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Consolidated Financial Results
for the Nine Months Ended September 30, 2021
[IFRS]

November 9, 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: November 10, 2021

Scheduled date of commencing dividend payments: -

Supplementary briefing material on quarterly financial results: Yes

Quarterly financial results briefing: No

(Amounts are rounded to nearest million yen)

1. Consolidated Financial Results for the Nine Months Ended September 30, 2021 (from January 1, 2021 to September 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	
		(% change)		(% change)		(% change)		(% change)		(% change)		(% change)
Nine months ended September 30, 2021	220,212	(2.8)%	88,565	(7.6)%	125,828	14.8%	91,948	7.6%	92,893	8.0%	91,346	17.1%
Nine months ended September 30, 2020	226,640	13.7%	95,861	6.5%	109,568	(13.4)%	85,465	(22.5)%	86,004	(23.5)%	77,980	38.5%

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended September 30, 2021	104.36	102.08
Nine months ended September 30, 2020	97.32	95.81

(2) Consolidated Financial Position

(Millions of yen)

	Total assets	Total equity	Total equity attributable to owners of the parent company	Ratio of equity attributable to owners of the parent company
As of September 30, 2021	957,998	817,824	807,985	84.3%
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 Year Ending December 31, 2021 (from January 1, 2021 to December 31, 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
Full year	271,431	(7.4)%	91,030	(18.3)%	128,865	19.1%	92,036	65.9%	93,179	65.7%	Yen 104.48
	~	~	~	~	~	~	~	~	~	~	~
	277,183	(5.4)%	95,467	(14.3)%	133,303	23.2%	95,429	72.0%	96,472	71.6%	108.18

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

*(Notes)

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

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

- 1) Changes in accounting policies required by IFRS: Yes
- 2) Changes in accounting policies other than 1) above: No
- 3) Changes in accounting estimates: No

(3) Number of Shares Issued (common stock)

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

As of September 30, 2021: 897,424,469 shares

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

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

As of September 30, 2021: 865,814 shares

As of December 31, 2020: 44 shares

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

Nine months ended September 30, 2021: 890,113,590 shares

Nine months ended September 30, 2020: 883,684,304 shares

(Note) “Total number of treasury stock at the end of the period” includes Nexon’s stock held by Stiftelsen Embark Incentive (“Foundation”) (as of September 30, 2021: 865,770 shares; as of December 31, 2020: - share) and the number of treasury stock deducted in the calculation of the “average number of shares during the period” also includes Nexon’s stock held by the Foundation (as of September 30, 2021: 177,091 shares; as of September 30, 2020: - shares). This is because we have consolidated the Foundation in our condensed quarterly consolidated financial statements from the three months ended September 30, 2021.

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

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

(Caution Concerning Forward-Looking Statements)

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

(Method of Obtaining Supplementary Briefing Material on Financial Results)

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

Contents of Appendix

1. Qualitative Information on Consolidated Financial Results for the Period	2
(1) Explanation on Operating Results.....	2
(2) Explanation on Financial Position.....	3
(3) Explanation on Future Forecast Information including Consolidated Financial Results Forecast	5
2. Matters Related to Summary Information (Notes)	7
(1) Changes in Significant Subsidiaries during the Period	7
(2) Changes in Accounting Policies and Changes in Accounting Estimates	7
3. Condensed Consolidated Financial Statements and Major Notes	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	16
(6) Notes on Going Concern Assumption	17
(7) Application of New Accounting Policy	17
(8) Notes on Significant Changes in the Amount of Equity Attributable to Owners of the Parent Company ...	17
(9) Segment Information.....	19
(10) Subsequent Events.....	25

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 September 30, 2021, the recovery of the global economy has varied due to differences in the infection statuses and economic measures taken in each country and region. A trend towards economic recovery has continued in the U.S. and China boosted by huge economic stimulus packages and widespread vaccinations. In Japan, while the COVID-19 vaccination program has progressed and there are some signs of a gradual recovery, the economic situation remains unclear primarily due to repeated declaration of the state of emergency and implementation of key measures to prevent the spread of the infection.

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 September 30, 2021, revenue decreased year-over-year due to a tough comparison with Q3 2020 when we achieved record-breaking Q3 revenue.

In Korea, PC online revenue increased year-over-year. While *MapleStory*'s revenue decreased year-over-year, other key titles including *EA SPORTS™ FIFA ONLINE 4*, *Sudden Attack* and *Dungeon&Fighter* grew year-over-year. As for *MapleStory*, we have continued to work on regaining our players' trust in the three months ended September 30, 2021. Consequently, the net promoter score, which is an indicator of player satisfaction, has consistently improved throughout the quarter, with the events and contents updates introduced being well-received by players. As for mobile games, revenue decreased year-over-year due to a tough comparison with Q3 2020 which marked record-breaking mobile revenue driven by contributions from *V4* and *KartRider Rush+*, as well as *The Kingdom of the Winds: Yeon* following its recent launch. As a result, overall revenue in Korea decreased year-over-year.

