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Consolidated Financial Results
for the Six Months Ended June 30, 2021
[IFRS]

August 11, 2021

Company name: NEXON Co., Ltd.

Stock exchange listing: Tokyo Stock Exchange

Stock code: 3659

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Scheduled date for filing of quarterly securities report: August 11, 2021

Scheduled date of commencing dividend payments: September 27, 2021

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, 2021 (from January 1, 2021 to June 30, 2021)

(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	
	Amount	% change	Amount	% change	Amount	% change	Amount	% change	Amount	% change	Amount	% change
Six months ended June 30, 2021	144,322	(2.0)%	58,730	(14.0)%	77,470	(10.6)%	54,267	(21.7)%	54,991	(21.1)%	69,935	60.7%
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%

	Basic earnings per share		Diluted earnings per share	
	Yen		Yen	
Six months ended June 30, 2021	61.90		60.32	
Six months ended June 30, 2020	78.91		77.97	

(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, 2021	928,109	795,576	785,392	84.6%
As of December 31, 2020	862,161	720,445	709,882	82.3%

2. Dividends

(Yen)

	Annual Dividends				
	End of 1st Quarter	End of 2nd Quarter	End of 3rd Quarter	End of Year	Total
FY 2020	—	2.50	—	2.50	5.00
FY 2021	—	2.50			
FY 2021 (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, 2021 (from January 1, 2021 to September 30, 2021)

(% 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)	209,695	(7.5)%	78,807	(17.8)%	98,260	(10.3)%	68,557	(19.8)%	69,946	(18.7)%	Yen
	~	~	~	~	~	~	~	~	~	~	78.70
	215,834	(4.8)%	84,033	(12.3)%	103,487	(5.5)%	72,548	(15.1)%	73,867	(14.1)%	~
											83.11

(Note) As it is difficult to reasonably estimate financial results for the year ending December 31, 2021 at the moment, only the financial results forecast for the nine months ending September 30, 2021 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 5 of the Appendix.

*(Notes)

(1) Changes in Significant Subsidiaries during the Period : No

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

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

1) Changes in accounting policies required by IFRS: Yes

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

3) Changes in accounting estimates: No

(3) Number of Shares Issued (common stock)

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

As of June 30, 2021: 889,489,539 shares

As of December 31, 2020: 886,961,539 shares

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

As of June 30, 2021: 44 shares

As of December 31, 2020: 44 shares

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

Six months ended June 30, 2021: 888,359,209 shares

Six months ended June 30, 2020: 882,913,222 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 5 of the Appendix.

(Method of Obtaining Supplementary Briefing Material on Financial Results)

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

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1. Qualitative Information on Consolidated Financial Results for the Period

(1) Explanation on Operating Results

Nexon Group discloses its financial outlook for the upcoming quarter as a range so as to provide its shareholders and investors with more accurate information, while the explanation on operating results in its 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, 2021, the global economy was on a recovery trend with the U.S. recovered to nearly pre-COVID-19 levels primarily due to its monetary and fiscal policies and widespread vaccinations, and China also showing a high economic growth rate. However, outlook remains uncertain in some regions including the European nations where economic activities have been restricted as the COVID-19 infection flared up again. In Japan, while the vaccination program has begun, the economy remains in a harsh situation primarily due to the redeclaration of the state of emergency.

Under these circumstances, although the situation varies slightly depending on the region, Nexon Group has continued to operate its PC online and mobile businesses without its overall business being largely affected, 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 Focus Strategy: (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, 2021, revenue decreased year-over-year due to tough comparisons with Q2 2020.

In Korea, PC online revenue decreased year-over-year. While *EA SPORTS™ FIFA ONLINE 4* and *Sudden Attack* grew year-over-year, these were more than offset by the year-over-year decrease in revenues from *MapleStory* and *Dungeon&Fighter*. As for *MapleStory*, we have rapidly responded to our players' feedback that arose in late February in relation to the probability-based items. We took various measures including compensation, probability disclosure for paid probability-based items and engagement with users. As a result, the number of active users, which had dropped sequentially since February, started to stabilize from late April and then picked up in late June driven by the Summer update introduced on June 17th. We are still working on recovering our players' trust, and will continue to focus on this as well as making our games better by introducing a probability monitoring system and incorporating players' feedback to improve the game experience and user-friendliness. Mobile revenue increased year-over-year driven by contributions from *The Kingdom of the Winds: Yeon* and growth of *EA SPORTS™ FIFA ONLINE 4 M*, despite a decrease in revenues from *V4* and *KartRider Rush+*. As a result, overall revenue in Korea was flat year-over-year.

In China, revenue decreased year-over-year due to a decline in *Dungeon&Fighter*, our key PC online game. *Dungeon&Fighter*'s user metrics continued to decline until we introduced the 13th Anniversary update on June 17th, and while user metrics rebounded due to the update, the overall revenue for the three months ended June 30, 2021 decreased as a result of the year-over-year decreases in active users and paying users.

In Japan, revenue decreased year-over-year due to revenue decreases from *TRAHA* and *MapleStory M* despite contributions from *V4* and *EA SPORTS™ FIFA MOBILE*, both of which launched in FY2020, and *Blue Archive* launched in Q1 2021.

In North America and Europe, revenue decreased year-over-year primarily due to a revenue decrease from *Choices: Stories You Play* despite revenue increases from *MapleStory* and *MapleStory M*.

In Rest of World, revenue decreased year-over-year due to revenue decreases from *KartRider Rush+* and *V4* despite revenue increases from *MapleStory* and *MapleStory M*.

