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

Consolidated Financial Results
for the Fiscal Year Ended December 31, 2015
[IFRS]

February 10, 2016

Company name: NEXON Co., Ltd.

Stock exchange listing: Tokyo Stock Exchange

Stock code: 3659

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

Representative: Owen Mahoney, Chief Executive Officer and President

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Scheduled date of Ordinary General Meeting of Shareholders: March 29, 2016

Scheduled date of filing annual securities reports: March 30, 2016

Scheduled date of dividend payment commencement: March 30, 2016

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, 2015
   (From January 1, 2015 to December 31, 2015)

(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 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)%
FY 2014	172,930	11.3%	45,509	(10.2)%	52,671	8.3%	29,421	(2.9)%	29,316	(2.7)%	41,824	(55.0)%

	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 2015	127.86	124.67	15.4	15.8	32.7
FY 2014	67.43	66.34	9.0	12.3	26.3

(Reference): Equity in profit (loss) of affiliates FY2015: ¥91 million, FY2014: ¥(198) 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, 2015	425,586	379,681	374,447	88.0	862.55
December 31, 2014	437,022	345,477	340,380	77.9	789.28

(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 2015	60,152	56,412	(35,639)	194,225
FY 2014	58,118	(61,820)	(27,050)	117,729

2. Dividends

	Annual Dividends					Total amount of cash dividends (annual)	Dividends payout ratio (consoli-dated)	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 2014	-	5.00	-	5.00	10.00	4,332	14.8	1.3
FY 2015	-	5.00	-	5.00	10.00	4,319	7.8	1.2
FY 2016 (Forecast)	-	5.00	-	5.00	10.00		-	

3. Consolidated Financial Results Forecast for the First Quarter of Fiscal Year Ending December 31, 2016
(From January 1, 2016 to March 31, 2016)

(% 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
First Quarter	48,963 〜 52,532	(5.8)% 〜 1.1%	18,636 〜 22,202	(16.1)% 〜 (0.1)%	19,430 〜 22,997	(21.3)% 〜 (6.8)%	16,482 〜 19,510	(12.5)% 〜 3.5%	16,280 〜 19,304	(12.2)% 〜 4.1%	37.50 〜 44.46

(Note) For the forecasts of consolidated financial results for the fiscal year ending December 31, 2016, it is difficult to reasonably estimate financial results for the first six months ending June 30, 2016 and the fiscal year ending December 31, 2016 at the moment, and accordingly, only the financial results forecasts for the first three months of the fiscal year ending December 31, 2016 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 9 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): No

(2) Changes in accounting policies and changes in accounting estimates

1) Changes in accounting policies required by IFRS: Yes

2) Changes in accounting policies other than 1) above: No

3) Changes in accounting estimates: No

(3) Number of shares issued and outstanding (common stock)

1) Total number of shares issued at the end of the period (including treasury stock):

As of December 31, 2015: 434,117,117 shares

As of December 31, 2014: 431,256,017 shares

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

As of December 31, 2015: - shares

As of December 31, 2014: - shares

3) Average number of shares during the period:

For the fiscal year ended December 31, 2015: 431,176,948 shares

For the fiscal year ended December 31, 2014: 434,782,748 shares

(Reference) Overview of Non-consolidated Financial Results

1. Non-consolidated Financial Results for the Fiscal Year Ended December 31, 2015
(From January 1, 2015 to December 31, 2015)

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

	Revenue		Operating income		Ordinary income		Net income	
FY 2015	5,815	(27.2)%	(3,772)	-	14,145	(42.3)%	8,172	482.5%
FY 2014	7,987	(28.9)%	(3,277)	-	24,532	92.9%	1,403	(81.4)%

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
FY 2015	18.95	18.53
FY 2014	3.23	3.18

(2) Non-consolidated Financial Position

(Millions of yen)

	Total assets	Total equity	Equity ratio	Net assets per share
December 31, 2015	108,634	104,630	92.1%	230.41 yen
December 31, 2014	148,097	108,598	70.7%	242.68 yen

(Reference): Equity at December 31, 2015: ¥100,025 million, Equity at December 31, 2014: ¥104,658 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 9 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.

