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Consolidated Financial Results
for the Three Months Ended March 31, 2017
[IFRS]

May 12, 2017

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: May 12, 2017

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 Three Months Ended March 31, 2017 (from January 1, 2017 to March 31, 2017)

(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	
	Yen	%	Yen	%	Yen	%	Yen	%	Yen	%	Yen	%
Three months ended March 31, 2017	74,792	30.1%	39,762	973.8%	25,032	- %	19,812	- %	19,906	- %	32,205	- %
Three months ended March 31, 2016	57,497	10.6%	3,703	(83.3)%	(2,007)	- %	(6,079)	- %	(6,272)	- %	(17,599)	- %

	Basic earnings per share from continuing operations	Diluted earnings per share from continuing operations
	Yen	Yen
Three months ended March 31, 2017	45.70	44.92
Three months ended March 31, 2016	(14.43)	(14.43)

(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 March 31, 2017	479,028	411,619	406,858	84.9%
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	-				
FY 2017 (Forecast)		0.00	-	0.00	0.00

(Note) Revision of most recently announced dividend forecasts: Yes

Regarding revision of dividend forecast, please refer to the announcement “Notice Regarding No Dividends of Surplus(Interim Dividends), Revision of Dividend Forecast and Change in Dividend Policy” released today (May 12, 2017).

3. Consolidated Financial Results Forecast for the Six Months Ending June 30, 2017 (from January 1, 2017 to June 30, 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
2nd Quarter (cumulative)	116,102	21.4%	50,920	198.1%	37,131	374.1%	30,102	—	30,312	—	69.50
	~	~	~	~	~	~	~	~	~	~	~
	119,603	25.1%	53,749	214.6%	39,954	410.1%	32,493	—	32,690	—	74.95

(Note) As it is difficult to reasonably estimate financial results for the year ending December 31, 2017 at the moment, only the financial results forecast for the six months ending June 30, 2017 is disclosed. Also, 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 (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 March 31, 2017:	436,583,414 shares
As of December 31, 2016:	434,871,414 shares
 - 2) Total number of treasury stock at the end of the period:

As of March 31, 2017:	139 shares
As of December 31, 2016:	61 shares
 - 3) Average number of shares during the period (cumulative):

Three months ended March 31, 2017:	435,563,314 shares
Three months ended March 31, 2016:	434,557,593 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 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 (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 financial results are available on the Company's website.

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1. Qualitative Information on Consolidated Financial Results for the Period

(1) Explanation on Operating Results

During the three months ended March 31, 2017, the world economy as a whole generally witnessed a gradual recovery, mainly led by developed countries. In the U.S., the economy showed a gradual recovery supported by steady performance in the corporate sector and a solid growth in consumer spending. In Europe, the economy as a whole continued to recover as expansion of domestic demand, including an increased consumer spending and strong performance in the manufacturing sector, contributed to a higher economic growth rate in Germany and France, Spain continued to experience high growth rate, and the U.K. also made further progress in recovery. The Asian economy also showed signs of a pickup such as recovery in export and solid growth in domestic demand, but the Chinese economy remained flat overall. The Japanese economy continued to show a gradual recovery as a better employment and income situation pushed up consumer spending and corporate earnings also demonstrated an upward trend supported by recovery in export.

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 provide 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 March 31, 2017, revenue grew significantly year-over-year due to extremely strong performance in China despite an adverse effect of foreign exchange rates, with the Japanese yen appreciating year-over-year against Chinese yuan and the U.S. dollar. In China, revenue increased significantly due mainly to well-received content updates and item sales for *Dungeon&Fighter*, our main PC online game, in time for the Lunar New Year. In Korea, revenue decreased year-over-year due to significant decrease in *Sudden Attack* and a mobile game *HIT* which showed very strong performance in Q1 2016, while major titles such as *EA SPORTS™ FIFA Online 3*, *EA SPORTS™ FIFA Online 3 M*, *Dungeon&Fighter* and *MapleStory* showed a steady growth and increased year-over-year.

