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**Consolidated Financial Results**  
for the Nine Months Ended September 30, 2018  
[IFRS]

November 8, 2018

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 9, 2018

Scheduled date of commencing dividend payments: -

Supplementary briefing material on quarterly financial results: Yes

Quarterly financial results briefing: No

(Amounts are rounded to nearest million yen)

1. Consolidated Financial Results for the Nine Months Ended September 30, 2018 (from January 1, 2018 to September 30, 2018)

(1) Consolidated Operating Results (cumulative)

(% changes year-over-year)

(Millions of yen)

	Revenue		Operating income		Income before income taxes		Net income		Net income attributable to owners of the parent company		Total comprehensive income	
Nine months ended September 30, 2018	207,640	13.9%	94,453	19.9%	111,587	55.9%	98,147	67.0%	101,168	71.6%	83,178	22.9%
Nine months ended September 30, 2017	182,254	30.3%	78,744	135.9%	71,575	297.5%	58,761	530.7%	58,960	560.5%	67,661	—

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended September 30, 2018	113.89	112.44
Nine months ended September 30, 2017	67.32	66.14

(Note) Nexon has conducted a two-for-one stock split of its common stock as of April 1, 2018. The amount of Basic earnings per share and Diluted earnings per share has been calculated based on the assumption that such stock split was conducted at the beginning of the previous consolidated accounting year.

## (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, 2018	647,072	575,346	563,139	87.0%
As of December 31, 2017	543,231	470,218	465,207	85.6%

(Note) With the finalization of provisional accounting related to the business combination conducted in November 2017, the consolidated financial statements for the fiscal year ended December 31, 2017 have been revised retrospectively.

## 2. Dividends

(Yen)

	Annual Dividends				
	End of 1st Quarter	End of 2nd Quarter	End of 3rd Quarter	End of Year	Total
FY 2017	—	0.00	—	0.00	0.00
FY 2018	—	0.00	—		
FY 2018 (Forecast)				—	—

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

The amount of year-end dividends for FY2018 is yet to be determined.

## 3. Consolidated Financial Results Forecast for the Year Ending December 31, 2018 (from January 1, 2018 to December 31, 2018)

(% changes year-over-year)

(Millions of yen)

	Revenue		Operating income		Income before income taxes		Net income		Net income attributable to owners of the parent company		Basic earnings per share
	Yen	%	Yen	%	Yen	%	Yen	%	Yen	%	
Full year	253,532	7.9%	100,845	11.4%	120,604	72.3%	105,437	86.6%	108,735	91.6%	Yen 122.22
	~	~	~	~	~	~	~	~	~	~	~
	257,650	9.7%	103,293	14.1%	123,052	75.8%	107,498	90.2%	110,742	95.1%	124.48

(Note) As it is difficult to estimate specific figures, disclosure is made with a range. For details, please refer to “1. Qualitative Information on Consolidated Financial Results for the Period (3) Explanation on Future Forecast Information including Consolidated Financial Results Forecast” on page 5 of the Appendix.

\*(Notes)

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

(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, 2018: 893,996,664 shares

As of December 31, 2017: 880,368,664 shares

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

As of September 30, 2018: 290 shares

As of December 31, 2017: — shares

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

Nine months ended September 30, 2018: 888,313,882 shares

Nine months ended September 30, 2017: 875,785,746 shares

(Note) Nexon has conducted a two-for-one stock split of its common stock as of April 1, 2018. The number of shares issued (common stock) has been calculated based on the assumption that such stock split was conducted at the beginning of the previous consolidated accounting year.

\* This quarterly financial report is outside the scope of quarterly review procedures by a certified public accountant or an audit firm.

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

(Caution Concerning Forward-Looking Statements)

The forward-looking statements including the financial results forecast herein are based on information currently available to the Company and certain assumptions that can be deemed reasonable, and are not intended as the Company's commitment to achieve such forecasts. Actual results may differ significantly from these forecasts due to a wide range of factors. For conditions prerequisite to the financial results forecast and the points to be noted in the use thereof, please refer to "1. Qualitative Information on Consolidated Financial Results for the Period (3) Explanation on Future Forecast Information including Consolidated Financial Results Forecast" on page 5 of the Appendix.

(Method of Obtaining Supplementary Briefing Material on Financial Results)

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

## Contents of Appendix

1. Qualitative Information on Consolidated Financial Results for the Period .....	2
(1) Explanation on Operating Results.....	2
(2) Explanation on Financial Position.....	3
(3) Explanation on Future Forecast Information including Consolidated Financial Results Forecast .....	5
2. Matters Related to Summary Information (Notes) .....	7
(1) Changes in Significant Subsidiaries during the Period .....	7
(2) Changes in Accounting Policies and Changes in Accounting Estimates .....	7
3. Condensed Consolidated Financial Statements and Major Notes .....	11
(1) Condensed Consolidated Statement of Financial Position .....	11
(2) Condensed Consolidated Income Statement .....	13
(3) Condensed Consolidated Statement of Comprehensive Income .....	15
(4) Condensed Consolidated Statement of Changes in Equity .....	17
(5) Condensed Consolidated Statement of Cash Flows .....	19
(6) Notes on Going Concern Assumption .....	20
(7) Notes on Significant Changes in the Amount of Equity Attributable to Owners of the Parent Company ...	20
(8) Segment Information.....	21
(9) Subsequent Event .....	26

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

### (1) Explanation on Operating Results

As for the world economy during the nine months ended September 30, 2018, in the U.S., the economy continued on an expansion trend primarily driven by increases in consumer spending and capital investment, and the economy also continued to expand in Europe. The Chinese economy showed signs of recovery mainly due to an increase in exports and steady consumer spending. However, future outlook remains unclear, including any development in the trade issues mostly involving the U.S. and extreme volatility in the currency exchange rates of emerging countries. The Japanese economy stayed on a gradual recovery trend thanks to the improvement of capital investment and a better employment and income situation backed by a strong world economy.

