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# Consolidated Financial Results
# for the Fiscal Year Ended December 31, 2020
# [IFRS]

February 9, 2021

Company name: NEXON Co., Ltd.
Stock exchange listing: Tokyo Stock Exchange
Stock code: 3659
URL: http://www.nexon.co.jp/
Representative: Owen Mahoney, Chief Executive Officer and President
Contact: Shiro Uemura, Representative Director and Chief Financial Officer Phone: +81-3-6629-5318
Scheduled date of Ordinary General Meeting of Shareholders: March 25, 2021
Scheduled date of filing annual securities reports: March 26, 2021
Scheduled date of dividend payment commencement: March 26, 2021
Supplementary briefing material on financial results: Yes
Financial results briefing: No

(Amounts are rounded to nearest million yen)

1. Consolidated Financial Results for the Fiscal Year Ended December 31, 2020
(From January 1, 2020 to December 31, 2020)

(1) Consolidated Operating Results (% changes from the previous fiscal year)

(Millions of yen)

| | Revenue | | Operating income | | Income before income taxes | | Net income | | Net income attributable to owners of the parent company | | Total comprehensive income | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| FY 2020 | 293,024 | 17.9% | 111,450 | 17.9% | 108,171 | (11.3)% | 55,489 | (51.0)% | 56,220 | (51.4)% | 86,427 | (0.5)% |
| FY 2019 | 248,542 | (2.0)% | 94,525 | (3.9)% | 121,968 | 3.9% | 113,236 | 10.0% | 115,664 | 7.4% | 86,865 | 20.6% |

| | Basic earnings per share | Diluted earnings per share | Ratio of net income to equity attributable to owners of the parent company | Ratio of income before income taxes to total assets | Ratio of operating income to revenue |
|---|---|---|---|---|---|
| | Yen | Yen | % | % | % |
| FY 2020 | 63.57 | 61.90 | 8.5 | 13.7 | 38.0 |
| FY 2019 | 129.34 | 128.03 | 19.7 | 17.8 | 38.0 |

(Reference): Share of profit (loss) of investments accounted for using equity method
FY2020: ¥765 million, FY2019: ¥(325) million

(2) Consolidated Financial Position

| | Total assets | Total equity | Total equity attributable to owners of the parent company | Ratio of equity attributable to owners of the parent company | Equity attributable to owners of the parent company per share |
|---|---|---|---|---|---|
| | Millions of yen | Millions of yen | Millions of yen | % | Yen |
| As of December 31, 2020 | 862,161 | 720,445 | 709,882 | 82.3 | 800.35 |
| As of December 31, 2019 | 719,088 | 631,131 | 619,985 | 86.2 | 702.59 |

(3) Consolidated Cash Flows

(Millions of yen)

| | From operating activities | From investing activities | From financing activities | Cash and cash equivalents at end of year |
|---|---|---|---|---|
| FY 2020 | 137,603 | (140,234) | (2,626) | 252,570 |
| FY 2019 | 105,073 | (28,625) | (27,742) | 253,636 |

2. Dividends

| | Annual Dividends | | | | | Total amount of cash dividends (annual) | Dividends payout ratio (consoli-dated) | Ratio of total amount of dividends to equity attributable to owners of the parent company (consolidated) |
|---|---|---|---|---|---|---|---|---|
| | End of 1st Quarter | End of 2nd Quarter | End of 3rd Quarter | End of Year | Total | | | |
| | Yen | Yen | Yen | Yen | Yen | Millions of yen | % | % |
| FY 2019 | ― | 0.00 | ― | 2.50 | 2.50 | 2,206 | 1.9 | 0.4 |
| FY 2020 | ― | 2.50 | ― | 2.50 | 5.00 | 4,428 | 7.9 | 0.7 |
| FY 2021 (Forecast) | ― | 2.50 | ― | 2.50 | 5.00 | | ― | |

3. Consolidated Financial Results Forecast for the First Quarter of Fiscal Year Ending December 31, 2021
(From January 1, 2021 to March 31, 2021)

(% changes from the previous corresponding period)

(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 |
| First Quarter | 82,770 ~ 89,129 | 0.0% ~ 7.7% | 35,265 ~ 41,922 | (15.1)% ~ 0.9% | 36,457 ~ 43,114 | (41.2)% ~ (30.4)% | 25,629 ~ 30,604 | (48.5)% ~ (38.5)% | 26,019 ~ 30,920 | (47.9)% ~ (38.1)% | 29.33 ~ 34.85 |

(Note) For the forecasts of consolidated financial results for the fiscal year ending December 31, 2021, it is difficult to reasonably estimate financial results for the first six months ending June 30, 2021 and the fiscal year ending December 31, 2021 at the moment, and accordingly, only the financial results forecast for the first three months of the fiscal year ending December 31, 2021 is disclosed. Also, as it is difficult to estimate specific figures, disclosure is made with a range. For details, please refer to "1. Overview of Operating Results and Financial Position (3) Qualitative Information on Consolidated Financial Results Forecast" on page 6 of the Appendix.

*(Notes)

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

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

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

Excluded ― entities (Names) ―

(Note) Refer to Appendix p.19, “4. Consolidated Financial Statements and Major Notes, (6) Notes to Consolidated Financial Statements, (Changes in Significant Subsidiaries during the Period)” for details.

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

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

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

1) Total number of shares issued at the end of the period (including treasury stock):
   As of December 31, 2020: 886,961,539 shares
   As of December 31, 2019: 901,530,560 shares
2) Total number of treasury stock at the end of the period:
   As of December 31, 2020: 44 shares
   As of December 31, 2019: 19,109,021 shares
3) Average number of shares during the period:
   For the fiscal year ended December 31, 2020: 884,335,963 shares
   For the fiscal year ended December 31, 2019: 894,277,145 shares

(Reference) Overview of Non-consolidated Financial Results

1. Non-consolidated Financial Results for the Fiscal Year Ended December 31, 2020
(From January 1, 2020 to December 31, 2020)

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

(Millions of yen)

| | Revenue | | Operating income | | Ordinary income | | Net income | |
|---|---|---|---|---|---|---|---|---|
| FY 2020 | 5,411 | (10.1)% | (5,163) | ― | 39,937 | 71.0% | 37,152 | 65.9% |
| FY 2019 | 6,016 | (14.4)% | (5,143) | ― | 23,359 | ― | 22,397 | ― |

| | Basic earnings per share | Diluted earnings per share |
|---|---|---|
| | Yen | Yen |
| FY 2020 | 42.01 | 41.54 |
| FY 2019 | 25.04 | 24.87 |

(2) Non-consolidated Financial Position

(Millions of yen)

| | Total assets | Net assets | Equity ratio | Net assets per share |
|---|---|---|---|---|
| As of December 31, 2020 | 103,313 | 100,759 | 89.5% | 104.28 yen |
| As of December 31, 2019 | 63,004 | 60,604 | 84.3% | 60.18 yen |

(Reference): Equity at December 31, 2020: ¥ 92,489 million, Equity at December 31, 2019: ¥53,105 million

(Notes) Non-consolidated financial data is based on Japanese GAAP.

*This financial report is outside the scope of audit procedures.

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

(Caution Concerning Forward-Looking Statements)

The forward-looking statements including the financial results forecast herein are based on the information available to the Company and certain assumptions that can be deemed reasonable at time of publication of this document, and are not intended as the Company's commitment to achieve such forecasts. Actual results may differ significantly from these forecasts due to various factors. For conditions prerequisite to the financial results forecast and the points to be noted in the use thereof, please refer to "1. Overview of Operating Results and Financial Position (3) Qualitative Information on Consolidated Financial Results Forecast" on page 6 of the Appendix.