In terms of expenses, cost of sales increased year-over-year primarily due to an increase in HR costs associated with the introduction of a new compensation policy in Korea and an increase in royalty costs for *The Kingdom of the Winds: Yeon* and *EA SPORTS™ FIFA ONLINE 4*. Selling, general and administrative expenses increased year-over-year due to increased stock option costs and HR costs associated with the introduction of a new compensation policy in Korea, as well as increased research and development costs, despite decreases in marketing costs and platform fees for mobile games.

Finance costs decreased year-over-year. While we incurred a foreign exchange loss primarily on foreign currency-denominated cash deposits in the three months ended June 30, 2021, a greater foreign exchange loss was incurred in the same period in 2020.

As for crypto-assets invested in the three months ended June 30, 2021, a revaluation loss of ¥4.5 billion was recorded due to changes in their market prices.

As a result, for the three months ended June 30, 2021, Nexon Group recorded revenue of ¥56,009 million (down 13.1% year-over-year), operating income of ¥15,409 million (down 42.3% year-over-year), income before income taxes of ¥13,895 million (down 43.7% year-over-year) and net income attributable to owners of the parent company of ¥8,957 million (down 54.7% year-over-year).

For the six months ended June 30, 2021, Nexon Group recorded revenue of ¥144,322 million (down 2.0% year-over-year), operating income of ¥58,730 million (down 14.0% year-over-year), income before income taxes of ¥77,470 million (down 10.6% year-over-year) and net income attributable to owners of the parent company of ¥54,991 million (down 21.1% year-over-year).

Business results by reportable segments for the six months ended June 30, 2021 are as follows:

(a) Japan

Revenue for the six months ended June 30, 2021 amounted to ¥2,365 million (up 20.4% year-over-year), and segment loss amounted to ¥4,734 million (segment loss of ¥1,279 million for the six months ended June 30, 2020).

(b) Korea

Revenue for the six months ended June 30, 2021 amounted to ¥131,607 million (down 1.9% year-over-year), and segment profit amounted to ¥63,872 million (down 15.6% year-over-year). Revenue in Korea includes 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, 2021 amounted to ¥1,723 million (up 15.8% year-over-year), and segment profit amounted to ¥1,034 million (up 9.0% year-over-year).

(d) North America

Revenue for the six months ended June 30, 2021 amounted to ¥8,050 million (down 2.5% year-over-year), and segment profit amounted to ¥781 million (segment loss of ¥563 million for the six months ended June 30, 2020).

(e) Other

Revenue for the six months ended June 30, 2021 amounted to ¥577 million (down 55.4% year-over-year), and segment loss amounted to ¥2,281 million (segment loss of ¥1,028 million for the six months ended June 30, 2020).

(2) Explanation on Financial Position

(a) Assets, liabilities and equity

(Assets)

Total assets as of June 30, 2021 amounted to ¥928,109 million, an increase of ¥65,948 million from December 31, 2020. Major components include an increase of ¥54,017 million in cash and cash equivalents, an increase of ¥24,373 million in other financial assets and a decrease of ¥27,849 million in other deposits.

(Liabilities)

Total liabilities as of June 30, 2021 amounted to ¥132,533 million, a decrease of ¥9,183 million from December 31, 2020. Major components include a decrease of ¥4,469 million in provisions and a decrease of ¥2,570 million in trade and other payables.

(Equity)

Equity as of June 30, 2021 totaled ¥795,576 million, an increase of ¥75,131 million from December 31, 2020. Major components of changes in equity include an increase of ¥54,166 million in retained earnings primarily due to the recording of net income attributable to owners of the parent company and an increase of ¥16,794 million in other equity interest primarily due to recording of exchange differences on translating foreign operations.

As a result, ratio of equity attributable to owners of the parent company was 84.6% (82.3% as of December 31, 2020).

(b) Cash flows

Cash and cash equivalents (collectively, “cash”) as of June 30, 2021 was ¥306,587 million, an increase of ¥54,017 million from December 31, 2020. The increase includes ¥8,384 million in effects of exchange rate changes on cash.

Cash flows from each activity for the six months ended June 30, 2021 and their significant components are as follows:

(Cash flows from operating activities)

Net cash provided by operating activities was ¥37,234 million, compared to ¥65,586 million for the six months ended June 30, 2020. Major components of the increase include income before income taxes of ¥77,470 million. Major components of the decrease include income taxes paid of ¥22,864 million and an exchange gain of ¥14,690 million.

Net cash provided by operating activities decreased year-over-year due to a decrease in income before income taxes and an increase in income taxes paid.

(Cash flows from investing activities)

Net cash provided by investing activities was ¥10,968 million, compared to ¥10,429 million used in investing activities for the six months ended June 30, 2020. Major cash inflows include net decrease in time deposit of ¥44,503 million and proceeds from sale of securities by investment funds under consolidated subsidiaries of ¥20,328 million. Major cash outflows include purchases of investment securities of ¥23,556 million, purchases of securities by investment funds under consolidated subsidiaries of ¥20,117 million, and purchases of intangible assets of ¥11,492 million.

Net cash provided by investing activities increased year-over-year due to a decrease in purchases of investment securities despite a decrease in withdrawal of time deposit.

(Cash flows from financing activities)

Net cash used in financing activities was ¥2,569 million, compared to ¥2,723 million for the six months ended June 30, 2020. Major cash inflows include proceeds from exercise of stock options of ¥2,992 million. Major cash outflows include cash dividends paid of ¥2,217 million and net decrease in short-term borrowings of ¥2,094 million.

