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**Consolidated Financial Results**  
**for the Fiscal Year Ended December 31, 2016**  
**[IFRS]**

February 10, 2017

Company name: NEXON Co., Ltd.

Stock exchange listing: Tokyo Stock Exchange

Stock code: 3659

URL: <http://www.nexon.co.jp/>

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Scheduled date of Ordinary General Meeting of Shareholders: March 28, 2017

Scheduled date of filing annual securities reports: March 29, 2017

Scheduled date of dividend payment commencement: -

Supplementary briefing material on financial results: Yes

Financial results briefing: Yes (for institutional investors and analysts)

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

1. Consolidated Financial Results for the Fiscal Year Ended December 31, 2016

(From January 1, 2016 to December 31, 2016)

(1) Consolidated Operating Results

(% changes from the previous fiscal year)

(Millions of yen)

	Revenue		Operating income		Income before income taxes		Net income		Net income attributable to owners of parent		Total comprehensive income	
FY 2016	183,128	(3.8)%	40,661	(34.7)%	47,123	(30.7)%	20,521	(63.1)%	20,133	(63.5)%	2,905	(92.9)%
FY 2015	190,263	10.0%	62,290	36.9%	68,006	29.1%	55,601	89.0%	55,132	88.1%	40,642	(2.8)%

	Basic earnings per share from continuing operations	Diluted earnings per share from continuing operations	Ratio of net income to equity attributable to owners of parent	Ratio of income before income taxes to total assets	Ratio of operating income to revenue
	Yen	Yen	%	%	%
FY 2016	46.26	45.40	5.4	10.9	22.2
FY 2015	127.86	124.67	15.4	15.8	32.7

(Reference): Equity in profit (loss) of affiliates FY2016: ¥101 million, FY2015: ¥91 million

(2) Consolidated Financial Position

	Total assets	Total equity	Equity attributable to owners of parent	Ratio of equity attributable to owners of parent	Equity attributable to owners of parent per share
	Millions of yen	Millions of yen	Millions of yen	%	Yen
December 31, 2016	441,832	377,694	372,924	84.4	857.55
December 31, 2015	425,586	379,681	374,447	88.0	862.55

## (3) Consolidated Cash Flows

(Millions of yen)

	From operating activities	From investing activities	From financing activities	Cash and cash equivalents at end of period
FY 2016	73,293	(97,084)	(9,275)	152,683
FY 2015	60,152	56,412	(35,639)	194,225

## 2. Dividends

	Annual Dividends					Total amount of cash dividends (annual)	Dividends payout ratio (consolidated)	Ratio of total amount of dividends to equity attributable to owners of parent (consolidated)
	End of 1st Quarter	End of 2nd Quarter	End of 3rd Quarter	End of Year	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
FY 2015	-	5.00	-	5.00	10.00	4,319	7.8	1.2
FY 2016	-	5.00	-	0.00	5.00	2,182	10.8	0.6
FY 2017 (Forecast)	-	5.00	-	5.00	10.00		-	

## 3. Consolidated Financial Results Forecast for the First Quarter of Fiscal Year Ending December 31, 2017

(From January 1, 2017 to March 31, 2017)

(% changes from the previous corresponding period)

(Millions of yen)

	Revenue		Operating income		Income before income taxes		Net income		Net income attributable to owners of parent		Basic earnings per share
	Yen	%	Yen	%	Yen	%	Yen	%	Yen	%	Yen
First Quarter	62,449	8.6%	30,346	719.5%	31,153	-%	26,916	-%	27,075	-%	62.26
	67,129	16.8%	34,763	838.8%	35,572	-%	30,634	-%	30,776	-%	70.77

(Note) For the forecasts of consolidated financial results for the fiscal year ending December 31, 2017, it is difficult to reasonably estimate financial results for the first six months ending June 30, 2017 and the fiscal year ending December 31, 2017 at the moment, and accordingly, only the financial results forecasts for the first three months of the fiscal year ending December 31, 2017 is disclosed. Also, as it is difficult to estimate specific figures, disclosure is made with a range. For details, please refer to "1. Analysis on Operating Results and Financial Position (3) Qualitative Information on Consolidated Financial Results Forecast" on page 8 of the Appendix.

\*(Notes)

- (1) Changes in significant subsidiaries during the current year (changes in specified subsidiaries that result in changes in scope of consolidation): Yes  
 Newly added: 1 (NSC Corporation)  
 Excluded: None
- (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 and outstanding (common stock)  
 1) Total number of shares issued at the end of the period (including treasury stock):  
 As of December 31, 2016: 434,871,414 shares  
 As of December 31, 2015: 434,117,117 shares  
 2) Total number of treasury stock at the end of the period:  
 As of December 31, 2016: 61 shares  
 As of December 31, 2015: - shares  
 3) Average number of shares during the period:  
 For the fiscal year ended December 31, 2016: 435,248,842 shares  
 For the fiscal year ended December 31, 2015: 431,176,948 shares

(Reference) Overview of Non-consolidated Financial Results

1. Non-consolidated Financial Results for the Fiscal Year Ended December 31, 2016  
 (From January 1, 2016 to December 31, 2016)

(1) Non-consolidated Operating Results (% changes from the previous fiscal year)  
 (Millions of yen)

	Revenue		Operating income		Ordinary income		Net income	
FY 2016	5,208	(10.4)%	(4,662)	-	(5,852)	-	(44,372)	-
FY 2015	5,815	(27.2)%	(3,772)	-	14,145	(42.3)%	8,172	482.5%

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
FY 2016	(101.95)	-
FY 2015	18.95	18.53

(2) Non-consolidated Financial Position

(Millions of yen)

	Total assets	Total equity	Equity ratio	Net assets per share
December 31, 2016	59,070	56,281	85.9%	116.69 yen
December 31, 2015	108,634	104,630	92.1%	230.41 yen

(Reference): Equity at December 31, 2016: ¥50,746 million, Equity at December 31, 2015: ¥100,025 million

(Note) Non-consolidated financial data is based on Japanese GAAP.

\*Presentation Regarding the Audit Procedures

This financial report is outside the scope of audit procedures under the Financial Instruments and Exchange Act. At the time of disclosure of this financial report, the audit procedures for the 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 the information available to the Company and certain assumptions that can be deemed reasonable at time 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 various factors. For conditions prerequisite to the financial results forecast and the points to be noted in the use thereof, please refer to "1. Analysis on Operating Results and Financial Position (3) Qualitative Information on Consolidated Financial Results Forecast" on page 8 of the Appendix.