In China, revenue increased year-over-year driven by an increase in revenue from *Dungeon&Fighter*, our key PC online game. *Dungeon&Fighter*'s revenue increased due to the successful Summer update in July and National Day update in September. User engagement improved and the number of paying users and ARPPU increased year-over-year as content updates and new initiatives under the new director who assumed his post in August were well-received by players.

In Japan, revenue decreased year-over-year due to declines in revenues from *TRAHA* and *MapleStory M*, which more than offset *MapleStory*'s growth and contributions from *BlueArchive* and *EA SPORTS™ FIFA MOBILE*.

In North America and Europe, revenue decreased year-over-year due to declines in revenues from *Choices: Stories You Play* and *V4*, which more than offset *MapleStory M*'s growth and a contribution from *KonoSuba: God's Blessing on this Wonderful World! Fantastic Days* launched on August 19th.

In Rest of World, revenue increased year-over-year driven by growth of *MapleStory* and *MapleStory M* despite revenue decreases from *KartRider Rush+* and *V4*.

In terms of expenses, cost of sales decreased year-over-year primarily due to an increase in HR costs associated with the introduction of a new compensation policy in Korea being more than offset by a decrease in royalty costs for *The Kingdom of the Winds: Yeon*. Selling, general and administrative expenses decreased year-over-year due to decreases in marketing costs and platform fees for mobile games, despite increases in HR costs and research and development costs, which were associated with increased stock option costs and the introduction of a new compensation policy in Korea. Other expenses decreased compared to Q3 2020 when we recorded an impairment loss on the goodwill of our consolidated subsidiary, Big Huge Games, Inc.

Finance income increased year-over-year due to a foreign exchange gain primarily on foreign currency-denominated cash deposits in the three months ended September 30, 2021.

As for crypto-assets in the three months ended September 30, 2021, a reversal of loss on revaluation of ¥1,714 million was recorded due to movements in the market price of crypto-assets.

As a result, for the three months ended September 30, 2021, Nexon Group recorded revenue of ¥75,890 million (down 4.4% year-over-year), operating income of ¥29,835 million (up 8.1% year-over-year), income before income taxes of ¥48,358 million (up 111.2% year-over-year) and net income attributable to owners of the parent company of ¥37,902 million (up 132.1% year-over-year).

For the nine months ended September 30, 2021, Nexon Group recorded revenues of ¥220,212 million (down 2.8% year-over-year), operating income of ¥88,565 million (down 7.6% year-over-year), income before income taxes of ¥125,828 million (up 14.8% year-over-year) and net income attributable to owners of the parent company of ¥92,893 million (up 8.0% year-over-year).

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

(a) Japan

Revenues for the nine months ended September 30, 2021 amounted to ¥3,704 million (up 25.6% year-over-year), and segment loss amounted to ¥7,548 million (segment loss of ¥1,913 million for the nine months ended September 30, 2020).

(b) Korea

Revenues for the nine months ended September 30, 2021 amounted to ¥201,434 million (down 2.8% year-over-year), and segment profit amounted to ¥97,144 million (down 9.7% 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

Revenues for the nine months ended September 30, 2021 amounted to ¥2,624 million (up 19.5% year-over-year), and segment profit amounted to ¥1,559 million (up 14.7% year-over-year).

(d) North America

Revenues for the nine months ended September 30, 2021 amounted to ¥11,486 million (down 8.0% year-over-year), and segment profit amounted to ¥619 million (segment loss of ¥1,009 million for the nine months ended September 30, 2020).

(e) Other

Revenues for the nine months ended September 30, 2021 amounted to ¥964 million (down 42.8% year-over-year), and segment loss amounted to ¥3,430 million (segment loss of ¥1,737 million for the nine months ended September 30, 2020).

(2) Explanation on Financial Position

(a) Assets, liabilities and equity

(Assets)

Total assets as of September 30, 2021 amounted to ¥957,998 million, an increase of ¥95,837 million from December 31, 2020. Major components include an increase of ¥219,451 million in cash and cash equivalents, an increase of ¥13,937 million in trade and other receivables, an increase of ¥27,723 million in other financial assets and a decrease of ¥174,885 million in other deposits.

(Liabilities)

Total liabilities as of September 30, 2021 amounted to ¥140,174 million, a decrease of ¥1,542 million from December 31, 2020. Major components include an increase of ¥1,381 million in income taxes payable, an increase of ¥3,247 million in other current liabilities, a decrease of ¥2,094 million in borrowings and a decrease of ¥3,536 million in provisions.