Net cash used in financing activities slightly decreased year-over-year due to not recording any purchases of treasury stock despite an increase in spending primarily due to repayment of short-term borrowings.

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

The outlook on the business environment surrounding Nexon Group is expected to remain unclear primarily due to concerns of a resurgence of the pandemic caused by new mutated coronavirus strains in Japan and overseas. 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, 2021" is the sum of our actual consolidated financial results for the six months ended June 30, 2021 and our consolidated business outlook for the three months ending September 30, 2021. Please refer to the table below for our consolidated financial results forecast for the three months ending September 30, 2021.

For the nine months ending September 30, 2021, Nexon Group expects consolidated revenue in the range of ¥209,695~215,834 million (down 7.5%~4.8% year-over-year), operating income in the range of ¥78,807~84,033 million (down 17.8%~12.3% year-over-year), income before income taxes in the range of ¥98,260~103,487 million (down 10.3%~5.5% year-over-year), net income in the range of ¥68,557~72,548 million (down 19.8%~15.1% year-over-year), net income attributable to owners of the parent company in the range of ¥69,946~73,867 million (down 18.7%~14.1% year-over-year), and basic earnings per share in the range of ¥78.70~83.11. Nexon Group operates its businesses around the world, in Japan, South Korea, China, the United States and other countries. Major exchange rates for Q3 2021 are expected to be 1 U.S dollar=¥109.89, 100 South Korean Won=¥9.65 and 1 Chinese Yuan=¥17.04. In general, the exchange rates of the 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 ¥612 million on revenue and approximately ¥228 million on operating income for the three months ending September 30, 2021.

As for revenue based on customer location for the three months ending September 30, 2021, our expectations are as follows.

In Korea, we expect *Sudden Attack* to grow approximately 2.8 times year-over-year. We also expect *EA SPORTS™ FIFA ONLINE 4* to grow. However, we expect *Dungeon&Fighter*'s revenue to be roughly flat year-over-year on a constant currency basis (Note). As for *MapleStory*, our major PC title, the number of active users is trending lower than last year, and we are focusing on regaining trust of our users rather than focusing on the monetization of the game in the short-term. Therefore, we expect its revenue to decrease compared to Q3 2020 when it grew by 71% year-over-year on a constant currency basis (Note). As a result, we expect overall PC revenue to decrease year-over-year.

For mobile, we expect revenues to decrease year-over-year. While we expect to benefit from *KonoSuba: God's Blessing on this Wonderful World! Fantastic Days*, which is scheduled to launch on August 19th, and anticipate growth from *MapleStory M*, we expect these to be more than offset by revenue decreases in *The Kingdom of the Winds: Yeon*, *V4* and *KartRider Rush+*, all of which had strong performances in Q3 2020 following their recent launches. As a result, we expect mobile revenue to decrease year-over-year.

Due to the above, we expect the overall revenue in Korea to decrease due to a tough comparison with Q3 2020 when it grew by 115% year-over-year on a constant currency basis (Note).

In China, we introduced the Summer update to our major PC title *Dungeon&Fighter* on July 8th. This update includes introduction of a new job for a popular character, as well as avatar package offerings, events and new dungeons. The National Day update is also scheduled for release in September as usual. The Summer update was well-received by users. The number of active users and paying users increased following the 13th Anniversary update introduced on June 17th, and has remained solid even after the Summer update. As a result, current paying users in July have increased compared to last year and we expect a double-digit growth in revenue year-over-year. As for *Mobile Dungeon&Fighter*, it is not included in our Q3 outlook.

In Japan, we expect revenue to decrease year-over-year as we anticipate contributions from *Blue Archive* and *EA SPORTS™ FIFA MOBILE* to be more than offset by decreases from *TRAHA* and *MapleStory M*.

In North America and Europe, we expect revenue to decrease year-over-year as we anticipate revenue decreases from *Choices: Stories You Play* and *V4*.

In Rest of World, we expect revenue to increase year-over-year. While we anticipate decreases from *KartRider Rush+* and *V4*, we expect these to be offset by a contribution from *KonoSuba: God's Blessing on this Wonderful World! Fantastic Days*, which is scheduled to launch on August 19th, as well as growth from *MapleStory* and *MapleStory M*.

On the cost side, in the three months ending September 30, 2021, we expect increased stock option costs and HR costs associated with the introduction of our new compensation policy in Korea, while we expect decreased variable costs associated with revenue decrease. Other favorable factors include a decreased impairment loss of 3.0 Bn yen recorded in Q3 2020, which will not be repeated in Q3 2021. As a result, we expect costs to decrease year-over-year in the three months ending September 30, 2021 as favorable factors are greater than unfavorable factors.

Our business outlook is based on information currently available to us, which includes various uncertainties. Therefore, actual performance may vary from our outlook due to changes in the business condition.

(Note) Constant currency basis: Constant currency is a non-GAAP measure used to show performance unaffected by fluctuations in foreign currency exchange rates. Constant-currency basis amounts are calculated using the average foreign currency exchange rates for the comparable period in the prior year and applied to the current period.

