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Consolidated Financial Results
for the Three Months Ended March 31, 2021
[IFRS]

May 12, 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

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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 Three Months Ended March 31, 2021 (from January 1, 2021 to March 31, 2021)

(1) Consolidated Operating Results (cumulative)

(% changes year-over-year)

(Millions of yen)

	Revenue		Operating income		Income before income taxes		Net income		Net income attributable to owners of the parent company		Total comprehensive income	
	Amount	% change	Amount	% change	Amount	% change	Amount	% change	Amount	% change	Amount	% change
Three months ended March 31, 2021	88,313	6.7%	43,321	4.3%	63,575	2.6%	45,733	(8.1)%	46,034	(7.8)%	60,945	309.6%
Three months ended March 31, 2020	82,762	(11.1)%	41,543	(21.0)%	61,989	0.3%	49,754	(5.8)%	49,911	(6.5)%	14,879	(67.5)%

	Basic earnings per share		Diluted earnings per share	
	Yen		Yen	
Three months ended March 31, 2021	51.86		50.78	
Three months ended March 31, 2020	56.57		56.11	

(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 March 31, 2021	932,592	783,370	772,767	82.9%
As of December 31, 2020	862,161	720,445	709,882	82.3%

2. Dividends

(Yen)

	Annual Dividends				
	End of 1st Quarter	End of 2nd Quarter	End of 3rd Quarter	End of Year	Total
FY 2020	—	2.50	—	2.50	5.00
FY 2021	—				
FY 2021 (Forecast)		2.50	—	2.50	5.00

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

3. Consolidated Financial Results Forecast for the Six Months Ending June 30, 2021 (from January 1, 2021 to June 30, 2021)

(% changes year-over-year)

(Millions of yen)

	Revenue		Operating income		Income before income taxes		Net income		Net income attributable to owners of the parent company		Basic earnings per share
2nd Quarter (cumulative)	142,763	(3.0)%	55,361	(18.9)%	76,601	(11.6)%	54,118	(21.9)%	54,999	(21.1)%	Yen
	~	~	~	~	~	~	~	~	~	~	61.93
	147,908	0.5%	59,706	(12.5)%	80,947	(6.6)%	57,483	(17.0)%	58,289	(16.3)%	65.63

(Note) As it is difficult to reasonably estimate financial results for the year ending December 31, 2021 at the moment, only the financial results forecast for the six months ending June 30, 2021 is disclosed. Also, as it is difficult to estimate specific figures, disclosure is made with a range. For details, please refer to "1. Qualitative Information on Consolidated Financial Results for the Period (3) Explanation on Future Forecast Information including Consolidated Financial Results Forecast" on page 4 of the Appendix.

*(Notes)

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

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

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

(3) Number of Shares Issued (common stock)

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

As of March 31, 2021: 888,567,539 shares

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

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

As of March 31, 2021: 44 shares

As of December 31, 2020: 44 shares

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

Three months ended March 31, 2021: 887,753,495 shares

Three months ended March 31, 2020: 882,223,517 shares

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

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

(Caution Concerning Forward-Looking Statements)

The forward-looking statements including the financial results forecast herein are based on information currently available to the Company and certain assumptions that can be deemed reasonable, and are not intended as the Company's commitment to achieve such forecasts. Actual results may differ significantly from these forecasts due to a wide range of factors. For conditions prerequisite to the financial results forecast and the points to be noted in the use thereof, please refer to "1. Qualitative Information on Consolidated Financial Results for the Period (3) Explanation on Future Forecast Information including Consolidated Financial Results Forecast" on page 4 of the Appendix.