(Regarding the 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. Analysis on Operating Results and Financial Position

## (1) Analysis on Operating Results

During the fiscal year ended December 31, 2016, the world economy as a whole generally witnessed a gradual recovery, mainly led by developed countries. In the U.S., steady consumer spending supported by an improvement of employment and income environment contributed to a continuing gradual growth despite a slow improvement in the corporate sector. In Europe, the U.K. and Spain maintained a high growth rate and the overall economy continued to show a gradual recovery, with a support of favorable consumer spending although the slowdown of emerging economies resulted in stagnant export. Asian economy also maintained a moderate growth but the Chinese economy showed a modest slowdown. The Japanese economy witnessed an improvement in corporate earnings, employment and income, but also a delay in the recovery of consumer spending.

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 mobile business and further reinforcement of the business platform to enable attractive content updates for the existing game titles.

For the fiscal year ended December 31, 2016, revenue 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, revenue decreased due to an impact of foreign exchange despite solid performance of *Dungeon&Fighter* supported by well-received item sales in line with major content updates including for the Lunar New Year holidays (January) and the National Day (September). In Korea, revenue 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 along with *MapleStory M* and *Sangokushi Sousouden Online* released in Q4 2016.

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 effect of foreign exchange rate despite an increase in headcount of employees. In addition, finance income increased and finance costs decreased year-over-year as the fluctuations in foreign exchange rates since Q3 2016 resulted in foreign exchange gains in foreign currency-denominated cash deposits and account receivables. Income taxes expense increased year-over-year as Nexon Group additionally recorded deferred income taxes and deferred tax liability each for undistributed profits of its foreign subsidiaries.

As a result, for the fiscal year ended December 31, 2016, Nexon Group recorded revenue of ¥183,128 million (down 3.8% year-over-year), operating income of ¥40,661 million (down 34.7% year-over-year), income before income taxes of ¥47,123 million (down 30.7% year-over-year) and net income attributable to owners of the parent company of ¥20,133 million (down 63.5% year-over-year).

Performance results by reportable segments are as follows:

### (a) Japan

Revenue for the fiscal year ended December 31, 2016 amounted to ¥15,425 million (down 25.7% year-over-year), and segment loss amounted to ¥3,791 million (segment loss of ¥1,929 million for the fiscal year ended December 31, 2015). Both PC online game and mobile game revenues decreased.

### (b) Korea

Revenue for the fiscal year ended December 31, 2016 amounted to ¥153,152 million (up 0.4% year-over-year), and segment profit amounted to ¥74,570 million (up 5.5% year-over-year). PC online game revenue decreased due to a foreign exchange impact despite well-received major content updates and item sales of *MapleStory* and *Dungeon&Fighter*. Meanwhile, mobile game revenue grew year-over-year due to *HIT* launched in Q4 2015 and newly released game titles such as *MapleStory M* and *Sangokushi Sousouden Online*. 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 fiscal year ended December 31, 2016, revenue increased driven by solid performance of *Dungeon&Fighter*, our key PC online game title in China, supported by well-received item sales in line with major content updates including for the New Year (January) and the National Day (September).

(c) China

Revenue for the fiscal year ended December 31, 2016 amounted to ¥4,528 million (up 10.8% year-over-year), and segment profit amounted to ¥3,095 million (up 41.4% year-over-year). In China, consulting fees related to the existing PC online games increased; and accordingly both revenue and profit increased.

(d) North America

Revenue for the fiscal year ended December 31, 2016 amounted to ¥8,780 million (down 21.0% year-over-year), and segment loss amounted to ¥4,839 million (segment loss of ¥4,024 million for the fiscal year ended December 31, 2015).

(e) Other

Revenue for the fiscal year ended December 31, 2016 amounted to ¥1,243 million (down 27.9% year-over-year), and segment loss amounted to ¥262 million (segment loss of ¥560 million for the fiscal year ended December 31, 2015).

(2) Analysis on Financial Position

(a) Assets, liabilities and equity

(Assets)

Total assets as of December 31, 2016 amounted to ¥441,832 million, an increase of ¥16,246 million from December 31, 2015. Major components of the change in assets include an increase of ¥76,121 million in other deposits due to placement of term deposits, a decrease of ¥41,542 million in cash and cash equivalents, and a decrease of ¥17,864 million in goodwill due to impairment loss.

(Liabilities)

Total liabilities as of December 31, 2016 amounted to ¥64,138 million, an increase of ¥18,233 million from December 31, 2015. Major components of the change in liabilities include an increase of ¥15,057 million in deferred tax liabilities, an increase of ¥6,162 million in deferred income, a decrease of ¥1,899 million in borrowings due to repayment, and a decrease of ¥1,624 million in income taxes payable.

(Equity)

Equity as of December 31, 2016 totaled ¥377,694 million, a decrease of ¥1,987 million from December 31, 2015. Major components of the decrease in equity include a decrease of ¥52,922 million in capital stock and an increase of ¥52,156 million in capital surplus due to capital reduction, a decrease of ¥17,054 million in other equity interest due to changes in exchange differences on translating foreign operation, and an increase of ¥16,297 million in retained earnings from recording net income.

(b) Cash flows

Cash and cash equivalents (“Cash”) as of December 31, 2016 was ¥152,683 million, a decrease of ¥41,542 million from December 31, 2015. The decrease includes ¥8,476 million effects of exchange rate changes on cash and cash equivalents.

Cash flows from each activity for the fiscal year ended December 31, 2016 and their significant components are as follows:

(Cash flows from operating activities)

Net cash provided by operating activities was ¥73,293 million, compared to ¥60,152 million for the fiscal year ended December 31, 2015. Major inflows include income before income taxes of ¥47,123 million, impairment loss of ¥28,785 million, depreciation and amortization of ¥6,366 million and an increase in deferred income of ¥6,755 million. Major outflows include payment of income taxes of ¥15,289 million.

(Cash flows from investing activities)

Net cash used in investing activities was ¥97,084 million, compared to net cash provided of ¥56,412 million for the fiscal year ended December 31, 2015. Major outflows include an increase in other deposits of ¥76,852 million, acquisition of subsidiaries of ¥7,301 million, and acquisition of affiliates of ¥4,530 million.

(Cash flows from financing activities)

Net cash used in financing activities was ¥9,275 million, compared to ¥35,639 million for the fiscal year ended December 31, 2015. Major outflows include acquisition of treasury stock of ¥5,010 million, and payment of cash dividends of ¥4,358 million.

