

[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. The Company assumes no responsibility for this translation or for direct, indirect or any other forms of damages arising from the translations.]



Consolidated Financial Results
for the Six Months Ended June 30, 2020
[IFRS]

August 6, 2020

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

Contact: Shiro Uemura, Representative Director and Chief Financial Officer

Phone: +81-3-6629-5318

Scheduled date for filing of quarterly securities report: August 7, 2020

Scheduled date of commencing dividend payments: September 28, 2020

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 Six Months Ended June 30, 2020 (from January 1, 2020 to June 30, 2020)

(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	
	Yen	%	Yen	%	Yen	%	Yen	%	Yen	%	Yen	%
Six months ended June 30, 2020	147,228	0.2%	68,254	4.1%	86,667	3.3%	69,293	(2.8)%	69,674	(4.0)%	43,514	15.2%
Six months ended June 30, 2019	146,942	6.2%	65,588	(7.3)%	83,895	(3.5)%	71,302	(9.2)%	72,545	(8.0)%	37,770	(19.7)%

	Basic earnings per share		Diluted earnings per share	
	Yen		Yen	
Six months ended June 30, 2020	78.91		77.97	
Six months ended June 30, 2019	81.01		80.37	

(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 June 30, 2020	765,934	674,055	663,767	86.7%
As of December 31, 2019	719,088	631,131	619,985	86.2%

2. Dividends

(Yen)

	Annual Dividends				
	End of 1st Quarter	End of 2nd Quarter	End of 3rd Quarter	End of Year	Total
FY 2019	—	0.00	—	2.50	2.50
FY 2020	—	2.50			
FY 2020 (Forecast)			—	2.50	5.00

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

3. Consolidated Financial Results Forecast for the Nine Months Ending September 30, 2020 (from January 1, 2020 to September 30, 2020)

(% 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
3rd Quarter (cumulative)	224,558	12.7%	98,758	9.7%	118,988	(5.9)%	94,440	(14.4)%	95,177	(15.3)%	Yen 107.73
	232,612	16.7%	105,654	17.4%	125,884	(0.5)%	100,039	(9.3)%	100,710	(10.4)%	113.99

(Note) As it is difficult to reasonably estimate financial results for the year ending December 31, 2020 at the moment, only the financial results forecast for the nine months ending September 30, 2020 is disclosed. Also, as it is difficult to estimate specific figures, disclosure is made with a range. For details, please refer to "1. Qualitative Information on Consolidated Financial Results for the Period (3) Explanation on Future Forecast Information including Consolidated Financial Results Forecast" on page 4 of the Appendix.

*(Notes)

(1) Changes in Significant Subsidiaries during the Period : Yes

(Changes in specified subsidiaries accompanying changes in scope of consolidation)

New	3	entities	(Names)	VIP Global Super Growth Hedge Fund;	Excluded	—	entities	(Names)	—
				Mirae Asset Global Innovation Growth Focus Equity Privately Placed Investment Trust;					
				Samsung Digital Innovation Equity Fund Private Investment Trust 1					

(Note) Refer to Appendix p.7, “2. Matters Related to Summary Information (Notes), (1) Changes in Significant Subsidiaries during the Period” for details.

(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 June 30, 2020: 884,433,539 shares

As of December 31, 2019: 901,530,560 shares

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

As of June 30, 2020: 44 shares

As of December 31, 2019: 19,109,021 shares

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

Six months ended June 30, 2020: 882,913,222 shares

Six months ended June 30, 2019: 895,477,517 shares

* 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 4 of the Appendix.

(Method of Obtaining Supplementary Briefing Material on Financial Results)

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

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	4
(4) Basic Policy on the Distribution of Profits and Dividend in the Current Fiscal Year.....	6
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	8
(1) Condensed Consolidated Statement of Financial Position	8
(2) Condensed Consolidated Income Statement	10
(3) Condensed Consolidated Statement of Comprehensive Income	12
(4) Condensed Consolidated Statement of Changes in Equity	14
(5) Condensed Consolidated Statement of Cash Flows	15
(6) Notes on Going Concern Assumption	16
(7) Changes in Presentation Method	16
(8) Notes on Significant Changes in the Amount of Equity Attributable to Owners of the Parent Company ...	16
(9) Segment Information	17
(10) Subsequent Events	22

1. Qualitative Information on Consolidated Financial Results for the Period

(1) Explanation on Operating Results

Nexon Group discloses our financial outlook for the upcoming quarter as a range so as to provide our shareholders and investors with more accurate information, while the explanation on operating results in our quarterly consolidated financial results focuses on analyses and comparisons with the same quarter in the previous accounting year.

During the three months ended June 30, 2020, the Japanese economy experienced a sharp downturn due to disruptions in economic activities caused by the COVID-19 pandemic. While the declaration of state of emergency was lifted in Japan, a complete restart of economic activities remains uncertain due to fears of the second wave of the pandemic. As for global economy, while global economic activities are gradually restarting from the economic stagnation caused by the COVID-19 pandemic, the road to economic recovery is expected to remain harsh.

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, we have established the following as Nexon's four pillars: (i) focusing on massive multiplayer online games, (ii) enabling our service to be played across multiple platforms including PC, console and mobile, (iii) leveraging Nexon's IPs, and (iv) investing in new IPs that we think are really special. We have also worked on initiatives for the growth of our global business.