Contents of Appendix

1. Analysis on Operating Results and Financial Position

(1) Analysis on Operating Results

During the fiscal year ended December 31, 2015, the world economy as a whole generally witnessed a gradual recovery, supported by the recovery in the U.S. and Europe, although Asian emerging economies including China showed a slowdown. In the U.S., consumer spending showed a steady growth as employment and income environment improved. In Europe, the economy recovered gradually as an increase in real income amid gradual decline in the unemployment rate brought in strong consumption spending. Meanwhile, the Chinese economy gradually decelerated due to weak investment, export and production. Affected by the slowdown in the Chinese economy, the Asian emerging economies also somewhat slowed down. The Japanese economy made a big leap toward quick exit from prolonged deflation and revitalization of the economy under the Abenomics policies. The exit from deflation created a virtuous cycle of the economy, and the Japanese economy continued to be on a gradual recovery trend. However, there were delays in ripple effect of steady corporate and household income on capital expenditures and consumption 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 three months ended December 31, 2015, sales of *Dungeon&Fighter,* our main PC online game title in China continued to show a strong growth due to factors including well-received content updates and item sales introduced in Q4 2015. In Korea, revenue in mobile business significantly increased year-over-year as a mobile game *HIT* released in Q4 2015 got off to an extremely good start and mobile games including *DomiNations* launched in Q3 2015 contributed to revenue, despite a decline in sales of *EA SPORTS™ FIFA Online 3* (“*FIFA Online 3*”) compared to its strong sales in Q4 2014 due to a massive boost from the FIFA World Cup held in 2014. A mobile game *DomiNations* was released in Taiwan, Japan, Hong Kong, and Macau in Q3 2015 following the release in Korea, which also contributed to revenue; as a result, revenue increased year-over-year.

In terms of expenses, cost of sales increased year-over-year due to an increase in royalty payments in line with a year-over-year sales growth of mobile publishing titles including *HIT* and *DomiNations*, partially offset by a decline in sales of *FIFA Online 3* year-over-year. Selling, general and administrative expenses increased slightly year-over-year mainly due to an increase in advertising costs associated with the launch of new game titles and significant hike of platform charges arising from the growth of mobile game sales while depreciation decreased due to completion of IP amortization related to *Dungeon&Fighter*. In addition, finance income decreased and finance cost increased year-over-year as foreign exchange loss arising from changes in foreign exchange rates increased. Income tax expense decreased year-over-year as income tax expense of NEOPLE INC. (a subsidiary of NEXON Korea Corporation, our consolidated subsidiary), decreased due to preferential tax treatment associated with its relocation to Jeju Island at the end of 2014.

As a result, for the fiscal year ended December 31, 2015, Nexon Group recorded revenue of ¥190,263 million (up 10.0% year-over-year), operating income of ¥62,290 million (up 36.9% year-over-year), income before income taxes of ¥68,006 million (up 29.1% year-over-year) and net income attributable to owners of the parent company of ¥55,132 million (up 88.1% year-over-year).

Performance results by reportable segments are as follows:

(a) Japan

Revenue for the fiscal year ended December 31, 2015 amounted to ¥20,772 million (down 30.6% year-over-year), and segment loss amounted to ¥1,929 million (segment loss of ¥1,275 million for the fiscal year ended December 31, 2014). Both PC and mobile revenues decreased.

(b) Korea

Revenue for the fiscal year ended December 31, 2015 amounted to ¥152,571 million (up 16.6% year-over-year), and segment profit amounted to ¥70,709 million (up 14.3% year-over-year). In Korea, sales of *FIFA Online 3* decreased year-over-year as it posted strong sales in 2014 due to a massive boost from the FIFA World Cup held in the same year. However, revenue showed a steady growth as sales of our existing PC online games including *Dungeon&Fighter* and *Sudden Attack* increased year-over-year and sales from new games released in 2015 including *HIT* and *DomiNations* contributed to revenue. Revenue in Korea includes royalty income of NEOPLE INC. attributable to license agreements in China. For the fiscal year ended December 31, 2015, content updates and item sales for our core PC online game title in China, *Dungeon&Fighter* introduced for the Lunar New Year holidays and the National Day holiday were well received by its users, and an increase in the related royalty income also contributed to the business results.

(c) China

Revenue for the fiscal year ended December 31, 2015 amounted to ¥4,087 million (down 5.3% year-over-year), and segment profit amounted to ¥2,189 million (down 14.5% year-over-year). In China, consulting fees related to the existing PC online game titles decreased.