(Reference)

Consolidated financial results forecast for the three months ending September 30, 2021 (from July 1, 2021 to September 30, 2021)

(% changes from the previous fiscal year)

(Millions of yen)

	Revenue		Operating income		Income before income taxes		Net income		Net income attributable to owners of the parent company		Basic earnings per share
	Yen	(%)	Yen	(%)	Yen	(%)	Yen	(%)	Yen	(%)	Yen
3rd Quarter	65,373	(17.7)%	20,077	(27.3)%	20,790	(9.2)%	14,290	(11.6)%	14,955	(8.4)%	16.81
	~	~	~	~	~	~	~	~	~	~	~
	71,512	(9.9)%	25,303	(8.3)%	26,017	13.6%	18,281	13.0%	18,876	15.6%	21.22

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

Nexon recognizes that the return of profits to shareholders is an important management issue. Our policy is to return profits to shareholders through dividend payments, share repurchases and other means depending on the results of operations and upon full consideration of factors including the state of shareholder equity, management results and revenue outlook. We intend to use our internal capital reserves by taking into account the balance between return of profits to shareholders and other considerations such as the expansion of our existing business and development of new businesses to strengthen our management base and enrich our future business domain, and effective investments, primarily M&As and acquisition of game publishing rights, to proactively develop our business for future growth.

In accordance with the understanding above, our basic policy is to pay out dividends of surplus semiannually as interim and year-end dividends. With regards to interim dividends for the fiscal year ending December 31, 2021, the payment of 2.5 yen per share of Nexon's common stock as interim dividends with a record date of June 30, 2021 was approved at the Board of Directors meeting held on August 11, 2021. The payment of dividends will start on September 27, 2021.

2. Matters Related to Summary Information (Notes)

(1) Changes in Significant Subsidiaries during the Period

Not applicable.

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

(Changes in accounting policies required by IFRS)

The accounting policies used to prepare these condensed consolidated financial statements are consistent with those applied in the consolidated financial statements for the year ended December 31, 2020 unless otherwise noted. Nexon Group calculated income taxes for the six months ended June 30, 2021, based on the estimated average annual effective tax rate.

Nexon Group has applied the following standards since Q1 2021 (from January 1, 2021 to March 31, 2021), but the application of these standards did not have material impacts on the six months ended June 30, 2021.

Standards	Title	Overview of New or Revised Standard
IFRS 16	Leases	Amended to extend support for lessees accounting for COVID-19-related rent concessions such as rent holidays and temporary rent reductions
IFRS 9 IAS 39	Financial Instruments: Financial Instruments: Recognition and Measurement	Clarified the treatment when replacing an existing interest rate benchmark with an alternative benchmark interest rate as a result of IBOR reform
IFRS 7	Financial Instruments: Disclosures	
IFRS 4	Insurance Contracts	
IFRS 16	Leases	

3. Condensed Consolidated Financial Statements and Major Notes

(1) Condensed Consolidated Statement of Financial Position

	(Millions of yen)	
	As of December 31, 2020	As of June 30, 2021
Assets		
Current assets		
Cash and cash equivalents	252,570	306,587
Trade and other receivables	20,935	24,771
Other deposits	273,132	245,283
Other financial assets	27,343	28,439
Other current assets	4,552	9,475
Total current assets	578,532	614,555
Non-current assets		
Property, plant and equipment	24,191	24,660
Goodwill	38,425	39,464
Intangible assets	14,935	19,550
Right-of-use assets	10,029	9,585
Investments accounted for using equity method	5,195	5,479
Other financial assets	167,620	190,897
Other non-current assets	1,277	755
Deferred tax assets	21,957	23,164
Total non-current assets	283,629	313,554
Total assets	862,161	928,109

	(Millions of yen)	
	As of December 31, 2020	As of June 30, 2021
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	10,668	8,098
Deferred income	11,505	11,678
Borrowings	2,094	—
Income taxes payable	15,774	14,237
Lease liabilities	2,657	2,772
Provisions	6,881	2,405
Other current liabilities	8,388	8,031
Total current liabilities	57,967	47,221
Non-current liabilities		
Deferred income	15,180	14,800
Lease liabilities	11,842	11,229
Other financial liabilities	868	921
Provisions	304	311
Other non-current liabilities	4,437	4,525
Deferred tax liabilities	51,118	53,526
Total non-current liabilities	83,749	85,312
Total liabilities	141,716	132,533
Equity		
Capital stock	22,679	24,945
Capital surplus	17,421	19,705
Treasury stock	(0)	(0)
Other equity interest	69,975	86,769
Retained earnings	599,807	653,973
Total equity attributable to owners of the parent company	709,882	785,392
Non-controlling interests	10,563	10,184
Total equity	720,445	795,576
Total liabilities and equity	862,161	928,109

(2) Condensed Consolidated Income Statement

For the six months ended June 30, 2020 and 2021

(Millions of yen)

	Six months ended June 30	
	2020 (From January 1, 2020 to June 30, 2020)	2021 (From January 1, 2021 to June 30, 2021)
Revenue	147,228	144,322
Cost of sales	(29,917)	(35,401)
Gross profit	117,311	108,921
Selling, general and administrative expenses	(43,536)	(50,265)
Other income	1,298	287
Other expenses	(6,819)	(213)
Operating income	68,254	58,730
Finance income	18,533	23,499
Finance costs	(493)	(469)
Loss on revaluation	—	(4,499)
Share of profit of investments accounted for using equity method	373	209
Income before income taxes	86,667	77,470
Income taxes expense	(17,374)	(23,203)
Net income	69,293	54,267
Attributable to:		
Owners of the parent company	69,674	54,991
Non-controlling interests	(381)	(724)
Net income	69,293	54,267
Earnings per share (attributable to owners of the parent company)	(Yen)	(Yen)
Basic earnings per share	78.91	61.90
Diluted earnings per share	77.97	60.32