(Method of Obtaining Supplementary Briefing Material on Financial Results)

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

Contents of Appendix

# 1. Overview of Operating Results and Financial Position

## (1) Overview of Operating Results

As for the global economy during the fiscal year ended December 31, 2020, although a gradual economic recovery was seen in China where the local COVID-19 infections had been almost fully contained and some signs of recovery were seen in the U.S., the extremely harsh conditions are expected to continue as the end of the COVID-19 pandemic is still out of sight. While there are hopes for the economy to continue to pick up as the restart of global economic activities is phased in, the road to economic recovery is yet uncertain and future outlook remains extremely unclear despite the move to develop effective coronavirus vaccines in countries around the world. As for the Japanese economy, the government declared a state of emergency again due to COVID-19 resurgence and we need to continue to keep an eye on the COVID-19 situation in Japan and abroad, as well as its financial, economic and social impact.

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 fiscal year ended December 31, 2020, we achieved record-high full-year revenue despite a revenue decrease from our China business, as both our major franchises and mobile business significantly grew due to the effectiveness of the Focus Strategy above. We have recorded revenue growth for nine consecutive years since we went public in 2011, excluding the impact of the foreign currency exchange.

In Korea, we saw strong results from all four of our major PC titles. *MapleStory*, *Dungeon&Fighter* and *EA SPORTS ™ FIFA ONLINE 4* ("*FIFA ONLINE 4*") all marked record-breaking full-year revenues. *MapleStory* and *Dungeon&Fighter* grew by 97% and 53%, respectively, year-over-year, while *FIFA ONLINE 4* also showed growth. Mobile revenue also increased significantly as we benefitted from the mobile versions of our hit titles, such as *The Kingdom of the Winds: Yeon*, *KartRider Rush+* and *EA SPORTS ™ FIFA MOBILE* ("*FIFA MOBILE*"), as well as *V4*. Accordingly, our Korea business overall grew by 84% year-over-year, achieving record-high full-year revenue and accounting for 56% of the consolidated group revenue in the fiscal year ended December 31, 2020.

In China, revenue decreased year-over-year due to a slowdown of our major PC title, *Dungeon&Fighter*, which has seen a decline in its user metrics since the second half of FY2019. We have worked to improve its user engagement by conducting major updates and constant events, but the numbers of its active and paying users remained low throughout the year and its revenue decreased year-over-year.

In Japan, while we benefitted from *TRAHA*, *V4* and *FIFA MOBILE*, which all launched in FY2020, revenue decreased year-over-year due to a slowdown of *MapleStory M*, which launched in FY2019, and the disposition of gloops, Inc., which was our consolidated subsidiary.

In North America and Europe, revenue slightly increased year-over-year primarily driven by increases in revenue from *MapleStory* and *MapleStory M*.

In Rest of World, revenue increased year-over-year driven by contributions from *KartRider Rush+* and *V4*, which launched in FY2020, as well as *MapleStory*'s revenue growth.

In terms of expenses, cost of sales increased year-over-year primarily due to an increase in royalty costs in proportion to contributions from *The Kingdom of the Winds: Yeon* and an increase in revenue from *FIFA ONLINE 4*. Selling, general and administrative expenses increased year-over-year due to an increase in platform costs attributable to the strong performances of mobile games including *The Kingdom of the Winds: Yeon*, *KartRider Rush+* and *V4*. Other revenue decreased due to comparisons with FY2019, when we recorded a gain on step acquisition related to our consolidation of Embark Studios AB. Other expenses also decreased due to comparisons with FY2019, when we recorded an impairment loss on goodwill and intangible assets of Pixelberry Studios.

Finance income decreased and finance costs increased year-over-year as a result of a foreign exchange loss primarily on foreign currency-denominated cash deposits. Income tax expense increased year-over-year as a result of additional recognition of deferred tax liabilities on undistributed profits of our overseas subsidiary in the fiscal year ended December 31, 2020.

As a result, for the fiscal year ended December 31, 2020, Nexon Group recorded revenue of ¥293,024 million (up 17.9% year-over-year), operating income of ¥111,450 million (up 17.9% year-over-year), income before income taxes of ¥108,171 million (down 11.3% year-over-year) and net income attributable to owners of the parent company of ¥56,220 million (down 51.4% year-over-year).

Performance results by reportable segments are as follows:

(a) Japan

Revenue for the fiscal year ended December 31, 2020 amounted to ¥4,316 million (down 43.6% year-over-year) and segment loss amounted to ¥4,338 million (segment loss of ¥3,490 million for the fiscal year ended December 31, 2019). PC and mobile revenues both decreased in Japan.

(b) Korea

Revenue for the fiscal year ended December 31, 2020 amounted to ¥266,775 million (up 21.0% year-over-year) and segment profit amounted to ¥126,839 million (up 13.0% year-over-year). Revenue in Korea include royalty income of NEOPLE INC. (a subsidiary of NEXON Korea Corporation, our consolidated subsidiary) attributable to license agreements in China.

(c) China

Revenue for the fiscal year ended December 31, 2020 amounted to ¥3,058 million (up 8.4% year-over-year), and segment profit amounted to ¥1,891 million (up 21.5% year-over-year).

(d) North America

Revenue for the fiscal year ended December 31, 2020 amounted to ¥16,907 million (up 6.0% year-over-year) and segment loss amounted to ¥1,263 million (segment loss of ¥5,527 million for the fiscal year ended December 31, 2019).

(e) Other

Revenue for the fiscal year ended December 31, 2020 amounted to ¥1,968 million (up 16.9% year-over-year) and segment loss amounted to ¥2,821 million (segment loss of ¥957 million for the fiscal year ended December 31, 2019).

(2) Overview of Financial Position

(a) Assets, liabilities and equity

(Assets)

Total assets as of December 31, 2020 amounted to ¥862,161 million, an increase of ¥143,073 million from December 31, 2019. Major components include an increase of ¥139,289 million in other financial assets.

(Liabilities)

Total liabilities as of December 31, 2020 amounted to ¥141,716 million, an increase of ¥53,759 million from December 31, 2019. Major components include an increase of ¥34,344 million in deferred tax liabilities and an increase of ¥8,371 million in income taxes payable.

(Equity)

Equity as of December 31, 2020 totaled ¥720,445 million, an increase of ¥89,314 million from December 31, 2019. Major components of changes in equity include an increase of ¥44,769 million in retained earnings primarily due to the recording of net income attributable to owners of the parent company and an increase of ¥31,464 million in other equity interest primarily due to an increase in financial assets measured at fair value through other comprehensive income.

(b) Cash flows

Cash and cash equivalents (collectively, "cash") as of December 31, 2020 were ¥252,570 million, a decrease of ¥1,066 million from December 31, 2019. The decrease includes ¥4,191 million in effects of exchange rate changes on cash.

Cash flows from each activity for the fiscal year ended December 31, 2020 and their significant components are as follows:

(Cash flows from operating activities)

Net cash provided by operating activities was ¥137,603 million, compared to ¥105,073 million for the fiscal year ended December 31, 2019. Major components of the increase include income before income taxes of ¥108,171 million (¥121,968 million for the fiscal year ended December 31, 2019) and interest and dividends received of ¥11,353 million (¥11,992 million for the fiscal year ended December 31, 2019). While income before income taxes decreased due to the impact of exchange rates, net cash provided by operating activities increased year-over-year primarily driven by revenue growth.

(Cash flows from investing activities)

Net cash used in investing activities was ¥140,234 million, compared to net cash of ¥28,625 million for the fiscal year ended December 31, 2019. Major cash outflows include purchases of investment securities of ¥86,258 million (¥31,519 million for the fiscal year ended December 31, 2019) and purchases of securities by investment funds under consolidated subsidiaries of ¥31,867 million (¥- million for the fiscal year ended December 31, 2019). Net cash used in investing activities increased year-over-year as a result of an increase in purchases of securities primarily due to our consolidation of investment funds and strategic investments in global entertainment companies.

