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Consolidated Financial Results
for the Nine Months Ended September 30, 2016
[IFRS]

November 10, 2016

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 11, 2016

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, 2016 (from January 1, 2016 to September 30, 2016)

(1) Consolidated Operating Results (cumulative)

(% 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, 2016	139,875	(3.2)%	33,374	(35.8)%	18,007	(70.4)%	9,316	(81.8)%	8,927	(82.4)%	(23,360)	—
Nine months ended September 30, 2015	144,447	11.1%	51,975	12.4%	60,737	24.4%	51,211	50.0%	50,733	50.0%	28,689	35.8%

	Basic earnings per share from continuing operations	Diluted earnings per share from continuing operations
	Yen	Yen
Nine months ended September 30, 2016	20.50	20.11
Nine months ended September 30, 2015	117.87	114.95

(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, 2016	395,314	352,793	348,140	88.1%
As of December 31, 2015	425,586	379,681	374,447	88.0%

2. Dividends

(Yen)

	Annual Dividends				
	End of 1st Quarter	End of 2nd Quarter	End of 3rd Quarter	End of Year	Total
FY 2015	—	5.00	—	5.00	10.00
FY 2016	—	5.00	—		
FY 2016 (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, 2016 (from January 1, 2016 to December 31, 2016)

(% 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	(%)	Yen	(%)	Yen	(%)	Yen	(%)	Yen	(%)	Yen
Full year	179,204	(5.8)%	41,547	(33.3)%	27,004	(60.3)%	16,849	(69.7)%	16,623	(69.8)%	38.21
	182,039	(4.3)%	43,700	(29.8)%	29,157	(57.1)%	18,676	(66.4)%	18,430	(66.6)%	42.36

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 4 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, 2016:	436,869,117 shares
As of December 31, 2015:	434,117,117 shares
 - 2) Total number of treasury stock at the end of the period:

As of September 30, 2016:	1,460,003 shares
As of December 31, 2015:	- shares
 - 3) Average number of shares during the period (cumulative):

Nine months ended September 30, 2016:	435,477,583 shares
Nine months ended September 30, 2015:	430,406,297 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 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.

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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, 2016, while the U.S. economy remained on a recovery trend due mainly to solid consumer spending and housing investment, the UK's decision to leave EU arouse concern in Europe over sudden change in the financial and foreign exchange market; and accordingly, the outlook of the global economy remained uncertain. The economy in China and other Asian emerging countries seemed to be at a standstill due to slowdown of the economy's growth rate. In Japan, despite signs of a moderate recovery of the economy due to improvement of capital expenditure and employment and income environment, the economic recovery lacked momentum due to continued slump in stock prices and strong yen from the influence of the Brexit, etc.

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 the enhancement of game development capabilities within Nexon Group, business alliance with other companies including joint development, provision of high-quality new game titles through purchase of leading game developers, enhancement of Nexon Group's development capabilities in the mobile business and further reinforcement of the business platform to enable attractive content updates for the existing game titles.

For the three months ended September 30, 2016, revenues decreased year-over-year on an as-reported basis due to a strong foreign exchange rate headwind, with the Japanese yen appreciating year-over-year against major currencies in our business including the Korean won, Chinese yuan and the US. Dollar. In China, revenues decreased due to an impact of foreign exchange despite solid performance of *Dungeon&Fighter* supported by well-received item sales in line with content updates for summer season (July) and the National Day (September). In Korea, revenues decreased year-over-year as a result of an impact of foreign exchange despite strong sales of our existing PC online games including *MapleStory* and *Dungeon&Fighter*, and mobile games including *HIT* launched in Q4 2015.

In terms of expenses, cost of sales decreased year-over-year due to a year-over-year decrease in royalty costs because royalty payments for *DomiNations* launched in Q2 2015 are no longer required as Big Huge Games Inc. became a wholly-owned subsidiary in Q1 2016, coupled with a foreign exchange impact. Selling, general and administrative expenses decreased year-over-year due to a decrease in depreciation for Q3 2016 as a result of completion of IP amortization related to *Dungeon&Fighter* in Q3 2015. In addition, finance income decreased and 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 nine months ended September 30, 2016, Nexon Group recorded revenues of ¥139,875 million (down 3.2% year-over-year), operating income of ¥33,374 million (down 35.8% year-over-year), income before income taxes of ¥18,007 million (down 70.4% year-over-year) and net income attributable to owners of the parent company of ¥8,927 million (down 82.4% year-over-year).