Under these circumstances, Nexon Group has operated its PC online and mobile businesses, endeavoring to provide users with an enjoyable game experience by developing high-quality games, acquiring more contents, servicing new titles, and updating existing titles. Specifically, Nexon Group has worked on various initiatives including the enhancement of game development capabilities within Nexon Group, business partnerships with other companies including joint development, servicing high-quality new game titles by such means as investing in promising game developers, enhancement of Nexon Group's development capabilities in mobile business and further reinforcement of the business platform to enable attractive content updates of existing game titles.

For the three months ended September 30, 2018, revenues remained solid due to continuing strong performance in China. In China, our key PC online game *Dungeon&Fighter* introduced its Summer and National Day updates, and revenues increased year-over-year primarily due to the strong start of the package sales for the National Day update introduced on September 17. In Korea, we had strong performances from the Summer update of our major PC online title *MapleStory* and the mobile game *MapleStory M*, as well as contributions from *OVERHIT* launched in Q4 2017 and *KAISER* launched in Q2 2018. However, revenues slightly decreased year-over-year due to the slowdown of *Dark Avenger 3* and *AxE*, which were launched in Q3 2017, and the negative impact on revenues from the service transition of *EASPORTS™ FIFA ONLINE 4* and *EA SPORTS™ FIFA ONLINE 4M*. In the North America and other regions, revenues more than doubled year-over-year, respectively, driven by *Choices: Stories You Play* ("Choices") serviced by Pixelberry Studios, which became our consolidated subsidiary in Q4 2017, as well as contributions from *MapleStory M* launched in Q3 2018 and *Darkness Rises* launched in Q2 2018.

In terms of expenses, while royalty costs decreased in proportion to the decrease in revenues from *EA SPORTS™ FIFA Online 3*, cost of sales remained flat year-over-year as a result of larger cloud service costs due to an enhanced mobile game lineup. Selling, general and administrative expenses increased year-over-year primarily due to an increase in HR costs due to a larger headcount and greater stock option expenses, as well as an increase in marketing costs for the launching of new titles including the global services of *MapleStory M* and *Darkness Rises*, and *Choices* in North America. Other expenses increased year-over-year due to the impairment loss from goodwill and intangible assets recognized through the purchase of NAT GAMES Co., Ltd shares as we determined that the carrying value of certain of such assets was not recoverable. Finance expenses increased year-over-year due to foreign exchange losses in foreign currency-denominated cash deposits and accounts receivables.

As a result, for the nine months ended September 30, 2018, Nexon Group recorded revenues of ¥207,640 million (up 13.9% year-over-year), operating income of ¥94,453 million (up 19.9% year-over-year), income before income taxes of ¥111,587 million (up 55.9% year-over-year) and net income attributable to owners of the parent company of ¥101,168 million (up 71.6% year-over-year).

Business results by reportable segments for the nine months ended September 30, 2018 are as follows:

(a) Japan

Revenues for the nine months ended September 30, 2018 amounted to ¥7,174 million (down 24.2% year-over-year), and segment loss amounted to ¥5,580 million (segment loss of ¥2,551 million for the nine months ended September 30, 2017). In Japan, both PC online and mobile game revenues decreased.

(b) Korea

Revenues for the nine months ended September 30, 2018 amounted to ¥183,566 million (up 12.5% year-over-year), and segment profit amounted to ¥109,362 million (up 18.6% year-over-year). Revenues in Korea include royalty income of NEOPLE INC. (a subsidiary of NEXON Korea Corporation, our subsidiary) attributable to license agreements in China. For the nine months ended September 30, 2018, revenues showed a strong growth driven primarily by the well-received Lunar New Year, 10th Anniversary and National Day updates of our key PC online game *Dungeon&Fighter*.

(c) China

Revenues for the nine months ended September 30, 2018 amounted to ¥2,121 million (down 20.5% year-over-year), and segment profit amounted to ¥1,118 million (down 28.3% year-over-year).

(d) North America

Revenues for the nine months ended September 30, 2018 amounted to ¥14,570 million (up 127.5% year-over-year), and segment loss amounted to ¥5,115 million (segment loss of ¥4,931 million for the nine months ended September 30, 2017).

(e) Other

Revenues for the nine months ended September 30, 2018 amounted to ¥209 million (down 56.1% year-over-year), and segment loss amounted to ¥367 million (segment loss of ¥188 million for the nine months ended September 30, 2017).

(2) Explanation on Financial Position

(a) Assets, liabilities and equity

(Assets)

Total assets as of September 30, 2018 amounted to ¥647,072 million, an increase of ¥103,841 million from December 31, 2017. Major components of the increase in assets include an increase of ¥15,689 million in cash and cash equivalents, an increase of ¥58,674 million in other deposits and an increase of ¥25,741 million in goodwill and intangible assets due to purchases of subsidiaries (e.g. NAT GAMES Co., Ltd.).

(Liabilities)

Total liabilities as of September 30, 2018 amounted to ¥71,726 million, a decrease of ¥1,287 million from December 31, 2017. Major components of changes in liabilities include an increase of ¥1,813 million in income taxes payable and a decrease of ¥2,572 million in provisions.