For the three months ended June 30, 2020 and 2021

(Millions of yen)

	Three months ended June 30	
	2020	2021
	(From April 1, 2020 to June 30, 2020)	(From April 1, 2021 to June 30, 2021)
Revenue	64,466	56,009
Cost of sales	(14,574)	(16,702)
Gross profit	49,892	39,307
Selling, general and administrative expenses	(22,922)	(23,948)
Other income	101	163
Other expenses	(360)	(113)
Operating income	26,711	15,409
Finance income	4,598	3,949
Finance costs	(6,891)	(1,264)
Loss on revaluation	—	(4,499)
Share of profit of investments accounted for using equity method	260	300
Income before income taxes	24,678	13,895
Income taxes expense	(5,139)	(5,361)
Net income	19,539	8,534
Attributable to:		
Owners of the parent company	19,763	8,957
Non-controlling interests	(224)	(423)
Net income	19,539	8,534
Earnings per share (attributable to owners of the parent company)	(Yen)	(Yen)
Basic earnings per share	22.37	10.07
Diluted earnings per share	21.97	9.55

(3) Condensed Consolidated Statement of Comprehensive Income

For the six months ended June 30, 2020 and 2021

(Millions of yen)

	Six months ended June 30	
	2020 (From January 1, 2020 to June 30, 2020)	2021 (From January 1, 2021 to June 30, 2021)
Net income	69,293	54,267
Other comprehensive income		
Items that will not be reclassified to net income		
Financial assets measured at fair value through other comprehensive income	2,291	(2,307)
Re-measurement of defined benefit pension plans	(10)	(1)
Income taxes	(583)	561
Total items that will not be reclassified to net income	1,698	(1,747)
Items that may be reclassified subsequently to net income		
Exchange differences on translating foreign operations	(27,476)	17,407
Other comprehensive income under equity method	(1)	8
Total items that may be reclassified subsequently to net income	(27,477)	17,415
Total other comprehensive income	(25,779)	15,668
Total comprehensive income	43,514	69,935
Attributable to:		
Owners of the parent company	44,423	70,378
Non-controlling interests	(909)	(443)
Total comprehensive income	43,514	69,935

For the three months ended June 30, 2020 and 2021

(Millions of yen)

	Three months ended June 30	
	2020 (From April 1, 2020 to June 30, 2020)	2021 (From April 1, 2021 to June 30, 2021)
Net income	19,539	8,534
Other comprehensive income		
Items that will not be reclassified to net income		
Financial assets measured at fair value through other comprehensive income	2,035	(1,983)
Re-measurement of defined benefit pension plans	(37)	—
Income taxes	(502)	479
Total items that will not be reclassified to net income	1,496	(1,504)
Items that may be reclassified subsequently to net income		
Exchange differences on translating foreign operations	7,600	1,958
Other comprehensive income under equity method	0	1
Total items that may be reclassified subsequently to net income	7,600	1,959
Total other comprehensive income	9,096	455
Total comprehensive income	28,635	8,989
Attributable to:		
Owners of the parent company	28,727	9,408
Non-controlling interests	(92)	(419)
Total comprehensive income	28,635	8,989

(4) Condensed Consolidated Statement of Changes in Equity

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)
Retirement 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

For the six months ended June 30, 2021 (From January 1, 2021 to June 30, 2021)

(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, 2021	22,679	17,421	(0)	69,975	599,807	709,882	10,563	720,445
Net income for the period	—	—	—	—	54,991	54,991	(724)	54,267
Other comprehensive income	—	—	—	15,387	—	15,387	281	15,668
Total comprehensive income	—	—	—	15,387	54,991	70,378	(443)	69,935
Issue of shares	2,266	2,266	—	—	—	4,532	—	4,532
Stock issue cost	—	(18)	—	—	—	(18)	—	(18)
Payment of dividends	—	—	—	—	(2,217)	(2,217)	—	(2,217)
Share-based compensation	—	—	—	2,799	—	2,799	—	2,799
Changes in interests in subsidiaries	—	36	—	—	—	36	64	100
Reclassification from other equity interest to retained earnings	—	—	—	(1,392)	1,392	—	—	—
Total transactions with the owners	2,266	2,284	—	1,407	(825)	5,132	64	5,196
Balance at June 30, 2021	24,945	19,705	(0)	86,769	653,973	785,392	10,184	795,576

(5) Condensed Consolidated Statement of Cash Flows

(Millions of yen)