(Cash flows from financing activities)

Net cash used in financing activities was ¥2,626 million, compared to ¥27,742 million for the fiscal year ended December 31, 2019. Major cash inflows include proceeds from exercise of stock options of ¥7,050 million (¥3,127 million for the fiscal year ended December 31, 2019). Major cash outflows include cash dividends paid of ¥4,417 million (¥0 million for the fiscal year ended December 31, 2019), purchases of treasury stock of ¥2,783 million (¥27,225 million for the fiscal year ended December 31, 2019) and repayment of lease liability of ¥2,339 million (¥1,790 million for the fiscal year ended December 31, 2019). Net cash used in financing activities decreased year-over-year primarily due to a decrease in purchases of treasury stock and an increase in proceeds from exercise of stock options.

(Reference) The changes in cash flow indicators are as follows:

| | FY2019 | FY2020 |
|---|---|---|
| Ratio of equity attributable to owners of the parent company (%) | 86.2 | 82.3 |
| Ratio of equity attributable to owners of the parent company at fair value (%) | 177.9 | 327.1 |
| Interest-bearing liabilities to cash flow ratio (years) | 0.1 | 0.1 |
| Interest coverage ratio (times) | 264.8 | 337.6 |

Ratio of equity attributable to owners of the parent company:

Equity attributable to owners of the parent company (end of year) / total assets (end of year)

Ratio of equity attributable to owners of the parent company at fair value:

Market capitalization / total assets (end of year)

Interest-bearing liabilities to cash flow ratio:

Interest-bearing liabilities / cash flows

Interest coverage ratio:

Cash flows / interest paid

(Note 1) All ratios are calculated based on the financial data on a consolidated basis.

(Note 2) Market capitalization is calculated based on the number of shares issued and outstanding, excluding treasury stock.

(Note 3) Cash flows are derived from operating cash flows.

(Note 4) Interest-bearing liabilities cover all liabilities recorded in the consolidated statement of financial position that are subject to interest payment.

(3) Qualitative Information on Consolidated Financial Results Forecast

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

In our consolidated business outlook, we disclose our expectations for the following quarter as a range to provide more accurate information to our shareholders and investors, since it is difficult to derive full-year consolidated forecasts due to uncertainties in projecting the speed of growth of PC online game and mobile game markets in which Nexon Group's main businesses operate, and because our revenue is largely dependent on such uncertain factors as users' preferences and whether or not we have any hit titles.

For the three months ending March 31, 2021, Nexon Group expects consolidated revenue in the range of ¥82,770~89,129 million (up 0.0%~7.7% year-over-year), operating income in the range of ¥35,265~41,922 million (down 15.1%~up 0.9% year-over-year), income before income taxes in the range of ¥36,457~43,114 million (down 41.2%~30.4% year-over-year), net income in the range of ¥25,629~30,604 million (down 48.5%~38.5% year-over-year), net income attributable to owners of the parent company in the range of ¥26,019~30,920 million (down 47.9%~38.1% year-over-year), and basic earnings per share in the range of ¥29.33~34.85. Nexon Group operates its businesses around the world, in Japan, South Korea, China, the United States and other countries. Major exchange rates for Q1 2021 are expected to be 1 U.S. Dollar = ¥104.17, 100 Korean Won = ¥9.45 and 1 Chinese Yuan = ¥16.00. 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 ¥819 million on revenue and approximately ¥389 million on operating income for the three months ending March 31, 2021.

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

In Korea, we expect that our Focus Strategy will drive year-over-year double-digit growth of our PC online games, namely *MapleStory*, *Dungeon&Fighter* and *Sudden Attack*, as well as *MapleStory M*, which is keeping up its good momentum since the major update in December 2020. Both PC online and mobile games are expected to grow year-over-year due to contributions from *The Kingdom of the Winds: Yeon* which launched in Q3 2020, as well as *KartRider Rush+* and *FIFA MOBILE*, both of which launched in Q2 2020. As a result, we expect our overall revenue in Korea to increase once again even with the tough comparisons with Q1 2020.

While we expect the mobile business in Korea to grow year-over-year, revenue is expected to sequentially decrease due to the slowdown of *The Kingdom of the Winds: Yeon* and *KartRider Rush+* attributable to decreases in the number of users. We will endeavor to retain existing users, attract new users and regain lapsed users by offering rich contents and events, and also conduct measures for long-term operations.

In China, we expect revenue to decrease year-over-year due to a decrease in revenue from our major PC title, *Dungeon&Fighter*.

On January 21, 2021 we introduced *Dungeon&Fighter*'s Lunar New Year update, which included additional dungeons and avatar package offerings. While the numbers of active users and paying users have remained stable from Q4 2020, they have decreased compared to last year. Accordingly, we also expect the sales of the Lunar New Year package offerings to decrease. In addition, revenue is expected to decrease due to tough comparisons with Q1 2020 when we introduced a major update including the Level Cap release and the third awakening. Although we do not expect a significant improvement in the user metrics on the short term, we will take various measures for growth on the mid- to long-term, including seasonal updates and updates designed to attract new users and regain churned users.

In Japan, we expect revenue to increase year-over-year driven by *FIFA MOBILE*, *V4*, *TRAHA* and contributions from *Blue Archive*, which is a mobile game that launched on February 4, 2021 developed by our consolidated subsidiary NAT GAMES Co., Ltd.

In North America and Europe, we expect revenue in the range of a year-over-year decrease to increase. While we anticipate a double-digit growth in *MapleStory* compared to Q1 2020 when it recorded 54% growth year-over-year, we also expect this to be offset by a decrease in revenues from *Choices* and *MapleStory 2*, whose service ended in 2020.

In the Rest of World, we expect revenue to decrease year-over-year due to contributions expected from *KartRider Rush+* being more than offset by declines in *World of Dragon Nest* and other mobile titles.

On the cost side, in the three months ending March 31, 2021, we expect increases in royalty costs and platform costs, as well as an increase in marketing costs due to ongoing marketing of mobile games, and an increase in HR costs including salary and stock option costs. Furthermore, we have formulated a new HR strategy in Korea, which is the center of our development, for the purpose of sustained growth and further strengthening of our competitiveness in the global market. We expect that HR costs will significantly increase year-over-year as salary levels were raised to retain talented personnel and gain new top-level personnel in the intensely competitive HR market, and we decided to adopt an incentive program that is more aligned with individual results than before. While we expect a decrease in Other expenses due the impairment loss recorded in Q1 2020 not being repeated in Q1 2021, we expect the unfavorable factors to be greater than the favorable factors. Therefore, we expect costs to increase year-over-year in the three months ending March 31, 2021.

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.

(4) Basic Policy on the Distribution of Profits and Dividends for the Current and Next 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 policy above, we are scheduled to pay out year-end dividends of 2.5 yen per share for the fiscal year ended December 31, 2020. Furthermore, interim and year-end dividends of 2.5 yen per share are also scheduled for the fiscal year ending December 31, 2021.

At Nexon, dividends of surplus are decided by a resolution of the Board of Directors. Furthermore, Nexon's Articles of Incorporation stipulates that "The decisions of the Company with regards to dividends of surplus and other matters as stipulated under each provision of Article 459 (1) of the Companies Act shall not require a resolution of the General Meeting of Shareholders but shall be decided by a resolution of the Board of Directors, except when otherwise provided for by laws and regulations," and that "The record date for the Company's year-end dividends shall be December 31 of each year" and "The record date for the Company's interim dividends shall be June 30 of each year."

## 2. Current Status of the Corporate Group

As of December 31, 2020, Nexon Group consists of NEXON Co., Ltd. ("Nexon"), Nexon's 24 consolidated subsidiaries and 12 affiliated companies and joint ventures, and is engaged in the production, development and service of PC online and mobile games. In Japan, Nexon is responsible for developing the overall strategies for our products and services and operating the business, while overseas, our local consolidated subsidiaries do so in their respective regions as independently managed entities.