(Equity)

Equity as of September 30, 2018 amounted to ¥575,346 million, an increase of ¥105,128 million from December 31, 2017. Major components of changes in equity include a decrease of ¥6,340 million in capital surplus due to offsetting a loss, an increase of ¥112,583 million in retained earnings due to offsetting a loss and recording net income, and a decrease of ¥13,185 million in other equity interest due to changes in exchange differences on translating foreign operations.

As a result, ratio of equity attributable to owners of the parent company was 87.0% (85.6% as of December 31, 2017).

(b) Cash flows

Cash and cash equivalents (“Cash”) as of September 30, 2018 was ¥168,931 million, an increase of ¥15,689 million from December 31, 2017. The increase includes effects of exchange rate changes on cash of ¥(1,829) million.

Cash flows from each activity for the nine months ended September 30, 2018 and their significant components are as follows:

(Cash flows from operating activities)

Net cash provided by operating activities was ¥82,703 million, compared to ¥61,195 million in the nine months ended September 30, 2017. Major components of the increase include income before income taxes of ¥111,587 million, major components of the decrease include an increase of ¥10,839 million in trade and other receivables and a foreign exchange gain of ¥10,750 million and major cash outflows include a payment of income taxes of ¥13,515 million.

(Cash flows from investing activities)

Net cash used in investing activities was ¥71,423 million, compared to ¥30,373 million in the nine months ended September 30, 2017. Major cash outflows include an increase of ¥57,231 million in other deposits and purchases of subsidiaries (e.g. NAT GAMES Co., Ltd.) of ¥12,787 million.

(Cash flows from financing activities)

Net cash provided by financing activities was ¥6,238 million, compared to ¥4,925 million in the nine months ended September 30, 2017. Major cash inflows include proceeds from exercise of stock options of ¥7,116 million, and major cash outflows include repayment of long-term borrowings of ¥837million.

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

The business environment surrounding Nexon Group has been changing greatly in expectation of further development of the high-speed Internet environment for PC and mobile around the world. In our consolidated business outlook, we disclose our expectations for the following quarter as a range to provide more accurate information to our shareholders and investors, since it is difficult to derive full-year consolidated forecasts due to uncertainties in projecting the speed of growth of PC online game and mobile game markets in which Nexon Group's main businesses operate, and because our revenues are largely dependent on such uncertain factors as users' preferences and whether or not we have any hit titles. "Consolidated Financial Results Forecast for the Fiscal Year Ending December 31, 2018" is the sum of our actual consolidated financial results for the nine months ended September 30, 2018 and our consolidated business outlook for the three months ending December 31, 2018. Please refer to the table below for our consolidated financial results forecast for the three months ending December 31, 2018.

For the fiscal year ending December 31, 2018, Nexon Group expects consolidated revenues in the range of ¥253,532 ~ 257,650 million (an increase of 7.9% ~ 9.7% year-over-year), operating income in the range of ¥100,845 ~ 103,293 million (an increase of 11.4% ~ 14.1% year-over-year), income before income taxes in the range of ¥120,604 ~ 123,052 million (an increase of 72.3% ~ 75.8% year-over-year), net income in the range of ¥105,437 ~ 107,498 million (an increase of 86.6% ~ 90.2% year-over-year), net income attributable to owners of the parent company in the range of ¥108,735 ~ 110,742 million (an increase of 91.6% ~ 95.1% year-over-year), and basic earnings per share in the range of ¥122.22 ~ 124.48. Nexon Group operates its businesses around the world, in Japan, South Korea, China, the United States and other countries. Major exchange rates for Q4 2018 are assumed to be 1 U.S. Dollar = ¥112.82, 100 South Korean Won = ¥9.98 and 1 Chinese Yuan = ¥16.24. 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 ¥418 million on revenues and approximately ¥66 million on operating income for the three months ending December 31, 2018.

As for revenues based on customer location for the three months ending December 31, 2018, our expectations are as follows.

In Korea, while we expect a revenue increase from *MapleStory*, revenues are expected to decrease year-over-year due to a decrease in revenues from other major PC online games, and also due to the comparison with Q4 2017 when we had strong performances from *AxE* and *OVERHIT*.

In China, we expect revenues to decrease year-over-year because, for our key PC title *Dungeon&Fighter*, there were more contributions in Q3 2018 than initially expected from the package sales of the National Day update introduced in September 2018, and also due to the comparison with Q4 2017 when we had 48% growth in revenues year-over-year.

In Japan, we expect revenues to increase year-over-year due to contributions from the mobile game *Dynasty Warriors: Unleashed* launched in Q3 2018 and *FAITH* (i.e. *AxE*), which is scheduled for launch in Q4 2018.

In North America and Other regions, we expect revenues to increase year-over-year due to contributions from *Choices* by Pixelberry Studios, which became our consolidated subsidiary in Q4 2017, as well as from *MapleStory 2*, which newly launched in Q4 2018, *MapleStory M*, which newly launched in Q3 2018, and *Darkness Rises* launched in Q2 2018.

As for costs for Q4 2018, we expect HR costs to increase mainly due to increases in headcount, and marketing costs to increase due to the launch of multiple new titles and marketing for *Choices* by Pixelberry Studios, which became our consolidated subsidiary in Q4 2017. As a result, we expect costs to increase year-over-year for the three months ending December 31, 2018.

Our business outlook is forecasted based on information currently available to us and includes various uncertain factors. Therefore, any change in our business condition may cause our actual results to differ from the outlook.