	Six months ended June 30	
	2020	2021
	(From January 1, 2020 to June 30, 2020)	(From January 1, 2021 to June 30, 2021)
Cash flows from operating activities		
Income before income taxes	86,667	77,470
Depreciation and amortization	4,163	4,538
Share-based compensation expenses	884	4,404
Interest and dividend income	(4,964)	(3,867)
Interest expense	155	198
Impairment loss	6,314	115
Loss on revaluation	—	4,499
Share of loss (profit) of investments accounted for using equity method	(373)	(209)
(Gain) loss on valuation of securities	(1,160)	(1,198)
Exchange (gain) loss	(11,149)	(14,690)
(Increase) decrease in trade and other receivables	(10,089)	(2,563)
(Increase) decrease in other current assets	(2,316)	(2,754)
(Decrease) increase in trade and other payables	3,784	(2,809)
(Decrease) increase in deferred income	20	(962)
(Decrease) increase in provisions	(2,348)	(4,534)
(Decrease) increase in other current liabilities	267	(914)
Other	(662)	(1,091)
Subtotal	69,193	55,633
Interest and dividends received	7,977	4,662
Interest paid	(206)	(197)
Income taxes paid	(11,378)	(22,864)
Net cash provided by operating activities	65,586	37,234
Cash flows from investing activities		
Net decrease (increase) in restricted deposit	(3,433)	590
Net decrease (increase) in time deposit	79,161	44,503
Purchases of property, plant and equipment	(882)	(822)
Proceeds from sales of property, plant and equipment	19	54
Purchases of intangible assets	(383)	(11,492)
Payments associated with increase in long-term prepaid expenses	(37)	(1,649)
Purchases of securities by investment funds under consolidated subsidiaries	(18,343)	(20,117)
Proceeds from sale of securities by investment funds under consolidated subsidiaries	8,139	20,328
Purchases of investment securities	(74,352)	(23,556)
Proceeds from sale and redemption of investment securities	276	2,938
Other	(594)	191
Net cash provided by (used in) investing activities	(10,429)	10,968
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(137)	(2,094)
Proceeds from exercise of stock options	3,526	2,992
Purchases of treasury stock	(2,783)	—
Cash dividends paid	(2,206)	(2,217)
Repayment of lease liability	(1,123)	(1,250)
Net cash used in financing activities	(2,723)	(2,569)
Net (decrease) increase in cash and cash equivalents	52,434	45,633
Cash and cash equivalents at the beginning of the period	253,636	252,570
Effects of exchange rate changes on cash and cash equivalents	(551)	8,384
Cash and cash equivalents at the end of the period	305,519	306,587

(6) Notes on Going Concern Assumption

Not applicable.

(7) Application of New Accounting Policy

In April 2021, Nexon Group made an investment in bitcoins (crypto-assets) on the crypto-asset exchange.

Accordingly, Nexon Group recognizes the investment in those crypto-assets as an intangible asset under IAS 38 *Intangible Assets* (“IAS 38”) from the three months ended June 30, 2021 and has measured it initially at cost. Nexon Group has determined this to be an intangible asset with an indefinite useful life and has not conducted amortization because the intangible asset has an unlimited usage period and we deem it would exist as long as it is used as a means of an exchange. After the initial recognition, Nexon Group has elected to measure the intangible asset using the revaluation model.

Under the revaluation model, Nexon Group recognizes the intangible asset at a revalued amount, which is its fair value at the date of the revaluation less any subsequent accumulated impairment losses. For the purpose of revaluations under IAS 38, fair value is measured by reference to an active market.

If an intangible asset’s carrying amount is increased as a result of revaluation, Nexon Group recognizes the increase in other comprehensive income and it is accumulated in other equity interest as revaluation surplus. However, the increase is recognized in profit or loss to the extent that it reverses a revaluation decrease of the same intangible asset previously recognized in profit or loss.

If an intangible asset’s carrying amount is decreased as a result of revaluation, Nexon Group recognizes the decrease as an expense. However, the decrease is recognized in other comprehensive income to the extent of any credit balance in the revaluation surplus in respect of that intangible asset. The decrease recognized in other comprehensive income reduces the amount accumulated in other equity interest as revaluation surplus.

Nexon Group determines the gain or loss arising from the derecognition of this intangible asset as the difference between the net disposal proceeds, if any, and the carrying amount of the intangible asset. The difference is recognized in profit or loss when the intangible asset is derecognized. However, revaluation surplus is transferred directly to retained earnings if the surplus is realized due to the derecognition of an intangible asset.

(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

For the six months ended June 30, 2021 (From January 1, 2021 through June 30, 2021)

	Class of stock	Total dividends	Dividend per share	Record date	Effective date
		(million yen)	(yen)		
Resolution of the Board of Directors on February 17, 2021	Common stock	2,217	2.5	December 31, 2020	March 26, 2021

Of the dividends whose record date falls in the six months ended June 30, those for which the effective date of dividends comes after June 30 are as follows:

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 August 6, 2020	Common stock	2,211	2.5	June 30, 2020	September 28, 2020

For the six months ended June 30, 2021 (From January 1, 2021 through June 30, 2021)

	Class of stock	Total dividends	Dividend per share	Record date	Effective date
		(million yen)	(yen)		
Resolution of the Board of Directors on August 11, 2021	Common stock	2,224	2.5	June 30, 2021	September 27, 2021

(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 *Revenue from Contracts with Customers* 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, 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
Share of profit of investments accounted for using equity method								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 six months ended June 30, 2021 (From January 1, 2021 to June 30, 2021)

(Millions of yen)

	Reportable Segments					Total	Adjustments (Note 3)	Consolidated
	Japan	Korea	China	North America	Other			
Revenue								
Revenue from external customers								
PC online	1,472	96,108	1,723	3,048	569	102,920	—	102,920
Mobile	871	34,696	—	5,000	8	40,575	—	40,575
Other	22	803	—	2	0	827	—	827
Total revenue from external customers	2,365	131,607	1,723	8,050	577	144,322	—	144,322
Intersegment revenue	563	1,340	—	400	282	2,585	(2,585)	—
Total	2,928	132,947	1,723	8,450	859	146,907	(2,585)	144,322
Segment profit or loss (Note 1)	(4,734)	63,872	1,034	781	(2,281)	58,672	(16)	58,656
Other income (expense), net								74
Operating income								58,730
Finance income (costs), net (Note 5)								23,030
Loss on revaluation (Note 6)								(4,499)
Share of profit of investments accounted for using equity method								209
Income before income taxes								77,470

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

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

3. Adjustments in segment profit or loss of ¥(16) million represent elimination of intersegment transactions.

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 ¥17,074 million.