In terms of expenses, cost of sales increased year-over-year due to an increase in personnel cost resulting from an increase in headcount of employees engaging in operation of the existing game titles in Korea, although royalty payments for *DomiNations* became no longer required as Big Huge Games Inc. became a wholly-owned subsidiary in Q1 2016. Selling, general and administrative expenses increased year-over-year due to increased personnel costs resulting from an increase in headcount of employees mainly in Korea as well as increased research and development costs for development of new games. Other expenses decreased significantly year-over-year as impairment loss on our subsidiary's goodwill was recorded in Q1 2016. Finance costs increased year-over-year due to foreign exchange loss in foreign currency-denominated cash deposits and account receivables.

As a result, for the three months ended March 31, 2017, Nexon Group recorded revenue of ¥74,792 million (up 30.1% year-over-year), operating income of ¥39,762 million (up 973.8% year-over-year), income before income taxes of ¥25,032 million (loss before income taxes of ¥2,007 million for the three months ended March 31, 2016), and net income attributable to owners of the parent company of ¥19,906 million (net loss attributable to owners of the parent company of ¥6,272 million for the three months ended March 31, 2016).

Performance results by reportable segments for the three months ended March 31, 2017 are as follows:

(a) Japan

Revenue for the three months ended March 31, 2017 amounted to ¥3,532 million (down 15.6% year-over-year), and segment loss amounted to ¥903 million (segment loss of ¥265 million for the three months ended March 31, 2016). PC revenue increased while mobile revenue decreased.

(b) Korea

Revenue for the three months ended March 31, 2017 amounted to ¥67,616 million (up 37.3% year-over-year), and segment profit amounted to ¥44,005 million (up 56.2% year-over-year). While major titles such as *EA SPORTS™ FIFA Online 3*, *EA SPORTS™ FIFA Online 3 M*, *Dungeon&Fighter*, and *MapleStory* showed a steady growth, revenue from *Sudden Attack* and *HIT* decreased significantly. Revenue in Korea includes royalty income of NEOPLE INC. (a subsidiary of NEXON Korea Corporation, our consolidated subsidiary) attributable to license

agreements in China. For the three months ended March 31, 2017, revenue showed an extremely strong growth driven by well-received content updates in time for Lunar New Year and item sales in March of *Dungeon&Fighter*, our key PC title in China.

(c) China

Revenue for the three months ended March 31, 2017 amounted to ¥1,305 million (down 1.9% year-over-year), and segment profit amounted to ¥933 million (down 8.0% year-over-year).

(d) North America

Revenue for the three months ended March 31, 2017 amounted to ¥2,128 million (down 9.3% year-over-year), and segment loss amounted to ¥1,272 million (segment loss of ¥818 million for the three months ended March 31, 2016).

(e) Other

Revenue for the three months ended March 31, 2017 amounted to ¥211 million (down 48.1% year-over-year), and segment loss amounted to ¥31 million (segment loss of ¥103 million for the three months ended March 31, 2016).

(2) Explanation on Financial Position

(a) Assets, liabilities and equity

(Assets)

Total assets as of March 31, 2017 amounted to ¥479,028 million, an increase of ¥37,196 million from December 31, 2016. Major components include an increase of ¥31,478 million in trade and other receivables and an increase of ¥3,464 million in other financial assets.

(Liabilities)

Total liabilities as of March 31, 2017 amounted to ¥67,409 million, an increase of ¥3,271 million from December 31, 2016. Major components include an increase of ¥2,846 million in income taxes payable, an increase of ¥1,609 million in deferred income and a decrease of ¥1,461 million in provisions.

(Equity)

Equity as of March 31, 2017 totaled ¥411,619 million, an increase of ¥33,925 million from December 31, 2016. Major components include a decrease of ¥40,544 million in capital surplus due to compensation of deficit, an increase of ¥60,422 million in retained earnings due to compensation of deficit and recording net income for the quarter, and an increase of ¥13,044 million in other equity interest due to exchange differences on translating foreign operations.

As a result, ratio of equity attributable to owners of the parent company was 84.9% (84.4% as of December 31, 2016).

(b) Cash flows

Cash and cash equivalents (“Cash”) as of March 31, 2017 was ¥151,122 million, a decrease of ¥1,561 million from December 31, 2016. The decrease includes effects of exchange rate changes on cash and cash equivalents of ¥1,566 million.