(Reference)

Consolidated financial results forecast for the three months ending December 31, 2018 (from October 1, 2018 to December 31, 2018)

(% changes from the previous fiscal year)

(Millions of yen)

	Revenue		Operating income		Income before income taxes		Net income		Net income attributable to owners of the parent company		Basic earnings per share
											Yen
4th Quarter	45,892	(12.9)%	6,392	(45.7)%	9,018	—	7,290	—	7,567	—	8.46
	~	~	~	~	~	~	~	~	~	~	~
	50,010	(5.1)%	8,840	(24.8)%	11,466	—	9,351	—	9,574	—	10.71

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

### (1) Changes in Significant Subsidiaries during the Period

Not applicable

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

(Changes in accounting policies required by IFRS)

The accounting policies used to prepare these condensed consolidated financial statements are consistent with those applied in the consolidated financial statements for the year ended December 31, 2017 unless otherwise noted, except for the new standards applied as listed below. Nexon Group calculated income taxes for the nine months ended September 30, 2018, based on the estimated average annual effective tax rate.

Nexon Group applied the following standards from Q1 2018, which did not have material impacts on Q3 2018.

Standards	Title	Overview of New or Revised Standard
IFRS 2	Share-based Payment	Clarified the accounting treatment of measurement of cash-settled share-based payment or similar transactions
IFRS 9 (2014 version)	Financial Instruments	Revisions concerning classification and measurement of financial assets, impairment, hedge accounting and other matters
IFRS 15	Revenue from Contracts with Customers	Revised the accounting treatment related to recognition of revenues
IAS 28	Investments in Associates and Joint Ventures	Mainly clarified that the election to measure at fair value through profit or loss conducted when an investor in an associate or a joint venture is a venture capital organization, or other qualifying entity, is available on an investment-by-investment basis
IAS 40	Investment Property	Clarified requirements regarding transfers of property to, or from, investment property
IFRIC 22	Foreign Currency Transactions and Advance Consideration	Newly established regarding treatment of foreign exchange rates to be used for transactions that include receipt or payment of advance consideration in a foreign currency

Due to the application of the standards above from Q1 2018, changes in accounting policies are as follows.

IFRS 15 Revenue from Contracts with Customers (issued May 2014) and Clarifications to IFRS 15 (issued April 2016) (collectively, "IFRS 15")

Nexon Group is engaged in PC online business, mobile business, consulting business related to PC online game service, and internet advertisement business. Revenues are measured at an amount with sales-related tax deducted from the fair value of compensation for service provided under ordinary commercial transactions.

For transactions related to provision of service, revenues are recognized based on the following 5-step approach.

Step 1: Identification of contracts with customers

Step 2: Identification of performance obligations under a contract

Step 3: Determination of the transaction price

Step 4: Allocation of the transaction price to performance obligations

Step 5: Recognition of revenue by the company due to fulfillment of performance obligations

When a transaction related to provision of service cannot be estimated with reliability, we recognize revenue only for such part for which the cost is deemed recoverable.

Furthermore, Nexon Group has neither incremental cost for the acquisition of contracts with customers nor any part that is deemed recoverable due to it to recognize as assets.

Revenue recognition standards and standards related to the representation of gross and net revenue amounts for each major revenue category are as follows:

(A) Revenue recognition standards for each major revenue category

Major revenues of Nexon Group are: (a) revenues from sales of items or similar in PC online and mobile businesses (revenues from in-game microtransactions); (b) royalty revenues from licenses granted for PC online games developed and commercialized by Nexon Group; and (c) revenues from consulting business related to PC online game service and in-game advertisement business.

(a) Revenues from sales of items or similar in PC online and mobile businesses (revenues from in-game microtransactions)

The PC online business involves the service of PC online games developed by Nexon Group or other companies. While Nexon Group's PC online games are basically offered for free, users pay to purchase the items they need or to use specific services. For PC online games, the lifetimes of game items acquired in exchange for game points are estimated and revenues are recognized over such estimated lifetimes.

The mobile business involves the service, via terminal devices such as smartphones and tablets, of mobile games developed by Nexon Group or other companies. While mobile games are basically offered for free, users pay to purchase the items they need or to use specific services. For mobile games, the lifetimes of game items acquired in exchange for game points are estimated and revenues are recognized over such estimated lifetimes.

(b) Royalty revenues from licenses granted for PC online games developed and commercialized by Nexon Group

As the copyright holder of PC online games developed and commercialized by Nexon Group, Nexon Group enters into licensing agreements with non-Nexon Group publishers and grants them publishing rights for those games.

For royalty revenues generated by granting publishing rights to third parties, we recognize that performance obligations are fulfilled over the contract period of the relevant royalty agreement when it is highly likely that economic benefits related to the transaction would flow into the company and when the revenue amount can be measured with reliability.

(c) Revenues from consulting business related to PC online game service and in-game advertisement business

As for consulting business, our subsidiary provides publishers in China with consulting services for setting up and maintaining billing systems and membership systems, business strategy, game operation and marketing and revenues are recognized based on the progress of the service provision.

As for in-game advertisement business, advertisements are directly exposed to users through in-game usage of functional items equipped with an advertisement function and revenues are recognized over the advertisement period.

(B) Revenue recognition due to fulfillment of performance obligations

With regards to the fulfillment of performance obligations, we recognize revenues when a company has fulfilled, or as a company fulfills, such performance obligations through transfer of service to customers.

We recognize that performance obligations are fulfilled over a certain period of time in the PC online business, mobile business, consulting business related to PC online game service, and internet advertisement business, respectively. In terms of reportable segments, revenues from the consulting business related to PC online games are included in PC online, and revenues from the internet advertisement business are included in Other.

(a) Performance obligations fulfilled at a point in time

Revenue is recognized at a certain point in time because control is transferred at the time of delivery to customers.