(d) North America

Revenue for the fiscal year ended December 31, 2015 amounted to ¥11,111 million (up 101.2% year-over-year), and segment loss amounted to ¥4,024 million (segment loss of ¥2,746 million for the fiscal year ended December 31, 2014). In North America, revenue increased due to a contribution from the new mobile game title *DomiNations* launched in the U.S. and Europe in Q2, but an increase in related marketing expense resulted in an increase in loss.

(e) Other

Revenue for the fiscal year ended December 31, 2015 amounted to ¥1,722 million (down 23.6% year-over-year), and segment loss amounted to ¥560 million (segment loss of ¥435 million for the fiscal year ended December 31, 2014).

(2) Analysis on Financial Position

(a) Assets, liabilities and equity

(Assets)

Total assets as of December 31, 2015 amounted to ¥425,586 million, a decrease of ¥11,436 million from December 31, 2014. Major components of the change in assets include an increase of ¥76,496 million in cash and cash equivalents, a decrease of ¥9,054 million in intangible assets due to amortization and impairment, and a decrease of ¥74,203 million in other financial assets classified in non-current assets due primarily from the disposition of the shares of NCSOFT Corporation.

(Liabilities)

Total liabilities as of December 31, 2015 amounted to ¥45,905 million, a decrease of ¥45,640 million from December 31, 2014. Major components of the decrease in liabilities include a decrease in borrowings of ¥32,007 million from repayment, a decrease in income taxes payable of ¥5,701 million, and a decrease of ¥3,230 million in deferred tax liabilities.

(Equity)

Equity as of December 31, 2015 totaled ¥379,681 million, an increase of ¥34,204 million from December 31, 2014. Major components of the increase in equity include an increase of ¥55,076 million in retained earnings from recording net income and a decrease of ¥18,736 million in other equity interest.

(b) Cash flows

Cash and cash equivalents (“Cash”) as of December 31, 2015 was ¥194,225 million, an increase of ¥76,496 million from December 31, 2014.

Cash flows from each activity for the fiscal year ended December 31, 2015 and their significant components are as follows:

(Cash flows from operating activities)

Net cash provided by operating activities was ¥60,152 million, compared to ¥58,118 million for the fiscal year ended December 31, 2014. Major inflows include income before income taxes of ¥68,006 million, depreciation and amortization of ¥13,060 million, and impairment loss of ¥5,321 million. Major outflows include payment of income taxes of ¥23,019 million.

(Cash flows from investing activities)

Net cash provided by investing activities was ¥56,412 million, compared to net cash used of ¥61,820 million for the fiscal year ended December 31, 2014. Major components include proceeds from sale of investment securities of ¥66,882 million.

(Cash flows from financing activities)

Net cash used in financing activities was ¥35,639 million, compared to ¥27,050 million for the fiscal year ended December 31, 2014. Major components include repayment of long-term borrowings of ¥32,194 million, acquisition of treasury stocks of ¥10,169 million, and proceeds from exercise of stock options of ¥6,127 million.

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

	Fiscal year ended December 31, 2014	Fiscal year ended December 31, 2015
Ratio of equity attributable to owners of the parent (%)	77.9	88.0
Ratio of equity attributable to owners of the parent at fair value (%)	111.0	201.9
Interest-bearing liabilities to cash flow ratio (years)	0.6	0.1
Interest coverage ratio (times)	106.7	123.7

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, 2016, Nexon Group expects consolidated revenue in the range of ¥48,963～52,532 million (a decrease of 5.8%～an increase of 1.1% year-over-year), operating income in the range of ¥18,636～22,202 million (a decrease of 16.1%～0.1% year-over-year), income before income taxes in the range of ¥19,430～22,997 million (a decrease of 21.3%～6.8% year-over-year), net income in the range of ¥16,482～19,510 million (a decrease of 12.5%～an increase of 3.5% year-over-year), net income attributable to owners of the parent in the range of ¥16,280～19,304 million (a decrease of 12.2%～an increase of 4.1% year-over-year), and basic earnings per share in the range of ¥37.50～44.46. 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 = ¥118.34, 100 South Korean Won = ¥9.86 and 1 Chinese Yuan = ¥18.01. 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 ¥414 million on revenue and approximately ¥171 million on operating income for the three months ending March 31, 2016.