Performance results by reportable segments for the nine months ended September 30, 2016 are as follows:

(a) Japan

Revenues for the nine months ended September 30, 2016 amounted to ¥11,169 million (down 31.2% year-over-year), and segment loss amounted to ¥2,606 million (segment loss of ¥1,395 million for the nine months ended September 30, 2015). Both PC and mobile revenues decreased.

(b) Korea

Revenues for the nine months ended September 30, 2016 amounted to ¥117,724 million (up 1.8% year-over-year), and segment profit amounted to ¥61,784 million (up 8.7% year-over-year). While PC online game revenues decreased due to a foreign exchange impact, mobile game revenues grew significantly year-over-year due to *HIT* launched in Q4 2015 and newly released game titles. Revenues in Korea include royalty income of NEOPLE INC. (a subsidiary of NEXON Korea Corporation, our consolidated subsidiary) attributable to license agreements in China. For the nine months ended September 30, 2016, revenues increased driven by solid performance of *Dungeon&Fighter*, our key PC title in China, supported by well-received item sales in line with content updates for the New Year (January), the Labor Day (April), the 8th anniversary of the title (June), summer season (July), and the National Day (September).

(c) China

Revenues for the nine months ended September 30, 2016 amounted to ¥3,351 million (up 19.5% year-over-year), and segment profit amounted to ¥2,311 million (up 65.6% year-over-year). In China, consulting fees related to the existing PC online games increased; and accordingly both revenues and profit increased.

(d) North America

Revenues for the nine months ended September 30, 2016 amounted to ¥6,603 million (down 22.1% year-over-year), and segment loss amounted to ¥3,248 million (segment loss of ¥2,967 million for the nine months ended September 30, 2015). In North America, revenues decreased due to decreased sales of a mobile game title *DomiNations* and the existing PC online games.

(e) Other

Revenues for the nine months ended September 30, 2016 amounted to ¥1,028 million (down 22.2% year-over-year), and segment loss amounted to ¥153 million (segment loss of ¥318 million for the nine months ended September 30, 2015).

(2) Explanation on Financial Position

(a) Assets, liabilities and equity

(Assets)

Total assets as of September 30, 2016 amounted to ¥395,314 million, a decrease of ¥30,272 million from December 31, 2015. Major components included an increase of ¥49,058 million in other deposits due to placement of term deposits, an increase of ¥5,208 million in other financial assets due to extension of long-term loans receivable, a decrease of ¥68,252 million in cash and cash equivalents, and a decrease of ¥19,191 million in goodwill due to impairment loss.

(Liabilities)

Total liabilities as of September 30, 2016 amounted to ¥42,521 million, a decrease of ¥3,384 million from December 31, 2015. Major components included an increase of ¥5,418 million in deferred income, a decrease in income taxes payable of ¥3,673 million due to tax payment, a decrease of ¥2,548 million in trade and other payables, and a decrease of ¥1,742 million in borrowings due to repayment.

(Equity)

Equity as of September 30, 2016 totaled ¥352,793 million, a decrease of ¥26,888 million from December 31, 2015. Major components included a decrease of ¥53,625 million in capital stock and an increase of ¥56,530 million in capital surplus due to capital reduction, and a decrease of ¥32,136 million in other equity interest due to changes in exchange differences on translating foreign operation.

As a result, ratio of equity attributable to owners of the parent company was 88.1% (88.0% as of December 31, 2015).

(b) Cash flows

Cash and cash equivalents (“Cash”) as of September 30, 2016 was ¥125,973 million, a decrease of ¥68,252 million from December 31, 2015. The decrease includes an impact from foreign exchange rate movement of ¥21,590 million.