(Equity)

Equity as of September 30, 2021 totaled ¥817,824 million, an increase of ¥97,379 million from December 31, 2020. Major components of changes in equity include an increase of ¥89,844 million in retained earnings primarily due to the recording of net income attributable to owners of the parent company.

Due to a third-party allotment conducted in the three months ended September 30, 2021, capital stock and capital surplus each increased by ¥7,814 million, non-controlling interests increased by ¥204 million, exchange differences on translating foreign operations increased by ¥95 million and capital surplus decreased by ¥15,927 million.

As a result, ratio of equity attributable to owners of the parent company was 84.3% (82.3% as of December 31, 2020).

(b) Cash flows

Cash and cash equivalents (collectively, “cash”) as of September 30, 2021 was ¥472,021 million, an increase of ¥219,451 million from December 31, 2020. The increase includes ¥20,574 million in effects of exchange rate changes on cash.

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

(Cash flows from operating activities)

Net cash provided by operating activities was ¥61,204 million, compared to ¥107,865 million for the nine months ended September 30, 2020. Major components of the increase include income before income taxes of ¥125,828 million. Major components of the decrease include an exchange gain of ¥29,143 million and income taxes paid of ¥31,005 million.

Net cash provided by operating activities decreased year-over-year due to an increase in exchange gain arising from non-operating activities and an increase in income taxes paid despite an increase in income before income taxes.

(Cash flows from investing activities)

Net cash provided in investing activities was ¥142,589 million, compared to ¥79,455 million used in investing activities for the nine months ended September 30, 2020. Major cash inflows include a net decrease in time deposit of ¥180,258 million and proceeds from sale of securities by investment funds under consolidated subsidiaries of ¥27,788 million. Major cash outflows include purchases of investment securities of ¥24,756 million and purchases of securities by investment funds under consolidated subsidiaries of ¥28,965 million.

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

(Cash flows from financing activities)

Net cash used in financing activities was ¥4,916 million, compared to ¥3,581 million for the nine months ended September 30, 2020. Major cash outflows include cash dividends paid of ¥4,440 million.

Net cash used in financing activities increased year-over-year due to a decrease in short-term borrowings and a decrease in proceeds from exercise of stock options despite not recording any purchases of treasury stock.

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

The outlook on the business environment surrounding Nexon Group remains unclear, although with regard to the impact of COVID-19 on the global economy, there is a continuing trend toward economic recovery in the U.S. and China boosted by huge economic stimulus packages and widespread vaccinations. 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 Fiscal Year Ending December 31, 2021" is the sum of our actual consolidated financial results for the nine months ended September 30, 2021 and our consolidated business outlook for the three months ending December 31, 2021. Please refer to the table below for our consolidated financial results forecast for the three months ending December 31, 2021.

For the fiscal year ending December 31, 2021, Nexon Group expects consolidated revenue in the range of ¥271,431 ~ 277,183 million (a decrease of 7.4% ~ 5.4% year-over-year), operating income in the range of ¥91,030 ~ 95,467 million (a decrease of 18.3% ~ 14.3% year-over-year), income before income taxes in the range of ¥128,865 ~ 133,303 million (an increase of 19.1% ~ 23.2% year-over-year), net income in the range of ¥92,036 ~ 95,429 million (an increase of 65.9% ~ 72.0% year-over-year), net income attributable to owners of the parent company in the range of ¥93,179 ~ 96,472 million (an increase of 65.7% ~ 71.6% year-over-year), and basic earnings per share in the range of ¥104.48 ~ 108.18. Nexon Group operates its businesses around the world, in Japan, South Korea, China, the United States and other countries. Major exchange rates for Q4 2021 are assumed to be 1 U.S Dollar = ¥113.64, 100 South Korean Won = ¥9.57 and 1 Chinese Yuan = ¥17.70. 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 ¥464 million on consolidated revenue and approximately ¥74 million on operating income for the three months ending December 31, 2021.

As for revenue based on customer location for the three months ending December 31, 2021, our expectations are as follows.

In Korea, we expect *Sudden Attack* to increase by approximately 2.5 times year-over-year and anticipate growth from *EA SPORTS™ FIFA ONLINE 4*. However, we expect *Dungeon&Fighter*'s revenue to decrease year-over-year. As for *MapleStory*, our major PC title, we expect its revenue to decrease compared to Q4 2020 when it showed especially strong performance and grew by 88% year-over-year driven by largest-ever Winter update and a collaboration with the popular K-pop group BTS, which were well-received by players. As a result, we expect overall PC revenue to decrease year-over-year.

For mobile, we expect revenue to decrease year-over-year. While we expect to benefit from *BlueArchive*, which launched on November 9th, and anticipate growth from *EA SPORTS™ FIFA MOBILE*, we expect these to be more than offset by revenue decreases in *The Kingdom of the Winds: Yeon*, *KartRider Rush+* and *V4*, all of which had strong performances in Q4 2020 following their recent launches.

