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Consolidated Financial Results
for the Nine Months Ended September 30, 2020
[IFRS]

November 10, 2020

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 11, 2020

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, 2020 (from January 1, 2020 to September 30, 2020)

(1) Consolidated Operating Results (cumulative)

(% changes year-over-year)

(Millions of yen)

	Revenue		Operating income		Income before income taxes		Net income		Net income attributable to owners of the parent company		Total comprehensive income	
	Amount	% change	Amount	% change	Amount	% change	Amount	% change	Amount	% change	Amount	% change
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%
Nine months ended September 30, 2019	199,299	(4.0)%	90,007	(4.7)%	126,515	13.4%	110,326	12.4%	112,389	11.1%	56,308	(32.3)%

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended September 30, 2020	97.32	95.81
Nine months ended September 30, 2019	125.43	124.03

(Note) With the finalization of the provisional accounting related to the business combination conducted in Q4 2019, the condensed quarterly consolidated financial statements for the nine months ended September 30, 2019 have been retroactively adjusted.

(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, 2020	817,234	708,721	698,479	85.5%
As of December 31, 2019	719,088	631,131	619,985	86.2%

2. Dividends

(Yen)

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

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

3. Consolidated Financial Results Forecast for the Year Ending December 31, 2020 (from January 1, 2020 to December 31, 2020)

(% changes year-over-year)

(Millions of yen)

	Revenue		Operating income		Income before income taxes		Net income		Net income attributable to owners of the parent company		Basic earnings per share
Full year	287,342	15.6%	108,198	14.5%	123,065	0.9%	93,723	(17.2)%	94,735	(18.1)%	Yen
	~	~	~	~	~	~	~	~	~	~	107.14
	292,118	17.5%	111,863	18.3%	126,730	3.9%	96,669	(14.6)%	97,627	(15.6)%	~
											110.41

(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 : Yes

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

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

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

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

1) Changes in accounting policies required by IFRS: Yes

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

3) Changes in accounting estimates: No

(3) Number of Shares Issued (common stock)

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

As of September 30, 2020: 885,897,539 shares

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

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

As of September 30, 2020: 44 shares

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

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

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

Nine months ended September 30, 2019: 896,023,564 shares

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

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

(Caution Concerning Forward-Looking Statements)

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

(Method of Obtaining Supplementary Briefing Material on Financial Results)

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

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1. Qualitative Information on Consolidated Financial Results for the Period

(1) Explanation on Operating Results

Nexon Group discloses 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.

As for the global economy during the three months ended September 30, 2020, despite gradual economic recovery seen in China, corporate activities and consumer spending remain stagnant as the end of the global 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 harsh conditions are expected to continue. As for the Japanese economy, it also saw a trend towards recovery in corporate activities and consumer spending since the declaration of state of emergency was lifted in May, but future outlook remains uncertain.

Under these circumstances, Nexon Group has operated its PC online and mobile businesses, endeavoring to provide users with an enjoyable game experience by developing high-quality games, acquiring more contents, servicing new titles, and updating existing titles. Specifically, we have established the following as Nexon's 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, 2020, Nexon achieved record-breaking Q3 revenue, proving once again the significance of the aforementioned Focus Strategy and the strength and diversity of our portfolio which includes *MapleStory*, *The Kingdom of the Winds: Yeon*, *EA SPORTS™ FIFA ONLINE 4* ("FIFA ONLINE 4") and *KartRider Rush+*. While we did not benefit from *Mobile Dungeon&Fighter*, which was included in our outlook, revenue increased year-over-year driven by our Korea business.

In Korea, we saw strong results from all four of our major PC titles. Revenues from *MapleStory*, *Dungeon&Fighter* and *Sudden Attack* each grew double-digit year-over-year. *FIFA ONLINE 4*'s PC and mobile revenues combined were slightly up compared to Q3 2019 when its revenues grew significantly compared to Q3 2018. Nexon's Focus Strategy is making steady progress on platform expansion, bringing our flagship titles to mobile. In addition to the strong performance of *The Kingdom of the Winds: Yeon* launched in Q3 2020 significantly exceeding our expectations, we also benefitted from *KartRider Rush+* and *EA SPORTS™ FIFA MOBILE* ("FIFA MOBILE"), both of which launched in Q2 2020, as well as from *V4* which launched in Q4 2019. As a result, our business in Korea achieved record-breaking Q3 revenue which was up significantly year-over-year.