(Reference) The trends of cash flow index are as follows:

	Fiscal year ended December 31, 2015	Fiscal year ended December 31, 2016
Ratio of equity attributable to owners of the parent (%)	88.0	84.4
Ratio of equity attributable to owners of the parent at fair value (%)	201.9	166.7
Interest-bearing liabilities to cash flow ratio (years)	0.1	0.0
Interest coverage ratio (times)	123.7	4,193.3

Ratio of equity attributable to owners of the parent:

Equity attributable to owners of the parent (end of year) / total assets (end of year)

Ratio of equity attributable to owners of the parent at fair value:

Market capitalization / total assets (end of year)

Interest-bearing liabilities to cash flow ratio:

Interest-bearing liabilities / cash flows

Interest coverage ratio:

Cash flows / interest paid

(Note 1) All ratios are calculated based on the financial data on a consolidated basis.

(Note 2) Market capitalization is calculated based on the number of shares issued and outstanding, excluding treasury stock.

(Note 3) Cash flows are derived from operating cash flows.

(Note 4) Interest-bearing liabilities cover all liabilities recorded in the consolidated statement of financial position that are subject to interest payment.

### (3) Qualitative Information on 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.

For the three months ending March 31, 2017, Nexon Group expects consolidated revenue in the range of ¥62,449~67,129 million (an increase of 8.6%~16.8% year-over-year), operating income in the range of ¥30,346~34,763 million (an increase of 719.5%~838.8% year-over-year), income before income taxes in the range of ¥31,153~35,572 million (Loss of ¥2,007 million for the three months ended March 31, 2016), net income in the range of ¥26,916~30,634 million (Loss of ¥6,079 million for the three months ended March 31, 2016), net income attributable to owners of the parent in the range of ¥27,075~30,776 million (Loss of ¥6,272 million for the three months ended March 31, 2016), and basic earnings per share in the range of ¥62.26~70.77. 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 = ¥114.77, 100 South Korean Won = ¥9.75 and 1 Chinese Yuan = ¥16.68. 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 ¥435 million on revenue and approximately ¥230 million on operating income for the three months ending March 31, 2017.

For the three months ending March 31, 2017, revenues in the PC online business and the mobile business are forecasted to be ¥52,108~55,570 million and ¥10,341~11,559 million, respectively. For the three months ending March 31, 2017, we expect strong seasonality around the Lunar New Year in Korea and China.

For the PC business, in Korea, while we are schedule to launch high quality content updates for *Dungeon&Fighter* and *MapleStory* and expect their revenues to grow year-over-year, due to revenue decrease from titles including *Sudden Attack*, we expect revenue from Korea to decrease year-over-year. In China, we launched the content update for our main PC title *Dungeon&Fighter* on January 17, 2017 for the Lunar New Year holidays. The update was off to a great start,



and we this strong trend to continue throughout the quarter, we expect a significant year-over-year revenue increase for the three months ending March 31, 2017. In Japan, we expect PC revenue to increase year-over-year primarily driven by contribution from *Tree of Savior*, which we commercialized in September last year.

For the mobile business, while revenues from Japan mobile browser games is expected to decrease year-over-year, we expect revenues from Japan native mobile games to increase year-over-year with contributions from recently launched *HIT* and *HIDE AND FIRE*. In Korea, we expect revenues to decrease year-over-year mainly due to a tough year-over-year comparison of *HIT*, which was launched in November 2015 and had a good performance in the first quarter last year, while expecting contributions from titles including *MapleStoryM*, *Sangokushi Sousouden Online* launched in the 4<sup>th</sup> quarter as well as *Dungeon & Fighter: Spirit* launched in Q1 2017. In North America, Europe and Others, we launched *HIT* in July last year. We expect this to contribute positively to our mobile business revenues.

On the cost side, we expect personnel cost to increase due to an increase in headcount. Meanwhile, we expect a year-over-year decreased variable costs including royalty cost related to third-party licensed IPs 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 late March last year as well as platform fee and PG fee in relation to year-over-year revenue decrease in mobile browser games in Japan and *Sudden Attack* in Korea. In addition, one-time impairment loss that was recognized in the first quarter last year is not included in our outlook for the first quarter this year. As a result, we expect costs to decrease year-over-year.

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.

#### (4) Basic Policy on the Distribution of Profits and Dividends for the Current and Next Fiscal Year

Guided by the fundamental principles of protecting investor interests, the Company's dividend policy is to return profits to our shareholders through dividend payment or share repurchases only after careful consideration of shareholders' equity, management performance and anticipated earnings in line with financial results. We aim to effectively use retained earnings to actively develop and expand our business through M&As and acquisitions of game distribution rights, for the purpose of enhancement of our management base and future business growth.

However, for the current business year, the Company has decided not to pay year-end dividends because its retained earnings marked a negative balance affected by the loss on valuation on stocks of subsidiaries and affiliates, and provision of allowance for doubtful accounts for subsidiaries and affiliates, which were recognized in the Company's standalone accounting. With regards to the dividends for the next fiscal year, we will promptly put ourselves in a position to resume dividend, and we plan to pay out interim and year-end dividends of ¥5 each per share for the fiscal year ending December 31, 2017.

The dividend payment is made based on the resolution of the Company's Board of Directors. The Company's Articles of Incorporation stipulates that "the decisions with regards to dividends from surplus and other matters as stipulated under each item of Article 459 (1) of the Companies Act shall not require a resolution of the General Meeting of Shareholders but shall be decided by a resolution of the Board of Directors, except when otherwise provided for by laws and regulations," that "the record date for the Company's year-end dividends shall be December 31 of each year" and that "the record date for the Company's interim dividends shall be June 30 of each year."

## 2. Current Status of the Corporate Group

As of December 31, 2016, Nexon Group consists of the Company, the Company's 26 consolidated subsidiaries and 9 affiliated companies, and is engaged in production, development and distribution of PC online and mobile games. Mainly, the Company and gloops, Inc. (in Japan) and the Company's local consolidated subsidiaries (in overseas countries) develop overall strategies and operate business for their respective merchandises and services in each region as independent units.

Accordingly, Nexon Group consists of geographical segments based on production, development and distribution of PC online and mobile games. The reportable segments include "Japan," "Korea," "China," "North America," and "Other" in which European and Asian countries are included.