Cash flows from each activity for the three months ended March 31, 2017 and their significant components are as follows:

(Cash flows from operating activities)

Net cash provided by operating activities was ¥6,410 million, compared to ¥17,667 million in the three months ended March 31, 2016. Major inflows include income before income taxes of ¥25,032 million and foreign exchange loss of ¥12,703 million, and major outflows include an increase in trade and other receivables of ¥30,208 million.

(Cash flows from investing activities)

Net cash used in investing activities was ¥6,702 million, compared to ¥484 million in the three months ended March 31, 2016. Major outflows include payments for purchases of investment securities of ¥2,617 million, an increase of ¥1,606 million in other deposits and payments for purchases of affiliates of ¥1,403 million.

(Cash flows from financing activities)

Net cash provided by financing activities was ¥297 million, compared to ¥2,738 million used in the three months ended March 31, 2016. Major inflows include proceeds from exercise of stock options of ¥1,314 million, and major outflows include repayment of long-term borrowings of ¥833 million.

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

The business environment surrounding Nexon Group has been 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 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 Six Months Ending June 30, 2017" is the sum of the actual consolidated financial results for the three months ended March 31, 2017 and the financial results forecast for the three months ending June 30, 2017.

For the six months ending June 30, 2017, Nexon Group expects consolidated revenue in the range of ¥116,102 ~ 119,603 million (an increase of 21.4% ~ 25.1% year-over-year), operating income in the range of ¥50,920 ~ 53,749 million (an increase of 198.1% ~ 214.6% year-over-year), income before income taxes in the range of ¥37,131 ~ 39,954 million (an increase of 374.1% ~ 410.1% year-over-year), net income in the range of ¥30,102 ~ 32,493 million (-% ~ -% year-over-year), net income attributable to owners of the parent in the range of ¥30,312 ~ 32,690 million (-% ~ -% year-over-year), and basic earnings per share in the range of ¥69.50 ~ 74.95. Nexon Group operates a global business in Japan, South Korea, China, the United States and other countries. Major exchange rates for Q2 2017 are assumed to be 1 U.S. dollar = ¥110.11, 100 South Korean Won = ¥9.74 and 1 Chinese Yuan = ¥15.96. 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 ¥370 million on revenue and approximately ¥120 million on operating income for the three months ending June 30, 2017.

In Korea and China, the second quarter is in general a seasonably weaker period with the rebound of the strong performance in the first quarter due to Lunar New Year.

As for the revenues based on customer location, for the three months ending June 30, 2017, in Korea, we are scheduled to introduce high-quality content updates for the existing key PC titles including *EA SPORTS™ FIFA Online 3*, *MapleStory*, and *Dungeon&Fighter* during the second quarter, and we expect positive revenue contributions. Additionally we expect positive revenue contributions from mobile games *EA SPORTS™ FIFA Online 3M*, and *Dynasty Warriors Unleashed*, a newly launched title in March. Meantime we expect negative impact from *Sudden Attack* and *HIT*, however we expect revenue increase to be larger than decrease resulting in growth in Korea.

In China, we launched the content update for our main PC title *Dungeon&Fighter* on April 27, 2017 for the Labor Day holidays. The update was off to a great start, and we expect revenue to increase year-over-year for the three months ending June 30, 2017.

In Japan, we expect positive revenue contributions from mobile games *HIT* and *HIDE AND FIRE* as well as PC online games *Tree of Savior* and *MapleStory*. We expect revenue decrease from gloops browser games, but revenue increase is larger than decrease resulting Japan to grow year-over-year.

In North America, Europe and Others, we expect revenue to increase due to contribution of mobile games including *Dynasty Warriors Unleashed* and *HIT*.

On the cost side for the three months ending June 30, 2017, firstly, we expect personnel cost to increase year-over-year due to an increase in headcount associated with salary hike. Secondly, we also expect variable costs including royalty cost related to third-party licensed IPs and platform fee related to mobile revenue to increase year-over-year because we expect revenue from third-party licensed games and mobile business to increase. Thirdly, we

expect marketing costs to increase year-over-year significantly due to scheduled releases of multiple mobile titles and marketing campaigns for our existing titles. As a result, we expect costs to increase year-over-year for the three months ending June 30, 2017.