Due to the above, we expect the overall revenue in Korea to decrease due to a tough comparison with Q4 2020 when it grew by 72% year-over-year.

In China, we expect revenue from *Dungeon&Fighter*, our major PC title, to decrease year-over-year. While we have seen recent improvements in its user engagement, Q4 is different from Q3 in that we do not have any particularly large monetizing measures scheduled during the quarter. Therefore, we do not expect paying users and average revenue per paying user to change significantly compared to Q4 2020. In addition, this year, the National Day update was introduced eight days earlier than last year, so we expect its impact on Q4 this year to be smaller compared to last year and revenue to decrease year-over-year. In the three months ending December 31, 2020, we intend to use this off season to build a foundation for growth of *Dungeon&Fighter* in 2022 and onwards. We will focus on creating an environment for players to enjoy our games even more by improving the game balance and conducting events.

In Japan, we expect revenue to decrease year-over-year as we anticipate a contribution from *BlueArchive* to be more than offset by decreases from *V4* and *TRAHA*.

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

In Rest of World, we expect revenue to increase year-over-year. While we anticipate a decrease from *KartRider Rush+*, we expect this to be more than offset by a contribution from *BlueArchive*, which launched on November 9th, and growth from *MapleStory* and *MapleStory M*.

On the cost side, in the three months ending December 31, 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. We expect costs to decrease year-over-year in the three months ending December 31, 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.

(Reference)

Consolidated financial results forecast for the three months ending December 31, 2021 (from October 1, 2021 to December 31, 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
4th Quarter	51,219	(22.8)%	2,465	(84.2)%	3,037	—	88	—	285	—	0.32
	~	~	~	~	~	~	~	~	~	~	~
	56,971	(14.2)%	6,902	(55.7)%	7,475	—	3,482	—	3,579	—	3.99

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 nine months ended September 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 nine months ended September 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	Financial Instruments	Clarified the treatment when replacing an existing interest rate benchmark with an alternative benchmark interest rate as a result of IBOR reform
IAS 39	Financial Instruments: Recognition and Measurement	
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 September 30, 2021
Assets		
Current assets		
Cash and cash equivalents	252,570	472,021
Trade and other receivables	20,935	34,872
Other deposits	273,132	98,247
Other financial assets	27,343	27,517
Other current assets	4,552	8,037
Total current assets	578,532	640,694
Non-current assets		
Property, plant and equipment	24,191	23,741
Goodwill	38,425	38,514
Intangible assets	14,935	20,170
Right-of-use assets	10,029	11,144
Investments accounted for using equity method	5,195	5,140
Other financial assets	167,620	195,169
Other non-current assets	1,277	986
Deferred tax assets	21,957	22,440
Total non-current assets	283,629	317,304
Total assets	862,161	957,998

(Millions of yen)

	As of December 31, 2020	As of September 30, 2021
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	10,668	9,774
Deferred income	11,505	11,135
Borrowings	2,094	—
Income taxes payable	15,774	17,155
Lease liabilities	2,657	2,983
Provisions	6,881	3,328
Other current liabilities	8,388	11,635
Total current liabilities	57,967	56,010
Non-current liabilities		
Deferred income	15,180	14,202
Lease liabilities	11,842	12,440
Other financial liabilities	868	894
Provisions	304	321
Other non-current liabilities	4,437	4,445
Deferred tax liabilities	51,118	51,862
Total non-current liabilities	83,749	84,164
Total liabilities	141,716	140,174
Equity		
Capital stock	22,679	33,216
Capital surplus	17,421	13,930
Treasury stock	(0)	(1,831)
Other equity interest	69,975	73,019
Retained earnings	599,807	689,651
Total equity attributable to owners of the parent company	709,882	807,985
Non-controlling interests	10,563	9,839
Total equity	720,445	817,824
Total liabilities and equity	862,161	957,998

(2) Condensed Consolidated Income Statement

For the nine months ended September 30, 2020 and 2021

(Millions of yen)

	Nine months ended September 30	
	2020	2021
	(From January 1, 2020 to September 30, 2020)	(From January 1, 2021 to September 30, 2021)
Revenue	226,640	220,212
Cost of sales	(49,183)	(54,140)
Gross profit	177,457	166,072
Selling, general and administrative expenses	(73,195)	(77,732)
Other income	1,592	484
Other expenses	(9,993)	(259)
Operating income	95,861	88,565
Finance income	13,643	40,949
Finance costs	(737)	(675)
Loss on revaluation	—	(2,785)
Share of profit (loss) of investments accounted for using equity method	801	(226)
Income before income taxes	109,568	125,828
Income taxes expense	(24,103)	(33,880)
Net income	85,465	91,948
Attributable to:		
Owners of the parent company	86,004	92,893
Non-controlling interests	(539)	(945)
Net income	85,465	91,948
Earnings per share	(Yen)	(Yen)
(attributable to owners of the parent company)		
Basic earnings per share	97.32	104.36
Diluted earnings per share	95.81	102.08