For the three months ended June 30, 2020, revenue grew year-over-year driven by our business in Korea despite the unfavorable effect of the foreign exchange rates, with the Japanese yen appreciating year-over-year against the major foreign currencies in our business.

In China, we introduced the Labor Day and 12th Anniversary updates to *Dungeon&Fighter*, our key PC online game. While the numbers of active users and paying users improved after the introduction of the key update in March, which focused on increasing the engagement of existing players and recapturing churned users, they did not remain at those levels for as long as anticipated and dropped off. The PC cafés which had temporarily closed since late January due to the COVID-19 pandemic started to gradually reopen, but there has been no marked increase in the number of PC café users since last quarter mainly because they have not been able to conduct business as usual even after their reopening. Consequently, the numbers of active users and paying users for the three months ended June 30, 2020 remained at lower levels than expected. Revenue was below our outlook and decreased year-over-year.

In Korea, PC online revenue increased year-over-year, driven by the strong performances of *MapleStory*, *Dungeon&Fighter* and *Sudden Attack*, our key PC online titles. Mobile revenue also increased year-over-year driven by positive contributions from *V4* which launched in Q4 2019, as well as *KartRider Rush+* and *EA SPORTS™ FIFA MOBILE*, both of which launched in Q2 2020. PC and mobile businesses both grew year-over-year, marking the highest Q2 revenue in Korea.

In Japan, positive contributions from *TRAHA* which launched in Q2 2020 was more than offset by *MapleStory M*'s revenue decrease due to comparison with Q2 2019 when it launched, as well as the disposition of gloops, Inc., which was our consolidated subsidiary. Consequently, revenue decreased year-over-year.

In North America and Europe, while revenue from *MapleStory* and *Choices: Stories You Play* increased, this was more than offset by the year-over-year decreases in revenue from *MapleStory 2*, *OVERHIT*, *AxE* and *Darkness Rises*. Consequently, revenue decreased year-over-year.

In Rest of World, while revenue from *OVERHIT*, *Moonlight Blade* and *AxE* decreased, this was more than offset by positive contributions from *KartRider Rush+* which launched in Q2 2020, *V4* which launched in Taiwan, Hong Kong and Macau in Q1 2020, as well as *MapleStory*'s revenue increase. Consequently, revenue increased year-over-year.

In terms of expenses, while royalty costs increased, cost of sales decreased year-over-year due to decreases in HR and AWS costs, as well as the favorable effect of the foreign exchange rates due to the appreciation of the Japanese yen. Selling, general and administrative expenses increased year-over-year mainly due to decreases in marketing and stock option costs being more than offset by increases in research and development costs and platform costs due to the growth of our mobile business. Other expenses decreased year-over-year due to comparisons with Q2 2019, when we recorded impairment losses primarily on rights-of-use assets and prepaid royalties.

Finance costs increased year-over-year as a result of a foreign exchange loss primarily on foreign currency-denominated cash deposits.

As a result, for the six months ended June 30, 2020, Nexon Group recorded revenue of ¥147,228 million (up 0.2% year-over-year), operating income of ¥68,254 million (up 4.1% year-over-year), income before income taxes of ¥86,667 million (up 3.3% year-over-year) and net income attributable to owners of the parent company of ¥69,674 million (down 4.0% year-over-year).

Business results by reportable segments for the six months ended June 30, 2020 are as follows:

(a) Japan

Revenue for the six months ended June 30, 2020 amounted to ¥1,964 million (down 54.9% year-over-year), and segment loss amounted to ¥1,279 million (segment loss of ¥2,123 million for the six months ended June 30, 2019).

(b) Korea

Revenue for the six months ended June 30, 2020 amounted to ¥134,225 million (up 2.0% year-over-year), and segment profit amounted to ¥75,686 million (down 0.3% year-over-year). Revenue in Korea include royalty income of NEOPLE INC. (a subsidiary of NEXON Korea Corporation, our consolidated subsidiary) attributable to license agreements in China.

(c) China

Revenue for the six months ended June 30, 2020 amounted to ¥1,487 million (down 3.3% year-over-year), and segment profit amounted to ¥948 million (up 3.1% year-over-year).

(d) North America

Revenue for the six months ended June 30, 2020 amounted to ¥8,258 million (down 3.7% year-over-year), and segment loss amounted to ¥563 million (segment loss of ¥2,998 million for the six months ended June 30, 2019).

(e) Other

Revenue for the six months ended June 30, 2020 amounted to ¥1,294 million (up 57.7% year-over-year), and segment loss amounted to ¥1,028 million (segment profit of ¥38 million for the six months ended June 30, 2019).

(2) Explanation on Financial Position

(a) Assets, liabilities and equity

(Assets)

Total assets as of June 30, 2020 amounted to ¥765,934 million, an increase of ¥46,846 million from December 31, 2019. Major components include an increase of ¥85,661 million in other financial assets, an increase in cash and cash equivalents of ¥51,883 million, and a decrease of ¥88,887 million in other deposits.

(Liabilities)

Total liabilities as of June 30, 2020 amounted to ¥91,879 million, an increase of ¥3,922 million from December 31, 2019. Major components include an increase of ¥5,753 million in income taxes payable and a decrease of ¥2,596 million in provisions.

(Equity)

Equity as of June 30, 2020 amounted to ¥674,055 million, an increase of ¥42,924 million from December 31, 2019. Major components of changes in equity include an increase of ¥60,422 million in retained earnings mainly due to recording net income, and a decrease of ¥25,591 million in other equity interest mainly due to changes in exchange differences on translating foreign operations.