Japan:	The Company; gloops, Inc.
Korea:	Nexon Korea Corporation; Rushmo Co., Ltd.; NEOPLE INC.; Nexon Networks Corporation; Neon Studio Corporation; NDOORS Corporation; Nexon GT Co., Ltd.; Nexon Communications Co., Ltd.; Nexon Space Co., Ltd.; Thingsoft Inc.; Boolean Games Corporation; Wellgames Corporation; N Media Platform Co., Ltd.; NSC Corporation
China:	Lexian Software Development (Shanghai) Co., Ltd.
North America:	Nexon America, Inc.; Fantage.com Inc.; Nexon M Inc.; Rushmo America Inc.; Nexon U.S. Holding Inc.; Big Huge Games Inc.
Other:	NEXON Europe GmbH; gloops Vietnam Inc.; Nexon Taiwan Limited; i Digital Connect Co., Ltd.

Nexon Group classifies its business departments into (a) PC Online business and (b) Mobile business.

### (1) Business department

#### (a) PC Online business

The primary activities of the PC online business department are production, development and distribution of PC online games. In addition, we also offer services such as consulting related to PC online game distribution, in-game advertising, and merchandising incidental to PC online business.

PC online games are played simultaneously by multiple players connected to the game server via Internet on a real-time basis.

The major PC online game titles that Nexon Group distributes include *MapleStory*, *Dungeon&Fighter* and *EA SPORTSTM FIFA Online 3* ("FIFA Online 3"). In deciding to introduce a new game title, the Company, in order to respond flexibly to different market, first evaluates users' characteristics and preferences in various areas of the world as well as the appropriateness of the game genre before commencing the distribution on a trial basis.

PC online games developed by members of Nexon Group such as NEXON Korea Corporation and NEOPLE INC. are distributed directly by themselves or through other members of Nexon Group including the Company, Nexon America, Inc., and NEXON Europe GmbH in various countries with large market. We have been maximizing the business synergy effects by establishing a closely coordinated structure within Nexon Group for production, development and distribution of PC online games. In addition, in order to maximize profitability, Nexon Group publishes and distributes PC online games which are developed by outside developers and for which the Company acquired the distribution rights. Nexon Group also maintains amicable relationships with the developers by providing distribution service for them. In those regions where Nexon Group does not have direct distribution channels, PC online games produced by Nexon Group are distributed through local publishing companies. With the aforementioned business efforts, the Company is striving to distribute exciting and creative game titles to users around the world.

As for consulting business, Lexian Software Development (Shanghai) Co., Ltd. provides Chinese domestic distribution companies with consulting services for setting up and maintaining billing systems (please see the Note below) and membership systems, business strategy development, game business management, and marketing.

In addition, NEXON Networks Corporation provides Korean companies with services for clients support in providing PC online games and operation of net-café's while N Media Platform Co., LTD. provides Korean companies with services for advertisement platforms and operation of platforms for net-café's .

The in-game advertisement business has been developing its activities by taking advantage of its two unique characteristics. The first characteristic is the ability to continuously update game content or advertisement content, a primary strength of online game advertisements, which allows direct exposures by using functional items that are equipped with an advertisement function in the game. The other characteristic is the ability to allow simultaneous

exposure of different advertisements to respective targeted users through dedicated servers that aggregately manage all the advertisements.

The merchandising business is engaged in operations to produce and market merchandises of popular characters from the games owned by Nexon Group.

(Note) Billing system: An electronic billing confirmation service related to the usage of internet or email services provided by enterprises.

(b) Mobile business

The mobile business department is engaged in development and distribution of mobile games on various platforms including smartphones and tablets. Nexon Group develops and distributes mobile games in Japan and overseas. In Japan, development and distribution of mobile games are conducted primarily through gloops, Inc. The Company is also engaged in distribution of mobile games. In Korea, development and distribution of mobile games are conducted primarily through NEXON KOREA Corporation, NEOPLE INC, NDOORS Corporation, and Nexon GT Co., Ltd. In the U.S., distribution of mobile games is primarily conducted through Nexon M Inc.

(2) Business model of PC online game and mobile game

The Company's PC online game business models can be categorized into the following three types.

(a) Self-distribution model

The self-distribution model is a model in which game service (setup of network environment, marketing, user support, etc.) for games developed by Nexon Group such as NEXON Korea Corporation and NEOPLE INC. are provided directly by themselves or through other members of Nexon Group including the Company, Nexon America, Inc., and NEXON Europe GmbH.

After commencing distribution, Nexon Group will collect user payments pursuant to a pre-determined billing method. In most cases however, Nexon Group has retained a closing agent business service for a fee to collect user payments.

(b) License granting model

Nexon Group, as the owner of the copyright of self-developed games, enters into license agreements with outside distribution companies and grants distribution rights.

After the license agreement is executed, the grantee of the distribution right itself will assume the responsibility of setting up network environment, marketing, and user support services. At the same time, member companies of Nexon Group that own the copyright of the games will support the activities of the grantee for the purpose of increasing its profit.

In the case of Nexon Group, companies that develop PC online games such as Nexon Korea Corporation and NEOPLE INC. grant distribution rights to outside distribution companies in China and in other countries.

Nexon Group in principle, executes only one license agreement that grants distribution rights for a game in each country. Accordingly, Nexon Group grants a local distribution company with an exclusive right for distribution. In this context, member companies of Nexon Group that own the copyright of the subject game will provide updates of the game content in a continuous manner or necessary technical support, receive a contract payment at the time of executing the contract with a distribution company, and after game distribution service has commenced, receive a certain portion of the service charges that the distribution company collects from users as a royalty payment.

The terms and conditions of the royalty payments are stipulated in an individual agreement taking into consideration the conditions of the area where the local distribution company is located.

(c) License distribution model

In license distribution model, Nexon Group enters into a license agreement with an outside PC online game developer, obtains a local exclusive distribution right, sets up network environment through which Nexon Group provides services, provides marketing service and user support, and provides game distribution service.

Nexon Group collects service charges from users, a certain portion of which will be paid to the outside PC online game developer as a royalty payment.

Nexon Group's deal with Valve Corporation related to *Counter-Strike Online*, the deals with Electronic Arts Inc. related to *FIFA Online 3* and *EA SPORTSTM FIFA Online 3 M* ("*FIFA Online 3 M*") and the deal with NAT Games related to *HIT* fall into this category.

(3) PC online game monetization model

The billing method in the current PC online game monetization model can be categorized into the following three types. Nexon Group collects charges mainly with model (a).

(a) Item-based revenue model in which a fee is charged at the time of purchasing items in game

Basic usage of games is free. However, certain fees are charged when users purchase necessary items (costumes or weapons) or utilize certain services.