In China, revenue decreased primarily due to tough comparison with Q3 2019 when we launched a large-scale update for *KartRider Rush+* which performed particularly well. As for our major PC online title *Dungeon&Fighter*, we conducted the Summer update in July and the National Day update which began in late September, as well as other events and updates, as an ongoing initiative to stabilize and improve its user metrics. However, the number of active and paying users decreased year-over-year. This was primarily due to lower user engagement from the waning effect of the key update in March, as well as continued strengthening of player identity verification and bot sanctions. While ARPPU increased compared to Q3 2019, as the portion of light users decreased compared to a year ago, this was more than offset primarily by a decrease in sales from the National Day package offerings.

In Japan, we recorded a revenue decrease primarily due to the disposition of gloops, Inc. which was our consolidated subsidiary. However, excluding the impact of that disposition, revenue increased year-over-year.

In North America and Europe, revenue increased year-over-year primarily driven by *MapleStory*'s revenue increase, as well as contributions from *KartRider Rush+* which launched in Q2 2020 and *V4* which launched in Q3 2020.

In Rest of World, revenue increased year-over-year primarily driven by contributions from *KartRider Rush+* which launched in Q2 2020, *V4* which launched in Taiwan, Hong Kong and Macau in Q1 2020 and globally in Q3 2020, as well as *MapleStory*'s revenue increase.

In terms of expenses, cost of sales increased year-over-year primarily due to an increase in royalty costs of *The Kingdom of the Winds: Yeon*. Selling, general and administrative expenses increased year-over-year due to increases in platform and marketing costs due to the strong performance of mobile games including *The Kingdom of the Winds: Yeon*, *KartRider Rush+* and *V4*. Other revenue significantly decreased year-over-year due to comparisons with Q3 2019, when we recorded a gain on step acquisition related to our consolidation of Embark Studios AB. Other expenses increased year-over-year due to recording an impairment loss on goodwill of our consolidated subsidiary, Big Huge Games Inc.

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.

As a result, for the three months ended September 30, 2020, Nexon Group recorded revenue of ¥79,412 million (up 51.7% year-over-year), operating income of ¥27,607 million (up 13.1% year-over-year), income before income taxes of ¥22,901 million (down 46.3% year-over-year) and net income attributable to owners of the parent company of ¥16,330 million (down 59.0% year-over-year).

For the nine months ended September 30, 2020, Nexon Group recorded revenues of ¥226,640 million (up 13.7% year-over-year), operating income of ¥95,861 million (up 6.5% year-over-year), income before income taxes of ¥109,568 million (down 13.4% year-over-year) and net income attributable to owners of the parent company of ¥86,004 million (down 23.5% year-over-year).

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

(a) Japan

Revenues for the nine months ended September 30, 2020 amounted to ¥2,949 million (down 53.2% year-over-year), and segment loss amounted to ¥1,913 million (segment loss of ¥2,578 million for the nine months ended September 30, 2019).

(b) Korea

Revenues for the nine months ended September 30, 2020 amounted to ¥207,332 million (up 17.0% year-over-year), and segment profit amounted to ¥107,558 million (up 11.2% 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, 2020 amounted to ¥2,196 million (down 1.7% year-over-year), and segment profit amounted to ¥1,359 million (up 4.5% year-over-year).

(d) North America

Revenues for the nine months ended September 30, 2020 amounted to ¥12,478 million (up 1.4% year-over-year), and segment loss amounted to ¥1,009 million (segment loss of ¥4,231 million for the nine months ended September 30, 2019).

(e) Other

Revenues for the nine months ended September 30, 2020 amounted to ¥1,685 million (up 31.7% year-over-year), and segment loss amounted to ¥1,737 million (segment loss of ¥522 million for the nine months ended September 30, 2019).

(2) Explanation on Financial Position

(a) Assets, liabilities and equity

(Assets)

Total assets as of September 30, 2020 amounted to ¥817,234 million, an increase of ¥98,146 million from December 31, 2019. Major components include an increase of ¥22,667 million in cash and cash equivalents, an increase of ¥119,468 million in other financial assets, a decrease of ¥37,027 million in other deposits.

(Liabilities)

Total liabilities as of September 30, 2020 amounted to ¥108,513 million, an increase of ¥20,556 million from December 31, 2019. Major components include an increase of ¥2,440 million in trade and other payables, an increase of ¥9,322 million in income taxes payable, an increase of ¥4,287 million in other liabilities, an increase of ¥2,614 million in lease liabilities, a decrease of ¥1,755 million in provisions.