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 June 30, 2017 (from April 1, 2017 to June 30, 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
2nd Quarter	41,310	8.4%	11,158	(16.6)%	12,099	23.0%	10,289	35.8%	10,406	37.6%	Yen 23.82
	44,811	17.5%	13,987	4.5%	14,921	51.7%	12,681	67.3%	12,783	69.0%	29.26

2. Matters Related to Summary Information (Notes)

(1) Changes in Significant Subsidiaries during the Period:

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, 2016 unless otherwise noted, except for the new standards applied as listed below. Nexon Group calculated income taxes for the three months ended March 31, 2017, based on the estimated average annual effective tax rate.

Nexon Group has applied the following standards from Q1 2017, which did not have material impacts on Q1 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 March 31, 2017
Assets		
Current assets		
Cash and cash equivalents	152,683	151,122
Trade and other receivables	27,037	58,515
Other deposits	173,226	173,946
Other financial assets	2,895	3,467
Other current assets	10,256	13,466
Total current assets	<u>366,097</u>	<u>400,516</u>
Non-current assets		
Property, plant and equipment	20,394	20,584
Goodwill	17,523	16,598
Intangible assets	7,127	5,943
Investments accounted for using equity method	6,662	8,170
Other financial assets	18,236	21,128
Other non-current assets	551	512
Deferred tax assets	5,242	5,577
Total non-current assets	<u>75,735</u>	<u>78,512</u>
Total assets	<u>441,832</u>	<u>479,028</u>

	(Millions of yen)	
	As of December 31, 2016	As of March 31, 2017
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	9,472	9,735
Deferred income	9,313	10,284
Borrowings	1,683	1,686
Income taxes payable	5,511	8,357
Other financial liabilities	1,523	1,326
Provisions	2,396	933
Other current liabilities	5,106	5,726
Total current liabilities	35,004	38,047
Non-current liabilities		
Deferred income	8,392	9,030
Borrowings	835	—
Other financial liabilities	644	335
Provisions	327	329
Other non-current liabilities	1,741	2,221
Deferred tax liabilities	17,195	17,447
Total non-current liabilities	29,134	29,362
Total liabilities	64,138	67,409
Equity		
Capital stock	3,519	4,531
Capital surplus	86,753	46,209
Treasury stock	(0)	(0)
Other equity interest	56,254	69,298
Retained earnings	226,398	286,820
Total equity attributable to owners of the parent company	372,924	406,858
Non-controlling interests	4,770	4,761
Total equity	377,694	411,619
Total liabilities and equity	441,832	479,028

(2) Condensed Consolidated Income Statement

(Millions of yen)

	Three months ended March 31, 2016 (From January 1, 2016 to March 31, 2016)	Three months ended March 31, 2017 (From January 1, 2017 to March 31, 2017)
Revenue	57,497	74,792
Cost of sales	(13,075)	(14,767)
Gross profit	44,422	60,025
Selling, general and administrative expenses	(16,412)	(17,298)
Other income	147	181
Other expenses	(24,454)	(3,146)
Operating income	3,703	39,762
Finance income	823	1,202
Finance costs	(6,549)	(15,920)
Equity in profit (loss) of affiliates	16	(12)
(Loss) income before income taxes	(2,007)	25,032
Income tax expense	(4,072)	(5,220)
Net (loss) income	(6,079)	19,812
Attributable to:		
Owners of the parent company	(6,272)	19,906
Non-controlling interests	193	(94)
Net (loss) income	(6,079)	19,812
Earnings per share (attributable to owners of the parent company)	(Yen)	(Yen)
Basic (loss) earnings per share	(14.43)	45.70
Diluted (loss) earnings per share	(14.43)	44.92

(3) Condensed Consolidated Statement of Comprehensive Income

(Millions of yen)