For the three months ending March 31, 2016, revenues in the PC online business and the mobile business are forecasted to be ¥38,067～40,506 million and ¥10,896～12,026 million, respectively. In general, in Korea and China, the first quarter is a seasonably stronger period due to Lunar New Year. With regard to the PC online business, in Korea, we are scheduled to launch content updates for existing PC titles including *FIFA Online 3*, *Sudden Attack*, *Dungeon&Fighter* and *MapleStory*. Also, in China, we launched a content update for our main PC title *Dungeon&Fighter* on January 26, 2016 for the Lunar New Year holidays. It had a good start and shows a steady growth to date. In the mobile business, revenue is expected to increase significantly year-over-year due primarily to contributions from *DomiNations* and *HIT* released in FY2015.

As for costs, we expect an increase in variable costs year-over-year for the three months ending March 31, 2016 due to an increase in advertisement expense, an increase in personnel costs associated with salary and headcount increase mainly in Korea, and an increase in platform fees associated with the growth of the mobile business despite a significant decrease in depreciation expense as a result of completion of amortization associated with *Dungeon&Fighter* IP in FY2015.

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 stock split 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.

In accordance with the above policy, the Company is planning to pay year-end dividend of ¥5 for the fiscal year ended December 31, 2015. The Company is also planning to pay interim and year-end dividend of ¥5 for the fiscal year ending December 31, 2016.

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, 2015, Nexon Group consists of the Company, the Company's 21 consolidated subsidiaries and 7 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.; Comlier 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
China: Lexian Software Development (Shanghai) Co., Ltd.
North America: Nexon America, Inc.; Fantage.com Inc.; Nexon M Inc.; Rushmo America Inc.
Other: NEXON Europe GmbH; gloops Vietnam Inc.; Nexon Taiwan Limited

Nexon Group classifies its business department 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*, *Sudden Attack*, *Counter-Strike Online* and *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 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-cafés.

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) PC online game business model

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 charging policy. 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* and the deals with Electronic Arts Inc. related to *EA SPORTS™ FIFA Online 3* and *EA SPORTS™ FIFA Online 3 M* 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, for the purpose of entertaining 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

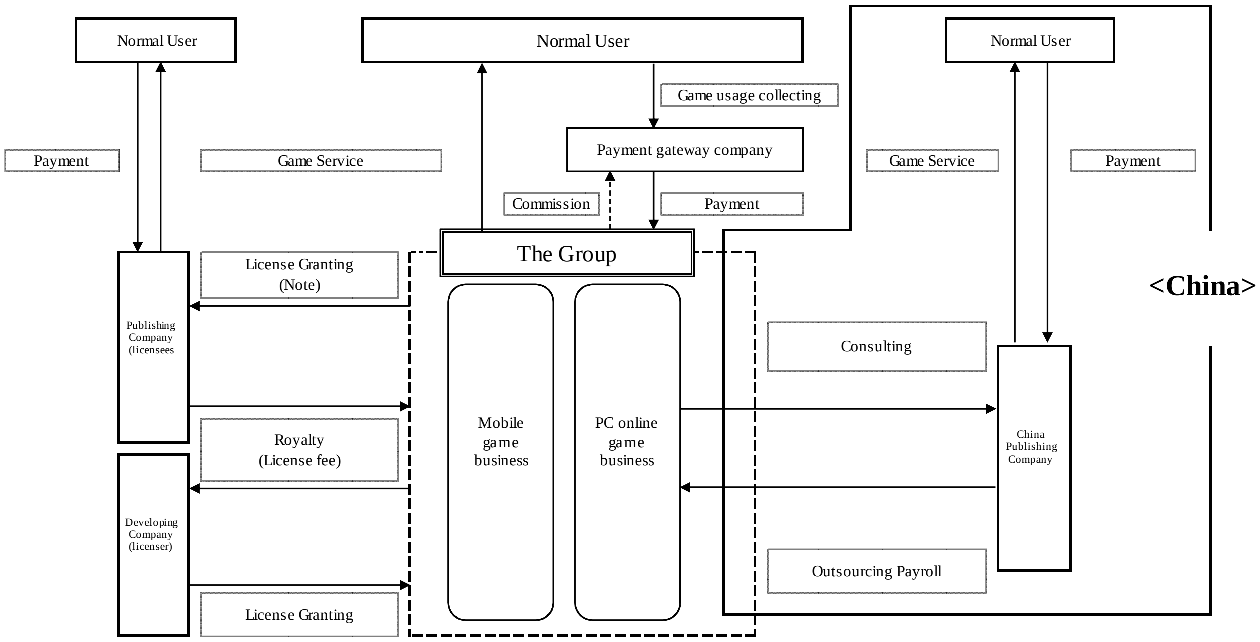
Basic usage of games is free. The service provider receives revenue from advertisements inserted either at the beginning, ending or during the games.