(Equity)

Equity as of September 30, 2020 amounted to ¥708,721 million, an increase of ¥77,590 million from December 31, 2019. Major components of changes in equity include an increase of ¥74,545 million in retained earnings mainly due to recording net income, a decrease of ¥27,219 million in treasury stock due to the retirement of treasury stock, and a decrease of ¥19,285 million in capital surplus due to the retirement of treasury stock.

As a result, ratio of equity attributable to owners of the parent company was 85.5% (86.2% as of December 31, 2019).

(b) Cash flows

Cash and cash equivalents (“Cash”) as of September 30, 2020 was ¥276,303 million, an increase of ¥22,667 million from December 31, 2019. The increase includes ¥(2,162) million in effects of exchange rate changes on cash and cash equivalents.

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

(Cash flows from operating activities)

Net cash provided by operating activities was ¥107,865 million, compared to ¥82,727 million in the nine months ended September 30, 2019. Major components of the increase include income before income taxes of ¥109,568 million. Major components of the decrease include income taxes paid of ¥15,593 million.

(Cash flows from investing activities)

Net cash used in investing activities was ¥79,455 million, compared to ¥99,412 million in the nine months ended September 30, 2019. Major cash inflows include a net decrease of ¥25,878 million in time deposit, an increase of ¥13,099 million in proceeds from sales of securities by investment funds under consolidated subsidiaries. Major cash outflows include purchases of investment securities of ¥85,866 million, purchases of securities by investment funds under consolidated subsidiaries of ¥25,586 million.

(Cash flows from financing activities)

Net cash used in financing activities was ¥3,581 million, compared to ¥1,981 million in the nine months ended September 30, 2019. Major cash inflows include proceeds from exercise of stock options of ¥5,521 million. Major cash outflows include purchases of treasury stock of ¥2,783 million, cash dividends paid of ¥4,417 million, and repayment of lease liability of ¥1,765 million.

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

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

In our consolidated business outlook, we disclose our expectations for the following quarter as a range to provide more accurate information to our shareholders and investors, since it is difficult to derive full-year consolidated forecasts due to uncertainties in projecting the speed of growth of PC online game and mobile game markets in which Nexon Group's main businesses operate, and because our revenue is largely dependent on such uncertain factors as users' preferences and whether or not we have any hit titles. "Consolidated Financial Results Forecast for the Fiscal Year Ending December 31, 2020" is the sum of our actual consolidated financial results for the nine months ended September 30, 2020 and our consolidated business outlook for the three months ending December 31, 2020. Please refer to the table below for our consolidated financial results forecast for the three months ending December 31, 2020.

For the fiscal year ending December 31, 2020, Nexon Group expects consolidated revenue in the range of ¥287,342 ~ 292,118 million (an increase of 15.6% ~ 17.5% year-over-year), operating income in the range of ¥108,198 ~ 111,863 million (an increase of 14.5% ~ 18.3% year-over-year), income before income taxes in the range of ¥123,065 ~ 126,730 million (an increase of 0.9% ~ 3.9% year-over-year), net income in the range of ¥93,723 ~ 96,669 million (a decrease of 17.2% ~ 14.6% year-over-year), net income attributable to owners of the parent company in the range of ¥94,735 ~ 97,627 million (a decrease of 18.1% ~ 15.6% year-over-year), and basic earnings per share in the range of ¥107.14 ~ 110.41. Nexon Group operates its businesses around the world, in Japan, South Korea, China, the United States and other countries. Major exchange rates for Q4 2020 are assumed to be 1 U.S Dollar = ¥105.26, 100 South Korean Won = ¥9.20 and 1 Chinese Yuan = ¥15.67. 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 ¥592 million on consolidated revenue and approximately ¥160 million on operating income for the three months ending December 31, 2020.

As for revenue based on customer location for the three months ending December 31, 2020, our expectations are as follows.

In Korea, we anticipate double-digit growth year-over-year from our key PC online titles *MapleStory* and *Sudden Attack*, as well as triple-digit growth from *Dungeon&Fighter*, and we expect PC revenue to increase year-over-year. For mobile, revenue from *V4* which launched in Q4 2019 is expected to decrease due to comparison with the same period last year when it was off to a good start. However, we expect our mobile revenue to increase 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 year-over-year.