6. Loss on revaluation recognized in profit or loss due to the revaluation of an intangible asset (investment in crypto-assets).

(For the three months ended June 30)

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)
Share of profit of investments accounted for using equity method								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.

For the three months ended June 30, 2021 (From April 1, 2021 to June 30, 2021)

(Millions of yen)

	Reportable Segments					Total	Adjustments (Note 3)	Consolidated
	Japan	Korea	China	North America	Other			
Revenue								
Revenue from external customers								
PC online	656	34,445	674	1,548	230	37,553	—	37,553
Mobile	367	15,236	—	2,426	(0)	18,029	—	18,029
Other	2	424	—	1	0	427	—	427
Total revenue from external customers	1,025	50,105	674	3,975	230	56,009	—	56,009
Intersegment revenue	382	648	—	194	162	1,386	(1,386)	—
Total	1,407	50,753	674	4,169	392	57,395	(1,386)	56,009
Segment profit or loss (Note 1)	(2,449)	18,266	298	519	(1,258)	15,376	(17)	15,359
Other income (expense), net								50
Operating income								15,409
Finance income (costs), net								2,685
Loss on revaluation (Note 5)								(4,499)
Share of profit of investments accounted for using equity method								300
Income before income taxes								13,895

(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 ¥(17) 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. Loss on revaluation recognized in profit or loss due to the revaluation of an intangible asset (investment in crypto-assets).

(c) Information on each region

Revenue from external customers are as follows:

(For the six months ended June 30)

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 six months ended June 30, 2021 (From January 1, 2021 to June 30, 2021)

	Revenue by major business			(Millions of yen)
	PC online	Mobile	Other	Total
Main regional market				
Japan	1,472	4,053	22	5,547
Korea	55,396	26,759	702	82,857
China	38,983	299	—	39,282
North America and Europe	2,808	6,359	61	9,228
Rest of World	4,261	3,105	42	7,408
Total	102,920	40,575	827	144,322

(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, 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

For the three months ended June 30, 2021 (From April 1, 2021 to June 30, 2021)

	Revenue by major business			(Millions of yen)
	PC online	Mobile	Other	Total
Main regional market				
Japan	656	1,507	2	2,165
Korea	20,463	11,877	350	32,690
China	13,360	124	—	13,484
North America and Europe	1,421	2,944	49	4,414
Rest of World	1,653	1,577	26	3,256
Total	37,553	18,029	427	56,009

(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

(10) Subsequent Events

(a) Issuance of stock options (stock acquisition rights)

On July 1, 2021, Nexon's Board of Directors resolved the issuance of stock acquisition rights as stock options without compensation to directors and employees of Nexon's subsidiaries based on the approval of the Annual General Meeting of Shareholders held on March 25, 2021, pursuant to the provisions of Articles 236, 238 and 239 of the Companies Act. The stock acquisition rights were allotted on July 12, 2021.

The details are as follows:

Date of resolution	July 1, 2021
Category and number of eligible persons (persons)	Directors and employees of Nexon's subsidiaries: 18
Number of stock acquisition rights (units) *	1,010,000 (Note) 1
Class, description and number of underlying shares (shares) *	Common stock 1,010,000 (Note) 2, 3
Amount to be paid upon exercise of stock acquisition rights (yen) *	2,325 (Note) 4
Exercise period of stock acquisition rights *	From July 12, 2021 to July 11, 2027
Issue price and the amount of capital stock to be increased by issuance of shares upon exercise of stock acquisition rights (yen) *	Issue price: 2,325 Amount of capital stock to be increased: 1,163
Conditions for exercise of stock acquisition rights *	<ul style="list-style-type: none">• One third (1/3) of the units granted shall vest on the day on which one year has elapsed from the allotment date. Thereafter, one twelfth (1/12) of the units granted shall vest every three months until the day on which three years have elapsed from the allotment date. The vested stock acquisition rights may be exercised during the exercise period only if terms and conditions for the issuance and other conditions for exercise set forth in the Stock Acquisition Rights Allotment Agreement are satisfied.• In principle, holders of stock acquisition rights must continue to be director or employee of Nexon or its subsidiary from the allotment date up to the date of exercise to be eligible to exercise the right.• Partial exercise of stock acquisition rights is not allowed.
Assignment of stock acquisition rights *	Stock acquisition rights cannot be assigned or pledged as collateral.
Issuance of stock acquisition rights associated with Nexon's restructuring *	Not applicable

* The information above is as of the issuance of stock acquisition right certificates (July 12, 2021).

- (Notes)
1. The number of underlying shares per unit of stock acquisition right is one share of Nexon's common stock.
 2. In the event that Nexon carries out a stock split (including gratis allocation) or stock consolidation, the number of underlying shares shall be adjusted according to the formula outlined below. However, such adjustment shall be made only to the number of underlying shares of stock acquisition rights unexercised at the time of the adjustment.

$$\text{Number of shares after adjustment} = \text{Number of shares before adjustment} \times \text{Ratio of split or consolidation}$$

In addition, in case of merger, company split, share exchange, share transfer, stock issue or other events that compel the number of shares to be adjusted, the number of shares shall be adjusted to the extent reasonable by taking into consideration the terms and conditions of such merger, company split, share exchange, share transfer or stock issue.