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.

[Business system chart]

Chart 1 is a business system chart of the above described matters.

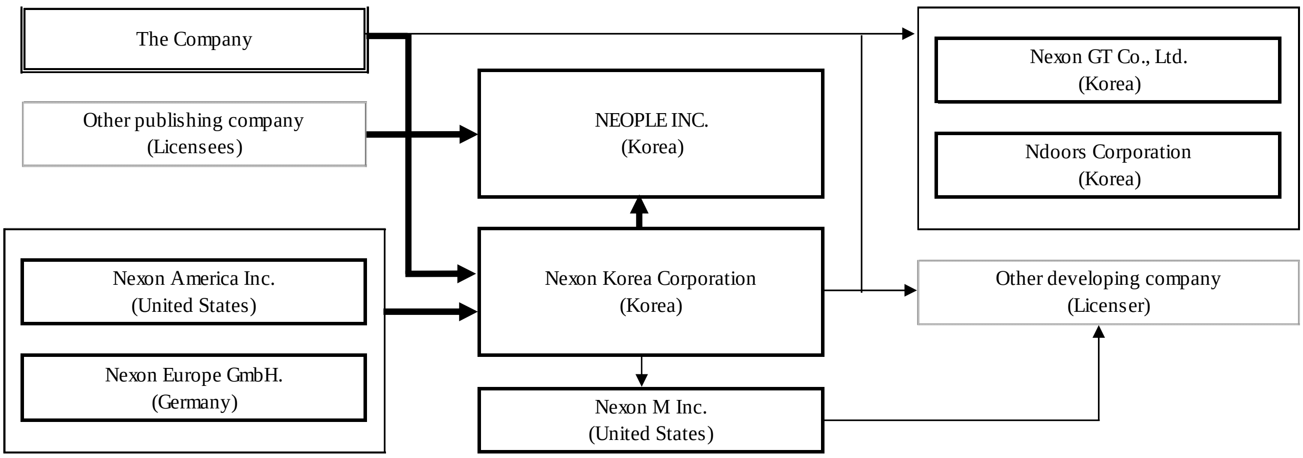
<Chart 1>



(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 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, 2014	As of December 31, 2015
Assets		
Current assets		
Cash and cash equivalents	117,729	194,225
Trade and other receivables	32,280	33,362
Other deposits	100,235	97,105
Other financial assets	3,029	1,973
Other current assets	4,852	5,005
Total current assets	258,125	331,670
Non-current assets		
Property, plant and equipment	24,039	22,027
Goodwill	35,426	35,387
Intangible assets	16,574	7,520
Investments accounted for using equity method	1,845	2,071
Other financial assets	93,779	19,576
Other non-current assets	2,518	3,040
Deferred tax assets	4,716	4,295
Total non-current assets	178,897	93,916
Total assets	437,022	425,586

(Millions of yen)

	As of December 31, 2014	As of December 31, 2015
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	10,214	10,874
Deferred income	10,718	9,558
Borrowings	13,180	1,916
Income taxes payable	12,836	7,135
Other financial liabilities	1,268	568
Provisions	2,323	2,246
Other current liabilities	6,484	4,587
Total current liabilities	57,023	36,884
Non-current liabilities		
Deferred income	2,440	1,985
Borrowings	23,244	2,501
Other financial liabilities	1,820	790
Provisions	291	327
Other non-current liabilities	1,359	1,280
Deferred tax liabilities	5,368	2,138
Total non-current liabilities	34,522	9,021
Total liabilities	91,545	45,905
Equity		
Capital stock	52,481	56,441
Capital surplus	40,830	34,597
Other equity interest	92,044	73,308
Retained earnings	155,025	210,101
Total equity attributable to owners of the parent	340,380	374,447
Non-controlling interests	5,097	5,234
Total equity	345,477	379,681
Total liabilities and equity	437,022	425,586