Cash flows from each activity for the nine months ended September 30, 2016 and their significant components are as follows:

(Cash flows from operating activities)

Net cash provided by operating activities was ¥51,374 million, compared to ¥45,016 million in the nine months ended September 30, 2015. Major inflows included income before income taxes of ¥18,007 million, impairment loss of ¥25,048 million, foreign exchange loss of ¥16,069 million, and an increase of deferred income of ¥6,978 million, and major outflows included payment of income taxes of ¥12,715 million.

(Cash flows from investing activities)

Net cash used in investing activities was ¥91,024 million, compared to ¥13,258 million in the nine months ended September 30, 2015. Major outflows included an increase in other deposits of ¥66,826 million, acquisition of a subsidiary of ¥6,630 million, and extension of long-term loans receivable of ¥5,002 million.

(Cash flows from financing activities)

Net cash used in financing activities was ¥7,012 million, compared to ¥16,263 million in the nine months ended September 30, 2015. Major outflows included payment of cash dividends of ¥4,351 million and purchases of treasury stock of ¥2,167 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 Year Ending December 31, 2016" is the sum of the actual consolidated financial results for the nine months ended September 30, 2016 and the financial results forecast for the three months ending December 31, 2016.

For the year ending December 31, 2016, Nexon Group expects consolidated revenue in the range of ¥179,204~182,039 million (a decrease of 5.8%~4.3% year-over-year), operating income in the range of ¥41,547~43,700 million (a decrease of 33.3%~29.8 % year-over-year), income before income taxes in the range of ¥27,004~29,157 million (a decrease of 60.3%~57.1% year-over-year), net income in the range of ¥16,849~18,676 million (a decrease of 69.7%~66.4% year-over-year), net income attributable to owners of the parent in the range of ¥16,623~18,430 million (a decrease of 69.8%~66.6% year-over-year), and basic earnings per share in the range of ¥38.21~42.36.

Nexon 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 = ¥103.81, 100 South Korean Won = ¥9.23 and 1 Chinese Yuan = ¥15.42. 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 ¥340 million on revenue and approximately ¥103 million on operating income for the three months ending December 31, 2016.

For the year ending December 31, 2016, revenues in the PC online business and the mobile business are forecasted to be ¥136,457~138,157 million and ¥42,747~43,882 million, respectively. For the three months ending December 31, 2016, we expect our major functional currencies, including the South Korean Won, Chinese Yuan and U.S. dollar to depreciate against Japanese yen year-over-year, which negatively impacts our revenues, operating income and net income.

For the PC business, in China and Korea, the fourth quarter is generally a seasonably weaker period with the rebound of the strong performance in the third quarter which includes summer vacation and national holidays. In Korea, while we expect revenues from some titles including *Sudden Attack* to decrease, we expect fourth quarter performance to remain strong due to well-received updates of *MapleStory* and *Dungeon&Fighter* conducted in the third quarter. In China, our major PC online game *Dungeon&Fighter* had a successful National Day update in late September and we are expecting this update to result in a positive financial impact for the three months ending December 31, 2016. In Japan, we expect PC revenue to increase year-over-year due to contribution from *Tree of Savior*, which we commercialized in late September.

For the mobile business, while Japan mobile browser business is expected to decrease year-over-year, we expect Japan native mobile revenue to increase year-over-year with contributions from recently launched *HIDE AND FIRE* and a new title to be released in the fourth quarter. In Korea, while we expect revenues from titles including *HIT* and *DomiNations* to decrease year-over-year, *Sangokushi Sousouden Online*, *MapleStoryM* and other titles launched in the fourth quarter are expected to newly contribute to our mobile business. In North America, Europe and others, we launched *HIT* in July and *Oz: Broken Kingdom* in September. We expect these titles to contribute to our mobile business.

On the cost side, we expect personnel cost to increase due to an increase in headcount. Meanwhile, we expect variable costs including royalty cost related to third-party licensed IPs to decrease year-over-year mainly due to a year-over-year decrease in revenue from *HIT* and because recognition of royalty cost is no longer required for consolidated purposes due to Big Huge Games, developer of *DomiNations*, becoming our wholly-owned subsidiary. In addition, one-time impairment loss that was recognized in the fourth quarter last year is not included in our outlook for the fourth quarter this year. As a result, we expect costs to decrease year-over year.