As the basic usage of games is free, this model lowers the mental hurdle of users at the initial stage of playing games, thus making it easier for new users to start playing, although revenue generated from the games will be affected by the attractiveness of pay items sold in the games. In recent years, as the market recognition of the games with no basic usage fee has improved, more PC online games have come to adopt this model in the market as a whole in order to acquire new users.

Nexon Group, with the intention of attracting more users to its game service, has been the first to provide the item-based revenue model for PC online games.

(b) Pay-as-you-go according to the term of usage (Fixed price method)

The pay-as-you-go (fixed price) model is a model in which a fixed fee is charged to users per month, day or hour for playing games.

Under this model, it is possible to generate a constant level of revenue by securing a certain number of users. However, it is probable that new users may feel the burden of committing to pay a fixed amount every month, compared to games with no basic usage fee.

(c) Advertisement revenue model

Basic usage of games is free. The service provider receives revenue from advertisements inserted either at the beginning, ending or during the games.

Under this model, advertisements are primarily sponsored by businesses, thus, it is commonly combined with either of the above model (a) or (b), and the popularity of the game itself (user attraction) will have a direct impact on the revenue.

(4) Mobile game monetization model

The billing method in the current mobile game monetization model can be categorized into the following two types. Nexon Group collects charges mainly with model (a).

(a) Item-based revenue model in which a fee is charged at the time of purchasing items in game

Basic usage of games is free. However, certain fees are charged when users purchase necessary items (costumes or weapons) or utilize certain services.

As the basic usage of games is free, this model lowers the mental hurdle of users at the initial stage of playing games, thus making it easier for new users to start playing, although revenue generated from the games will be affected by the attractiveness of pay items sold in the games. The item-based revenue model is the most-used model in the mobile game market.

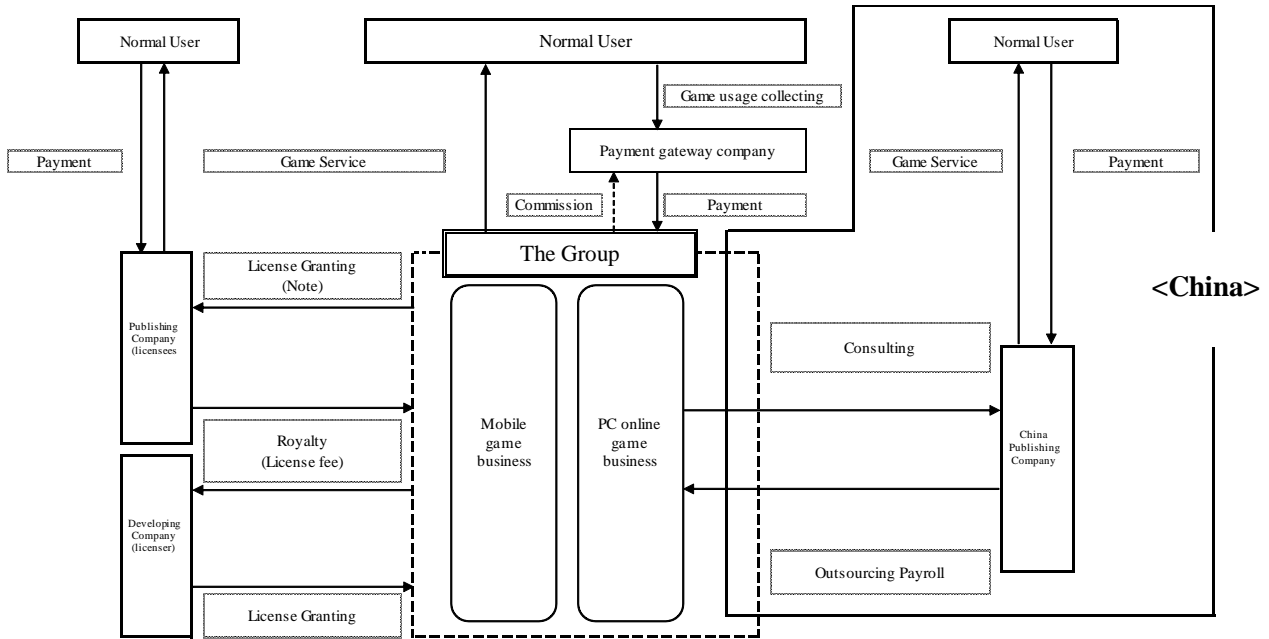
(b) Fee-charging premium model in which a fee is charged at the time of downloading a game

The purchase-type (premium model) game is a model in which a fee is charged at the time of downloading a mobile game. Compared with the item-based revenue model in which basic usage of games is free, the number of game users is limited and it is probable that new users may feel the burden of committing to pay a fixed amount.

[Business system chart]

Chart 1 shows the above described matters.

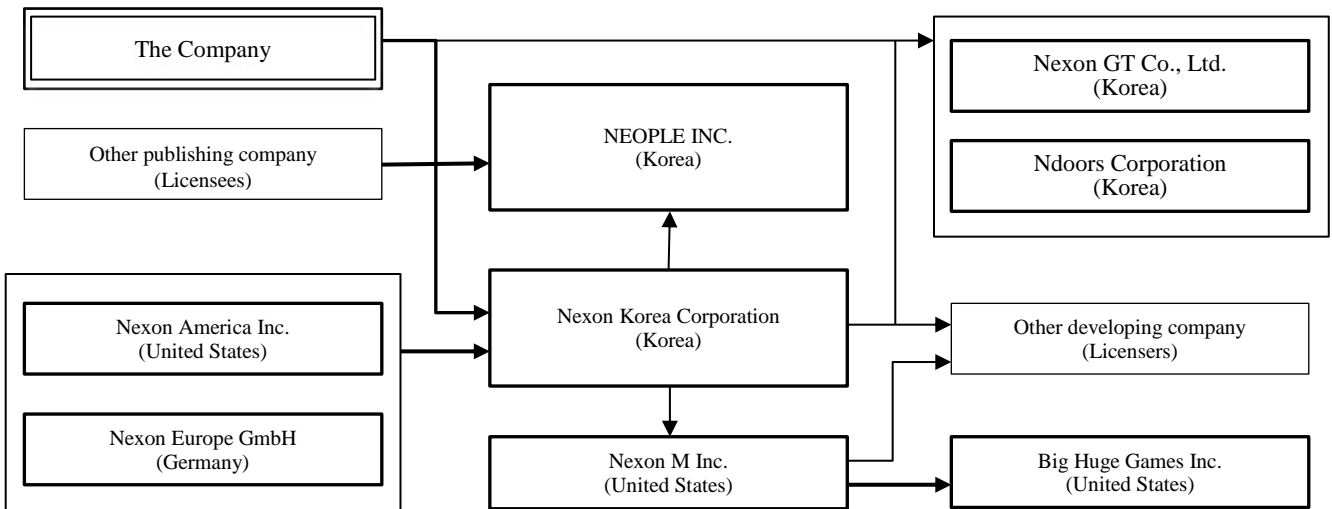
<Chart 1>



(Note) In general, only one license is granted for a game in each country, providing the local company with an exclusive right for distribution.