For the three months ended September 30, 2020 and 2021

(Millions of yen)

	Three months ended September 30	
	2020 (From July 1, 2020 to September 30, 2020)	2021 (From July 1, 2021 to September 30, 2021)
Revenue	79,412	75,890
Cost of sales	(19,266)	(18,739)
Gross profit	60,146	57,151
Selling, general and administrative expenses	(29,659)	(27,467)
Other income	294	197
Other expenses	(3,174)	(46)
Operating income	27,607	29,835
Finance income	3,748	18,404
Finance costs	(8,882)	(1,160)
Reversal of loss on revaluation	—	1,714
Share of profit (loss) of investments accounted for using equity method	428	(435)
Income before income taxes	22,901	48,358
Income taxes expense	(6,729)	(10,677)
Net income	16,172	37,681
Attributable to:		
Owners of the parent company	16,330	37,902
Non-controlling interests	(158)	(221)
Net income	16,172	37,681
Earnings per share (attributable to owners of the parent company)	(Yen)	(Yen)
Basic earnings per share	18.45	42.44
Diluted earnings per share	17.99	42.05

(3) Condensed Consolidated Statement of Comprehensive Income

For the nine months ended September 30, 2020 and 2021

	(Millions of yen)	
	Nine months ended September 30	
	2020	2021
	(From January 1, 2020 to September 30, 2020)	(From January 1, 2021 to September 30, 2021)
Net income	85,465	91,948
Other comprehensive income		
Items that will not be reclassified to net income		
Financial assets measured at fair value through other comprehensive income	18,709	4,974
Re-measurement of defined benefit pension plans	(3)	0
Income taxes	(4,565)	(1,210)
Total items that will not be reclassified to net income	14,141	3,764
Items that may be reclassified subsequently to net income		
Exchange differences on translating foreign operations	(21,624)	(4,375)
Other comprehensive income under equity method	(2)	9
Total items that may be reclassified subsequently to net income	(21,626)	(4,366)
Total other comprehensive income	(7,485)	(602)
Total comprehensive income	77,980	91,346
Attributable to:		
Owners of the parent company	78,935	92,434
Non-controlling interests	(955)	(1,088)
Total comprehensive income	77,980	91,346

For the three months ended September 30, 2020 and 2021

(Millions of yen)

	Three months ended September 30	
	2020 (From July 1, 2020 to September 30, 2020)	2021 (From July 1, 2021 to September 30, 2021)
Net income	16,172	37,681
Other comprehensive income		
Items that will not be reclassified to net income		
Financial assets measured at fair value through other comprehensive income	16,418	7,281
Re-measurement of defined benefit pension plans	7	1
Income taxes	(3,982)	(1,771)
Total items that will not be reclassified to net income	12,443	5,511
Items that may be reclassified subsequently to net income		
Exchange differences on translating foreign operations	5,852	(21,782)
Other comprehensive income under equity method	(1)	1
Total items that may be reclassified subsequently to net income	5,851	(21,781)
Total other comprehensive income	18,294	(16,270)
Total comprehensive income	34,466	21,411
Attributable to:		
Owners of the parent company	34,512	22,056
Non-controlling interests	(46)	(645)
Total comprehensive income	34,466	21,411

(4) Condensed Consolidated Statement of Changes in Equity

For the nine months ended September 30, 2020 (From January 1, 2020 to September 30, 2020)

(Millions of yen)

	Equity attributable to owners of the parent company					Total	Non-controlling interests	Total equity
	Capital stock	Capital surplus	Treasury stock	Other equity interest	Retained earnings			
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	—	—	—	—	86,004	86,004	(539)	85,465
Other comprehensive income	—	—	—	(7,069)	—	(7,069)	(416)	(7,485)
Total comprehensive income	—	—	—	(7,069)	86,004	78,935	(955)	77,980
Issue of shares	3,697	3,697	—	—	—	7,394	—	7,394
Stock issue cost	—	(28)	—	—	—	(28)	—	(28)
Payment of dividends	—	—	—	—	(4,417)	(4,417)	—	(4,417)
Share-based compensation	—	—	—	(627)	—	(627)	—	(627)
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	—	—	—	14	(14)	—	—	—
Total transactions with the owners	3,697	(19,285)	27,219	(613)	(11,459)	(441)	51	(390)
Balance at September 30, 2020	21,664	16,403	(0)	30,829	629,583	698,479	10,242	708,721