As a result, ratio of equity attributable to owners of the parent company was 86.7% (86.2% as of December 31, 2019).

(b) Cash flows

Cash and cash equivalents (collectively, “cash”) as of June 30, 2020 was ¥305,519 million, an increase of ¥51,883 million from December 31, 2019. The increase includes ¥(551) million in effects of exchange rate changes on cash.

Cash flows from each activity for the six months ended June 30, 2020 and their significant components are as follows:

(Cash flows from operating activities)

Net cash provided by operating activities was ¥65,586 million, compared to ¥60,514 million for the six months ended June 30, 2019. Major components of the increase include income before income taxes of ¥86,667 million. Major components of the decrease include a payment of income taxes of ¥11,378 million and a foreign exchange gain of ¥11,149 million.

(Cash flows from investing activities)

Net cash used in investing activities was ¥10,429 million, compared to ¥48,209 million for the six months ended June 30, 2019. Major cash outflows include purchases of investment securities of ¥74,352 million, purchases of securities by investment funds under consolidated subsidiaries of ¥18,343 million and a net increase of ¥3,433 million in restricted deposits. Major cash inflows include a net decrease of ¥79,161 million in time deposits, and proceeds from sale of securities by investment funds under consolidated subsidiaries of ¥8,139 million.

(Cash flows from financing activities)

Net cash used in financing activities was ¥2,723 million, compared to ¥801 million provided by financing activities for the six months ended June 30, 2019. Major cash inflows include proceeds from exercise of stock options of ¥3,526 million. Major cash outflows include purchases of treasury stock of ¥2,783 million, cash dividends paid of ¥2,206 million, and repayment of lease liabilities of ¥1,123 million.

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

The harsh conditions in the business environment surrounding Nexon Group are expected to continue going forward as there are concerns of an economic downturn due to the sharp decline in consumption attributable to the COVID-19 pandemic while the end of the pandemic is still nowhere in sight. However, we do not expect any event that could have material impact on our business to occur going forward.

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 revenue is largely dependent on such uncertain factors as users’ preferences and whether or not we have any hit titles. “Consolidated Financial Results Forecast for the Nine Months Ending September 30, 2020” is the sum of our actual consolidated financial results for the six months ended June 30, 2020 and our consolidated business outlook for the three months ending September 30, 2020. Please refer to the table below for our consolidated financial results forecast for the three months ending September 30, 2020.

For the nine months ending September 30, 2020, Nexon Group expects consolidated revenue in the range of ¥224,558 ~ 232,612 million (an increase of 12.7% ~ 16.7% year-over-year), operating income in the range of ¥98,758 ~ 105,654 million (an increase of 9.7% ~ 17.4% year-over-year), income before income taxes in the range of ¥118,988 ~ 125,884 million (a decrease of 5.9% ~ 0.5% year-over-year), net income in the range of ¥94,440 ~ 100,039 million (a decrease of 14.4% ~ 9.3% year-over-year), net income attributable to owners of the parent company in the range of ¥95,177 ~ 100,710 million (a decrease of 15.3% ~ 10.4% year-over-year), and basic earnings per share in the range of ¥107.73 ~ 113.99. Nexon Group operates its businesses around the world, in Japan, South Korea, China, the United States and other countries. Major exchange rates for Q3 2020 are assumed to be 1 U.S. Dollar = ¥106.38, 100 South Korean Won = ¥8.93 and 1 Chinese Yuan = ¥15.24. 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. Based on this assumption, we expect that every one Japanese Yen move against the U.S. Dollar will have an impact of approximately ¥763 million on consolidated revenue and approximately ¥338 million on operating income for the three months ending September 30, 2020.

As for revenue based on customer location for the three months ending September 30, 2020, our expectations are

as follows.

In China, we launched a Summer update of our key PC title *Dungeon&Fighter* on July 16th and are scheduled to introduce a National Day update in September. As for current KPIs, we have not experienced any major change in the trend since Q2, and MAUs and the number of paying users have remained at low levels compared to last year. Meanwhile, ARPPU is at a higher level than last year, so we expect *Dungeon&Fighter*'s revenue in Q3 to be roughly flat year-over-year. For mobile, we expect revenue to increase due to an expected decrease in revenue from *KartRider Rush+* compared to Q3 2019, when a large-scale update was introduced, being more than offset by contributions from *Dungeon&Fighter Mobile*, a new mobile title scheduled to launch on August 12th. As a result, we expect our overall revenue in China to increase year-over-year.

In Korea, we expect double-digit growth year-over-year from our key PC online title *MapleStory*, which introduced its Summer update in late June and is performing well, having sustained its momentum from the first half of FY2020. Other major PC online titles such as *Dungeon&Fighter* and *Sudden Attack* have also sustained their momentum from the first half of FY2020 and expect double-digit growth in revenue year-over-year. We expect revenue from *EA SPORTS™ FIFA ONLINE 4* to be roughly flat compared to Q3 2019 when the service transition from *EA SPORTS™ FIFA Online 3* was successfully completed. For mobile, we expect revenue to grow year-over-year driven by benefits from *V4* which launched in Q4 2019, *KartRider Rush+* and *EA SPORTS™ FIFA MOBILE*, both of which launched in Q2 2020, and *The Kingdom of the Winds: Yeon* which launched on July 15th and is off to a good start. As a result, we expect our overall revenue in Korea to increase year-over-year.