The royalty income flow within Nexon Group is shown in Chart 2, covering the Company and its major subsidiaries. The thicker lines represent major flows.

<Chart 2>



### 3. Management Policy

#### (1) Company's Basic Management Policy

Nexon Group is aiming to become the world's top game company. Our fundamental policy for new game titles is to provide exciting, creative and unique games with high quality, and that for existing game titles is to provide users with games that continue to be fun for a long period of time, through attractive content updates and satisfiable game operation.

#### (2) Targeted Management Indicators

We believe the key management indicators of Nexon Group are revenue and operating income. Through the continuous growth of revenue and operating income, we will achieve growth in enterprise value.

#### (3) Company's Mid- to Long-Term Management Strategy

Three major trends are apparent in the game industry today; "online games," "multiplayer games," and "free-to-play games."

Nexon Group enjoys advantages of procurement capability for new game contents through in-house development and publishing, game operation capability, global business base, and solid financial structure. By leveraging these strengths, Nexon Group's long-term goals are to become the world's top game company, establish its position as a leading player in the game industry, and continue to provide users around the world with exciting, creative and unique new game titles with high quality.

In order to become the world's top game company and achieve further growth, Nexon Group will focus on the following three priorities:

**Product:** We believe that across all platforms, only the highest-quality, most original games will be truly successful. To this end, our new leadership team will be narrowing the Company's focus and resources to fewer, better games — games that really get us excited, and that we think will attract and retain huge numbers of players.

**People:** Creating radically innovative and entertaining games requires us to attract and retain the best people in the industry from all over the world. This means taking a new approach to recruiting and people management in order to set ourselves apart as an attractive workplace in a highly competitive industry. By offering developers the freedom to create the most exciting games, and by having the ability to reach our massive worldwide audience, we will further differentiate ourselves.

**Partners:** We have a uniquely strong track record in our industry of successful partnerships with leaders around the world, and a reputation for integrity and performance as a partner. Our expertise in free-to-play and global reach have brought us together with companies looking to take their businesses online or to expand their geographic footprint. We will continue to leverage our track record and capabilities to enter into significant new partnerships.

#### (4) Issues to be Addressed

In order to achieve the future growth, Nexon Group recognizes the following matters as issues to be addressed.

##### (a) Provide new game titles with enticement and high quality, and execute content updates of existing game titles

Regardless of whether the hardware used to play a game is PC or mobile, or whether the game is distributed in Japan, Korea, China, the United States or anywhere in the world, in the game industry, excellence of a game is measured by the quality of its content. We have no intention of settling for popular game titles such as *Dungeon&Fighter* and *MapleStory* which Nexon Group currently offers. Instead, in order to become the world's top game company, we aim to distribute exciting, creative and unique game titles with high quality and offer users with the greatest pleasure and special experience. Along with that, as for existing games, we aim to execute attractive content updates and manage game operation that can attract and satisfy users for a long period of time. To this end, we intend to further enhance the business base through efforts such as strengthening game operation capability, enhancing game development and publishing capability within Nexon Group, forming partnerships including co-development with other game developers, and investing in leading game developers.

##### (b) Strengthen information security

Nexon Group provides PC online game and mobile game service which handles game data and users' personal information through the information system. Accordingly, it is required to maintain the highest level of information system infrastructure to prevent illegal access or use by external parties, and also to enhance information security structure including internal information management organization.

Nexon Group has been focusing on enhancement of the information security structure through its group-wide enhancement of the organization in terms of information security and implementation of cutting-edge information

systems, and is determined to make continued efforts to strengthen the overall information security structure so as to provide users with reliable and secure services.

#### 4. Basic Concept for Selection of the Accounting Standards

Nexon Group has applied International Accounting Standards since the fiscal year ended December 31, 2013, with the aim to enhance the global comparability and convenience of financial information in the capital market.

## 5. Consolidated Financial Statements

### (1) Consolidated Statement of Financial Position

	(Millions of yen)	
	As of December 31, 2015	As of December 31, 2016
Assets		
Current assets		
Cash and cash equivalents	194,225	152,683
Trade and other receivables	33,362	27,037
Other deposits	97,105	173,226
Other financial assets	1,973	2,895
Other current assets	5,005	10,256
Total current assets	<u>331,670</u>	<u>366,097</u>
Non-current assets		
Property, plant and equipment	22,027	20,394
Goodwill	35,387	17,523
Intangible assets	7,520	7,127
Investments accounted for using equity method	2,071	6,662
Other financial assets	19,576	18,236
Other non-current assets	3,040	551
Deferred tax assets	4,295	5,242
Total non-current assets	<u>93,916</u>	<u>75,735</u>
Total assets	<u>425,586</u>	<u>441,832</u>



	(Millions of yen)	
	As of December 31, 2015	As of December 31, 2016
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	10,874	9,472
Deferred income	9,558	9,313
Borrowings	1,916	1,683
Income taxes payable	7,135	5,511
Other financial liabilities	568	1,523
Provisions	2,246	2,396
Other current liabilities	4,587	5,106
Total current liabilities	36,884	35,004
Non-current liabilities		
Deferred income	1,985	8,392
Borrowings	2,501	835
Other financial liabilities	790	644
Provisions	327	327
Other non-current liabilities	1,280	1,741
Deferred tax liabilities	2,138	17,195
Total non-current liabilities	9,021	29,134
Total liabilities	45,905	64,138
Equity		
Capital stock	56,441	3,519
Capital surplus	34,597	86,753
Treasury Stock	—	(0)
Other equity interest	73,308	56,254
Retained earnings	210,101	226,398
Total equity attributable to owners of the parent company	374,447	372,924
Non-controlling interests	5,234	4,770
Total equity	379,681	377,694
Total liabilities and equity	425,586	441,832