(2) Consolidated Income Statement

(Millions of yen)

	Fiscal Year ended December 31, 2014	Fiscal Year ended December 31, 2015
Revenue	172,930	190,263
Cost of sales	(44,335)	(49,701)
Gross profit	128,595	140,562
Selling, general and administrative expenses	(68,600)	(74,212)
Other income	1,210	1,621
Other expenses	(15,696)	(5,681)
Operating income	45,509	62,290
Finance income	9,074	7,587
Finance costs	(1,714)	(1,962)
Equity in profit (loss) of affiliates	(198)	91
Income before income taxes	52,671	68,006
Income taxes expense	(23,250)	(12,405)
Net income	29,421	55,601
Attributable to:		
Owners of the parent	29,316	55,132
Non-controlling interests	105	469
Net income	29,421	55,601
Earnings per share (attributable to owners of the parent)		(Yen)
Basic earnings per share	67.43	127.86
Diluted earnings per share	66.34	124.67

(3) Consolidated Statement of Comprehensive Income

(Millions of yen)

	Fiscal Year ended December 31, 2014	Fiscal Year ended December 31, 2015
Net income	29,421	55,601
Other comprehensive income		
Items that will not be reclassified to net income		
Financial assets measured at fair value through other comprehensive income	(15,751)	1,650
Re-measurement of defined benefit pension plans	(7)	6
Other comprehensive income under equity method	-	2
Income taxes	6,045	(939)
Total items that will not be reclassified to net income	(9,713)	719
Items that may be reclassified subsequently to net income		
Exchange differences on translation of foreign operations	22,077	(15,715)
Cash flow hedges	71	59
Other comprehensive income under equity method	(4)	(1)
Income taxes	(28)	(21)
Total items that may be reclassified subsequently to net income	22,116	(15,678)
Total other comprehensive income	12,403	(14,959)
Total comprehensive income	41,824	40,642
Attributable to:		
Owners of the parent	41,266	40,505
Non-controlling interests	558	137
Total comprehensive income	41,824	40,642

(4) Consolidated Statement of Changes in Equity

Fiscal Year ended December 31, 2014

(Millions of yen)

	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, 2014	51,952	50,688	(0)	74,468	131,374	308,482	4,577	313,059
Net income	-	-	-	-	29,316	29,316	105	29,421
Other comprehensive income	-	-	-	11,950	-	11,950	453	12,403
Total comprehensive income	-	-	-	11,950	29,316	41,266	558	41,824
Issue of shares	529	529	-	-	-	1,058	-	1,058
Stock issue cost	-	(3)	-	-	-	(3)	-	(3)
Payment of dividends	-	-	-	-	(4,373)	(4,373)	-	(4,373)
Share-based payments	-	-	-	4,334	-	4,334	-	4,334
Acquisitions and disposals of non-controlling interests	-	(341)	-	-	-	(341)	(38)	(379)
Acquisition of treasury stocks	-	(43)	(10,000)	-	-	(10,043)	-	(10,043)
Cancellation of treasury stocks	-	(10,000)	10,000	-	-	-	-	-
Transfer from other equity interest to retained earnings	-	-	-	1,292	(1,292)	-	-	-
Total transactions with the owners	529	(9,858)	-	5,626	(5,665)	(9,368)	(38)	(9,406)
Balance at December 31, 2014	52,481	40,830	-	92,044	155,025	340,380	5,097	345,477

Fiscal Year ended December 31, 2015

(Millions of yen)

	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 stocks	-	(169)	(10,000)	-	-	(10,169)	-	(10,169)
Cancellation of treasury stocks	-	(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