Accordingly, Nexon Group consists of geographical segments based on production, development and service of PC online and mobile games. The reportable segments include "Japan," "Korea," "China," "North America," and "Others." Europe and Asian countries are included in "Others."

(Consolidated subsidiaries as of December 31, 2020)

| | |
|---|---|
| Japan: | NEXON Co., Ltd. |
| Korea: | NEXON Korea Corporation; NEOPLE INC.; Nexon Networks Corporation; NEXON GT Co., Ltd.; NEXON COMMUNICATIONS Co., Ltd.; Nexon Space Co., Ltd.; Thingsoft Inc.; N Media Platform Co., LTD.; JoongAng Pangyo Development Co., Ltd; Ngine Studios; NAT GAMES Co., Ltd.; TDF Co., Ltd.; Mirae Asset Global Innovation Growth Focus Equity Privately Placed Investment Trust; VIP Global Super Growth Hedge Fund; Samsung Digital Innovation Equity Fund Private Investment Trust 1 |
| China: | Lexian Software Development (Shanghai) Co., Ltd. |
| North America: | Nexon America Inc.; Nexon US Holding Inc.; Big Huge Games, Inc.; Pixelberry Studios; |
| Others: | NEXON TAIWAN LIMITED; Nexon Thailand Co., Ltd.; Embark Studios AB; NEXON NETWORKS VINA COMPANY LIMITED |

Nexon Group classifies its lines of business into (a) PC online business and (b) Mobile business.

### (1) Lines of business

#### (a) PC online business

The PC online business mostly involves the production, development and service of PC online games. Additional services we offer include consulting related to PC online game service, in-game advertising, and merchandising incidental to the PC online business.

Major titles serviced by Nexon Group include *MapleStory*, *Dungeon&Fighter* and *FIFA ONLINE 4*. When we launch a new title, we flexibly adapt to market differences by conducting a test service of the game, taking into account the characteristics and preferences of users in the respective areas of the world and the genre of the game to be serviced.

PC online games developed within Nexon Group, by NEXON Korea Corporation, NEOPLE INC. or other group companies, are directly serviced by themselves or, in regions that have large markets, through other members of Nexon Group such as Nexon, Nexon America Inc., NEXON TAIWAN LIMITED or Nexon Thailand Co., Ltd. We have endeavored to maximize business synergy effects by establishing a closely coordinated structure within Nexon Group for the production, development and service of PC online games. In addition, with regards to PC online games developed by non-Nexon Group developers and for which we have acquired publishing rights, we try to maximize revenue by publishing those games through Nexon Group so that they reach a large audience and we also build rapport with such developers as we service their games. In regions where Nexon Group does not directly service games, we go through local publishers to service in-house developed PC online games. Through such business initiatives as above, we are making the utmost effort to service fun and creative games to users all over the world.

As for the consulting business, Lexian Software Development (Shanghai) Co., Ltd. provides Chinese publishers with consulting services for setting up and maintaining billing systems (please see the Note below) and membership systems, business strategy development, game operation and marketing.

In Korea, Nexon Networks Corporation provides services related to customer support and net-café operation when offering PC online games. N Media Platform Co., LTD. provides net-cafés with advertisement platform and operation management services.

The in-game advertisement business capitalizes on the strengths of ad placements within PC online games, i.e. ongoing updates of game contents and advertisement information, and leverages such features as that enabling direct exposure to players through in-game usage of functional items equipped with an advertisement function, or that enabling simultaneous exposure of different advertisements to their respective target users through dedicated servers that comprehensively manage all advertisements.

The merchandising business engages in the production and sales of goods that feature popular characters from games owned by Nexon Group.

(Note) Billing system: An electronic billing confirmation service related to the usage of internet or email services provided by enterprises.

(b) Mobile business

The mobile business involves the development and service of mobile games playable on smartphones and tablet devices. Nexon Group develops and services mobile games in Japan and overseas. In Japan, Nexon is engaged in mobile game service. In Korea, mobile game development and service are conducted primarily through NEXON Korea Corporation, NEOPLE INC. and NAT GAMES Co., Ltd. In the U.S., mobile game development and service are conducted through Big Huge Games, Inc., and Pixelberry Studios.

(2) Business models for PC online and mobile games

Nexon's PC online game and mobile game business models can be categorized into the following three types:

(a) Self-publishing model

Self-publishing model is a model where a game developed by a Nexon Group entity such as NEXON Korea Corporation or NEOPLE INC. is directly serviced (including the setup of a network environment, marketing and user support) by themselves or by Nexon or another Nexon Group entity including Nexon America Inc., NEXON TAIWAN LIMITED and Nexon Thailand Co., Ltd.

Once a game is launched, service fees are collected from users according to the pre-determined monetization method. In many cases, we pay fees to payment gateway providers to have them collect service fees from users on our behalf.

(b) Licensing model

Licensing model is a model where Nexon Group, as a copyright holder of commercialized games, enters into licensing agreements with outside publishers and grants them the right to publish our games.

A publisher who enters into a licensing agreement with us and acquires the publishing rights for a game will be responsible for setting up the network environment, marketing and user support necessary to service the game. The respective Nexon Group entity holding the copyright will provide support for such activities to enable the publisher to generate greater revenue.

Nexon Group entities engaged in the development of PC online games, including NEXON Korea Corporation and NEOPLE INC., have licensed publishing rights to non-Nexon Group publishers in China, for instance.

Under the licensing agreements where publishing rights are granted by Nexon Group, in principle, license is granted to a single publisher per country per game title. In other words, Nexon Group grants local exclusive publishing rights to a publisher. The respective Nexon Group entity holding the game copyright will provide game content updates and technical support on an ongoing basis to the publisher and in return receive contract money at the time of entering into the agreement, and once the game launches, receive a predetermined rate as royalty in accordance with the service fees that the publisher collects from users.

The conditions for royalty and other payments are determined individually for each agreement, taking into account the real local situation of the country in which the publisher is located.

(c) Licensed publishing model

Licensed publishing model is a model where Nexon Group enters into a licensing agreement with a non-Nexon Group developer of PC online or mobile games to acquire exclusive publishing rights to a game within a specified region. Nexon Group will set up the network environment for such service, conduct marketing and user support, as well as service the licensed game.

In this case, we will collect service fees from users and pay a certain amount out of it as royalty to the outside PC online or mobile game developer.

Nexon Group's deal with Valve Corporation related to *Counter-Strike Online* and our deals with Electronic Arts Inc. related to *FIFA ONLINE 4, EA SPORTS™ FIFA ONLINE 4 M* and *FIFA MOBILE* fall into this category.

(3) Monetization models for PC online games

Currently, there are three types of monetization methods for PC online games as follows. Nexon Group mainly uses the method under (a) for monetization.

(a) Microtransaction model of paying to purchase in-game items

Microtransaction is a model where a game is basically offered for free, but users pay to purchase the items (e.g. costumes, weapons) they need or to use specific services.

The basic game is free to play, which lowers the mental hurdle for a user to start playing a new PC online game. This allows new users to casually start playing a game, but on the other hand, it means that revenue generated by a game could be impacted by how appealing the in-game items offered for purchase are. In recent years, with heightening market awareness of free-to-play games, there are more and more PC online games in the market as a whole which have adopted this model to acquire new users.

Nexon Group was early to adopt the microtransaction model to PC online games because we wish for more users to enjoy the services of games we offer.

(b) Pay-as-you-go according to the period of use (subscription model)

Pay-as-you-go (subscription) is a model where users are charged with a fixed service fee based on the number of months, days or hours of use as fee for playing a game.

Although this method can generate a constant level of revenue by securing a certain number of users, it is likely that, compared to free-to-play games, new users would find making fixed monthly payments burdensome when starting a game.

(c) Advertisement revenue model

Advertisement revenue model is a model where a game is free to play and revenue is generated through advertisements which are displayed on screen before, after or during the game. Since advertisements under this model are primarily sponsored by businesses, it is typically used in combination with method (a) or (b) above, and the popularity of the game itself (i.e. user traffic) will have a direct impact on revenue.