Furthermore, we expect to record an ordinary loss and net loss for our standalone performance for the year ending December 31, 2016 mainly due to foreign exchange losses from U.S.-dollar-denominated cash deposits and loans receivable, as well as recording of impairment loss on gloops' shares.

The financial results forecast is 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 forecast.

(Reference)

Consolidated financial results forecast for the three months ending December 31, 2016 (from October 1, 2016 to December 31, 2016)

(% 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
Three months ending December 31, 2016	39,329	(14.2)%	8,173	(20.8)%	8,997	23.8%	7,533	71.6%	7,697	75.0%	17.73
	~	~	~	~	~	~	~	~	~	~	~
	42,164	(8.0)%	10,325	0.1%	11,149	53.4%	9,359	113.2%	9,504	116.1%	21.89

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, 2015 unless otherwise noted, except for the new standards applied as listed below. Nexon Group calculated income taxes for the nine months ended September 30, 2016, based on the estimated average annual effective tax rate.

Nexon Group has applied the following standards from Q1 2016 (from January 1, 2016 to March 31, 2016), but the application of these standards did not have material impacts on the nine months ended September 30, 2016 under review.

Standards	Title	Overview of New or Revised Standard
IAS 1	Presentation of Financial Statements	Clarified materiality and aggregation, presentation of subtotals, structure of financial statements and disclosure of accounting policies
IFRS 5	Non-current Assets Held for Sale and Discontinued Operations	Amended the methods of disposal for assets
IFRS 7	Financial instruments: Disclosures	Clarified that a servicing contract may constitute continuing involvement Clarified conditions under which disclosure requirements related to offsetting should be applied to condensed interim financial statements
IFRS 10 and IAS 28	Consolidated Financial Statements	Clarified application of consolidation exception to investment entities and their subsidiaries
IFRS 11	Joint Arrangements	Amended accounting for acquisition of an interest in a joint operation in which the activity constitutes a business
IAS 16	Property, Plant and Equipment	Clarified situations where a revenue-based depreciation method may be appropriate
IAS 19	Employee Benefits	Amended accounting for employee contributions
IAS 27	Separate Financial Statements	Amended accounting for investments in subsidiaries, jointly controlled entities and associates in the separate financial statements
IAS 34	Interim Financial Reporting	Clarified that required interim disclosure should be reflected in interim financial statements or incorporated in applicable parts of the interim financial report
IAS 38	Intangible Assets	Clarified situations where a revenue-based amortization method may be appropriate

3. Condensed Consolidated Financial Statements

(1) Condensed Consolidated Statement of Financial Position

	(Millions of yen)	
	As of December 31, 2015	As of September 30, 2016
Assets		
Current assets		
Cash and cash equivalents	194,225	125,973
Trade and other receivables	33,362	32,153
Other deposits	97,105	146,163
Other financial assets	1,973	4,691
Other current assets	5,005	8,351
Total current assets	331,670	317,331
Non-current assets		
Property, plant and equipment	22,027	19,814
Goodwill	35,387	16,196
Intangible assets	7,520	7,618
Investments accounted for using equity method	2,071	5,619
Other financial assets	19,576	22,066
Other non-current assets	3,040	2,504
Deferred tax assets	4,295	4,166
Total non-current assets	93,916	77,983
Total assets	425,586	395,314

	(Millions of yen)	
	As of December 31, 2015	As of September 30, 2016
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	10,874	8,326
Deferred income	9,558	8,673
Borrowings	1,916	1,840
Income taxes payable	7,135	3,462
Other financial liabilities	568	300
Provisions	2,246	1,175
Other current liabilities	4,587	4,134
Total current liabilities	36,884	27,910
Non-current liabilities		
Deferred income	1,985	8,288
Borrowings	2,501	835
Other financial liabilities	790	1,039
Provisions	327	332
Other non-current liabilities	1,280	1,408
Deferred tax liabilities	2,138	2,709
Total non-current liabilities	9,021	14,611
Total liabilities	45,905	42,521
Equity		
Capital stock	56,441	2,816
Capital surplus	34,597	91,127
Treasury stock	—	(2,167)
Other equity interest	73,308	41,172
Retained earnings	210,101	215,192
Total equity attributable to owners of the parent company	374,447	348,140
Non-controlling interests	5,234	4,653
Total equity	379,681	352,793
Total liabilities and equity	425,586	395,314