In Japan, we expect revenue to decrease year-over-year due to contributions from *TRAHA* which launched in Q2 2020 being more than offset by the disposition of Gloops, Inc. and a decrease in revenue from *MapleStory M* due to the difficult comparison with Q3 2019 which was right after the game launched.

In North America and Europe, we expect revenue to increase year-over-year driven by a triple-digit growth in *MapleStory*'s revenue year-over-year due to its momentum sustained from Q2 2020. We also expect to benefit from *KartRider Rush+* which launched in Q2 2020 and *V4* which launched on July 24th.

In the rest of the world as well, we expect revenue to increase year-over-year driven by a double-digit growth in *MapleStory*'s revenue year-over-year due to its momentum sustained from Q2 2020. We also expect to benefit from *V4* Taiwan, Hong Kong and Macau services which launched in Q1 2020, *V4* global services which launched on July 24th and *KartRider Rush+* which launched in Q2 2020.

In Q3 2020, we expect costs to increase year-over-year. We expect platform and royalty costs to increase in proportion to the revenue increase. We also expect increased HR costs primarily due to increases in employees' salaries, performance-linked bonuses, and stock option costs, as well as increased marketing costs associated with promotions for new mobile games.

We expect "Other income" and "Other expenses" to decrease year-over-year because last year in Q3 we recorded a ¥7.5 billion gain on step acquisition in reference to the consolidation of Embark Studios AB and an impairment loss of ¥2.2 billion.

Our business outlook is forecasted based on information currently available to us and it contains 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 September 30, 2020 (from July 1, 2020 to September 30, 2020)

(% changes from the previous fiscal year)

(Millions of yen)

	Revenue		Operating income		Income before income taxes		Net income		Net income attributable to owners of the parent company		Basic earnings per share
	Yen	(%)	Yen	(%)	Yen	(%)	Yen	(%)	Yen	(%)	
3rd Quarter	77,330	47.7%	30,505	24.9%	32,321	(24.2)%	25,148	(35.6)%	25,503	(36.0)%	Yen 28.83
	~	~	~	~	~	~	~	~	~	~	~
	85,384	63.1%	37,400	53.2%	39,217	(8.0)%	30,747	(21.2)%	31,036	(22.1)%	Yen 35.08

(4) Basic Policy on the Distribution of Profits and Dividend in the Current Fiscal Year

Nexon recognizes that one important issue for us is the construction of an organizational framework that enables us to review and execute effective investments for the proactive development of our business in anticipation of future growth, such as the expansion of our existing business and development of new businesses, M&As or acquisition of game publishing rights, for the purpose of strengthening our management base and enhancing our business going forward. We also recognize that the return of profits to shareholders is an important management issue.

Based on such recognition, our basic policy on distribution of surplus is to pay dividends twice a year as interim and year-end dividends. We intend to use the internal reserve funds by taking into account the balance between effective investments for the proactive development of our business in anticipation of future growth and return of profits to shareholders.

As for Nexon's interim dividend for the year ending December 31, 2020, payment of ¥2.5 per share of common stock of Nexon with a record date of June 30, 2020 was approved at the Board of Directors meeting held on August 6, 2020. The dividend payment will commence on September 28, 2020.

2. Matters Related to Summary Information (Notes)

(1) Changes in Significant Subsidiaries during the Period

During the three months ended March 31, 2020, Nexon Group invested in the investment funds VIP Global Super Growth Hedge Fund, Mirae Asset Global Innovation Growth Focus Equity Privately Placed Investment Trust and Samsung Digital Innovation Equity Fund Private Investment Trust 1, and we have included these funds in the scope of our consolidation. The respective amounts of investment received by these funds correspond to ten-one hundredth (10/100) or more of Nexon's capital stock. Consequently, they are also deemed to be our specified subsidiaries.

(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, 2019 unless otherwise noted, except for the new standards applied as listed below. Nexon Group calculated income taxes for the six months ended June 30, 2020, based on the estimated average annual effective tax rate.

Nexon Group has applied the following standards since Q1 2020, but the application of these standards did not have material impacts on the six months ended June 30, 2020.

Standards	Title	Overview of New or Revised Standard
IFRS 3	Business Combinations	Improved the definition of "business"
IAS 1	Presentation of Financial Statements	Clarified the definition of "material"
IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	
IFRS 9 IAS 39	Financial Instruments: Recognition and	Revised the requirements for certain hedge accounting to mitigate the potential impact of uncertainties caused by the IBOR reform
IFRS 7	Measurement Financial Instruments: Disclosures	

3. Condensed Consolidated Financial Statements and Major Notes

(1) Condensed Consolidated Statement of Financial Position

(Millions of yen)

	As of December 31, 2019	As of June 30, 2020
Assets		
Current assets		
Cash and cash equivalents	253,636	305,519
Trade and other receivables	28,643	36,786
Other deposits	257,331	168,444
Other financial assets	8,418	20,074
Other current assets	5,468	7,286
Total current assets	553,496	538,109
Non-current assets		
Property, plant and equipment	23,481	22,330
Goodwill	42,480	38,178
Intangible assets	21,519	15,702
Right-of-use assets	6,612	7,545
Investments accounted for using equity method	2,515	2,634
Other financial assets	47,256	121,261
Other non-current assets	243	202
Deferred tax assets	21,486	19,973
Total non-current assets	165,592	227,825
Total assets	719,088	765,934