(4) Monetization models for mobile games

Currently, there are two types of monetization methods for mobile games as follows. Nexon Group mainly uses the method under (a) for monetization.

(a) Microtransaction model of paying to purchase in-game items

Microtransaction is a model where a game is basically offered for free, but users pay to purchase the items (e.g. costumes, weapons) they need or to use specific services.

The basic game is free to play, which lowers the mental hurdle for a user to start playing a new mobile game. This allows new users to casually start playing a game, but on the other hand, it means that revenue generated by a game could be impacted by how appealing the in-game items offered for purchase are. Microtransaction model is the mainstream in the mobile game market.

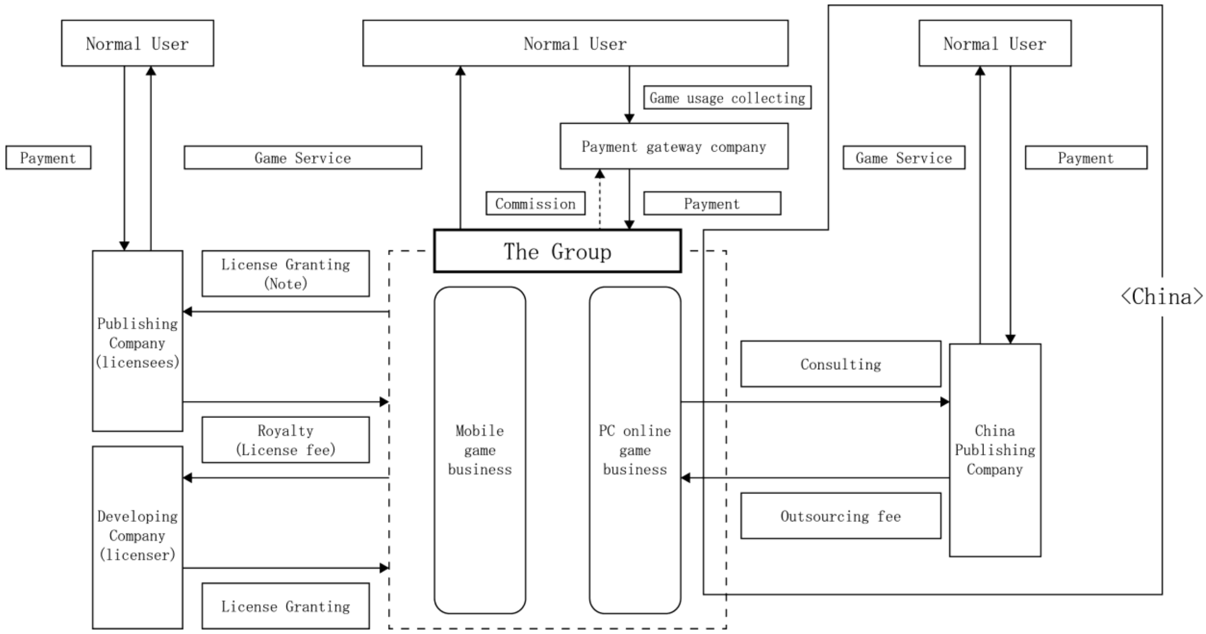
(b) Advertisement revenue model

Advertisement revenue model is a model where a game is free to play and revenue is generated through advertisements which are displayed on screen before, after or during the game. Since advertisements under this model are primarily sponsored by businesses, it is typically used in combination with method (a) above, and the popularity of the game itself (i.e. user traffic) will have a direct impact on revenue.

[Business system chart]

Chart 1 shows the above described matters.

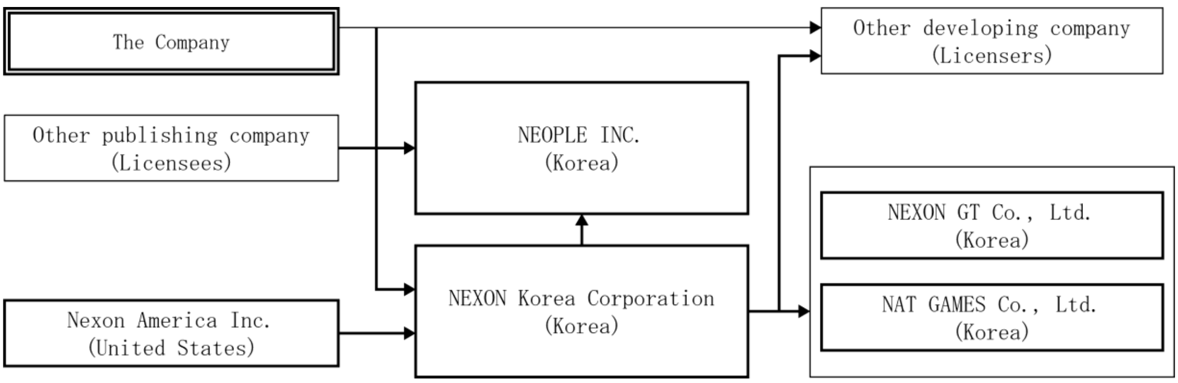
<Chart 1>




(Note) In general, only one license is granted for a game in each country, providing the local company with an exclusive right for distribution.

The royalty income flow within Nexon Group is shown in Chart 2, covering Nexon and its major subsidiaries.

<Chart 2>




## 3. Basic Concept for Selection of the Accounting Standards

Nexon Group has applied International Accounting Standards since the fiscal year ended December 31, 2013, with the aim to enhance the global comparability and convenience of financial information in the capital market.

## 4. Consolidated Financial Statements and Major Notes

### (1) Consolidated Statement of Financial Position

(Millions of yen)

| | As of December 31, 2019 | As of December 31, 2020 |
|---|---|---|
| Assets | | |
| Current assets | | |
| Cash and cash equivalents | 253,636 | 252,570 |
| Trade and other receivables | 28,643 | 20,935 |
| Other deposits | 257,331 | 273,132 |
| Other financial assets | 8,418 | 27,343 |
| Other current assets | 5,468 | 4,552 |
| Total current assets | 553,496 | 578,532 |
| Non-current assets | | |
| Property, plant and equipment | 23,481 | 24,191 |
| Goodwill | 42,480 | 38,425 |
| Intangible assets | 21,519 | 14,935 |
| Right-of-use assets | 6,612 | 10,029 |
| Investments accounted for using equity method | 2,515 | 5,195 |
| Other financial assets | 47,256 | 167,620 |
| Other non-current assets | 243 | 1,277 |
| Deferred tax assets | 21,486 | 21,957 |
| Total non-current assets | 165,592 | 283,629 |
| Total assets | 719,088 | 862,161 |

| | As of December 31, 2019 | As of December 31, 2020 |
|---|---|---|
| | | (Millions of yen) |
| Liabilities and equity | | |
| Liabilities | | |
| Current liabilities | | |
| Trade and other payables | 7,753 | 10,668 |
| Deferred income | 10,250 | 11,505 |
| Borrowings | 2,223 | 2,094 |
| Income taxes payable | 7,403 | 15,774 |
| Lease liabilities | 2,129 | 2,657 |
| Provisions | 4,099 | 6,881 |
| Other current liabilities | 7,311 | 8,388 |
| Total current liabilities | 41,168 | 57,967 |
| Non-current liabilities | | |
| Deferred income | 15,950 | 15,180 |
| Lease liabilities | 8,507 | 11,842 |
| Other financial liabilities | 826 | 868 |
| Provisions | 260 | 304 |
| Other non-current liabilities | 4,472 | 4,437 |
| Deferred tax liabilities | 16,774 | 51,118 |
| Total non-current liabilities | 46,789 | 83,749 |
| Total liabilities | 87,957 | 141,716 |
| Equity | | |
| Capital stock | 17,967 | 22,679 |
| Capital surplus | 35,688 | 17,421 |
| Treasury Stock | (27,219) | (0) |
| Other equity interest | 38,511 | 69,975 |
| Retained earnings | 555,038 | 599,807 |
| Total equity attributable to owners of the parent company | 619,985 | 709,882 |
| Non-controlling interests | 11,146 | 10,563 |
| Total equity | 631,131 | 720,445 |
| Total liabilities and equity | 719,088 | 862,161 |