In China, we expect revenue from our key PC title *Dungeon&Fighter* to decrease year-over-year. For *Dungeon&Fighter*, we have continued the National Day update from Q3. However, we have not experienced any major change in the numbers of active users and paying users since Q3 and we expect them to remain low throughout Q4. As for package offerings for the National Day update, which sales have a large impact on Q4 revenue, we expect sales to be sluggish because there are fewer users compared to the same period last year. Consequently, we expect revenue to decrease year-over-year. While we also have other updates and events scheduled for Q4, we think their effect on improving the performance and user metrics would be limited.

In Japan, while we expect a revenue decrease due to the disposition of gloops, Inc., we expect this to be more than offset by contributions from *TRAHA* which launched in Q2 2020, *V4* which launched in Q3 2020, and *FIFA MOBILE* which launched on October 12th. As a result, we expect revenue to increase year-over-year.

In North America and Europe, we expect *MapleStory*'s strong momentum to continue and grow triple-digit year-over-year. We also expect to benefit from *V4*. As a result, we expect revenue to increase year-over-year.

In the Rest of World, we expect *MapleStory* to grow double-digit year-over-year and to benefit from *KartRider Rush+*. As a result, we expect revenue in the Rest of World to increase year-over-year.

In Q4 2020, we expect costs to increase year-over-year. We expect royalty and platform costs to increase as revenue increases due to contributions from our new mobile titles such as *The Kingdom of the Winds: Yeon*, *KartRider Rush+* and *FIFA MOBILE*. Marketing costs associated with the promotions for these new mobile games are expected to increase as well. We also expect increased HR costs associated with increases in performance-

linked bonuses and stock option costs. Meanwhile, we expect “Other expenses” to decrease year-over-year because the impairment loss recorded in Q4 2019 will not be repeated in Q4 2020.

Our business outlook is forecasted based on information currently available to us and includes various uncertain factors. Therefore, any change in our business condition may cause our actual results to differ from the outlook.

(Reference)

Consolidated financial results forecast for the three months ending December 31, 2020 (from October 1, 2020 to December 31, 2020)

(% changes from the previous fiscal year)

(Millions of yen)

	Revenue		Operating income		Income before income taxes		Net income		Net income attributable to owners of the parent company		Basic earnings per share
											Yen
4th Quarter	60,701	23.3%	12,337	173.1%	13,497	-%	8,258	183.8%	8,731	166.6%	9.86
	65,477	33.0%	16,002	254.2%	17,162	-%	11,204	285.1%	11,624	255.0%	13.12

2. Matters Related to Summary Information (Notes)

(1) Changes in Significant Subsidiaries during the Period

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

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

(Changes in accounting policies required by IFRS)

The accounting policies used to prepare these condensed consolidated financial statements are consistent with those applied in the consolidated financial statements for the year ended December 31, 2019 unless otherwise noted, except for the new standards applied as listed below. Nexon Group calculated income taxes for the nine months ended September 30, 2020, based on the estimated average annual effective tax rate.

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

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

3. Condensed Consolidated Financial Statements and Major Notes

(1) Condensed Consolidated Statement of Financial Position

(Millions of yen)

	As of December 31, 2019	As of September 30, 2020
Assets		
Current assets		
Cash and cash equivalents	253,636	276,303
Trade and other receivables	28,643	32,918
Other deposits	257,331	220,304
Other financial assets	8,418	24,067
Other current assets	5,468	4,737
Total current assets	553,496	558,329
Non-current assets		
Property, plant and equipment	23,481	22,707
Goodwill	42,480	36,180
Intangible assets	21,519	15,548
Right-of-use assets	6,612	10,222
Investments accounted for using equity method	2,515	3,447
Other financial assets	47,256	151,075
Other non-current assets	243	346
Deferred tax assets	21,486	19,380
Total non-current assets	165,592	258,905
Total assets	719,088	817,234

(Millions of yen)