	(Millions of yen)	
	As of December 31, 2019	As of June 30, 2020
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	7,753	11,179
Deferred income	10,250	10,214
Borrowings	2,223	1,980
Income taxes payable	7,403	13,156
Lease liabilities	2,129	2,053
Provisions	4,099	1,567
Other current liabilities	7,311	7,118
Total current liabilities	41,168	47,267
Non-current liabilities		
Deferred income	15,950	14,784
Lease liabilities	8,507	8,148
Other financial liabilities	826	766
Provisions	260	196
Other non-current liabilities	4,472	4,379
Deferred tax liabilities	16,774	16,339
Total non-current liabilities	46,789	44,612
Total liabilities	87,957	91,879
Equity		
Capital stock	17,967	20,318
Capital surplus	35,688	15,069
Treasury stock	(27,219)	(0)
Other equity interest	38,511	12,920
Retained earnings	555,038	615,460
Total equity attributable to owners of the parent company	619,985	663,767
Non-controlling interests	11,146	10,288
Total equity	631,131	674,055
Total liabilities and equity	719,088	765,934

(2) Condensed Consolidated Income Statement

For the six months ended June 30, 2019 and 2020

(Millions of yen)

	Six months ended June 30	
	2019 (From January 1, 2019 to June 30, 2019)	2020 (From January 1, 2020 to June 30, 2020)
Revenue	146,942	147,228
Cost of sales	(30,955)	(29,917)
Gross profit	115,987	117,311
Selling, general and administrative expenses	(44,233)	(43,536)
Other income	610	1,298
Other expenses	(6,776)	(6,819)
Operating income	65,588	68,254
Finance income	19,466	18,533
Finance costs	(724)	(493)
Equity in profit (loss) of affiliates	(435)	373
Income before income taxes	83,895	86,667
Income taxes expense	(12,593)	(17,374)
Net income	71,302	69,293
Attributable to:		
Owners of the parent company	72,545	69,674
Non-controlling interests	(1,243)	(381)
Net income	71,302	69,293
Earnings per share (attributable to owners of the parent company)	(Yen)	(Yen)
Basic earnings per share	81.01	78.91
Diluted earnings per share	80.37	77.97

For the three months ended June 30, 2019 and 2020

(Millions of yen)

	Three months ended June 30	
	2019	2020
	(From April 1, 2019 to June 30, 2019)	(From April 1, 2020 to June 30, 2020)
Revenue	53,865	64,466
Cost of sales	(15,055)	(14,574)
Gross profit	38,810	49,892
Selling, general and administrative expenses	(22,178)	(22,922)
Other income	181	101
Other expenses	(3,826)	(360)
Operating income	12,987	26,711
Finance income	9,663	4,598
Finance costs	(466)	(6,891)
Equity in profit (loss) of affiliates	(101)	260
Income before income taxes	22,083	24,678
Income taxes expense	(3,588)	(5,139)
Net income	18,495	19,539
Attributable to:		
Owners of the parent company	19,145	19,763
Non-controlling interests	(650)	(224)
Net income	18,495	19,539
Earnings per share	(Yen)	(Yen)
(attributable to owners of the parent company)		
Basic earnings per share	21.37	22.37
Diluted earnings per share	21.21	21.97

(3) Condensed Consolidated Statement of Comprehensive Income

For the six months ended June 30, 2019 and 2020

(Millions of yen)

	Six months ended June 30	
	2019 (From January 1, 2019 to June 30, 2019)	2020 (From January 1, 2020 to June 30, 2020)
Net income	71,302	69,293
Other comprehensive income		
Items that will not be reclassified to net income		
Financial assets measured at fair value through other comprehensive income	(349)	2,291
Re-measurement of defined benefit pension plans	(58)	(10)
Income taxes	33	(583)
Total items that will not be reclassified to net income	(374)	1,698
Items that may be reclassified subsequently to net income		
Exchange differences on translating foreign operations	(33,157)	(27,476)
Other comprehensive income under equity method	(1)	(1)
Total items that may be reclassified subsequently to net income	(33,158)	(27,477)
Total other comprehensive income	(33,532)	(25,779)
Total comprehensive income	37,770	43,514
Attributable to:		
Owners of the parent company	39,633	44,423
Non-controlling interests	(1,863)	(909)
Total comprehensive income	37,770	43,514

For the three months ended June 30, 2019 and 2020

(Millions of yen)

	Three months ended June 30	
	2019 (From April 1, 2019 to June 30, 2019)	2020 (From April 1, 2020 to June 30, 2020)
Net income	18,495	19,539
Other comprehensive income		
Items that will not be reclassified to net income		
Financial assets measured at fair value through other comprehensive income	(479)	2,035
Re-measurement of defined benefit pension plans	(9)	(37)
Income taxes	106	(502)
Total items that will not be reclassified to net income	(382)	1,496
Items that may be reclassified subsequently to net income		
Exchange differences on translating foreign operations	(26,138)	7,600
Other comprehensive income under equity method	(2)	0
Total items that may be reclassified subsequently to net income	(26,140)	7,600
Total other comprehensive income	(26,522)	9,096
Total comprehensive income	(8,027)	28,635
Attributable to:		
Owners of the parent company	(6,926)	28,727
Non-controlling interests	(1,101)	(92)
Total comprehensive income	(8,027)	28,635