(b) Performance obligations fulfilled over a certain period of time

In a case where any of the following requirements applies, control over a service is transferred over a certain period of time. Therefore, performance obligations are fulfilled and revenues are recognized over a certain period of time.

(i) The customer simultaneously receives and consumes the benefit provided through Nexon Group's performance as the company carries it out.

(ii) Nexon Group's performance generates or increases the value of an asset (e.g. work in progress) and the customer gains control over it as such asset is generated or increases in value.

(iii) Nexon Group's performance has an enforceable right to receive payment for any performance that does not generate any asset that the company could otherwise divert and for which the company has completed to date.

For in-game microtransactions, the service periods (the performance obligation periods) of items sold are estimated and recognized for each game. The period for fulfillment of performance obligations is the same as the estimated service period, which is calculated by classifying an item sold into 3 types (i.e. consumable, periodic, permanent) in accordance with its specification.

In addition, for permanent items for which our performance obligations continue on a permanent basis, we have adopted a method of calculating the users' service usage period by weighted average.

For royalty revenues, we recognize such revenues by deeming the contract term of copyrights or similar owned by Nexon Group as the period of performance obligation fulfillment.

(C) Representation of revenue gross versus net

In some cases, Nexon Group functions as a broker or an agent in ordinary commercial transactions. When reporting revenues for such transactions, we determine whether to represent revenues as a gross amount of compensation received from customers, or to represent revenues as a net amount by deducting fees and other payments made to third parties from the gross amount of compensation received from customers. However, there is no impact on our net profit or loss, regardless of whether the method of representation is gross or net.

Determination of whether to represent our revenues as a gross or net amount is based on the nature of our performance obligations for the relevant transaction, as to whether we are obligated to provide particular goods or services ourselves (i.e. we are the "Principal") or obligated to make arrangements for such goods or services to be provided by another party (i.e. we are the "Agent"). For transactions in which Nexon Group is the "Principal," we represent our revenues as a gross amount at the time of fulfillment of performance obligations or as such obligations get fulfilled. For transactions in which Nexon Group is the "Agent," we represent revenues as a net amount, at the time of fulfillment of performance obligations or as they get fulfilled, for such amount of compensation or fees to which we expect to become entitled to in exchange for our making arrangements to have particular goods or services be provided by another party. To determine whether we are the Principal or Agent, we evaluate such matters as the terms and conditions of the transaction, individually, with regards to any exposure to material risks and benefits associated with the sale of goods and provision of service.

Furthermore, we fall under the "Principal" whenever we are in control of particular goods or services before such goods or services are transferred to customers.

We take into account the following benchmarks as criteria for representing revenues from a transaction as a gross amount as a result of Nexon Group being the "Principal" for such transaction.

(a) We have primary responsibility to provide a service to a customer or to carry out an order.

(b) We have discretionary power regarding direct or indirect determination of price.

(c) We have taken on a customer's credit risk associated with receivables that arise against such customer.

IFRS 9 Financial Instruments (2014 version):

When recognizing impairment loss of financial assets, we recognize expected credit loss considering whether or not there is any significant increase in credit risk from the time of initial recognition with regards to financial assets or a financial asset group to be measured at amortized cost on the last day of each reporting period. At the end of the reporting period, if credit risk with regards to financial instruments has not increased significantly after initial recognition, we recognize expected credit loss resulting from default events that are possible within 12 months after the reporting date (12-month expected credit loss). On the other hand, at the end of the reporting period, if the credit risk has increased significantly after initial recognition, we recognize expected credit loss resulting from all possible default events over the life of the financial instruments (lifetime expected credit loss). However, with regards to operating receivables, we simply recognize expected credit loss for the overall period based on past credit loss and currently ascertained qualitative factors.

### 3. Condensed Consolidated Financial Statements and Major Notes

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

	(Millions of yen)	
	As of December 31, 2017	As of September 30, 2018
Assets		
Current assets		
Cash and cash equivalents	153,242	168,931
Trade and other receivables	35,255	45,980
Other deposits	234,092	292,766
Other financial assets	6,538	7,228
Other current assets	13,492	12,387
Total current assets	442,619	527,292
Non-current assets		
Property, plant and equipment	27,303	26,181
Goodwill	18,957	27,646
Intangible assets	12,784	29,836
Investments accounted for using equity method	9,138	5,080
Other financial assets	20,754	20,082
Other non-current assets	1,344	644
Deferred tax assets	10,332	10,311
Total non-current assets	100,612	119,780
Total assets	543,231	647,072

(Millions of yen)

	As of December 31, 2017	As of September 30, 2018
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	8,587	7,383
Deferred income	10,975	10,975
Borrowings	3,490	2,591
Income taxes payable	7,698	9,511
Other financial liabilities	173	35
Provisions	4,556	2,004
Other current liabilities	6,068	6,857
Total current liabilities	41,547	39,356
Non-current liabilities		
Deferred income	8,241	7,032
Other financial liabilities	506	408
Provisions	279	259
Other non-current liabilities	4,300	5,221
Deferred tax liabilities	18,140	19,450
Total non-current liabilities	31,466	32,370
Total liabilities	73,013	71,726
Equity		
Capital stock	9,390	14,265
Capital surplus	41,021	34,681
Treasury stock	—	(1)
Other equity interest	91,033	77,848
Retained earnings	323,763	436,346
Total equity attributable to owners of the parent company	465,207	563,139
Non-controlling interests	5,011	12,207
Total equity	470,218	575,346
Total liabilities and equity	543,231	647,072

(2) Condensed Consolidated Income Statement

For the nine months ended September 30, 2017 and 2018

(Millions of yen)