	Three months ended March 31, 2016 (From January 1, 2016 to March 31, 2016)	Three months ended March 31, 2017 (From January 1, 2017 to March 31, 2017)
Net (loss) income	(6,079)	19,812
Other comprehensive income		
Items that will not be reclassified to net income		
Financial assets measured at fair value through other comprehensive income	440	(60)
Re-measurement of defined benefit pension plans	0	(0)
Income taxes	63	(7)
Total items that will not be reclassified to net income	503	(67)
Items that may be reclassified subsequently to net income		
Exchange differences on translating foreign operations	(12,024)	12,460
Other comprehensive income under equity method	1	0
Total items that may be reclassified subsequently to net income	(12,023)	12,460
Total other comprehensive income	(11,520)	12,393
Total comprehensive income	(17,599)	32,205
Attributable to:		
Owners of the parent company	(17,571)	32,116
Non-controlling interests	(28)	89
Total comprehensive income	(17,599)	32,205

(4) Condensed Consolidated Statement of Changes in Equity

For the three months ended March 31, 2016 (From January 1, 2016 to March 31, 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 loss	-	-	-	-	(6,272)	(6,272)	193	(6,079)
Other comprehensive income	-	-	-	(11,299)	-	(11,299)	(221)	(11,520)
Total comprehensive income	-	-	-	(11,299)	(6,272)	(17,571)	(28)	(17,599)
Issue of shares	588	588	-	-	-	1,176	-	1,176
Stock issue cost	-	(4)	-	-	-	(4)	-	(4)
Payment of dividends	-	-	-	-	(2,171)	(2,171)	-	(2,171)
Share-based payments	-	-	-	(325)	-	(325)	-	(325)
Acquisition of non-controlling interests	-	(28)	-	-	-	(28)	(41)	(69)
Acquisition of treasury stock	-	-	(0)	-	-	(0)	-	(0)
Transfer from other equity interest to retained earnings	-	-	-	(692)	692	-	-	-
Total transactions with the owners	588	556	(0)	(1,017)	(1,479)	(1,352)	(41)	(1,393)
Balance at March 31, 2016	57,029	35,153	(0)	60,992	202,350	355,524	5,165	360,689

For the three months ended March 31, 2017 (From January 1, 2017 to March 31, 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	-	-	-	-	19,906	19,906	(94)	19,812
Other comprehensive income	-	-	-	12,210	-	12,210	183	12,393
Total comprehensive income	-	-	-	12,210	19,906	32,116	89	32,205
Transfer from capital surplus to retained earnings	-	(41,476)	-	-	41,476	-	-	-
Issue of shares	1,012	1,012	-	-	-	2,024	-	2,024
Stock issue cost	-	(5)	-	-	-	(5)	-	(5)
Share-based payments	-	-	-	(126)	-	(126)	-	(126)
Acquisition of non-controlling interests	-	(75)	-	-	-	(75)	(98)	(173)
Acquisition of treasury stock	-	-	(0)	-	-	(0)	-	(0)
Transfer from other equity interest to retained earnings	-	-	-	960	(960)	-	-	-
Total transactions with the owners	1,012	(40,544)	(0)	834	40,516	1,818	(98)	1,720
Balance at March 31, 2017	4,531	46,209	(0)	69,298	286,820	406,858	4,761	411,619

(5) Condensed Consolidated Statement of Cash Flows

(Millions of yen)