(5) Consolidated Statement of Cash Flows

	Fiscal Year ended December 31, 2014	Fiscal Year ended December 31, 2015
		(Millions of yen)
Cash flows from operating activities		
Income before income taxes	52,671	68,006
Depreciation and amortization	15,622	13,060
Share-based compensation expenses	4,641	1,908
Interest and dividend income	(3,678)	(4,962)
Interest expense	497	322
Impairment loss	14,672	5,321
Equity in loss (profit) of affiliates	198	(91)
Increase in trade and other receivables	(7,119)	(3,167)
Increase in trade and other payables	826	931
Decrease in deferred income	(1,670)	(865)
Other	868	(1,750)
Subtotal	77,528	78,713
Interest and dividends received	2,874	4,944
Interest paid	(545)	(486)
Income taxes paid	(21,739)	(23,019)
Net cash provided by operating activities	58,118	60,152
Cash flows from investing activities		
Increase in other deposits	(50,830)	(1,175)
Purchases of property, plant and equipment	(4,577)	(2,879)
Proceeds from sale of property, plant and equipment	513	57
Purchases of intangible assets	(3,072)	(2,485)
Payments associated with increase in long-term prepaid expenses	(1,679)	(1,631)
Payments for acquisition of investment securities	(3,248)	(1,611)
Proceeds from sale of investment securities	4,807	66,882
Purchases of affiliates	-	(78)
Proceeds from sale of affiliates	79	-
Purchases of subsidiaries	-	(2,155)
Other	(3,813)	1,487
Net cash used in/provided by investing activities	(61,820)	56,412
Cash flows from financing activities		
Net increase in short-term borrowings	-	250
Proceeds from long-term borrowings	-	5,000
Repayment of long-term borrowings	(12,327)	(32,194)
Proceeds from exercise of stock options	755	6,127
Acquisition of treasury stocks	(10,043)	(10,169)
Cash dividends paid	(4,373)	(4,305)
Other	(1,062)	(348)
Net cash used in financing activities	(27,050)	(35,639)
Net (decrease) increase in cash and cash equivalents	(30,752)	80,925
Cash and cash equivalents at the beginning of the year	138,843	117,729
Effects of exchange rate changes on cash and cash equivalents	9,638	(4,429)
Cash and cash equivalents at the end of the year	117,729	194,225

(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, 2014 unless otherwise noted, except for the new standards applied as listed below.

Nexon Group has applied the following standards from the Q1 2015 (from January 1, 2015 to March 31, 2015), but the application of these standards did not have material impacts on the fiscal year ended December 31, 2015.

Standards	Title	Overview of New or Revised Standard
IFRS 2	Share-based Payment	Amended the definition of vesting conditions
IFRS 3	Business Combinations	Amended accounting for contingent consideration in a business combination Clarified the scope of business combinations under common control to be excluded from the scope of IFRS 3
IFRS 8	Operating Segments	Added disclosure requirements for reportable segments that are an aggregation of multiple operating segments Clarified provisions on reportable segments' assets
IFRS 13	Fair Value Measurement	Clarified the scope of the exception for fair value measurement of a portfolio
IAS 16	Property, Plant and Equipment	Amended accounting for revaluation models
IAS 19	Employee Benefits	Clarified the accounting for employee or third party contributions set out in the terms of a defined benefit plan.
IAS 24	Related Party Disclosures	Clarified that an entity providing key management personnel services to the reporting entity is deemed to be a related party of the reporting entity
IAS 38	Intangible assets	Amended accounting for revaluation models
IAS 40	Investment Property	Clarified the interrelationship of IAS 40 and IFRS 3 in acquisition of property

(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, 2014 (From January 1, 2014 to December 31, 2014)

(Millions of yen)

	Reportable Segments						Adjust-ments (Note 3)	Consoli-dated
	Japan	Korea	China	North America	Other	Total		
Revenue								
Revenue from external customers	29,947	130,893	4,313	5,522	2,255	172,930	-	172,930
Intersegment revenue	19	3,541	-	7	191	3,758	(3,758)	-
Total	29,966	134,434	4,313	5,529	2,446	176,688	(3,758)	172,930
Segment profit or loss (Note 1)	(1,275)	61,883	2,561	(2,746)	(435)	59,988	7	59,995
Other income (expense), net	-	-	-	-	-	-	-	(14,486)
Operating income	-	-	-	-	-	-	-	45,509
Finance income (costs), net	-	-	-	-	-	-	-	7,360
Equity in losses of affiliates	-	-	-	-	-	-	-	(198)
Income before income taxes	-	-	-	-	-	-	-	52,671
(Other items)								
Depreciation and amortization	1,045	13,240	300	672	365	15,622	-	15,622
Impairment loss	12,968	1,383	-	272	49	14,672	-	14,672
Capital expenditures (including intangible assets)	2,639	3,696	172	1,415	609	8,531	-	8,531

(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 ¥7 million represent elimination of intersegment transactions.