## (2) Consolidated Income Statement

	(Millions of yen)	
	Fiscal Year ended December 31, 2015	Fiscal Year ended December 31, 2016
Revenue	190,263	183,128
Cost of sales	(49,701)	(48,131)
Gross profit	140,562	134,997
Selling, general and administrative expenses	(74,212)	(66,210)
Other income	1,621	1,021
Other expenses	(5,681)	(29,147)
Operating income	62,290	40,661
Finance income	7,587	6,583
Finance costs	(1,962)	(222)
Equity in profit of affiliates	91	101
Income before income taxes	68,006	47,123
Income taxes expense	(12,405)	(26,602)
Net income	55,601	20,521
Attributable to:		
Owners of the parent company	55,132	20,133
Non-controlling interests	469	388
Net income	55,601	20,521
Earnings per share (attributable to owners of the parent company)		(Yen)
Basic earnings per share	127.86	46.26
Diluted earnings per share	124.67	45.40

## (3) Consolidated Statement of Comprehensive Income

(Millions of yen)

	Fiscal Year ended December 31, 2015	Fiscal Year ended December 31, 2016
Net income	55,601	20,521
Other comprehensive income		
Items that will not be reclassified to net income		
Financial assets measured at fair value through other comprehensive income	1,650	(1,831)
Re-measurement of defined benefit pension plans	6	(8)
Other comprehensive income under equity method	2	-
Income taxes	(939)	301
Total items that will not be reclassified to net income	719	(1,538)
Items that may be reclassified subsequently to net income		
Exchange differences on translating foreign operations	(15,715)	(16,078)
Cash flow hedges	59	-
Other comprehensive income under equity method	(1)	(0)
Income taxes	(21)	-
Total items that may be reclassified subsequently to net income	(15,678)	(16,078)
Total other comprehensive income	(14,959)	(17,616)
Total comprehensive income	40,642	2,905
Attributable to:		
Owners of the parent company	40,505	2,868
Non-controlling interests	137	37
Total comprehensive income	40,642	2,905

(4) Consolidated Statement of Changes in Equity  
Fiscal Year ended December 31, 2015

	Equity attributable to owners of the parent						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	-	-	-	-	55,132	55,132	469	55,601
Other comprehensive income	-	-	-	(14,627)	-	(14,627)	(332)	(14,959)
Total comprehensive income	-	-	-	(14,627)	55,132	40,505	137	40,642
Issue of shares	3,960	3,960	-	-	-	7,920	-	7,920
Stock issue cost	-	(27)	-	-	-	(27)	-	(27)
Payment of dividends	-	-	-	-	(4,305)	(4,305)	-	(4,305)
Share-based payments	-	-	-	140	-	140	-	140
Acquisition of treasury stock	-	(169)	(10,000)	-	-	(10,169)	-	(10,169)
Cancellation of treasury stock	-	(10,000)	10,000	-	-	-	-	-
Transfer from other equity interest to retained earnings	-	-	-	(4,249)	4,249	-	-	-
Other changes	-	3	-	-	-	3	-	3
Total transactions with the owners	3,960	(6,233)	-	(4,109)	(56)	(6,438)	-	(6,438)
Balance at December 31, 2015	56,441	34,597	-	73,308	210,101	374,447	5,234	379,681

Fiscal Year ended December 31, 2016

	Equity attributable to owners of the parent						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	-	-	-	-	20,133	20,133	388	20,521
Other comprehensive income	-	-	-	(17,265)	-	(17,265)	(351)	(17,616)
Total comprehensive income	-	-	-	(17,265)	20,133	2,868	37	2,905
Transfer from capital stock to capital surplus	(55,227)	55,227	-	-	-	-	-	-
Issue of shares	2,305	2,305	-	-	-	4,610	-	4,610
Stock issue cost	-	(18)	-	-	-	(18)	-	(18)
Payment of dividends	-	-	-	-	(4,353)	(4,353)	-	(4,353)
Share-based payments	-	-	-	718	-	718	-	718
Acquisition of non-controlling interests	-	(348)	-	-	-	(348)	(501)	(849)
Acquisition of treasury stock	-	(10)	(5,000)	-	-	(5,010)	-	(5,010)
Cancellation of treasury stock	-	(5,000)	5,000	-	-	-	-	-
Transfer from other equity interest to retained earnings	-	-	-	(507)	507	-	-	-
Other changes	-	-	-	-	10	10	-	10
Total transactions with the owners	(52,922)	52,156	(0)	211	(3,836)	(4,391)	(501)	(4,892)
Balance at December 31, 2016	3,519	86,753	(0)	56,254	226,398	372,924	4,770	377,694

## (5) Consolidated Statement of Cash Flows

	(Millions of yen)	
	Fiscal Year ended December 31, 2015	Fiscal Year ended December 31, 2016
Cash flows from operating activities		
Income before income taxes	68,006	47,123
Depreciation and amortization	13,060	6,366
Share-based compensation expenses	1,908	2,136
Interest and dividend income	(4,962)	(3,461)
Interest expense	322	27
Impairment loss	5,321	28,785
Equity in profit of affiliates	(91)	(101)
Exchange gain	(562)	(3,190)
(Increase) decrease in trade and other receivables	(3,167)	4,642
Increase in other current assets	(1,873)	(3,937)
Increase (decrease) in trade and other payables	931	(1,205)
(Decrease) increase in deferred income	(865)	6,755
Other	685	1,333
Subtotal	<u>78,713</u>	<u>85,273</u>
Interest and dividends received	4,944	3,326
Interest paid	(486)	(17)
Income taxes paid	<u>(23,019)</u>	<u>(15,289)</u>
Net cash provided by operating activities	<u>60,152</u>	<u>73,293</u>
Cash flows from investing activities		
Increase in other deposits	(1,175)	(76,852)
Purchases of property, plant and equipment	(2,879)	(2,467)
Proceeds from sale of property, plant and equipment	57	51
Purchases of intangible assets	(2,485)	(1,215)
Payments associated with increase in long-term prepaid expenses	(1,631)	(2,250)
Payments for acquisition of investment securities	(1,611)	(2,742)
Proceeds from sale of investment securities	66,882	405
Purchases of affiliates	(78)	(4,530)
Purchases of subsidiaries	(2,155)	(7,301)
Extension of long-term loans receivable	(12)	(5,011)
Proceed from collection of long-term loans receivable	799	5,004
Other	700	(176)
Net cash used in/provided by investing activities	<u>56,412</u>	<u>(97,084)</u>
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	250	(440)
Proceeds from long-term borrowings	5,000	-
Repayment of long-term borrowings	(32,194)	(1,676)
Proceeds from exercise of stock options	6,127	3,174
Acquisition of treasury stocks	(10,169)	(5,010)
Acquisition of treasury stocks of subsidiaries	-	(832)
Cash dividends paid	(4,305)	(4,358)
Other	(348)	(133)
Net cash used in financing activities	<u>(35,639)</u>	<u>(9,275)</u>
Net increase (decrease) in cash and cash equivalents	<u>80,925</u>	<u>(33,066)</u>
Cash and cash equivalents at the beginning of the year	<u>117,729</u>	<u>194,225</u>
Effects of exchange rate changes on cash and cash equivalents	(4,429)	(8,476)
Cash and cash equivalents at the end of the year	<u>194,225</u>	<u>152,683</u>