(4) Condensed Consolidated Statement of Changes in Equity

For the six months ended June 30, 2019 (From January 1, 2019 to June 30, 2019)

(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 December 31, 2018	14,402	34,814	(1)	64,068	441,985	555,268	10,209	565,477
Adjustment of applying IFRS16	—	—	—	—	(2,965)	(2,965)	—	(2,965)
Restated total equity at January 1, 2019	14,402	34,814	(1)	64,068	439,020	552,303	10,209	562,512
Net income for the period	—	—	—	—	72,545	72,545	(1,243)	71,302
Other comprehensive income	—	—	—	(32,912)	—	(32,912)	(620)	(33,532)
Total comprehensive income	—	—	—	(32,912)	72,545	39,633	(1,863)	37,770
Reclassification from capital surplus to retained earnings	—	(423)	—	—	423	—	—	—
Issue of shares	1,050	1,050	—	—	—	2,100	—	2,100
Stock issue cost	—	(7)	—	—	—	(7)	—	(7)
Share-based compensation	—	—	—	1,004	—	1,004	—	1,004
Reclassification from other equity interest to retained earnings	—	—	—	65	(65)	—	—	—
Total transactions with the owners	1,050	620	—	1,069	358	3,097	—	3,097
Balance at June 30, 2019	15,452	35,434	(1)	32,225	511,923	595,033	8,346	603,379

For the six months ended June 30, 2020 (From January 1, 2020 to June 30, 2020)

(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, 2020	17,967	35,688	(27,219)	38,511	555,038	619,985	11,146	631,131
Net income for the period	—	—	—	—	69,674	69,674	(381)	69,293
Other comprehensive income	—	—	—	(25,251)	—	(25,251)	(528)	(25,779)
Total comprehensive income	—	—	—	(25,251)	69,674	44,423	(909)	43,514
Issue of shares	2,351	2,351	—	—	—	4,702	—	4,702
Stock issue cost	—	(16)	—	—	—	(16)	—	(16)
Payment of dividends	—	—	—	—	(2,206)	(2,206)	—	(2,206)
Share-based compensation	—	—	—	(358)	—	(358)	—	(358)
Changes in interests in subsidiaries	—	20	—	—	—	20	51	71
Purchase of treasury stock	—	(2)	(2,781)	—	—	(2,783)	—	(2,783)
Cancellation of treasury stock	—	(22,972)	30,000	—	(7,028)	—	—	—
Reclassification from other equity interest to retained earnings	—	—	—	18	(18)	—	—	—
Total transactions with the owners	2,351	(20,619)	27,219	(340)	(9,252)	(641)	51	(590)
Balance at June 30, 2020	20,318	15,069	(0)	12,920	615,460	663,767	10,288	674,055

(5) Condensed Consolidated Statement of Cash Flows

(Millions of yen)

	Six months ended June 30	
	2019 (From January 1, 2019 to June 30, 2019)	2020 (From January 1, 2020 to June 30, 2020)
Cash flows from operating activities		
Income before income taxes	83,895	86,667
Depreciation and amortization	3,451	4,163
Share-based compensation expenses	1,526	884
Interest and dividend income	(6,855)	(4,964)
Interest expense	122	155
Impairment loss	6,538	6,314
Equity in (profit) loss of affiliates	435	(373)
Exchange (gain) loss	(10,203)	(11,149)
(Increase) decrease in trade and other receivables	(4,628)	(10,089)
(Increase) decrease in other current assets	(1,857)	(2,316)
(Decrease) increase in trade and other payables	(562)	3,784
(Decrease) increase in deferred income	(710)	20
(Decrease) increase in provisions	(1,308)	(2,348)
Other	(1,257)	(1,555)
Subtotal	68,587	69,193
Interest and dividends received	6,621	7,977
Interest paid	(112)	(206)
Income taxes paid	(14,582)	(11,378)
Net cash provided by operating activities	60,514	65,586
Cash flows from investing activities		
Net decrease (increase) in restricted deposit	(31)	(3,433)
Net decrease (increase) in time deposit	(49,240)	79,161
Purchases of property, plant and equipment	(731)	(882)
Proceeds from sales of property, plant and equipment	12	19
Purchases of intangible assets	(290)	(383)
Payments associated with increase in long-term prepaid expenses	(29)	(37)
Purchases of securities by investment funds under consolidated subsidiaries	—	(18,343)
Proceeds from sale of securities by investment funds under consolidated subsidiaries	—	8,139
Purchases of investment securities	—	(74,352)
Proceeds from sale and redemption of investment securities	2,395	276
Other	(295)	(594)
Net cash used in investing activities	(48,209)	(10,429)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	—	(137)
Proceeds from exercise of stock options	1,564	3,526
Purchases of treasury stock	—	(2,783)
Cash dividends paid	(0)	(2,206)
Repayment of lease liability	(763)	(1,123)
Net cash provided by (used in) financing activities	801	(2,723)
Net (decrease) increase in cash and cash equivalents	13,106	52,434
Cash and cash equivalents at the beginning of the period	205,292	253,636
Effects of exchange rate changes on cash and cash equivalents	(7,649)	(551)
Cash and cash equivalents at the end of the period	210,749	305,519

(6) Notes on Going Concern Assumption

Not applicable.