(Method of Obtaining Supplementary Briefing Material on Financial Results)

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

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1. Qualitative Information on Consolidated Financial Results for the Period

(1) Explanation on Operating Results

As for the global economy during the three months ended March 31, 2021, although vaccination programs have started in various areas around the world, future outlook remains unclear due to the impact of the COVID-19 pandemic. While the economy in North America showed signs of picking up, economic recovery slowed down in Europe due to prolonged restriction on human activities as the infection flared up again. The economy showed a gradual turnaround in China where economic conditions stayed on a recovery trend. As for the Japanese economy, while signs of recovery were seen mainly in capital investment and production, harsh conditions continued as economic activities were suppressed, and corporate revenue and consumer spending weakened, primarily due to the impact of the third wave of the COVID-19 outbreak and the accompanying redeclaration of a state of emergency in January 2021.

Under these circumstances, although the situation varies slightly depending on the region, Nexon Group has continued to operate its PC online and mobile businesses without its overall business being largely affected, endeavoring to provide users with an enjoyable game experience by developing high-quality games, acquiring more contents, servicing new titles, and updating existing titles. Specifically, we have established the following as Nexon's Focus Strategy: (i) focusing on massive multiplayer online games, (ii) enabling our service to be played across multiple platforms including PC, console and mobile, (iii) leveraging Nexon's IPs, and (iv) investing in new IPs that we think are really special. We have also worked on initiatives for the growth of our global business.

For the three months ended March 31, 2021, multiple major titles drove our business and all regions excluding China grew. As a result, revenue increased year-over-year.

In Korea, all four of our major PC titles grew. *MapleStory* grew year-over-year due to well-received Winter update, while *EA SPORTS™ FIFA ONLINE 4* ("*FIFA ONLINE 4*") grew year-over-year due to well-received Lunar New Year package offerings and promotions. Revenues from *Dungeon&Fighter* and *Sudden Attack* also grew by 13% and 56%, respectively, year-over-year. Mobile revenue 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*"), and as *MapleStory M* grew. Accordingly, our Korea business overall grew by 26% year-over-year.

In China, revenue decreased year-over-year due to a slowdown of our major PC title, *Dungeon&Fighter*. *Dungeon&Fighter*'s active users and paying users decreased year-over-year due to reduced user engagement and constant strengthening of bot sanctions. Revenue decreased accordingly.

In Japan, revenue increased year-over-year driven by *TRAHA*, *V4* and *FIFA MOBILE*, which all launched in FY2020, as well as contributions from *Blue Archive*, which launched in the three months ended March 31, 2021.

In North America and Europe, revenue 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 *MapleStory*'s revenue growth.

In terms of expenses, cost of sales increased year-over-year primarily due to an increase in royalty costs for *The Kingdom of the Winds: Yeon*. Selling, general and administrative expenses increased year-over-year due to an increase in HR costs due to the introduction of a new compensation package in Korea and increased stock option costs, as well as an increase in platform costs of mobile games including *The Kingdom of the Winds: Yeon* and *KartRider Rush+*. Other expenses also decreased due to comparisons with Q1 2020, when we recorded an impairment loss on a subsidiary's goodwill and the IP of *Choices: Stories You Play*. Income tax expense increased year-over-year as a result of an increase in income before income taxes and an increase in deferred tax expenses on undistributed profits of our overseas subsidiary.

As a result, for the three months ended March 31, 2021, Nexon Group recorded revenues of ¥88,313 million (up 6.7% year-over-year), operating income of ¥43,321 million (up 4.3% year-over-year), income before income taxes of ¥63,575 million (up 2.6% year-over-year) and net income attributable to owners of the parent company of ¥46,034 million (down 7.8% year-over-year).

Business results by reportable segments for the three months ended March 31, 2021 are as follows:

(a) Japan

Revenues for the three months ended March 31, 2021 amounted to ¥1,340 million (up 49.6% year-over-year), and segment loss amounted to ¥2,285 million (segment loss of ¥655 million for the three months ended March 31, 2020).

(b) Korea

Revenues for the three months ended March 31, 2021 amounted to ¥81,502 million (up 6.8% year-over-year), and segment profit amounted to ¥45,606 million (down 4.4% year-over-year). Revenues 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 three months ended March 31, 2021 amounted to ¥1,049 million (up 16.2% year-over-year), and segment profit amounted to ¥736 million (up 12.7% year-over-year).