	Nine months ended September 30	
	2017 (From January 1, 2017 to September 30, 2017)	2018 (From January 1, 2018 to September 30, 2018)
Revenue	182,254	207,640
Cost of sales	(42,304)	(42,452)
Gross profit	139,950	165,188
Selling, general and administrative expenses	(53,780)	(65,761)
Other income	1,657	3,747
Other expenses	(9,083)	(8,721)
Operating income	78,744	94,453
Finance income	3,845	18,239
Finance costs	(10,484)	(798)
Equity in loss of affiliates	(530)	(307)
Income before income taxes	71,575	111,587
Income taxes expense	(12,814)	(13,440)
Net income	58,761	98,147
Attributable to:		
Owners of the parent company	58,960	101,168
Non-controlling interests	(199)	(3,021)
Net income	58,761	98,147
Earnings per share (attributable to owners of the parent company)	(Yen)	(Yen)
Basic earnings per share	67.32	113.89
Diluted earnings per share	66.14	112.44



For the three months ended September 30, 2017 and 2018

(Millions of yen)

	Three months ended September 30	
	2017	2018
	(From July 1, 2017 to September 30, 2017)	(From July 1, 2018 to September 30, 2018)
Revenue	60,398	69,332
Cost of sales	(14,953)	(14,980)
Gross profit	45,445	54,352
Selling, general and administrative expenses	(19,834)	(23,725)
Other income	762	382
Other expenses	(3,669)	(7,297)
Operating income	22,704	23,712
Finance income	2,117	2,849
Finance costs	(15)	(1,856)
Equity in loss of affiliates	(178)	(97)
Income before income taxes	24,628	24,608
Income taxes expense	(4,981)	(4,982)
Net income	19,647	19,626
Attributable to:		
Owners of the parent company	19,606	22,305
Non-controlling interests	41	(2,679)
Net income	19,647	19,626
Earnings per share	(Yen)	(Yen)
(attributable to owners of the parent company)		
Basic earnings per share	22.27	24.98
Diluted earnings per share	21.85	24.77

(3) Condensed Consolidated Statement of Comprehensive Income  
For the nine months ended September 30, 2017 and 2018

	(Millions of yen)	
	Nine months ended September 30	
	2017	2018
	(From January 1, 2017 to September 30, 2017)	(From January 1, 2018 to September 30, 2018)
Net income	58,761	98,147
Other comprehensive income		
Items that will not be reclassified to net income		
Financial assets measured at fair value through other comprehensive income	1,554	(648)
Re-measurement of defined benefit pension plans	(0)	1
Income taxes	(667)	256
Total items that will not be reclassified to net income	887	(391)
Items that may be reclassified subsequently to net income		
Exchange differences on translating foreign operations	8,012	(14,578)
Other comprehensive income under equity method	1	(0)
Total items that may be reclassified subsequently to net income	8,013	(14,578)
Total other comprehensive income	8,900	(14,969)
Total comprehensive income	67,661	83,178
Attributable to:		
Owners of the parent company	67,679	86,336
Non-controlling interests	(18)	(3,158)
Total comprehensive income	67,661	83,178

For the three months ended September 30, 2017 and 2018

(Millions of yen)

	Three months ended September 30	
	2017 (From July 1, 2017 to September 30, 2017)	2018 (From July 1, 2018 to September 30, 2018)
Net income	19,647	19,626
Other comprehensive income		
Items that will not be reclassified to net income		
Financial assets measured at fair value through other comprehensive income	2,220	(273)
Re-measurement of defined benefit pension plans	(0)	(1)
Income taxes	(814)	128
Total items that will not be reclassified to net income	1,406	(146)
Items that may be reclassified subsequently to net income		
Exchange differences on translating foreign operations	3,240	16,653
Other comprehensive income under equity method	0	0
Total items that may be reclassified subsequently to net income	3,240	16,653
Total other comprehensive income	4,646	16,507
Total comprehensive income	24,293	36,133
Attributable to:		
Owners of the parent company	24,214	38,375
Non-controlling interests	79	(2,242)
Total comprehensive income	24,293	36,133

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

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

(Millions of yen)

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

For the nine months ended September 30, 2018 (From January 1, 2018 to September 30, 2018)

(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, 2018	9,390	41,021	—	91,033	323,763	465,207	5,011	470,218
Net income for the period	—	—	—	—	101,168	101,168	(3,021)	98,147
Other comprehensive income	—	—	—	(14,832)	—	(14,832)	(137)	(14,969)
Total comprehensive income	—	—	—	(14,832)	101,168	86,336	(3,158)	83,178
Reclassification from capital surplus to retained earnings	—	(11,191)	—	—	11,191	—	—	—
Issue of shares	4,875	4,875	—	—	—	9,750	—	9,750
Stock issue cost	—	(35)	—	—	—	(35)	—	(35)
Lapse of subscription rights to shares	—	—	—	(359)	359	—	—	—
Share-based compensation	—	—	—	1,871	—	1,871	—	1,871
Non-controlling interests on acquisition of subsidiary	—	—	—	—	—	—	10,330	10,330
Changes in interests in subsidiaries	—	(8)	—	—	—	(8)	24	16
Purchase of treasury stock	—	—	(1)	—	—	(1)	—	(1)
Reclassification from other equity interest to retained earnings	—	—	—	135	(135)	—	—	—
Other	—	19	—	—	—	19	—	19
Total transactions with the owners	4,875	(6,340)	(1)	1,647	11,415	11,596	10,354	21,950
Balance at September 30, 2018	14,265	34,681	(1)	77,848	436,346	563,139	12,207	575,346