(2) Consolidated Income Statement

(Millions of yen)

| | Fiscal Year ended December 31, 2019 | Fiscal Year ended December 31, 2020 |
|---|---|---|
| Revenue | 248,542 | 293,024 |
| Cost of sales | (59,586) | (69,009) |
| Gross profit | 188,956 | 224,015 |
| Selling, general and administrative expenses | (85,117) | (103,711) |
| Other income | 9,059 | 1,796 |
| Other expenses | (18,373) | (10,650) |
| Operating income | 94,525 | 111,450 |
| Finance income | 30,040 | 15,005 |
| Finance costs | (2,272) | (19,049) |
| Share of profit (loss) of investments accounted for using equity method | (325) | 765 |
| Income before income taxes | 121,968 | 108,171 |
| Income taxes expense | (8,732) | (52,682) |
| Net income | 113,236 | 55,489 |
| Attributable to: | | |
| Owners of the parent company | 115,664 | 56,220 |
| Non-controlling interests | (2,428) | (731) |
| Net income | 113,236 | 55,489 |
| Earnings per share (attributable to owners of the parent company) | | (Yen) |
| Basic earnings per share | 129.34 | 63.57 |
| Diluted earnings per share | 128.03 | 61.90 |

(3) Consolidated Statement of Comprehensive Income

(Millions of yen)

| | Fiscal Year ended December 31, 2019 | Fiscal Year ended December 31, 2020 |
|---|---|---|
| Net income | 113,236 | 55,489 |
| Other comprehensive income | | |
| Items that will not be reclassified to net income | | |
| Financial assets measured at fair value through other comprehensive income | (2,151) | 28,150 |
| Re-measurement of defined benefit pension plans | (91) | 8 |
| Income taxes | 474 | (6,844) |
| Total items that will not be reclassified to net income | (1,768) | 21,314 |
| Items that may be reclassified subsequently to net income | | |
| Exchange differences on translating foreign operations | (24,602) | 9,628 |
| Other comprehensive income under equity method | (1) | (4) |
| Total items that may be reclassified subsequently to net income | (24,603) | 9,624 |
| Total other comprehensive income | (26,371) | 30,938 |
| Total comprehensive income | 86,865 | 86,427 |
| Attributable to: | | |
| Owners of the parent company | 89,686 | 87,067 |
| Non-controlling interests | (2,821) | (640) |
| Total comprehensive income | 86,865 | 86,427 |

## (4) Consolidated Statement of Changes in Equity

### Fiscal Year ended December 31, 2019

(Millions of yen)

| | Equity attributable to owners of the parent company | | | | | | Non-controlling interests | Total equity |
|---|---|---|---|---|---|---|---|---|
| | Capital stock | Capital surplus | Treasury stock | Other equity interest | Retained earnings | Total | | |
| Balance at January 1, 2019 | 14,402 | 34,814 | (1) | 64,068 | 441,985 | 555,268 | 10,209 | 565,477 |
| Adjustment for adoption of IFRS16 (net of tax) | ― | ― | ― | ― | (2,965) | (2,965) | ― | (2,965) |
| Restated balance | 14,402 | 34,814 | (1) | 64,068 | 439,020 | 552,303 | 10,209 | 562,512 |
| Net income | ― | ― | ― | ― | 115,664 | 115,664 | (2,428) | 113,236 |
| Other comprehensive income | ― | ― | ― | (25,978) | ― | (25,978) | (393) | (26,371) |
| Total comprehensive income | ― | ― | ― | (25,978) | 115,664 | 89,686 | (2,821) | 86,865 |
| Reclassification from capital surplus to retained earnings | ― | (423) | ― | ― | 423 | ― | ― | ― |
| Issue of shares | 3,565 | 3,565 | ― | ― | ― | 7,130 | ― | 7,130 |
| Stock issue cost | ― | (26) | ― | ― | ― | (26) | ― | (26) |
| Share-based compensation | ― | ― | ― | 352 | ― | 352 | ― | 352 |
| Non-controlling interests on acquisition of subsidiary | ― | ― | ― | ― | ― | ― | 1,516 | 1,516 |
| Changes in interests in subsidiaries | ― | (2,235) | ― | ― | ― | (2,235) | 2,242 | 7 |
| Purchase of treasury stock | ― | (7) | (27,218) | ― | ― | (27,225) | ― | (27,225) |
| Reclassification from other equity interest to retained earnings | ― | ― | ― | 69 | (69) | ― | ― | ― |
| Total transactions with the owners | 3,565 | 874 | (27,218) | 421 | 354 | (22,004) | 3,758 | (18,246) |
| Balance at December 31, 2019 | 17,967 | 35,688 | (27,219) | 38,511 | 555,038 | 619,985 | 11,146 | 631,131 |

### Fiscal Year ended December 31, 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 | ― | ― | ― | ― | 56,220 | 56,220 | (731) | 55,489 |
| Other comprehensive income | ― | ― | ― | 30,847 | ― | 30,847 | 91 | 30,938 |
| Total comprehensive income | ― | ― | ― | 30,847 | 56,220 | 87,067 | (640) | 86,427 |
| Issue of shares | 4,712 | 4,712 | ― | ― | ― | 9,424 | ― | 9,424 |
| Stock issue cost | ― | (32) | ― | ― | ― | (32) | ― | (32) |
| Payment of dividends | ― | ― | ― | ― | (4,417) | (4,417) | ― | (4,417) |
| Share-based compensation | ― | ― | ― | 611 | ― | 611 | ― | 611 |
| Changes in interests in subsidiaries | ― | 27 | ― | ― | ― | 27 | 57 | 84 |
| Purchase of treasury stock | ― | (2) | (2,781) | ― | ― | (2,783) | ― | (2,783) |
| Cancellation of treasury stock | ― | (22,972) | 30,000 | ― | (7,028) | ― | ― | ― |
| Reclassification from other equity interest to retained earnings | ― | ― | ― | 6 | (6) | ― | ― | ― |
| Total transactions with the owners | 4,712 | (18,267) | 27,219 | 617 | (11,451) | 2,830 | 57 | 2,887 |
| Balance at December 31, 2020 | 22,679 | 17,421 | (0) | 69,975 | 599,807 | 709,882 | 10,563 | 720,445 |