3. For stock issued to stock acquisition right holders who have exercised their right, any fraction less than one share shall be rounded down.

4. In the event that Nexon splits its common stock (including gratis allocation) or consolidates its common stock after the allotment date, the exercise price shall be adjusted according to the formula outlined below. Any fraction less than one yen shall be rounded up.

$$\text{Exercise price after adjustment} = \text{Exercise price before adjustment} \times \frac{1}{\text{Ratio of split or consolidation}}$$

In addition, in case of merger, company split, share exchange, share transfer, stock issue or other events that compel the exercise price to be adjusted, the exercise price shall be adjusted to the extent reasonable taking into consideration the terms and conditions of such merger, company split, share exchange, share transfer or stock issue.

(b) Loan of funds

Based on a resolution by the Board of Directors on June 16, 2021, Nexon made a loan of funds as follows as an effective way to utilize surplus funds.

(i) Overview of loan of funds

a. Loaned to:	NXMH BV
b. Amount loaned:	¥16,587 million (USD150 million)
c. Loan interest rate:	2.2% annually
d. Loan execution date:	July 1, 2021
e. Repayment due date:	June 30, 2022
f. Assets held as collateral:	30,000,000 shares of Nexon's common stock

(ii) Status of related party transactions

This loan falls under related party transactions because the funds are loaned to NXMH BV, which is a subsidiary of NXC Corporation (Nexon's parent company). The status of this related party transaction is as follows:

Type	Name	Details of transaction	Transaction amount	Unsettled balance
			(¥ million)	(¥ million)
A company under the same parent company	NXMH BV	Loan of funds	16,587	12,044
		Collection of funds	4,423	—
		Interest received	31	23

- (Note) 1. Loan interest rate for the funds is reasonably determined by taking the market interest rate into account.
2. Nexon received 30,000,000 shares of Nexon's common stock as collateral from NXMH BV simultaneously with the loan of funds.
3. As of July 30, 2021, Nexon has received repayment of the loan in the amount of ¥4,423 million (USD 40 million) from NXMH BV. Accordingly, we have released 8,000,000 shares of Nexon's common stock from collateral.

(c) Turning Embark Studios AB into wholly-owned subsidiary by third-party allotment

At the Board of Directors meeting on August 6, 2021 (“BOD”), Nexon resolved to carry out third-party allotment to the shareholders of its subsidiary, Embark Studios AB (excluding Nexon and its subsidiaries; “Shareholders”) wherein the common shares of Embark Studios AB held by them will be granted to Nexon as contribution in-kind and Nexon will issue its common stock in exchange (“Third-party Allotment”) for the purpose of acquiring all of the outstanding shares of Embark Studios AB held by shareholders other than Nexon or its subsidiaries. Due to this Third-party Allotment, Nexon Group’s ratio of voting rights in Embark Studios AB will increase from 73.0% to 100.0% and Embark Studios AB will become a wholly-owned subsidiary of Nexon Group. Since Patrick Söderlund, who is a director of Nexon, is included in the allottees for this Third-party Allotment, it also falls under related party transactions. The details of this Third-party Allotment are as follows:

(i) Overview of the Third-party Allotment

a. Payment due date	August 23, 2021
b. New stock issued	Common stock 7,388,930 shares
c. Issue price	2,121 yen per share
d. Total issue price	15,671,920,530 yen The allotment of new stock issued by third-party allotment will be made by contribution in-kind. The consideration shall be 176,469,789 shares of common stock of Embark Studios AB and there will be no cash payment.
e. Total amount of capital stock to be increased	7,835,960,265 yen (Note)
f. Allotment method and scheduled allottees	Allotment will be made to each of the seven (7) Shareholders by third-party allotment in accordance with the ratios of common stock of Embark Studios AB held by them. The scheduled allottees are: Patrick Söderlund, CEO of Embark Studios AB (5,129,151 shares); five (5) individuals who are employees of Embark Studios AB (a total of 1,354,635 shares); and a foundation under Swedish law established by Patrick Söderlund (905,144 shares).

(Note) “Total amount of capital stock to be increased” is the total amount of capital stock to be increased under the Companies Act. The maximum limit on the increase in capital stock to be calculated pursuant to the provisions of Article 445, Paragraph 1 of the Companies Act, Article 14 of the Regulation on Corporate Accounting, as well as applicable accounting standards, will be calculated based on the amount derived by multiplying “the closing price of Nexon’s common stock on the Tokyo Stock Exchange on the day on which contribution in-kind is granted” by “the number of new shares issued by third-party allotment.” “Total amount of capital stock to be increased” shall be the amount equivalent to one-half (1/2) of the maximum limit on the increase in capital stock (any fraction of less than one yen resulting from the calculation shall be rounded up). “Total amount of capital stock to be increased” above is calculated based on the closing price of Nexon’s common stock on the Tokyo Stock Exchange as of August 5, 2021, which is the business day immediately preceding the day of resolution by the BOD, and the amount is subject to change when calculated based on the closing price of Nexon’s common stock on the payment due date (allotment date).

(ii) Summary of the accounting treatment in Nexon’s consolidated financial statements

New stock issued by Nexon by Third-party Allotment will increase its capital stock.

The additional acquisition of common stock of Embark Studios AB received as contribution in-kind from the Shareholders will be accounted for as capital transaction and it will change the carrying amounts of Nexon’s controlling and non-controlling interests. The difference between the amount of change in the carrying amount of non-controlling interests and the amount of this additional acquisition will be directly recognized under equity and made attributable to owners of the parent company.