(7) Changes in Presentation Method

(Condensed consolidated statement of cash flows)

For the three months ended March 31, 2020, presentation of “Purchases of securities by investment funds under consolidated subsidiaries” was included in “Purchases of investment securities” under “Cash flows from investing activities,” and “Proceeds from sale of securities by investment funds under consolidated subsidiaries” was included in “Proceeds from sale and redemption of investment securities” under “Cash flows from investing activities.” However, these items are separately listed from the six months ended June 30, 2020 due to increased materiality of each of their monetary amounts. Their presentation in the condensed consolidated statement of cash flows for the three months ended March 31, 2020 has been reclassified in the six months ended June 30, 2020 to reflect these changes in the presentation method.

Consequently, the presentation of the following amounts in the condensed consolidated statement of cash flows for the three months ended March 31, 2020 were each reclassified as follows: ¥(9,879) million was reclassified from “Purchases of investment securities” to “Purchases of securities by investment funds under consolidated subsidiaries” under “Cash flows from investing activities,” and ¥1,433 million was reclassified from “Proceeds from sale and redemption of investment securities” to “Proceeds from sale of securities by investment funds under consolidated subsidiaries” under “Cash flows from investing activities.”

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

(a) Amount of dividends paid

For the six months ended June 30, 2020 (From January 1, 2020 through June 30, 2020)

	Class of stock	Total dividends	Dividend per share	Record date	Effective date
		(million yen)	(yen)		
Resolution of the Board of Directors on February 20, 2020	Common stock	2,206	2.5	December 31, 2019	March 26, 2020

Of the dividends for which the record date belongs to the six months ended June 30, 2020, that for which the effective date of dividends is in the following period is as follows:

	Class of stock	Total dividends	Dividend per share	Record date	Effective date
		(million yen)	(yen)		
Resolution of the Board of Directors on August 6, 2020	Common stock	2,211	2.5	June 30, 2020	September 28, 2020

(b) Purchases of treasury stock

Nexon’s treasury stock increased by ¥2,781 million as a result of the purchase of 1,862,000 shares of treasury stock during the six months ended June 30, 2020 based on a resolution of the Board of Directors on September 9, 2019.

(c) Retirement of treasury stock

During the six months ended June 30, 2020, Nexon retired 20,971,021 shares of its treasury stock based on a resolution of the Board of Directors’ meeting held on February 13, 2020. As a result, treasury stock and other capital surplus each decreased by ¥30,000 million. Due to the retirement of such treasury stock, the balance of other capital surplus of Nexon as of June 30, 2020 was negative ¥7,028 million and other retained earnings were reduced by this amount.

(9) 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 (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, IFRS 15 is applied by Nexon Group. We have therefore presented the revenue arising from our contracts with customers by breaking it down into PC online, mobile and other revenues based on such contracts with customers.

(b) Revenue, profit or loss by reportable segment

Information on the segments of Nexon Group is as follows:

(For the six months ended June 30)

For the six months ended June 30, 2019 (From January 1, 2019 to June 30, 2019)

(Millions of yen)

	Reportable Segments					Total	Adjustments (Note 3)	Consolidated
	Japan	Korea	China	North America	Other			
Revenue								
Revenue from external customers								
PC online	1,853	108,419	1,539	1,932	819	114,562	—	114,562
Mobile	2,463	22,126	—	6,589	—	31,178	—	31,178
Other	37	1,106	—	57	2	1,202	—	1,202
Total revenue from external customers	4,353	131,651	1,539	8,578	821	146,942	—	146,942
Intersegment revenue	512	1,050	—	639	142	2,343	(2,343)	—
Total	4,865	132,701	1,539	9,217	963	149,285	(2,343)	146,942
Segment profit or loss (Note 1)	(2,123)	75,903	920	(2,998)	38	71,740	14	71,754
Other income (expense), net (Note 4)								(6,166)
Operating income								65,588
Finance income (costs), net (Note 6)								18,742
Equity in loss of affiliates								(435)
Income before income taxes								83,895

(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 ¥14 million represent elimination of intersegment transactions.

4. A major component of other expense is impairment of prepaid royalty of ¥5,199 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.

6. A major component of finance income is foreign exchange gain of ¥12,236 million.

For the six months ended June 30, 2020 (From January 1, 2020 to June 30, 2020)

(Millions of yen)

	Reportable Segments					Total	Adjustments (Note 3)	Consolidated
	Japan	Korea	China	North America	Other			
Revenue								
Revenue from external customers								
PC online	1,646	103,755	1,487	2,255	698	109,841	—	109,841
Mobile	293	29,696	—	5,994	596	36,579	—	36,579
Other	25	774	—	9	—	808	—	808
Total revenue from external customers	1,964	134,225	1,487	8,258	1,294	147,228	—	147,228
Intersegment revenue	492	1,239	—	303	179	2,213	(2,213)	—
Total	2,456	135,464	1,487	8,561	1,473	149,441	(2,213)	147,228
Segment profit or loss (Note 1)	(1,279)	75,686	948	(563)	(1,028)	73,764	11	73,775
Other income (expense), net								(5,521)
Operating income								68,254
Finance income (costs), net (Note 5)								18,040
Equity in profit of affiliates								373
Income before income taxes								86,667

(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 ¥11 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.