### (5) Consolidated Statement of Cash Flows

(Millions of yen)

| | Fiscal Year ended December 31, 2019 | Fiscal Year ended December 31, 2020 |
|---|---|---|
| Cash flows from operating activities | | |
| Income before income taxes | 121,968 | 108,171 |
| Depreciation and amortization | 7,694 | 8,574 |
| Share-based compensation expenses | 2,133 | 3,002 |
| Interest and dividend income | (13,376) | (8,275) |
| Interest expense | 401 | 357 |
| Impairment loss | 18,006 | 9,655 |
| Share of loss (profit) of investments accounted for using equity method | 325 | (765) |
| (Gain) loss on step acquisitions | (7,480) | — |
| (Gain) loss on valuation of securities | (107) | (4,382) |
| Exchange (gain) loss | (14,065) | 15,306 |
| (Increase) decrease in trade and other receivables | (301) | 5,855 |
| (Increase) decrease in other current assets | (850) | 419 |
| (Decrease) increase in trade and other payables | 448 | 2,691 |
| (Decrease) increase in deferred income | (2,612) | 437 |
| (Decrease) increase in provisions | 1,268 | 2,796 |
| (Decrease) increase in other current liabilities | 515 | 758 |
| Other | 51 | (64) |
| Subtotal | 114,018 | 144,535 |
| Interest and dividends received | 11,992 | 11,353 |
| Interest paid | (397) | (408) |
| Income taxes paid | (20,540) | (17,877) |
| Net cash provided by operating activities | 105,073 | 137,603 |
| Cash flows from investing activities | | |
| Net decrease (increase) in restricted deposit | (39) | (3,443) |
| Net decrease (increase) in time deposit | 9,958 | (32,736) |
| Purchases of property, plant and equipment | (1,425) | (2,342) |
| Proceeds from sale of property, plant and equipment | 149 | 77 |
| Purchases of intangible assets | (690) | (890) |
| Payments associated with increase in long-term prepaid expenses | (185) | (1,441) |
| Purchases of securities by investment funds under consolidated subsidiaries | — | (31,867) |
| Proceeds from sale of securities by investment funds under consolidated subsidiaries | — | 20,423 |
| Purchases of investment securities | (31,519) | (86,258) |
| Proceeds from sale and redemption of investment securities | 2,395 | 865 |
| Purchase of investments accounted for using equity method | — | (2,075) |
| Proceeds from sale of investments accounted for using equity method | 146 | 55 |
| Purchases of subsidiaries | (6,864) | — |
| Proceeds from sale of subsidiaries | 284 | — |
| Other | (835) | (602) |
| Net cash used in investing activities | (28,625) | (140,234) |
| Cash flows from financing activities | | |
| Net increase (decrease) in short-term borrowings | (1,852) | (137) |
| Proceeds from exercise of stock options | 3,127 | 7,050 |
| Purchases of treasury stock | (27,225) | (2,783) |
| Cash dividends paid | (0) | (4,417) |
| Repayment of lease liability | (1,790) | (2,339) |
| Other | (2) | — |
| Net cash used in financing activities | (27,742) | (2,626) |
| Net (decrease) increase in cash and cash equivalents | 48,706 | (5,257) |
| Cash and cash equivalents at the beginning of the year | 205,292 | 253,636 |
| Effects of exchange rate changes on cash and cash equivalents | (362) | 4,191 |
| Cash and cash equivalents at the end of the year | 253,636 | 252,570 |

## (6) Notes to Consolidated Financial Statements

(Notes on Going Concern Assumption)

Not applicable.

(Changes in Significant Subsidiaries during the Period)

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

(Changes in Accounting Policies and Changes in Accounting Estimates)

(Changes in accounting policies required by IFRS)

The accounting policies used to prepare these consolidated financial statements are consistent with those applied in the consolidated financial statements for the year ended December 31, 2019 unless otherwise noted, except for the new standards applied as listed below.

Nexon Group applied the following standards from Q1 2020, but the application of these standards did not have material impacts on the fiscal year ended December 31, 2020.

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

(Changes in Presentation Method)

(Consolidated statement of cash flows)

For the three months ended March 31, 2020, presentation of “Purchases of securities by investment funds under consolidated subsidiaries” was included in “Purchases of investment securities” under “Cash flows from investing activities,” and “Proceeds from sale of securities by investment funds under consolidated subsidiaries” was included in “Proceeds from sale and redemption of investment securities” under “Cash flows from investing activities.” However, these items are separately listed from the six months ended June 30, 2020 due to increased materiality of each of their monetary amounts. In addition, “(Gain) loss on valuation of securities,” which was included in “Other” under “Cash flows from operating activities,” is also separately listed from the nine months ended September 30, 2020 due to increased materiality of its monetary amount.

To reflect these changes in the presentation method, the presentation of the following amounts in the condensed consolidated statement of cash flows for the three months ended March 31, 2020 were each reclassified as follows: ¥(9,879) million was reclassified from “Purchases of investment securities” to “Purchases of securities by investment funds under consolidated subsidiaries” under “Cash flows from investing activities,” and ¥1,433 million was reclassified from “Proceeds from sale and redemption of investment securities” to “Proceeds from sale of securities by investment funds under consolidated subsidiaries” under “Cash flows from investing activities.” In addition, of the amounts presented in “Other” under “Cash flows from operating activities” in the consolidated statement of cash flows for the fiscal year ended December 31, 2019 and in the condensed consolidated statement of cash flows for the six months ended June 30, 2020, ¥(107) million and ¥(1,160) million, respectively, were reclassified to “(Gain) loss on valuation of securities.”

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

(1) For the fiscal year ended December 31, 2019 (From January 1, 2019 through December 31, 2019)

Nexon's treasury stock increased by ¥27,218 million as a result of the purchase of 19,108,700 shares of treasury stock during the fiscal year ended December 31, 2019 based on a resolution of the Board of Directors on September 9, 2019.

(2) For the fiscal year ended December 31, 2020 (From January 1, 2020 through December 31, 2020)

(a) Amount of dividends paid

| | 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 |

(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 fiscal year ended December 31, 2020 based on a resolution of the Board of Directors on September 9, 2019.

(c) Retirement of treasury stock

During the fiscal year ended December 31, 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 December 31, 2020 was negative ¥7,028 million and other retained earnings were reduced by this amount.

(Segment Information)

(1) Outline of reportable segments

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

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

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

(2) Revenue, profit or loss by reportable segment

Information on the segments of Nexon Group is as follows:

Fiscal year ended December 31, 2019 (From January 1, 2019 to December 31, 2019)

(Millions of yen)

| | Reportable Segments | | | | | | Adjust-ments (Note 4) | Consoli-dated |
|---|---|---|---|---|---|---|---|---|
| | Japan | Korea | China | North America | Other | Total | | |
| Revenue | | | | | | | | |
| Revenue from external customers | | | | | | | | |
| PC online | 3,496 | 173,797 | 2,821 | 3,920 | 1,680 | 185,714 | — | 185,714 |
| Mobile | 4,084 | 44,530 | — | 11,962 | 1 | 60,577 | — | 60,577 |
| Other | 69 | 2,106 | — | 74 | 2 | 2,251 | — | 2,251 |
| Total revenue from external customers | 7,649 | 220,433 | 2,821 | 15,956 | 1,683 | 248,542 | — | 248,542 |
| Intersegment revenue | 1,058 | 2,153 | — | 952 | 318 | 4,481 | (4,481) | — |
| Total | 8,707 | 222,586 | 2,821 | 16,908 | 2,001 | 253,023 | (4,481) | 248,542 |
| Segment profit or loss (Note 1) | (3,490) | 112,265 | 1,557 | (5,527) | (957) | 103,848 | (9) | 103,839 |
| Other income (expense), net (Note 5) | — | — | — | — | — | — | — | (9,314) |
| Operating income | — | — | — | — | — | — | — | 94,525 |
| Finance income (costs), net (Note 6) | — | — | — | — | — | — | — | 27,768 |
| Share of loss of investments accounted for using equity method | — | — | — | — | — | — | — | (325) |
| Income before income taxes | — | — | — | — | — | — | — | 121,968 |
| (Other items) | | | | | | | | |
| Depreciation and amortization | 17 | 6,194 | 89 | 1,164 | 230 | 7,694 | — | 7,694 |
| Impairment loss | 84 | 3,421 | — | 14,501 | — | 18,006 | — | 18,006 |
| Capital expenditures (Note 3) | 87 | 7,018 | 58 | 1,404 | 267 | 8,834 | — | 8,834 |

(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. Capital expenditures include investments in property, plant and equipment, right-of-use assets and intangible assets. In the fiscal year ended December 31, 2019, Nexon Group had not included investments in right-of-use assets in its capital expenditures. However, we conducted a review of the applicable scope and decided to include right-of-use assets from the fiscal year ending December 31, 2020 by taking their monetary significance into account. Accordingly, we have made an adjustment to the numbers for FY2019 to include the investments in right-of-use assets. The numbers before adjustment of capital expenditures for FY2019 are as follows: Japan ¥79 million, Korea ¥1,652 million, China ¥51 million, North America ¥265 million, Other ¥113 million and Total ¥2,160 million.
4. Adjustments in segment profit or loss of ¥(9) million represent elimination of intersegment transactions.
5. A major component of other expense is impairment loss on prepaid royalties of ¥6,050 million.
6. A major component of finance income is foreign exchange gain of ¥16,232 million.
7. 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.