	Three months ended March 31, 2016 (From January 1, 2016 to March 31, 2016)	Three months ended March 31, 2017 (From January 1, 2017 to March 31, 2017)
Cash flows from operating activities		
(Loss) income before income taxes	(2,007)	25,032
Depreciation and amortization	1,385	1,631
Share-based compensation expenses	220	578
Interest and dividend income	(823)	(1,061)
Interest expense	8	4
Impairment loss	24,364	2,689
Equity in (profit) loss of affiliates	(16)	12
Exchange loss	6,314	12,703
(Increase) decrease in trade and other receivables	(7,703)	(30,208)
(Increase) decrease in other current assets	(1,635)	(3,616)
(Decrease) increase in trade and other payables	(711)	356
(Decrease) Increase in deferred income	1,992	1,180
Other	(555)	(835)
Subtotal	20,833	8,465
Interest and dividends received	794	719
Interest paid	(9)	(3)
Income taxes paid	(3,951)	(2,771)
Net cash (used in) provided by operating activities	17,667	6,410
Cash flows from investing activities		
Decrease (increase) in other deposits	6,723	(1,606)
Purchases of property, plant and equipment	(409)	(468)
Proceeds from sale of property, plant and equipment	6	21
Purchases of intangible assets	(501)	(158)
Payments associated with an increase in long-term prepaid expenses	(950)	(2)
Purchases of investment securities	(794)	(2,617)
Proceeds from sale and redemption of investment securities	-	117
Purchases of affiliates	-	(1,403)
Purchases of subsidiaries	(3,790)	-
Other	(769)	(586)
Net cash (used in) provided by investing activities	(484)	(6,702)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(250)	-
Repayment of long-term borrowings	(833)	(833)
Proceeds from exercise of stock options	627	1,314
Acquisition of treasury stock	(0)	(0)
Acquisition of treasury stock of subsidiaries	(69)	(124)
Cash dividends paid	(2,166)	(0)
Other	(47)	(60)
Net cash (used in) provided by financing activities	(2,738)	297
Net increase (decrease) in cash and cash equivalents	14,445	5
Cash and cash equivalents at the beginning of the period	194,225	152,683
Effects of exchange rate changes on cash and cash equivalents	(10,045)	(1,566)
Cash and cash equivalents at the end of the period	198,625	151,122

(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 three months ended March 31, 2016 (from January 1, 2016 to March 31, 2016)

(Millions of yen)

	Reportable Segments					Total	Adjustments (Note 3)	Consolidated
	Japan	Korea	China	North America	Other			
Revenue								
Revenue from external customers	4,184	49,231	1,330	2,347	405	57,497	-	57,497
Intersegment revenue	61	596	-	307	0	964	(964)	-
Total	4,245	49,827	1,330	2,654	405	58,461	(964)	57,497
Segment profit or loss (Note 1)	(265)	28,167	1,014	(818)	(103)	27,995	15	28,010
Other income (expense), net								(24,307)
Operating income								3,703
Finance income (costs), net (Note 4)								(5,726)
Equity in profit of affiliates								16
Loss before income taxes								(2,007)

- (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 ¥15 million represent elimination of intersegment transactions.
 4. Finance costs consist mostly of foreign exchange loss of ¥6,467 million.

For the three months ended March 31, 2017 (from January 1, 2017 to March 31, 2017)

(Millions of yen)

	Reportable Segments					Total	Adjustments (Note 3)	Consolidated
	Japan	Korea	China	North America	Other			
Revenue								
Revenue from external customers	3,532	67,616	1,305	2,128	211	74,792	-	74,792
Intersegment revenue	62	541	-	182	104	889	(889)	-
Total	3,594	68,157	1,305	2,310	315	75,681	(889)	74,792
Segment profit or loss (Note 1)	(903)	44,005	933	(1,272)	(31)	42,732	(5)	42,727
Other income (expense), net								(2,965)
Operating income								39,762
Finance income (costs), net (Note 4)								(14,718)
Equity in loss of affiliates								(12)
Income before income taxes								25,032

- (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 (¥5) million represent elimination of intersegment transactions.
 4. Finance costs consist mostly of foreign exchange loss of ¥15,916 million.

(c) Information by region

Revenue from external customers is as follows:

	(Millions of yen)	
	For the three months ended March 31, 2016 (From January 1, 2016 to March 31, 2016)	For the three months ended March 31, 2017 (From January 1, 2017 to March 31, 2017)
Japan	4,561	5,406
Korea	22,555	20,279
China	25,829	43,951
North America	2,163	2,077
Other	2,389	3,079
Total	<u>57,497</u>	<u>74,792</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

(d) Revenue by major business

Revenue by business is as follows:

	(Millions of yen)	
	For the three months ended March 31, 2016 (From January 1, 2016 to March 31, 2016)	For the three months ended March 31, 2017 (From January 1, 2017 to March 31, 2017)
PC online	44,887	62,579
Mobile	12,443	11,678
Other	167	535
Total	<u>57,497</u>	<u>74,792</u>

(9) Subsequent Event

Not applicable