5. A major component of finance income is foreign exchange gain of ¥11,922 million.

(For the three months ended June 30)

For the three months ended June 30, 2019 (From April 1, 2019 to June 30, 2019)

(Millions of yen)

	Reportable Segments					Total	Adjustments (Note 3)	Consolidated
	Japan	Korea	China	North America	Other			
Revenue								
Revenue from external customers								
PC online	852	34,555	669	987	369	37,432	—	37,432
Mobile	1,011	11,882	—	2,847	—	15,740	—	15,740
Other	21	642	—	28	2	693	—	693
Total revenue from external customers	1,884	47,079	669	3,862	371	53,865	—	53,865
Intersegment revenue	247	541	—	304	81	1,173	(1,173)	—
Total	2,131	47,620	669	4,166	452	55,038	(1,173)	53,865
Segment profit or loss (Note 1)	(1,165)	19,038	324	(1,613)	36	16,620	12	16,632
Other income (expense), net (Note 4)								(3,645)
Operating income								12,987
Finance income (costs), net (Note 6)								9,197
Equity in loss of affiliates								(101)
Income before income taxes								22,083

(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 ¥12 million represent elimination of intersegment transactions.

4. A major component of other expense is impairment of prepaid royalty of ¥2,445 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.

6. A major component of finance income is foreign exchange gain of ¥5,901 million.

For the three months ended June 30, 2020 (From April 1, 2020 to June 30, 2020)

(Millions of yen)

	Reportable Segments					Total	Adjustments (Note 3)	Consolidated
	Japan	Korea	China	North America	Other			
Revenue								
Revenue from external customers								
PC online	929	41,518	584	1,271	266	44,568	—	44,568
Mobile	132	16,031	—	3,266	114	19,543	—	19,543
Other	8	340	—	7	—	355	—	355
Total revenue from external customers	1,069	57,889	584	4,544	380	64,466	—	64,466
Intersegment revenue	268	728	—	159	89	1,244	(1,244)	—
Total	1,337	58,617	584	4,703	469	65,710	(1,244)	64,466
Segment profit or loss (Note 1)	(624)	27,962	295	(102)	(567)	26,964	6	26,970
Other income (expense), net								(259)
Operating income								26,711
Finance income (costs), net (Note 5)								(2,293)
Equity in profit of affiliates								260
Income before income taxes								24,678

(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 ¥ 6 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.

5. A major component of finance cost is foreign exchange loss of ¥6,741 million.

(c) Information on each region

Revenue from external customers are as follows:

Nexon Group has made a change to a part of its regional segmentation of revenue from external customers from the three months ended March 31, 2020. The numbers for the six months ended June 30, 2019 and for the three months ended June 30, 2019 have also been adjusted accordingly.

(For the six months ended June 30)

For the six months ended June 30, 2019 (From January 1, 2019 to June 30, 2019)

	Revenue by major business			(Millions of yen)
	PC online	Mobile	Other	Total
Main regional market				
Japan	1,871	6,560	10	8,441
Korea	29,808	11,102	834	41,744
China	78,681	90	61	78,832
North America and Europe	1,752	8,739	208	10,699
Rest of World	2,450	4,687	89	7,226
Total	114,562	31,178	1,202	146,942

(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 and Europe: USA, Canada and Europe

(2) Rest of World: Central and South America and Asian countries

For the six months ended June 30, 2020 (From January 1, 2020 to June 30, 2020)

	Revenue by major business			(Millions of yen)
	PC online	Mobile	Other	Total
Main regional market				
Japan	1,647	2,675	26	4,348
Korea	50,934	20,938	669	72,541
China	52,006	707	5	52,718
North America and Europe	2,029	7,119	74	9,222
Rest of World	3,225	5,140	34	8,399
Total	109,841	36,579	808	147,228

(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 and Europe: USA, Canada and Europe

(2) Rest of World: Central and South America and Asian countries

(For the three months ended June 30)

For the three months ended June 30, 2019 (From April 1, 2019 to June 30, 2019)

	Revenue by major business			(Millions of yen)
	PC online	Mobile	Other	Total
Main regional market				
Japan	858	3,742	8	4,608
Korea	13,443	5,543	401	19,387
China	21,204	46	32	21,282
North America and Europe	892	4,075	181	5,148
Rest of World	1,035	2,334	71	3,440
Total	37,432	15,740	693	53,865

(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 and Europe: USA, Canada and Europe

(2) Rest of World: Central and South America and Asian countries

For the three months ended June 30, 2020 (From April 1, 2020 to June 30, 2020)

	Revenue by major business			(Millions of yen)
	PC online	Mobile	Other	Total
Main regional market				
Japan	930	1,839	12	2,781
Korea	22,077	10,435	285	32,797
China	18,959	255	5	19,219
North America and Europe	1,136	3,883	35	5,054
Rest of World	1,466	3,131	18	4,615
Total	44,568	19,543	355	64,466

(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 and Europe: USA, Canada and Europe

(2) Rest of World: Central and South America and Asian countries

(Change in presentation method)

From the three months ended March 31, 2020, the revenue from Europe, which was previously included in "Other [Rest of World]" is included along with "North America" under the category of "North America and Europe." This is due to increasing similarity between these regions attributable to the same service being provided by Nexon Group in North America and Europe.

As a result, in the six months and three months ended June 30, 2019, ¥2,533 million and ¥1,148 million, respectively, have been reclassified from "Other [Rest of World]" to "North America and Europe."

(10) Subsequent Events

Not applicable.