## (5) Condensed Consolidated Statement of Cash Flows

(Millions of yen)

	Nine months ended September 30	
	2017	2018
	(From January 1, 2017 to September 30, 2017)	(From January 1, 2018 to September 30, 2018)
Cash flows from operating activities		
Income before income taxes	71,575	111,587
Depreciation and amortization	4,308	4,787
Share-based compensation expenses	1,247	4,405
Interest and dividend income	(3,792)	(6,811)
Interest expense	18	51
Impairment loss	8,492	8,390
Equity in loss of affiliates	530	307
Gain on step acquisitions	—	(2,747)
Exchange (gain) loss	7,051	(10,750)
(Increase) decrease in trade and other receivables	(16,074)	(10,839)
(Increase) decrease in other current assets	(5,919)	(4,069)
(Decrease) increase in trade and other payables	1,162	(851)
(Decrease) increase in deferred income	1,524	(533)
(Decrease) increase in provisions	747	(2,428)
Other	(1,010)	461
Subtotal	69,859	90,960
Interest and dividends received	3,274	5,308
Interest paid	(20)	(50)
Income taxes paid	(11,918)	(13,515)
Net cash provided by operating activities	61,195	82,703
Cash flows from investing activities		
Decrease (increase) in other deposits	(20,139)	(57,231)
Purchases of property, plant and equipment	(1,880)	(1,351)
Proceeds from sales of property, plant and equipment	41	28
Purchases of intangible assets	(684)	(533)
Payments associated with increase in long-term prepaid expenses	(40)	(71)
Purchases of investment securities	(3,811)	(1,680)
Proceeds from sale and redemption of investment securities	529	2,401
Purchases of affiliates	(1,748)	(990)
Purchases of subsidiaries	(2,782)	(12,787)
Other	141	791
Net cash used in investing activities	(30,373)	(71,423)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	—	(15)
Repayment of long-term borrowings	(1,683)	(837)
Proceeds from exercise of stock options	6,809	7,116
Purchases of treasury stock	(0)	(1)
Purchase of treasury stock of subsidiaries	(124)	—
Cash dividends paid	(1)	(0)
Other	(76)	(25)
Net cash provided by financing activities	4,925	6,238
Net (decrease) increase in cash and cash equivalents	35,747	17,518
Cash and cash equivalents at the beginning of the period	152,683	153,242
Effects of exchange rate changes on cash and cash equivalents	(352)	(1,829)
Cash and cash equivalents at the end of the period	188,078	168,931

(6) Notes on Going Concern Assumption

Not applicable

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

Pursuant to the resolution at the meeting of the board of directors held on February 23, 2018, the Company transferred other capital surplus of ¥11,191 million to retained earnings brought forward in order to compensate its deficit in accordance with Article 452 and Article 459, Paragraph 1, Item 3 of the Companies Act and Article 38, Paragraph 1 of the Articles of Incorporation of the Company.

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

## (8) Segment Information

### (a) Outline of reportable segments

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

Nexon Group is engaged in production, development and distribution of PC online games and mobile games, and the Company and its domestic consolidated subsidiaries (in Japan) and its local consolidated subsidiaries (overseas) develop overall strategies and operate business activities for their respective products and services in each region as independent units. Accordingly, Nexon Group is comprised of geographical business segments based on production, development, and distribution of PC online games and mobile games. Nexon Group has formed its reportable segments by consolidating business segments based on the geographic location since subsidiaries in the same region, due to their business characteristics, receive similar impact of the foreign exchange fluctuation risk on their operating results and the ratio of the impact to operating results is high. There are five reportable segments: “Japan”, “Korea”, “China”, “North America” and “Other” which includes Europe and Asian countries.

Furthermore, Nexon Group applied IFRS 15 from the three months ended March 31, 2018. Due to this, Nexon Group has divided the revenues generated from contracts with customers into PC online, mobile and other revenues based on such contracts with customers. Accordingly, we have also reclassified those segment information for the nine months ended September 30, 2017 and the three months ended September 30, 2017 respectively.

### (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, 2017 (From January 1, 2017 to September 30, 2017)

(Millions of yen)

	Reportable Segments					Total	Adjustments (Note 3)	Consolidated
	Japan	Korea	China	North America	Other			
Revenue								
Revenue from external customers								
PC online	3,033	134,809	2,669	3,004	475	143,990	—	143,990
Mobile	6,419	27,028	—	3,399	—	36,846	—	36,846
Other	13	1,405	—	—	—	1,418	—	1,418
Total revenue from external customers	9,465	163,242	2,669	6,403	475	182,254	—	182,254
Intersegment revenue	247	1,438	—	494	388	2,567	(2,567)	—
Total	9,712	164,680	2,669	6,897	863	184,821	(2,567)	182,254
Segment profit or loss (Note 1)	(2,551)	92,234	1,559	(4,931)	(188)	86,123	47	86,170
Other income (expense), net								(7,426)
Operating income								78,744
Finance income (costs), net (Note 4)								(6,639)
Equity in loss of affiliates								(530)
Income before income taxes								71,575

(Notes) 1. Segment profit or loss is calculated by deducting cost of sales and selling, general and administrative expenses from revenue.