For the nine months ended September 30, 2021 (From January 1, 2021 to September 30, 2021)

(Millions of yen)

	Equity attributable to owners of the parent company					Total	Non-controlling interests	Total equity
	Capital stock	Capital surplus	Treasury stock	Other equity interest	Retained earnings			
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	—	—	—	—	92,893	92,893	(945)	91,948
Other comprehensive income	—	—	—	(459)	—	(459)	(143)	(602)
Total comprehensive income	—	—	—	(459)	92,893	92,434	(1,088)	91,346
Issue of shares	10,537	10,537	—	—	—	21,074	—	21,074
Stock issue cost	—	(76)	—	—	—	(76)	—	(76)
Payment of dividends	—	—	—	—	(4,441)	(4,441)	—	(4,441)
Share-based compensation	—	—	—	4,895	—	4,895	—	4,895
Changes in interests in subsidiaries	—	(15,891)	—	—	—	(15,891)	364	(15,527)
Change in scope of consolidation	—	1,939	(1,914)	—	—	25	—	25
Disposal of treasury stock	—	—	83	—	—	83	—	83
Reclassification from other equity interest to retained earnings	—	—	—	(1,392)	1,392	—	—	—
Total transactions with the owners	10,537	(3,491)	(1,831)	3,503	(3,049)	5,669	364	6,033
Balance at September 30, 2021	33,216	13,930	(1,831)	73,019	689,651	807,985	9,839	817,824

(5) Condensed Consolidated Statement of Cash Flows

(Millions of yen)

	Nine months ended September 30	
	2020 (From January 1, 2020 to September 30, 2020)	2021 (From January 1, 2021 to September 30, 2021)
Cash flows from operating activities		
Income before income taxes	109,568	125,828
Depreciation and amortization	6,320	6,710
Share-based compensation expenses	1,292	6,942
Interest and dividend income	(6,613)	(5,064)
Interest expense	245	306
Impairment loss	9,329	121
Loss on revaluation	—	2,785
Share of loss (profit) of investments accounted for using equity method	(801)	226
(Gain) loss on valuation of securities	(2,880)	(337)
Exchange (gain) loss	(4,235)	(29,143)
(Increase) decrease in trade and other receivables	(6,476)	(13,296)
(Increase) decrease in other current assets	(641)	(1,590)
(Decrease) increase in trade and other payables	2,681	(758)
(Decrease) increase in deferred income	2,876	(1,339)
(Decrease) increase in provisions	(1,620)	(3,544)
(Decrease) increase in other current liabilities	4,686	425
Other	(115)	(2,208)
Subtotal	113,616	86,064
Interest and dividends received	10,138	6,450
Interest paid	(296)	(305)
Income taxes paid	(15,593)	(31,005)
Net cash provided by operating activities	107,865	61,204
Cash flows from investing activities		
Net decrease (increase) in restricted deposit	(3,452)	521
Net decrease (increase) in time deposit	25,878	180,258
Purchases of property, plant and equipment	(1,544)	(1,058)
Proceeds from sales of property, plant and equipment	21	59
Purchases of intangible assets	(689)	(11,921)
Payments associated with increase in long-term prepaid expenses	(184)	(1,931)
Purchases of securities by investment funds under consolidated subsidiaries	(25,586)	(28,965)
Proceeds from sale of securities by investment funds under consolidated subsidiaries	13,099	27,788
Purchases of investment securities	(85,866)	(24,756)
Proceeds from sale and redemption of investment securities	370	4,079
Purchase of investments accounted for using equity method	(671)	—
Proceeds from sale of investments accounted for using equity method	55	0
Payments for short-term loans receivable	(106)	(16,587)
Collection of short-term loans receivable	28	16,577
Other	(808)	(1,475)
Net cash provided by (used in) investing activities	(79,455)	142,589
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(137)	(2,094)
Proceeds from exercise of stock options	5,521	3,507
Purchases of treasury stock	(2,783)	—
Cash dividends paid	(4,417)	(4,440)
Repayment of lease liability	(1,765)	(1,889)
Net cash used in financing activities	(3,581)	(4,916)
Net (decrease) increase in cash and cash equivalents	24,829	198,877
Cash and cash equivalents at the beginning of the period	253,636	252,570
Effects of exchange rate changes on cash and cash equivalents	(2,162)	20,574
Cash and cash equivalents at the end of the period	276,303	472,021

(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 directly transfers revaluation surplus to retained earnings if the surplus is realized due to the derecognition of the 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 nine months ended September 30, 2020 (From January 1, 2020 through September 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
Resolution of the Board of Directors on August 6, 2020	Common stock	2,211	2.5	June 30, 2020	September 28, 2020

For the nine months ended September 30, 2021 (From January 1, 2021 through September 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
Resolution of the Board of Directors on August 11, 2021	Common stock	2,224	2.5	June 30, 2021	September 27, 2021

(b) Change in scope of consolidation

Stiftelsen Embark Incentive (“Foundation”) acquired Nexon’s stock in the amount of ¥1,914 million (905,144 shares) by third-party allotment as compensation for our 100% acquisition of Embark Studios AB. As we have consolidated the Foundation in our condensed quarterly consolidated financial statements from the three months ended September 30, 2021, treasury stock includes Nexon’s stock owned by the Foundation. Refer to (f) below for details on the third-party allotment.