Fiscal year ended December 31, 2020 (From January 1, 2020 to December 31, 2020)

(Millions of yen)

| | Reportable Segments | | | | | | Adjust-ments (Note 4) | Consoli-dated |
|---|---|---|---|---|---|---|---|---|
| | Japan | Korea | China | North America | Other | Total | | |
| Revenue | | | | | | | | |
| Revenue from external customers | | | | | | | | |
| PC online | 3,249 | 181,594 | 3,058 | 5,029 | 1,313 | 194,243 | — | 194,243 |
| Mobile | 1,001 | 83,630 | — | 11,790 | 653 | 97,074 | — | 97,074 |
| Other | 66 | 1,551 | — | 88 | 2 | 1,707 | — | 1,707 |
| Total revenue from external customers | 4,316 | 266,775 | 3,058 | 16,907 | 1,968 | 293,024 | — | 293,024 |
| Intersegment revenue | 938 | 2,635 | — | 717 | 396 | 4,686 | (4,686) | — |
| Total | 5,254 | 269,410 | 3,058 | 17,624 | 2,364 | 297,710 | (4,686) | 293,024 |
| Segment profit or loss (Note 1) | (4,338) | 126,839 | 1,891 | (1,263) | (2,821) | 120,308 | (4) | 120,304 |
| Other income (expense), net | — | — | — | — | — | — | — | (8,854) |
| Operating income | — | — | — | — | — | — | — | 111,450 |
| Finance income (costs), net (Note 5) | — | — | — | — | — | — | — | (4,044) |
| Share of profit of investments accounted for using equity method | — | — | — | — | — | — | — | 765 |
| Income before income taxes | — | — | — | — | — | — | — | 108,171 |
| (Other items) | | | | | | | | |
| Depreciation and amortization | 3 | 7,578 | 96 | 329 | 568 | 8,574 | — | 8,574 |
| Impairment loss | 491 | 3,698 | — | 5,466 | — | 9,655 | — | 9,655 |
| Capital expenditures (Note 3) | 283 | 6,469 | 186 | 69 | 3,513 | 10,520 | — | 10,520 |

(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. Capital expenditures include investments in property, plant and equipment, right-of-use assets and intangible assets.
4. Adjustments in segment profit or loss of ¥(4) million represent elimination of intersegment transactions.
5. A major component of finance costs is foreign exchange loss of ¥17,744 million.
6. 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.

(3) Revenue from major products and services

Revenue from major products and services are as follows:

(Millions of yen)

| | Fiscal year ended December 31, 2019 | Fiscal year ended December 31, 2020 |
|---|---|---|
| Item charging | 131,967 | 206,103 |
| Royalty | 111,577 | 82,225 |
| Other | 4,998 | 4,696 |
| Total | 248,542 | 293,024 |

(4) Information by region

Carrying amounts of non-current assets (excluding financial assets and deferred tax assets) are as follows:

(Millions of yen)

| | As of December 31, 2019 | As of December 31, 2020 |
|---|---|---|
| Japan | 107 | 7 |
| Korea | 60,350 | 55,632 |
| China | 140 | 244 |
| North America | 6,249 | 235 |
| Other | 27,489 | 32,739 |
| Total | 94,335 | 88,857 |

(Notes) 1. Non-current assets are classified into country or region category based on the location.

2. Categorization by country or region is based on geographic proximity.

3. Major countries or regions contained in each regional category:

(1) North America: USA

(2) Other: Europe and Asian countries

4. While IFRS 16 *Leases* was applied from the fiscal year ended December 31, 2019, the balance of right-of-use assets was not included in the carrying amount of non-current assets. Therefore, the balance of non-current assets for FY2019 has been adjusted to the amount including the balance of right-of-use assets. The numbers before adjustment for FY2019 by region are as follows: Japan ¥107 million, Korea ¥54,701 million, China ¥120 million, North America ¥5,733 million, Other ¥27,062 million and Total ¥87,723 million.

Revenue from external customers is as follows:

Nexon Group has made a change to a part of its regional segmentation of revenue from external customers from the fiscal year ended December 31, 2020. The numbers for the fiscal year ended December 31, 2019 have also been adjusted accordingly.

For the fiscal year ended December 31, 2019 (From January 1, 2019 to December 31, 2019)

(Millions of yen)

| | Revenue by major business | | | Total |
|---|---|---|---|---|
| | PC online | Mobile | Other | |
| Main regional market | | | | |
| Japan | 3,516 | 10,312 | 26 | 13,854 |
| Korea | 64,018 | 24,118 | 1,658 | 89,794 |
| China | 109,850 | 2,319 | 78 | 112,247 |
| North America and Europe | 3,539 | 15,559 | 354 | 19,452 |
| Rest of World | 4,791 | 8,269 | 135 | 13,195 |
| Total | 185,714 | 60,577 | 2,251 | 248,542 |

(Notes) 1. Revenue is broken down by country or region based on customer location.

2. Categorization by country or region is based on geographic proximity.

3. Major countries or regions contained in each regional category:

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

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

For the fiscal year ended December 31, 2020 (From January 1, 2020 to December 31, 2020)

(Millions of yen)

| | Revenue by major business | | | Total |
|---|---|---|---|---|
| | PC online | Mobile | Other | |
| Main regional market | | | | |
| Japan | 3,250 | 7,100 | 68 | 10,418 |
| Korea | 99,829 | 63,765 | 1,386 | 164,980 |
| China | 80,194 | 1,033 | 13 | 81,240 |
| North America and Europe | 4,485 | 15,195 | 183 | 19,863 |
| Rest of World | 6,485 | 9,981 | 57 | 16,523 |
| Total | 194,243 | 97,074 | 1,707 | 293,024 |

(Notes) 1. Revenue is broken down by country or region based on customer location.

2. Categorization by country or region is based on geographic proximity.

3. Major countries or regions contained in each regional category:

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

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

(Change in presentation method)

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

As a result, in the fiscal years ended December 31, 2019, ¥4,765 million has been reclassified from "Other [Rest of World]" to "North America and Europe."

(5) Information on major customers

One customer contributed more than 10% of Nexon Group's consolidated revenue for the fiscal years ended December 31, 2019 and 2020, and revenue earned from the customer were ¥102,443 million (Korea segment) and ¥71,694 million (Korea segment), respectively.

(Per Share Information)

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

(Millions of yen)

| | Fiscal year ended December 31, 2019 | Fiscal year ended December 31, 2020 |
|---|---|---|
| Net income attributable to owners of the parent company | 115,664 | 56,220 |
| Adjustments of net income used for the calculation of diluted earnings per share | | |
| Adjustments due to dilutive shares of consolidated subsidiaries | (293) | (891) |
| Diluted net income attributable to owners of the parent company | 115,371 | 55,329 |
| | | |
| Number of basic weighted-average common stock | 894,277,145 shares | 884,335,963 shares |
| Dilution: Stock option | 6,825,815 shares | 9,543,454 shares |
| Number of dilutive weighted-average common stock | 901,102,960 shares | 893,879,417 shares |
| | | |
| Earnings per share (attributable to owners of the parent company) | | (Yen) |
| Basic earnings per share | 129.34 | 63.57 |
| Diluted earnings per share (Note) | 128.03 | 61.90 |

(Notes) Some of the subscription rights to shares issued by Nexon do not have any dilutive effect and thus are not included in the calculation of diluted earnings per share.

(Significant Subsequent Event)

Not applicable.