2. Price for intersegment transactions is based on the general market price.

3. Adjustments in segment profit or loss of ¥47 million represent elimination of intersegment transactions.

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



For the nine months ended September 30, 2018 (From January 1, 2018 to September 30, 2018)

(Millions of yen)

	Reportable Segments					Total	Adjustments (Note 3)	Consolidated
	Japan	Korea	China	North America	Other			
Revenue								
Revenue from external customers								
PC online	2,775	157,420	2,121	2,457	207	164,980	—	164,980
Mobile	4,395	24,985	—	12,113	—	41,493	—	41,493
Other	4	1,161	—	(0)	2	1,167	—	1,167
Total revenue from external customers	7,174	183,566	2,121	14,570	209	207,640	—	207,640
Intersegment revenue	800	1,565	—	777	227	3,369	(3,369)	—
Total	7,974	185,131	2,121	15,347	436	211,009	(3,369)	207,640
Segment profit or loss (Note 1)	(5,580)	109,362	1,118	(5,115)	(367)	99,418	9	99,427
Other income (expense), net								(4,974)
Operating income								94,453
Finance income (costs), net (Note 4)								17,441
Equity in loss of affiliates								(307)
Income before income taxes								111,587

(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.

4. A major component of finance income is foreign exchange gain of ¥11,334 million.

5. For PC online and mobile, performance obligations are fulfilled and revenues are recognized over a certain period of time mainly because control over services is transferred over a certain period of time.

(For the three months ended September 30)

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

(Millions of yen)

	Reportable Segments					Total	Adjustments (Note 3)	Consolidated
	Japan	Korea	China	North America	Other			
Revenue								
Revenue from external customers								
PC online	946	43,463	699	1,084	124	46,316	—	46,316
Mobile	1,914	10,340	—	1,389	—	13,643	—	13,643
Other	6	433	—	—	—	439	—	439
Total revenue from external customers	2,866	54,236	699	2,473	124	60,398	—	60,398
Intersegment revenue	95	456	—	146	152	849	(849)	—
Total	2,961	54,692	699	2,619	276	61,247	(849)	60,398
Segment profit or loss (Note 1)	(700)	28,109	326	(2,072)	(102)	25,561	50	25,611
Other income (expense), net								(2,907)
Operating income								22,704
Finance income (costs), net								2,102
Equity in loss of affiliates								(178)
Income before income taxes								24,628

(Notes) 1. Segment profit or loss is calculated by deducting cost of sales and selling, general and administrative expenses from revenue.

2. Price for intersegment transactions is based on the general market price.

3. Adjustments in segment profit or loss of ¥50 million represent elimination of intersegment transactions.

For the three months ended September 30, 2018 (From July 1, 2018 to September 30, 2018)

(Millions of yen)

	Reportable Segments					Total	Adjustments (Note 3)	Consolidated
	Japan	Korea	China	North America	Other			
Revenue								
Revenue from external customers								
PC online	963	49,876	878	881	33	52,631	—	52,631
Mobile	1,638	10,596	—	4,062	—	16,296	—	16,296
Other	(8)	411	—	(0)	2	405	—	405
Total revenue from external customers	2,593	60,883	878	4,943	35	69,332	—	69,332
Intersegment revenue	389	732	—	421	55	1,597	(1,597)	—
Total	2,982	61,615	878	5,364	90	70,929	(1,597)	69,332
Segment profit or loss (Note 1)	(1,806)	33,661	523	(1,704)	(55)	30,619	8	30,627
Other income (expense), net								(6,915)
Operating income								23,712
Finance income (costs), net								993
Equity in loss of affiliates								(97)
Income before income taxes								24,608

(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 ¥ 8 million represent elimination of intersegment transactions.

4. For PC online and mobile, performance obligations are fulfilled and revenues are recognized over a certain period of time mainly because control over services is transferred over a certain period of time.

(c) Information on each region

Revenue from external customers are as follows:

(For the nine months ended September 30)

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

(Millions of yen)

	Revenue by major business			Total
	PC online	Mobile	Other	
Main regional market				
Japan	3,029	10,658	12	13,699
Korea	42,119	16,215	1,353	59,687
China	92,363	193	4	92,560
North America	2,694	3,409	8	6,111
Other	3,785	6,371	41	10,197
Total	143,990	36,846	1,418	182,254

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

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

3. Main countries or regions in each category:

(1) North America: USA and Canada

(2) Other: Europe, Central and South America and Asian countries

For the nine months ended September 30, 2018 (From January 1, 2018 to September 30, 2018)

(Millions of yen)

	Revenue by major business			Total
	PC online	Mobile	Other	
Main regional market				
Japan	2,803	6,926	18	9,747
Korea	42,140	14,993	1,090	58,223
China	114,909	188	6	115,103
North America	2,212	9,971	6	12,189
Other	2,916	9,415	47	12,378
Total	164,980	41,493	1,167	207,640

(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)

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

(Millions of yen)

	Revenue by major business			Total
	PC online	Mobile	Other	
Main regional market				
Japan	946	2,929	6	3,881
Korea	15,409	7,780	418	23,607
China	27,768	38	—	27,806
North America	992	1,152	4	2,148
Other	1,201	1,744	11	2,956
Total	46,316	13,643	439	60,398

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

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

3. Main countries or regions in each category:

(1) North America: USA and Canada

(2) Other: Europe, Central and South America and Asian countries

For the three months ended September 30, 2018 (From July 1, 2018 to September 30, 2018)

(Millions of yen)

	Revenue by major business			Total
	PC online	Mobile	Other	
Main regional market				
Japan	974	2,561	6	3,541
Korea	18,592	4,192	384	23,168
China	31,144	68	4	31,216
North America	786	4,102	3	4,891
Other	1,135	5,373	8	6,516
Total	52,631	16,296	405	69,332

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

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

3. Main countries or regions in each category:

(1) North America: USA and Canada

(2) Other: Europe, Central and South America and Asian countries

(9) Subsequent Events

Not applicable