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

	Reportable Segments						Adjust-ments (Note 3)	Consoli-dated
	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 income 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.

(3) Revenue from major products and services

Revenue from major products and services are as follows:

(Millions of yen)

	Fiscal year ended December 31, 2014	Fiscal year ended December 31, 2015
Item charging	101,341	109,912
Royalty	65,412	74,720
Other	6,177	5,631
Total	172,930	190,263

(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, 2014	As of December 31, 2015
Japan	24,687	24,305
Korea	50,784	40,242
China	288	177
North America	2,294	2,973
Other	504	277
Total	78,557	67,974

(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:

(Millions of yen)

	Fiscal year ended December 31, 2014	Fiscal year ended December 31, 2015
Japan	29,938	21,026
Korea	65,409	76,964
China	66,958	75,388
North America	5,519	8,971
Other	5,106	7,914
Total	172,930	190,263

(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 revenues for the fiscal years ended December 31, 2014 and 2015, and revenues earned from the customer were ¥56,580 million (Korea segment) and ¥64,328 million (Korea segment), respectively.

(6) Revenue by major business

Revenue by major business is as follows:

(Millions of yen)

	Fiscal year ended December 31, 2014	Fiscal year ended December 31, 2015
PC online	137,154	146,771
Mobile	34,202	41,992
Other	1,574	1,500
Total	172,930	190,263

(Per share information)

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

(Millions of yen)

	Fiscal year ended December 31, 2014	Fiscal year ended December 31, 2015
Net income attributable to owners of the parent	29,316	55,132
Adjustments of net income used for the calculation of diluted earnings per share	-	-
Diluted net income attributable to owners of the parent	29,316	55,132
Number of basic weighted-average common stock	434,782,748 shares	431,176,948 shares
Dilution: Stock option	7,150,581 shares	11,033,830 shares
Number of dilutive weighted-average common stock	441,933,329 shares	442,210,778 shares
Earnings per share (attributable to owners of the parent)		(yen)
Basic earnings per share	67.43	127.86
Diluted earnings per share	66.34	124.67

(Subsequent event)

(Reduction in the amounts of capital, capital reserve and retained earnings reserve)

At the Board of Directors meeting held on February 10, 2016, it was decided to put the following matters regarding the reduction in the amounts of capital, capital reserve and retained earnings reserve to the 14th Ordinary General Meeting of Shareholders scheduled to be convened on March 29, 2016.

(a)Purpose of the reduction of capital, capital reserve and retained earnings reserve

The Company has decided, based on the provisions in Articles 447(1) and 448(1) of the Companies Act, to reduce the amounts of its capital, capital reserve and retained earnings reserve for the purpose of maximizing its capital efficiency and securing mobility and flexibility in the execution of its capital policy.

(b)Outline of the amounts of capital, capital reserve and retained earnings reserve to be reduced

(i) Amounts of capital, capital reserve and retained earnings reserve that should be reduced
Amount of capital that should be reduced: 55,227 million yen
Amount of capital reserve that should be reduced: 5,837 million yen
Amount of retained earnings that should be reduced: 1,305 million yen

(ii) Method of reduction of the amounts of capital, capital reserve and retained earnings reserve
It will be reduction of capital without compensation and there will be no refund. No change will be made to the total number of outstanding shares, with the amounts of decrease in capital of 55,227 million yen and in capital reserve of 5,837 million yen to be transferred to “other capital surplus” and the amount of decrease in retained earnings reserve of 1,305 million yen to be transferred to “retained earnings carried forward.”

(c)Timetable for the reduction in the amounts of capital, capital reserve and retained earnings reserve

(1)	Date of resolution by Board of Directors	February 10, 2016
(2)	Date of resolution by General Meeting of Shareholders	March 29, 2016 (scheduled)
(3)	Announcement of petition of objection by creditors	April 18, 2016 (scheduled)
(4)	Final date of petition of objection by creditors	May 18, 2016 (scheduled)
(5)	Effective date	May 31, 2016 (scheduled)

(d)Future outlook

This is a case of transfer in accounts for capital in the consolidated statement of financial position. It results in no change to the capital of the Company and has no impact on its performance.

The information above is based on the condition that the “Matter of reduction in the amounts of capital, capital reserve and retained earnings reserve” be approved at the Ordinary General Meeting of Shareholders of the Company scheduled to be convened on March 29, 2016.