	As of December 31, 2019	As of September 30, 2020
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	7,753	10,193
Deferred income	10,250	13,273
Borrowings	2,223	1,998
Income taxes payable	7,403	16,725
Lease liabilities	2,129	2,375
Provisions	4,099	2,309
Other current liabilities	7,311	11,598
Total current liabilities	41,168	58,471
Non-current liabilities		
Deferred income	15,950	14,754
Lease liabilities	8,507	10,875
Other financial liabilities	826	975
Provisions	260	295
Other non-current liabilities	4,472	4,482
Deferred tax liabilities	16,774	18,661
Total non-current liabilities	46,789	50,042
Total liabilities	87,957	108,513
Equity		
Capital stock	17,967	21,664
Capital surplus	35,688	16,403
Treasury stock	(27,219)	(0)
Other equity interest	38,511	30,829
Retained earnings	555,038	629,583
Total equity attributable to owners of the parent company	619,985	698,479
Non-controlling interests	11,146	10,242
Total equity	631,131	708,721
Total liabilities and equity	719,088	817,234

(2) Condensed Consolidated Income Statement

For the nine months ended September 30, 2019 and 2020

(Millions of yen)

	Nine months ended September 30	
	2019	2020
	(From January 1, 2019 to September 30, 2019)	(From January 1, 2020 to September 30, 2020)
Revenue	199,299	226,640
Cost of sales	(45,135)	(49,183)
Gross profit	154,164	177,457
Selling, general and administrative expenses	(63,422)	(73,195)
Other income	8,318	1,592
Other expenses	(9,053)	(9,993)
Operating income	90,007	95,861
Finance income	38,352	13,643
Finance costs	(1,423)	(737)
Equity in profit (loss) of affiliates	(421)	801
Income before income taxes	126,515	109,568
Income taxes expense	(16,189)	(24,103)
Net income	110,326	85,465
Attributable to:		
Owners of the parent company	112,389	86,004
Non-controlling interests	(2,063)	(539)
Net income	110,326	85,465
Earnings per share	(Yen)	(Yen)
(attributable to owners of the parent company)		
Basic earnings per share	125.43	97.32
Diluted earnings per share	124.03	95.81

For the three months ended September 30, 2019 and 2020

(Millions of yen)

	Three months ended September 30	
	2019	2020
	(From July 1, 2019 to September 30, 2019)	(From July 1, 2020 to September 30, 2020)
Revenue	52,357	79,412
Cost of sales	(14,180)	(19,266)
Gross profit	38,177	60,146
Selling, general and administrative expenses	(19,189)	(29,659)
Other income	7,708	294
Other expenses	(2,277)	(3,174)
Operating income	24,419	27,607
Finance income	18,910	3,748
Finance costs	(723)	(8,882)
Equity in profit of affiliates	14	428
Income before income taxes	42,620	22,901
Income taxes expense	(3,596)	(6,729)
Net income	39,024	16,172
Attributable to:		
Owners of the parent company	39,844	16,330
Non-controlling interests	(820)	(158)
Net income	39,024	16,172
Earnings per share	(Yen)	(Yen)
(attributable to owners of the parent company)		
Basic earnings per share	44.42	18.45
Diluted earnings per share	43.86	17.99

(3) Condensed Consolidated Statement of Comprehensive Income

For the nine months ended September 30, 2019 and 2020

	(Millions of yen)	
	Nine months ended September 30	
	2019	2020
	(From January 1, 2019 to September 30, 2019)	(From January 1, 2020 to September 30, 2020)
Net income	110,326	85,465
Other comprehensive income		
Items that will not be reclassified to net income		
Financial assets measured at fair value through other comprehensive income	(356)	18,709
Re-measurement of defined benefit pension plans	(57)	(3)
Income taxes	20	(4,565)
Total items that will not be reclassified to net income	(393)	14,141
Items that may be reclassified subsequently to net income		
Exchange differences on translating foreign operations	(53,624)	(21,624)
Other comprehensive income under equity method	(1)	(2)
Total items that may be reclassified subsequently to net income	(53,625)	(21,626)
Total other comprehensive income	(54,018)	(7,485)
Total comprehensive income	56,308	77,980
Attributable to:		
Owners of the parent company	59,316	78,935
Non-controlling interests	(3,008)	(955)
Total comprehensive income	56,308	77,980

For the three months ended September 30, 2019 and 2020

(Millions of yen)