(c) 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 nine months ended September 30, 2020 based on a resolution of the Board of Directors on September 9, 2019.

(d) Disposal of treasury stock

The Foundation assigned Nexon’s stock in the amount of ¥83 million (39,374 shares) through Embark Studios AB to the employees who are eligible for the company’s incentive program.

(e) Retirement of treasury stock

During the nine months ended September 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 September 30, 2020 was negative ¥7,028 million and other retained earnings were reduced by this amount.

(f) Acquisition of additional non-controlling interest

In the three months ended September 30, 2021, Nexon conducted a third-party allotment (“Third-party Allotment”) for the purpose of acquiring all of the outstanding shares of our consolidated subsidiary, Embark Studios AB, owned by shareholders other than Nexon and its subsidiaries (i.e. to turn Embark Studios AB into our wholly-owned subsidiary) by issuing 7,388,930 shares of Nexon’s common stock to the shareholders of Embark Studios AB (excluding Nexon and its subsidiaries) in exchange for their granting of 176,469,789 shares of Embark Studios AB’s common stock owned by them to Nexon as a contribution in-kind. The fair value per share of Nexon’s common stock granted to the allottees on the payment due date of the Third-party Allotment is measured at ¥2,115, which was the closing price of Nexon’s common stock on the Tokyo Stock Exchange on August 23, 2021.

As a result of this Third-Party Allotment, our capital stock and capital surplus each increased by ¥7,814 million, non-controlling interests increased by ¥204 million, exchange differences on translating foreign operations increased by ¥95 million and capital surplus decreased by ¥15,927 million. Due to this increase in non-controlling interests, Nexon Group no longer has any non-controlling interest in Embark Studios AB.

(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 nine months ended September 30)

For the nine months ended September 30, 2020 (From January 1, 2020 to September 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	2,513	146,153	2,196	3,825	1,058	155,745	—	155,745
Mobile	408	60,022	—	8,591	627	69,648	—	69,648
Other	28	1,157	—	62	—	1,247	—	1,247
Total revenue from external customers	2,949	207,332	2,196	12,478	1,685	226,640	—	226,640
Intersegment revenue	729	2,007	—	501	288	3,525	(3,525)	—
Total	3,678	209,339	2,196	12,979	1,973	230,165	(3,525)	226,640
Segment profit or loss (Note 1)	(1,913)	107,558	1,359	(1,009)	(1,737)	104,258	4	104,262
Other income (expense), net								(8,401)
Operating income								95,861
Finance income (costs), net								12,906
Share of profit of investments accounted for using equity method								801
Income before income taxes								109,568

(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 ¥4 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.

For the nine months ended September 30, 2021 (From January 1, 2021 to September 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	2,464	149,196	2,624	4,512	956	159,752	—	159,752
Mobile	1,222	50,986	—	6,971	8	59,187	—	59,187
Other	18	1,252	—	3	0	1,273	—	1,273
Total revenue from external customers	3,704	201,434	2,624	11,486	964	220,212	—	220,212
Intersegment revenue	781	2,076	—	649	417	3,923	(3,923)	—
Total	4,485	203,510	2,624	12,135	1,381	224,135	(3,923)	220,212
Segment profit or loss (Note 1)	(7,548)	97,144	1,559	619	(3,430)	88,344	(4)	88,340
Other income (expense), net								225
Operating income								88,565
Finance income (costs), net (Note 5)								40,274
Loss on revaluation (Note 6)								(2,785)
Share of loss of investments accounted for using equity method								(226)
Income before income taxes								125,828

(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 ¥(4) 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 ¥33,204 million.

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

(For the three months ended September 30)

For the three months ended September 30, 2020 (From July 1, 2020 to September 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	867	42,398	709	1,570	360	45,904	—	45,904
Mobile	115	30,326	—	2,597	31	33,069	—	33,069
Other	3	383	—	53	—	439	—	439
Total revenue from external customers	985	73,107	709	4,220	391	79,412	—	79,412
Intersegment revenue	237	768	—	198	109	1,312	(1,312)	—
Total	1,222	73,875	709	4,418	500	80,724	(1,312)	79,412
Segment profit or loss (Note 1)	(634)	31,872	411	(446)	(709)	30,494	(7)	30,487
Other income (expense), net								(2,880)
Operating income								27,607
Finance income (costs), net (Note 5)								(5,134)
Share of profit of investments accounted for using equity method								428
Income before income taxes								22,901

(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 ¥(7) 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 ¥8,638 million.