(d) North America

Revenues for the three months ended March 31, 2021 amounted to ¥4,075 million (up 9.7% year-over-year), and segment profit amounted to ¥262 million (segment loss of ¥461 million for the three months ended March 31, 2020).

(e) Other

Revenues for the three months ended March 31, 2021 amounted to ¥347 million (down 62.1% year-over-year), and segment loss amounted to ¥1,023 million (segment loss of ¥461 million for the three months ended March 31, 2020).

(2) Explanation on Financial Position

(a) Assets, liabilities and equity

(Assets)

Total assets as of March 31, 2021 amounted to ¥932,592 million, an increase of ¥70,431 million from December 31, 2020. Major components include an increase of ¥18,378 million in trade and other receivables, an increase of ¥31,296 million in other deposits and an increase of ¥23,197 million in other financial assets.

(Liabilities)

Total liabilities as of March 31, 2021 amounted to ¥149,222 million, an increase of ¥7,506 million from December 31, 2020. Major components include an increase of ¥7,413 million in income taxes payable, an increase of ¥5,956 million in other liabilities and a decrease of ¥5,267 million in provisions.

(Equity)

Equity as of March 31, 2021 totaled ¥783,370 million, an increase of ¥62,925 million from December 31, 2020. Major components of changes in equity include an increase of ¥43,817 million in retained earnings primarily due to the recording of net income and an increase of ¥16,119 million in other equity interest primarily due to changes in exchange differences on translating foreign operations.

As a result, ratio of equity attributable to owners of the parent company was 82.9% (82.3% as of December 31, 2020).

(b) Cash flows

Cash and cash equivalents (collectively, "Cash") as of March 31, 2021 was ¥243,647 million, a decrease of ¥8,923 million from December 31, 2020. The decrease includes ¥8,819 million in effects of exchange rate changes on cash.

Cash flows from each activity for the three months ended March 31, 2021 and their significant components are as follows:

(Cash flows from operating activities)

Net cash provided by operating activities was ¥17,933 million, compared to ¥29,548 million for the three months ended March 31, 2020. Major components of the increase include income before income taxes of ¥63,575 million. Major components of the decrease include an exchange gain of ¥17,288 million, an increase in trade and other receivables of ¥17,180 million, income taxes paid of ¥7,074 million and a decrease in provisions of ¥5,328 million.

While the amount of increase in trade and other receivables was smaller compared to the three months ended March 31, 2020, net cash provided by operating activities decreased year-over-year due to an increase in other current assets and a decrease in provisions.

(Cash flows from investing activities)

Net cash used in investing activities was ¥32,829 million, compared to ¥1,034 million provided by investing activities for the three months ended March 31, 2020. Major cash outflows include purchases of investment securities of ¥21,563 million and an increase in time deposit of ¥12,853 million.

Net cash used in investing activities increased year-over-year due to purchases of investment securities and an increase in time deposit.

(Cash flows from financing activities)

Net cash used in financing activities was ¥2,846 million, compared to ¥4,177 million for the three months ended March 31, 2020. Major cash inflows include proceeds from exercise of stock options of ¥2,081 million. Major cash outflows include cash dividends paid of ¥2,217 million and net decrease in short-term borrowings of ¥2,094 million.

Net cash used in financing activities decreased year-over-year due to not recording any purchases of treasury stock.

(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 Six Months Ending June 30, 2021" is the sum of our actual consolidated financial results for the three months ended March 31, 2021 and our consolidated business outlook for the three months ending June 30, 2021. Please refer to the table below for our consolidated financial results forecast for the three months ending June 30, 2021.