	Three months ended September 30	
	2019 (From July 1, 2019 to September 30, 2019)	2020 (From July 1, 2020 to September 30, 2020)
Net income	39,024	16,172
Other comprehensive income		
Items that will not be reclassified to net income		
Financial assets measured at fair value through other comprehensive income	(7)	16,418
Re-measurement of defined benefit pension plans	1	7
Income taxes	(13)	(3,982)
Total items that will not be reclassified to net income	(19)	12,443
Items that may be reclassified subsequently to net income		
Exchange differences on translating foreign operations	(20,466)	5,852
Other comprehensive income under equity method	(0)	(1)
Total items that may be reclassified subsequently to net income	(20,466)	5,851
Total other comprehensive income	(20,485)	18,294
Total comprehensive income	18,539	34,466
Attributable to:		
Owners of the parent company	19,684	34,512
Non-controlling interests	(1,145)	(46)
Total comprehensive income	18,539	34,466

(4) Condensed Consolidated Statement of Changes in Equity

For the nine months ended September 30, 2019 (From January 1, 2019 to September 30, 2019)

(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 December 31, 2018	14,402	34,814	(1)	64,068	441,985	555,268	10,209	565,477
Adjustment of applying IFRS16	—	—	—	—	(2,965)	(2,965)	—	(2,965)
Restated total equity at January 1, 2019	14,402	34,814	(1)	64,068	439,020	552,303	10,209	562,512
Net income for the period	—	—	—	—	112,389	112,389	(2,063)	110,326
Other comprehensive income	—	—	—	(53,073)	—	(53,073)	(945)	(54,018)
Total comprehensive income	—	—	—	(53,073)	112,389	59,316	(3,008)	56,308
Reclassification from capital surplus to retained earnings	—	(423)	—	—	423	—	—	—
Issue of shares	3,160	3,160	—	—	—	6,320	—	6,320
Stock issue cost	—	(11)	—	—	—	(11)	—	(11)
Share-based compensation	—	—	—	213	—	213	—	213
Non-controlling interests on acquisition of subsidiary	—	—	—	—	—	—	1,516	1,516
Changes in interests in subsidiaries	—	(3)	—	—	—	(3)	10	7
Purchase of treasury stock	—	(0)	(3,468)	—	—	(3,468)	—	(3,468)
Reclassification from other equity interest to retained earnings	—	—	—	65	(65)	—	—	—
Total transactions with the owners	3,160	2,723	(3,468)	278	358	3,051	1,526	4,577
Balance at September 30, 2019	17,562	37,537	(3,469)	11,273	551,767	614,670	8,727	623,397

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)
Cancellation 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

(5) Condensed Consolidated Statement of Cash Flows

(Millions of yen)

	Nine months ended September 30	
	2019 (From January 1, 2019 to September 30, 2019)	2020 (From January 1, 2020 to September 30, 2020)
Cash flows from operating activities		
Income before income taxes	126,515	109,568
Depreciation and amortization	5,197	6,320
Share-based compensation expenses	1,648	1,292
Interest and dividend income	(10,305)	(6,613)
Interest expense	197	245
Impairment loss	8,766	9,329
Equity in (profit) loss of affiliates	421	(801)
(Gain) loss on step acquisitions	(7,480)	—
(Gain) loss on valuation of securities	(110)	(2,880)
Exchange (gain) loss	(25,146)	(4,235)
(Increase) decrease in trade and other receivables	(2,137)	(6,476)
(Increase) decrease in other current assets	(2,142)	(641)
(Decrease) increase in trade and other payables	(955)	2,681
(Decrease) increase in deferred income	(2,050)	2,876
(Decrease) increase in provisions	(700)	(1,620)
(Decrease) increase in other current liabilities	394	4,686
Other	(1,040)	(115)
Subtotal	91,073	113,616
Interest and dividends received	9,012	10,138
Interest paid	(193)	(296)
Income taxes paid	(17,165)	(15,593)
Net cash provided by operating activities	82,727	107,865
Cash flows from investing activities		
Net decrease (increase) in restricted deposit	(30)	(3,452)
Net decrease (increase) in time deposit	(61,706)	25,878
Purchases of property, plant and equipment	(1,039)	(1,544)
Proceeds from sales of property, plant and equipment	146	21
Purchases of intangible assets	(492)	(689)
Payments associated with increase in long-term prepaid expenses	(30)	(184)
Purchases of securities by investment funds under consolidated subsidiaries	—	(25,586)
Proceeds from sale of securities by investment funds under consolidated subsidiaries	—	13,099
Purchases of investment securities	(31,519)	(85,866)
Proceeds from sale and redemption of investment securities	2,394	370
Purchases of affiliates	—	(671)
Proceeds from sale of affiliates	146	55
Purchases of subsidiaries	(6,864)	—
Other	(418)	(886)
Net cash used in investing activities	(99,412)	(79,455)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	—	(137)
Proceeds from exercise of stock options	2,694	5,521
Purchases of treasury stock	(3,468)	(2,783)
Cash dividends paid	(0)	(4,417)
Repayment of lease liability	(1,207)	(1,765)
Net cash used in financing activities	(1,981)	(3,581)
Net (decrease) increase in cash and cash equivalents	(18,666)	24,829
Cash and cash equivalents at the beginning of the period	205,292	253,636
Effects of exchange rate changes on cash and cash equivalents	(9,145)	(2,162)
Cash and cash equivalents at the end of the period	177,481	276,303