For the three months ended September 30, 2021 (From July 1, 2021 to September 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	992	53,088	901	1,464	387	56,832	—	56,832
Mobile	351	16,290	—	1,971	—	18,612	—	18,612
Other	(4)	449	—	1	—	446	—	446
Total revenue from external customers	1,339	69,827	901	3,436	387	75,890	—	75,890
Intersegment revenue	218	736	—	249	135	1,338	(1,338)	—
Total	1,557	70,563	901	3,685	522	77,228	(1,338)	75,890
Segment profit or loss (Note 1)	(2,814)	33,272	525	(162)	(1,149)	29,672	12	29,684
Other income (expense), net								151
Operating income								29,835
Finance income (costs), net (Note 5)								17,244
Reversal of loss on revaluation (Note 6)								1,714
Share of loss of investments accounted for using equity method								(435)
Income before income taxes								48,358

(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. 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 ¥16,131 million.

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

(c) Information on each region

Revenue from external customers are as follows:

(For the nine months ended September 30)

For the nine months ended September 30, 2020 (From January 1, 2020 to September 30, 2020)

(Millions of yen)

	Revenue by major business			Total
	PC online	Mobile	Other	
Main regional market				
Japan	2,514	4,427	30	6,971
Korea	76,876	45,169	1,022	123,067
China	67,622	859	6	68,487
North America and Europe	3,420	11,175	146	14,741
Rest of World	5,313	8,018	43	13,374
Total	155,745	69,648	1,247	226,640

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

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

3. Main countries or regions in each category:

(1) North America and Europe: USA, Canada and Europe

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

For the nine months ended September 30, 2021 (From January 1, 2021 to September 30, 2021)

(Millions of yen)

	Revenue by major business			Total
	PC online	Mobile	Other	
Main regional market				
Japan	2,464	5,546	18	8,028
Korea	83,609	38,500	1,112	123,221
China	61,752	463	—	62,215
North America and Europe	4,103	9,596	79	13,778
Rest of World	7,824	5,082	64	12,970
Total	159,752	59,187	1,273	220,212

(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 September 30)

For the three months ended September 30, 2020 (From July 1, 2020 to September 30, 2020)

(Millions of yen)

	Revenue by major business			Total
	PC online	Mobile	Other	
Main regional market				
Japan	867	1,752	4	2,623
Korea	25,942	24,231	353	50,526
China	15,616	152	1	15,769
North America and Europe	1,391	4,056	72	5,519
Rest of World	2,088	2,878	9	4,975
Total	45,904	33,069	439	79,412

(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 September 30, 2021 (From July 1, 2021 to September 30, 2021)

(Millions of yen)

	Revenue by major business			Total
	PC online	Mobile	Other	
Main regional market				
Japan	992	1,493	(4)	2,481
Korea	28,213	11,741	410	40,364
China	22,769	164	—	22,933
North America and Europe	1,295	3,237	18	4,550
Rest of World	3,563	1,977	22	5,562
Total	56,832	18,612	446	75,890

(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 September 22, 2021, Nexon's Board of Directors resolved to issue stock acquisition rights as stock options without compensation to employees of Nexon, as well as 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 October 1, 2021.

The details are as follows:

Date of resolution	September 22, 2021
Category and number of eligible persons (persons)	Employees of Nexon: 19 Directors and employees of Nexon's subsidiaries: 253
Number of stock acquisition rights (units) *	10,607,000 (Note) 1
Class, description and number of underlying shares (shares) *	Common stock: 10,607,000 (Note) 2,3
Amount to be paid upon exercise of stock acquisition rights (yen) *	1,759 (Note) 4
Exercise period of stock acquisition rights *	(Qualified stock options) From September 22, 2023 to September 30, 2027 (Non-qualified stock options) From October 1, 2021 to September 30, 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: 1,759 Amount of capital stock to be increased: 880
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 (October 1, 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) Investment in investment funds

At the Board of Directors meeting on September 22, 2021, Nexon Group resolved to effectively utilize its surplus funds by investing in each of the following investment funds: (i) Smash Capital Fund I L.P. (total scheduled contribution of USD 300 million [¥33,576 million]) and (ii) Alignment Growth Fund I, LP (total scheduled contribution of USD 200 million [¥22,384 million]). For the investment fund (ii) above, an agreement regarding the contribution of funds was concluded after September 30, 2021.

We are also scheduled to enter into an agreement regarding the contribution of funds with the investment fund (i) above. The impact of these investment funds on Nexon Group's consolidated financial statements is currently under review.