 30)

(Millions of yen)

	Nine months ended September 30, 2016 (From January 1, 2016 to September 30, 2016)	Nine months ended September 30, 2017 (From January 1, 2017 to September 30, 2017)
PC online	107,689	143,990
Mobile	31,432	36,846
Other	754	1,418
Total	139,875	182,254

(For the three months ended September 30)

(Millions of yen)

	Three months ended September 30, 2016 (From July 1, 2016 to September 30, 2016)	Three months ended September 30, 2017 (From July 1, 2017 to September 30, 2017)
PC online	34,001	46,316
Mobile	9,781	13,643
Other	473	439
Total	44,255	60,398

(9) Subsequent Events

1) Issuance of stock options (subscription rights to shares)

Nexon's Board of Directors has approved, on October 31, 2017, the granting of subscription rights to shares as stock options to some of our employees, as well as some board members and employees of our subsidiaries, pursuant to the provisions of Articles 236, 238 and 239 of the Companies Act and the resolution of Nexon's Annual General Meeting of Shareholders convened on March 28, 2017. The stock options were granted on November 9, 2017.

Details are as follows:

Date of approval	Date of resolution by the Board of Directors October 31, 2017
Category of persons to whom subscription rights to shares are granted	Nexon employees, as well as board members and employees of the subsidiaries of Nexon
Class of shares to be issued upon exercise of subscription rights to shares	Common stock
Number of shares	Not exceeding 5,909,000 shares (Note) 1.
Cash payment at exercise of subscription rights to shares (yen)	3,280 (Note) 2.
Exercise period of subscription rights to shares	November 9, 2017 through November 8, 2023. In the event that the last day of the exercise period falls on our non-business day, the business day immediately preceding it shall be the last day.
Conditions for exercise of subscription rights to shares	A person holding the subscription rights to shares must be a board member or an employee of Nexon or our subsidiaries at the time of the exercise, except when such board member or an employee of Nexon or our subsidiaries has lost his/her position as a board member 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 regarding the assignment of subscription rights to shares	No assignment of, or attachment of security interest to, the subscription rights to shares is allowed.
Matters regarding substitute payment	None applicable.
Matters regarding the issuance of subscription rights to shares due to organizational restructuring	None applicable.

(Note) 1. In the event that we split our common stock (including allotment of our common stock without compensation) or consolidate our common stock, the number of shares to be issued upon exercise of each unit of subscription rights to shares (hereinafter, "number of granted shares") shall be adjusted according to the formula outlined below. Provided, however, that of the subscription rights to shares, such adjustment shall be made only to the number of granted shares that 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 granted shares after adjustment = number of granted shares before adjustment × ratio of split or consolidation

In the event that we conduct a merger, a company split, a share exchange or 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.

2. In the event that we carry out a stock split (including allotment of our common stock without compensation) or a consolidation of our common stock after the date of allotment of subscription rights to shares, the payment amount shall be adjusted according to the following formula. Any fraction of less than one yen resulting from such adjustment shall be rounded up.

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

In the event that we conduct a merger, a company split, a share exchange or share transfer, or when there is any other inevitable reason necessitating an adjustment of the payment amount, the payment amount 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.

2) Acquisition of a company by share acquisition

Nexon has entered into an agreement with Pixelberry Studios on November 8, 2017 to begin the procedures for the acquisition of Pixelberry Studios through our consolidated subsidiary NEXON U.S. Holding, Inc.

1. Overview of the business combination

(i) Name and business description of the acquired company

Name of acquired company Pixelberry Studios

Business description Development and operation of mobile games, etc.

(ii) Primary reasons for business combination

In North America, the development race in the mobile game market has quickly escalated in recent years and competition in the entire market has intensified. Given this situation, in addition to the development of mobile games that are already in motion, Nexon Group will strengthen our development base for mobile games, for which we expect ongoing growth in the North American market going forward, through our acquisition of Pixelberry Studios' shares.

(iii) Date of business combination: November 22, 2017(Scheduled)

(iv) Legal form of business combination

Acquisition by reverse triangular merger

(v) Name of the combined enterprise

There is no change in the name of the combined enterprise

(vi) Percentage of voting rights acquired: 100%

(vii) Acquisition method and procedures

This acquisition will be conducted through the method of merging Pixelberry Studios with a company to be newly established by NEXON U.S. Holding, Inc., with Pixelberry Studios as the surviving company. Through these procedures, NEXON U.S Holding, Inc. will pay cash compensation to the existing shareholders of Pixelberry Studios and acquire all outstanding shares of Pixelberry Studios.

2. Cost of acquisition of the acquired company

Not determined at present due to unfinished measurement of contingent consideration, etc.

3. Amount of accrued goodwill, etc.

Not determined at present.

4. Amount of assets accepted and liabilities assumed on the business combination date and the breakdown thereof

Not determined at present.

3) Share buyback

Nexon's Board of Directors has approved, on November 10, 2017, the matters pertaining to the share buyback pursuant to the provisions of Article 156 as replaced and applied mutatis mutandis pursuant to the provisions of Article 165(3) of the Companies Act

1. Reason for the share buyback

To improve capital efficiency and ensure flexibility of capital policy

2. Details of the buyback

(i) Class of stock: Common shares of Nexon

(ii) Total number of shares to be acquired: 4,500,000 shares (maximum)

(1.0% of the total number of shares outstanding as of September 30, 2017)

(iii) Total acquisition amount of shares: JPY 10,000 million (maximum)

(iv) Acquisition period: November 13, 2017 to February 9, 2018

(v) Acquisition method: Purchase at market on the Tokyo Stock Exchange