(6) Notes on Going Concern Assumption

Not applicable.

(7) Changes in Presentation Method

(Condensed consolidated statement of cash flows)

For the three months ended March 31, 2020, presentation of “Purchases of securities by investment funds under consolidated subsidiaries” was included in “Purchases of investment securities” under “Cash flows from investing activities,” and “Proceeds from sale of securities by investment funds under consolidated subsidiaries” was included in “Proceeds from sale and redemption of investment securities” under “Cash flows from investing activities.” However, these items are separately listed from the six months ended June 30, 2020 due to increased materiality of each of their monetary amounts. 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 condensed consolidated statement of cash flows for the nine months ended September 30, 2019 and six months ended June 30, 2020, ¥(110) million and ¥(1,160) million, respectively, were reclassified to “(Gain) loss on valuation of securities.”

(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

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

(c) 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.

(9) Segment Information

(a) Outline of reportable segments

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

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

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

(b) Revenue, profit or loss by reportable segment

Information on the segments of Nexon Group is as follows:

(For the nine months ended September 30)

For the nine months ended September 30, 2019 (From January 1, 2019 to September 30, 2019)

(Millions of yen)

	Reportable Segments					Total	Adjustments (Note 3)	Consolidated
	Japan	Korea	China	North America	Other			
Revenue								
Revenue from external customers								
PC online	2,812	143,323	2,234	2,919	1,277	152,565	—	152,565
Mobile	3,435	32,229	—	9,316	1	44,981	—	44,981
Other	58	1,620	—	73	2	1,753	—	1,753
Total revenue from external customers	6,305	177,172	2,234	12,308	1,280	199,299	—	199,299
Intersegment revenue	777	1,627	—	802	218	3,424	(3,424)	—
Total	7,082	178,799	2,234	13,110	1,498	202,723	(3,424)	199,299
Segment profit or loss (Note 1)	(2,578)	96,752	1,301	(4,231)	(522)	90,722	20	90,742
Other income (expense), net (Note 4)								(735)
Operating income								90,007
Finance income (costs), net (Note 6)								36,929
Equity in loss of affiliates								(421)
Income before income taxes								126,515

(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 ¥20 million represent elimination of intersegment transactions.

4. A major component of other expense is impairment of prepaid royalty of ¥5,867 million.

5. For PC online and mobile, performance obligations are fulfilled and revenues are recognized over a certain period of time mainly because control over services is transferred over a certain period of time.

6. A major component of finance income is foreign exchange gain of ¥27,591 million.

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
Equity in profit of affiliates								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 three months ended September 30)

For the three months ended September 30, 2019 (From July 1, 2019 to September 30, 2019)

(Millions of yen)

	Reportable Segments					Total	Adjustments (Note 3)	Consolidated
	Japan	Korea	China	North America	Other			
Revenue								
Revenue from external customers								
PC online	959	34,904	695	987	458	38,003	—	38,003
Mobile	972	10,103	—	2,727	1	13,803	—	13,803
Other	21	514	—	16	0	551	—	551
Total revenue from external customers	1,952	45,521	695	3,730	459	52,357	—	52,357
Intersegment revenue	265	577	—	163	76	1,081	(1,081)	—
Total	2,217	46,098	695	3,893	535	53,438	(1,081)	52,357
Segment profit or loss (Note 1)	(455)	20,849	381	(1,233)	(560)	18,982	6	18,988
Other income (expense), net								5,431
Operating income								24,419
Finance income (costs), net (Note 5)								18,187
Equity in profit of affiliates								14
Income before income taxes								42,620

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

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

3. Adjustments in segment profit or loss of ¥6 million represent elimination of intersegment transactions.

4. For PC online and mobile, performance obligations are fulfilled and revenues are recognized over a certain period of time mainly because control over services is transferred over a certain period of time.