(2) Condensed Consolidated Income Statement

For the nine months ended September 30, 2015 and 2016

	(Millions of yen)	
	Nine months ended September 30,	
	2015	2016
	(From January 1, 2015 to September 30, 2015)	(From January 1, 2016 to September 30, 2016)
Revenue	144,447	139,875
Cost of sales	(36,246)	(34,792)
Gross profit	108,201	105,083
Selling, general and administrative expenses	(54,630)	(46,976)
Other income	315	484
Other expenses	(1,911)	(25,217)
Operating income	51,975	33,374
Finance income	9,184	2,448
Finance costs	(448)	(17,964)
Equity in profit of affiliates	26	149
Income before income taxes	60,737	18,007
Income taxes expense	(9,526)	(8,691)
Net income	51,211	9,316
Attributable to:		
Owners of the parent company	50,733	8,927
Non-controlling interests	478	389
Net income	51,211	9,316
Earnings per share (attributable to owners of the parent company)	(Yen)	(Yen)
Basic earnings per share	117.87	20.50
Diluted earnings per share	114.95	20.11

For the three months ended September 30, 2015 and 2016

	(Millions of yen)	
	Three months ended September 30,	
	2015	2016
	(From July 1, 2015 to September 30, 2015)	(From July 1, 2016 to September 30, 2016)
Revenue	49,811	44,255
Cost of sales	(12,552)	(11,242)
Gross profit	37,259	33,013
Selling, general and administrative expenses	(18,269)	(16,362)
Other income	101	217
Other expenses	(655)	(576)
Operating income	18,436	16,292
Finance income	4,277	819
Finance costs	(234)	(7,016)
Equity in profit of affiliates	11	80
Income before income taxes	22,490	10,175
Income taxes expense	(3,239)	(2,357)
Net income	19,251	7,818
Attributable to:		
Owners of the parent company	19,184	7,635
Non-controlling interests	67	183
Net income	19,251	7,818
Earnings per share (attributable to owners of the parent company)	(Yen)	(Yen)
Basic earnings per share	44.47	17.50
Diluted earnings per share	43.41	17.24

(3) Condensed Consolidated Statement of Comprehensive Income

For the nine months ended September 30, 2015 and 2016

	(Millions of yen)	
	Nine months ended September 30,	
	2015	2016
	(From January 1, 2015 to September 30, 2015)	(From January 1, 2016 to September 30, 2016)
Net income	51,211	9,316
Other comprehensive income		
Items that will not be reclassified to net income		
Financial assets measured at fair value through other comprehensive income	(440)	(1,199)
Re-measurement of defined benefit pension plans	4	1
Other comprehensive income under equity method	—	0
Income taxes	239	324
Total items that will not be reclassified to net income	(197)	(874)
Items that may be reclassified subsequently to net income		
Exchange differences on translating foreign operations	(22,332)	(31,803)
Cash flow hedges	15	—
Other comprehensive income under equity method	(1)	1
Income taxes	(7)	—
Total items that may be reclassified subsequently to net income	(22,325)	(31,802)
Total other comprehensive income	(22,522)	(32,676)
Total comprehensive income	28,689	(23,360)
Attributable to:		
Owners of the parent company	28,683	(23,186)
Non-controlling interests	6	(174)
Total comprehensive income	28,689	(23,360)

For the three months ended September 30, 2015 and 2016

	(Millions of yen)	
	Three months ended September 30,	
	2015	2016
	(From July 1, 2015 to September 30, 2015)	(From July 1, 2016 to September 30, 2016)
Net income	19,251	7,818
Other comprehensive income		
Items that will not be reclassified to net income		
Financial assets measured at fair value through other comprehensive income	(10,634)	(796)
Re-measurement of defined benefit pension plans	4	(0)
Other comprehensive income under equity method	—	2
Income taxes	3,040	216
Total items that will not be reclassified to net income	(7,590)	(578)
Items that may be reclassified subsequently to net income		
Exchange differences on translating foreign operations	(21,789)	6,223
Cash flow hedges	2	—
Other comprehensive income under equity method	(0)	0
Income taxes	(1)	—
Total items that may be reclassified subsequently to net income	(21,788)	6,223
Total other comprehensive income	(29,378)	5,645
Total comprehensive income	(10,127)	13,463
Attributable to:		
Owners of the parent company	(9,744)	13,171
Non-controlling interests	(383)	292
Total comprehensive income	(10,127)	13,463