For the six months ending June 30, 2021, Nexon Group expects consolidated revenue in the range of ¥142,763~147,908 million (down 3.0%~up 0.5% year-over-year), operating income in the range of ¥55,361~59,706 million (down 18.9%~12.5% year-over-year), income before income taxes in the range of ¥76,601~80,947 million (down 11.6%~6.6% year-over-year), net income in the range of ¥54,118~57,483 million (down 21.9%~17.0% year-over-year), net income attributable to owners of the parent company in the range of ¥54,999~58,289 million (down 21.1%~16.3% year-over-year), and basic earnings per share in the range of ¥61.93~65.63. Nexon Group operates its businesses around the world, in Japan, South Korea, China, the United States and other countries. Major exchange rates for Q2 2021 are expected to be 1 U.S dollar=¥108.70, 100 South Korean Won=¥9.77 and 1 Chinese Yuan=¥16.72. 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 ¥514 million on revenue and approximately ¥153 million on operating income for the three months ending June 30, 2021.

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

In Korea, for PC online, we expect a revenue increase from *FIFA ONLINE 4* and a three-digit growth from *Sudden Attack*. Meanwhile, the number of active users of our major PC title *MapleStory*, which had remained at a high level since the beginning of the year, has decreased since late February. *MapleStory* players pointed out that the information available on our game including probabilities associated with unlocking valuable items was not clear enough and that there was a lack of communication. Consequently, the number of its active users is currently lower compared to last year's high level, so we expect revenue to decrease compared to Q2 2020 when it grew by 151% year-over-year excluding the effect of exchange rates. In addition, we also expect a revenue decrease from *Dungeon&Fighter*, which had grown by 49% year-over-year in Q2 2020 excluding the effect of exchange rates. As a result, we expect PC revenue to decrease.

For mobile, while we expect to benefit from *The Kingdom of the Winds: Yeon* and growth of *EA SPORTS™ FIFA ONLINE 4 M* and *MapleStory M*, we expect revenues from *V4* and *KartRider Rush+* to decrease compared to Q2 2020 when they recorded strong performances following their launch. As a result, we expect mobile revenue to be roughly flat year-over-year excluding the effect of exchange rates.

Due to the above, we expect the overall revenue in Korea to decrease due to a tough comparison with Q2 2020 when it grew by 81% year-over-year excluding the effect of exchange rates.

In China, we introduced the Labor Day update to our major PC title *Dungeon&Fighter* in April, which included avatar packages and related new dungeons. In June, we will release the 13th Anniversary update. The current numbers of active users and paying users have further decreased since Q1 2021 and remain lower compared to last year. Therefore, we expect its revenue to decline year-over-year.

In Japan, we expect revenue to decrease year-over-year as we anticipate contributions from *FIFA MOBILE*, *Blue Archive* and *V4* to be more than offset by a decrease from *TRAHA* due to a tough comparison following its Q2 2020 launch.

In North America and Europe, we expect revenue to decrease due to a decrease in revenue from *Choices: Stories You Play*.

In Rest of World, we expect revenue to decrease year-over-year due to tough comparisons for *KartRider Rush+*, which launched in Q2 2020, as well as *V4*, which launched in Taiwan, Hong Kong and Macau in Q1 2020.

On the cost side, in the three months ending June 30, 2021, we expect increases in stock option costs and HR costs associated with the introduction of a new compensation policy in Korea, as well as an increase in outsourcing costs, while we expect a decrease in marketing costs. We expect costs to increase year-over-year in the three months ending June 30, 2021 as unfavorable factors are greater than favorable factors.

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

(Reference)

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

(% changes from the previous fiscal year)

(Millions of yen)

	Revenue		Operating income		Income before income taxes		Net income		Net income attributable to owners of the parent company		Basic earnings per share
	Yen	%	Yen	%	Yen	%	Yen	%	Yen	%	
2nd Quarter	54,451	(15.5)%	12,039	(54.9)%	13,026	(47.2)%	8,385	(57.1)%	8,965	(54.6)%	Yen 10.09
	59,596	(7.6)%	16,384	(38.7)%	17,372	(29.6)%	11,750	(39.9)%	12,254	(38.0)%	13.79

2. Matters Related to Summary Information (Notes)

(1) Changes in Significant Subsidiaries during the Period

Not applicable.

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

(Changes in accounting policies required by IFRS)

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

Nexon Group has applied the following standards since Q1 2021, but the application of these standards did not have material impacts on the three months ended March 31, 2021.