5. A major component of finance income is foreign exchange gain of ¥15,355 million.

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)
Equity in profit of affiliates								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.

(c) Information on each region

Revenue from external customers are as follows:

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

(For the nine months ended September 30)

For the nine months ended September 30, 2019 (From January 1, 2019 to September 30, 2019)

	Revenue by major business			(Millions of yen)
	PC online	Mobile	Other	Total
Main regional market				
Japan	2,831	8,746	15	11,592
Korea	48,656	15,490	1,255	65,401
China	94,679	1,859	77	96,615
North America and Europe	2,636	12,334	290	15,260
Rest of World	3,763	6,552	116	10,431
Total	152,565	44,981	1,753	199,299

(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, 2020 (From January 1, 2020 to September 30, 2020)

	Revenue by major business			(Millions of yen)
	PC online	Mobile	Other	Total
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 three months ended September 30)

For the three months ended September 30, 2019 (From July 1, 2019 to September 30, 2019)

	Revenue by major business			(Millions of yen)
	PC online	Mobile	Other	Total
Main regional market				
Japan	960	2,186	5	3,151
Korea	18,848	4,388	421	23,657
China	15,998	1,769	16	17,783
North America and Europe	884	3,595	82	4,561
Rest of World	1,313	1,865	27	3,205
Total	38,003	13,803	551	52,357

(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, 2020 (From July 1, 2020 to September 30, 2020)

	Revenue by major business			(Millions of yen)
	PC online	Mobile	Other	Total
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

(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 nine months and three months ended September 30, 2019, ¥3,762 million and ¥1,229 million, respectively, have been reclassified from "Other [Rest of World]" to "North America and Europe."

(10) Subsequent Events

Issuance of stock options (stock acquisition rights)

On October 30, 2020, Nexon's Board of Directors approved the issuance of stock acquisition rights as stock options without consideration to certain employees of Nexon and certain directors and employees of its subsidiaries, pursuant to provisions of Articles 236, 238 and 239 of the Companies Act, as well as resolution of the Annual General Meeting of Shareholders held on March 25, 2020. The stock acquisition rights were allotted on November 9, 2020. The details are as follows:

Date of resolution	October 30, 2020
Category and number of eligible persons (persons)	Nexon's employees: 22 Directors and employees of Nexon's subsidiaries: 185
Number of stock acquisition rights (units) *	5,010 (Note) 1
Class, description and number of underlying shares (shares) *	Common stock: 10,020,000 (Note) 2
Amount to be paid upon exercise of stock acquisition rights (yen) *	3,055 (Note) 3
Exercise period of stock acquisition rights *	(Qualified stock options) October 30, 2022 to November 8, 2026 (Non-qualified stock options) November 9, 2020 to November 8, 2026
Issue price and the amount of capital stock to be increased by issuance of shares upon exercise of stock acquisition rights (yen) *	Issue price: 3,055 Amount of capital stock to be increased: 1,528
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 (November 9, 2020).

- (Notes)
1. The number of underlying shares per unit of stock acquisition right is 2,000 shares 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 unexercised at the time of the adjustment, and any fraction less than one share resulting from such adjustment shall be rounded down.

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

In addition, in case of merger, company split, share exchange, share transfer or other events that compel the number of shares granted to be adjusted, the number of shares granted with regards to stock acquisition rights unexercised at the time shall be adjusted to the extent reasonable by taking into consideration the

terms and conditions of such merger, company split, share exchange or share transfer.

3. 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 the event that Nexon issues new shares or sells treasury shares of its common stock at below market price (except for exercise of stock acquisition rights), the exercise price shall be adjusted according to the following formula. Any fraction of less than one yen shall be rounded up.

$$\text{Exercise price after adjustment} = \text{Exercise price before adjustment} \times \frac{\text{Number of previously issued shares} + \frac{\text{Number of newly issued shares} \times \text{Amount paid per share}}{\text{Market price per share}}}{\text{Number of previously issued shares} + \text{Number of newly issued shares}}$$

For the purpose of the calculation above, “Number of previously issued shares” shall be the total number of shares of Nexon’s common stock issued and outstanding less the total number of treasury shares, and in case of disposition of treasury stock, “Number of newly issued shares” shall be read as “Number of treasury shares to be disposed.”

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