(4) Condensed Consolidated Statement of Changes in Equity

For the nine months ended September 30, 2015 (From January 1, 2015 to September 30, 2015)

(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, 2015	52,481	40,830	—	92,044	155,025	340,380	5,097	345,477
Net income for the period	—	—	—	—	50,733	50,733	478	51,211
Other comprehensive income	—	—	—	(22,050)	—	(22,050)	(472)	(22,522)
Total comprehensive income	—	—	—	(22,050)	50,733	28,683	6	28,689
Issue of shares	3,250	3,250	—	—	—	6,500	—	6,500
Stock issue cost	—	(22)	—	—	—	(22)	—	(22)
Payment of dividends	—	—	—	—	(4,305)	(4,305)	—	(4,305)
Share-based payments	—	—	—	95	—	95	—	95
Purchases of treasury stock	—	(169)	(10,000)	—	—	(10,169)	—	(10,169)
Retirement of treasury stock	—	(10,000)	10,000	—	—	—	—	—
Reclassification from other equity interest to retained earnings	—	—	—	46	(46)	—	—	—
Others	—	3	—	—	—	3	—	3
Total transactions with the owners	3,250	(6,938)	—	141	(4,351)	(7,898)	—	(7,898)
Balance at September 30, 2015	55,731	33,892	—	70,135	201,407	361,165	5,103	366,268

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)
Payment of dividends	—	—	—	—	(4,353)	(4,353)	—	(4,353)
Share-based payments	—	—	—	484	—	484	—	484
Purchase of non-controlling interests	—	(287)	—	—	—	(287)	(407)	(694)
Purchases 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

(5) Condensed Consolidated Statement of Cash Flows

(Millions of yen)

	Nine months ended September 30,	
	2015 (From January 1, 2015 to September 30, 2015)	2016 (From January 1, 2016 to September 30, 2016)
Cash flows from operating activities		
Income before income taxes	60,737	18,007
Depreciation and amortization	11,199	4,646
Share-based compensation expenses	1,576	1,471
Interest and dividend income	(4,119)	(2,426)
Interest expense	278	22
Impairment loss	1,677	25,048
Equity in profit of affiliates	(26)	(149)
Exchange (gain) loss	(3,026)	16,069
Increase in trade and other receivables	(2,376)	(2,139)
Increase in other current assets	(2,180)	(3,750)
Decrease in trade and other payables	(662)	(1,759)
(Decrease) increase in deferred income	(952)	6,978
Other	114	(540)
Subtotal	62,240	61,478
Interest and dividends received	4,441	2,627
Interest paid	(406)	(16)
Income taxes paid	(21,259)	(12,715)
Net cash provided by operating activities	45,016	51,374
Cash flows from investing activities		
Increase in other deposits	(8,649)	(66,826)
Purchases of property, plant and equipment	(2,209)	(1,996)
Proceeds from sales of property, plant and equipment	49	22
Purchases of intangible assets	(2,030)	(1,012)
Payments associated with increase in long-term prepaid expenses	(987)	(1,263)
Purchases of investment securities	(907)	(1,643)
Proceeds from sale of investment securities	2,500	366
Purchases of affiliates	(78)	(3,773)
Purchases of subsidiaries	(2,155)	(6,630)
Extension of long-term loans receivable	(12)	(5,002)
Other	1,220	(3,267)
Net cash used in investing activities	(13,258)	(91,024)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	500	(250)
Proceeds from long-term borrowings	5,000	—
Repayment of long-term borrowings	(11,990)	(1,676)
Proceeds from exercise of stock options	4,999	2,205
Purchases of treasury stock	(10,169)	(2,167)
Purchase of treasury stock of subsidiaries	—	(657)
Cash dividends paid	(4,305)	(4,351)
Other	(298)	(116)
Net cash used in financing activities	(16,263)	(7,012)
Net increase (decrease) in cash and cash equivalents	15,495	(46,662)
Cash and cash equivalents at the beginning of the period	117,729	194,225
Effects of exchange rate changes on cash and cash equivalents	(4,988)	(21,590)
Cash and cash equivalents at the end of the period	128,236	125,973