## (6) Notes to Consolidated Financial Statements

(Notes on going concern assumption)

Not applicable

(Changes in accounting policies and changes in accounting estimates)

Changes in accounting policies required by IFRS

The accounting policies used to prepare these 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 has applied the following standards from the Q1 2016 (from January 1, 2016 to March 31, 2016), but the application of these standards did not have material impacts on the fiscal year ended December 31, 2016.

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

(Segment information)

(1) 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 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 consists 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 European and Asian countries.

(2) Revenue, profit or loss by reportable segment

Information on the segments of Nexon Group is as follows:

Fiscal year ended December 31, 2015 (From January 1, 2015 to December 31, 2015)

(Millions of yen)

	Reportable Segments						Adjustments (Note 3)	Consolidated
	Japan	Korea	China	North America	Other	Total		
Revenue								
Revenue from external customers	20,772	152,571	4,087	11,111	1,722	190,263	-	190,263
Intersegment revenue	89	3,257	-	846	133	4,325	(4,325)	-
Total	20,861	155,828	4,087	11,957	1,855	194,588	(4,325)	190,263
Segment profit or loss (Note 1)	(1,929)	70,709	2,189	(4,024)	(560)	66,385	(35)	66,350
Other income (expense), net	-	-	-	-	-	-	-	(4,060)
Operating income	-	-	-	-	-	-	-	62,290
Finance income (costs), net	-	-	-	-	-	-	-	5,625
Equity in profit of affiliates	-	-	-	-	-	-	-	91
Income before income taxes	-	-	-	-	-	-	-	68,006
(Other items)								
Depreciation and amortization	608	11,439	207	517	289	13,060	-	13,060
Impairment loss	540	2,688	-	1,983	110	5,321	-	5,321
Capital expenditures (including intangible assets)	766	3,410	144	1,858	244	6,422	-	6,422

(Note) 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 ¥(35) million represent elimination of intersegment transactions.

Fiscal year ended December 31, 2016 (From January 1, 2016 to December 31, 2016)

(Millions of yen)

	Reportable Segments						Adjustments (Note 3)	Consolidated
	Japan	Korea	China	North America	Other	Total		
Revenue								
Revenue from external customers	15,425	153,152	4,528	8,780	1,243	183,128	-	183,128
Intersegment revenue	201	2,111	-	851	190	3,353	(3,353)	-
Total	15,626	155,263	4,528	9,631	1,433	186,481	(3,353)	183,128
Segment profit or loss (Note 1)	(3,791)	74,570	3,095	(4,839)	(262)	68,773	14	68,787
Other income (expense), net	-	-	-	-	-	-	-	(28,126)
Operating income	-	-	-	-	-	-	-	40,661
Finance income (costs), net	-	-	-	-	-	-	-	6,361
Equity in profit of affiliates	-	-	-	-	-	-	-	101
Income before income taxes	-	-	-	-	-	-	-	47,123
(Other items)								
Depreciation and amortization	552	4,813	91	759	151	6,366	-	6,366
Impairment loss	24,117	949	-	3,600	119	28,785	-	28,785
Capital expenditures (including intangible assets)	517	2,330	78	780	60	3,765	-	3,765

(Note) 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 ¥14 million represent elimination of intersegment transactions.

(3) Revenue from major products and services

Revenue from major products and services are as follows:

(Millions of yen)

	Fiscal year ended December 31, 2015	Fiscal year ended December 31, 2016
Item charging	109,912	104,493
Royalty	74,720	72,511
Other	5,631	6,124
Total	190,263	183,128



(4) Information by region

Carrying amounts of non-current assets (excluding financial assets and deferred tax assets) are as follows:  
(Millions of yen)

	As of December 31, 2015	As of December 31, 2016
Japan	24,305	634
Korea	40,242	40,047
China	177	143
North America	2,973	4,697
Other	277	74
Total	67,974	45,595

(Note) 1. Non-current assets are classified into country or region category based on the location.

2. The category of the country or region is based on geographic proximity.

3. Main countries or regions in each category:

(1) North America: USA

(2) Other: Europe and Asian countries

Revenue from external customers is as follows:

	Fiscal year ended December 31, 2015	Fiscal year ended December 31, 2016
Japan	21,026	16,879
Korea	76,964	74,248
China	75,388	74,198
North America	8,971	8,105
Other	7,914	9,698
Total	190,263	183,128

(Note) 1. Revenue is classified into country or region category based on the customers' location.

2. The category of the 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

(5) Information on major customers

One customer contributed more than 10% of Nexon Group's consolidated revenue for the fiscal years ended December 31, 2015 and 2016, and revenue earned from the customer were ¥64,328 million (Korea segment) and ¥64,600 million (Korea segment), respectively.

(6) (Revenue by major business

Revenue by major business is as follows:

	Fiscal year ended December 31, 2015	Fiscal year ended December 31, 2016
PC online	146,771	138,522
Mobile	41,992	43,332
Other	1,500	1,274
Total	190,263	183,128

(Per share information)

Basic and diluted earnings per share attributable to owners of the parent company are calculated based on the following information.

	(Millions of yen)	
	Fiscal year ended December 31, 2015	Fiscal year ended December 31, 2016
Net income attributable to owners of the parent company	55,132	20,133
Adjustments of net income used for the calculation of diluted earnings per share	-	-
Diluted net income attributable to owners of the parent company	55,132	20,133
Number of basic weighted-average common stock	431,176,948 shares	435,248,842 shares
Dilution: Stock option	11,033,830 shares	8,255,662 shares
Number of dilutive weighted-average common stock	442,210,778 shares	443,504,504 shares
Earnings per share (attributable to owners of the parent)		(yen)
Basic earnings per share	127.86	46.26
Diluted earnings per share	124.67	45.40

(Note) Since part of stock options issued by Nexon has no dilution effect, it is excluded from the calculation of diluted earnings per share.

(Subsequent event)

Not applicable