(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 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 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 Nexon Group is as follows:

(For the nine months ended September 30)

For the nine months ended September 30, 2015 (From January 1, 2015 to September 30, 2015)

(Millions of yen)

	Reportable Segments					Total	Adjustments (Note 3)	Consolidated
	Japan	Korea	China	North America	Other			
Revenue								
Revenue from external customers	16,235	115,608	2,804	8,479	1,321	144,447	—	144,447
Intersegment revenue	59	2,452	—	347	109	2,967	(2,967)	—
Total	16,294	118,060	2,804	8,826	1,430	147,414	(2,967)	144,447
Segment profit or loss (Note 1)	(1,395)	56,847	1,395	(2,967)	(318)	53,562	9	53,571
Other income (expense), net								(1,596)
Operating income								51,975
Finance income (costs), net								8,736
Equity in profit of affiliates								26
Income before income taxes								60,737

(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 ¥ 9 million represent elimination of intersegment transactions.

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 three months ended September 30)

For the three months ended September 30, 2015 (From July 1, 2015 to September 30, 2015)

(Millions of yen)

	Reportable Segments					Total	Adjustments (Note 3)	Consolidated
	Japan	Korea	China	North America	Other			
Revenue								
Revenue from external customers	4,913	40,437	1,276	2,747	438	49,811	—	49,811
Intersegment revenue	34	796	—	338	43	1,211	(1,211)	—
Total	4,947	41,233	1,276	3,085	481	51,022	(1,211)	49,811
Segment profit or loss (Note 1)	(532)	19,645	808	(805)	(142)	18,974	16	18,990
Other income (expense), net								(554)
Operating income								18,436
Finance income (costs), net								4,043
Equity in profit of affiliates								11
Income before income taxes								22,490

- (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 ¥16 million represent elimination of intersegment transactions.

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.

(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, 2015 (From January 1, 2015 to September 30, 2015)	For the nine months ended September 30, 2016 (From January 1, 2016 to September 30, 2016)
Japan	16,285	12,187
Korea	56,878	55,807
China	58,938	58,814
North America	6,554	6,007
Other	5,792	7,060
Total	<u>144,447</u>	<u>139,875</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, 2015 (From July 1, 2015 to September 30, 2015)	For the three months ended September 30, 2016 (From July 1, 2016 to September 30, 2016)
Japan	4,972	3,735
Korea	20,163	18,298
China	20,247	17,360
North America	2,045	2,138
Other	2,384	2,724
Total	<u>49,811</u>	<u>44,255</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:

(For the nine months ended September 30)

	For the nine months ended September 30, 2015 (From January 1, 2015 to September 30, 2015)	(Millions of yen) For the nine months ended September 30, 2016 (From January 1, 2016 to September 30, 2016)
PC online	114,483	107,689
Mobile	28,853	31,432
Other	1,111	754
Total	<u>144,447</u>	<u>139,875</u>

(For the three months ended September 30)

	For the three months ended September 30, 2015 (From July 1, 2015 to September 30, 2015)	(Millions of yen) For the three months ended September 30, 2016 (From July 1, 2016 to September 30, 2016)
PC online	39,159	34,001
Mobile	10,330	9,781
Other	322	473
Total	<u>49,811</u>	<u>44,255</u>

(9) Subsequent Event

(Cancellation of treasury shares)

We have approved the cancellation of treasury shares based on the provision of Article 178 of the Companies Act at the Board of Directors meeting held on November 10, 2016.

1. Reason for the cancellation of shares

To improve capital efficiency and to return profits to our shareholders

2. Details of the matters pertaining to the cancellation

(1) Cancellation method: Reduction of the amount of other capital surplus

(2) Class of shares to be cancelled: Common shares of Nexon

(3) Number of shares to be cancelled: 3,168,703 shares (0.7% of the total number of shares outstanding before cancellation)

(4) Scheduled date of cancellation: November 30, 2016