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

3. Condensed Consolidated Financial Statements and Major Notes

(1) Condensed Consolidated Statement of Financial Position

(Millions of yen)

	As of December 31, 2020	As of March 31, 2021
Assets		
Current assets		
Cash and cash equivalents	252,570	243,647
Trade and other receivables	20,935	39,313
Other deposits	273,132	304,428
Other financial assets	27,343	26,535
Other current assets	4,552	9,028
Total current assets	578,532	622,951
Non-current assets		
Property, plant and equipment	24,191	24,772
Goodwill	38,425	38,909
Intangible assets	14,935	14,082
Right-of-use assets	10,029	9,996
Investments accounted for using equity method	5,195	5,187
Other financial assets	167,620	191,625
Other non-current assets	1,277	1,876
Deferred tax assets	21,957	23,194
Total non-current assets	283,629	309,641
Total assets	862,161	932,592

	(Millions of yen)	
	As of December 31, 2020	As of March 31, 2021
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	10,668	8,897
Deferred income	11,505	12,229
Borrowings	2,094	—
Income taxes payable	15,774	23,187
Lease liabilities	2,657	2,756
Provisions	6,881	1,608
Other current liabilities	8,388	14,389
Total current liabilities	57,967	63,066
Non-current liabilities		
Deferred income	15,180	15,504
Lease liabilities	11,842	11,768
Other financial liabilities	868	917
Provisions	304	310
Other non-current liabilities	4,437	4,392
Deferred tax liabilities	51,118	53,265
Total non-current liabilities	83,749	86,156
Total liabilities	141,716	149,222
Equity		
Capital stock	22,679	24,141
Capital surplus	17,421	18,908
Treasury stock	(0)	(0)
Other equity interest	69,975	86,094
Retained earnings	599,807	643,624
Total equity attributable to owners of the parent company	709,882	772,767
Non-controlling interests	10,563	10,603
Total equity	720,445	783,370
Total liabilities and equity	862,161	932,592

(2) Condensed Consolidated Income Statement

(Millions of yen)

	Three months ended March 31	
	2020	2021
	(From January 1, 2020 to March 31, 2020)	(From January 1, 2021 to March 31, 2021)
Revenue	82,762	88,313
Cost of sales	(15,343)	(18,699)
Gross profit	67,419	69,614
Selling, general and administrative expenses	(20,614)	(26,317)
Other income	1,197	124
Other expenses	(6,459)	(100)
Operating income	41,543	43,321
Finance income	21,918	20,995
Finance costs	(1,585)	(650)
Share of profit (loss) of investments accounted for using equity method	113	(91)
Income before income taxes	61,989	63,575
Income taxes expense	(12,235)	(17,842)
Net income	49,754	45,733
Attributable to:		
Owners of the parent company	49,911	46,034
Non-controlling interests	(157)	(301)
Net income	49,754	45,733
Earnings per share	(Yen)	(Yen)
(attributable to owners of the parent company)		
Basic earnings per share	56.57	51.86
Diluted earnings per share	56.11	50.78

(3) Condensed Consolidated Statement of Comprehensive Income
For the three months ended March 31, 2020 and 2021

(Millions of yen)

	Three months ended March 31	
	2020	2021
	(From January 1, 2020 to March 31, 2020)	(From January 1, 2021 to March 31, 2021)
Net income	49,754	45,733
Other comprehensive income		
Items that will not be reclassified to net income		
Financial assets measured at fair value through other comprehensive income	256	(324)
Re-measurement of defined benefit pension plans	27	(1)
Income taxes	(81)	81
Total items that will not be reclassified to net income	202	(244)
Items that may be reclassified subsequently to net income		
Exchange differences on translating foreign operations	(35,076)	15,449
Other comprehensive income under equity method	(1)	7
Total items that may be reclassified subsequently to net income	(35,077)	15,456
Total other comprehensive income	(34,875)	15,212
Total comprehensive income	14,879	60,945
Attributable to:		
Owners of the parent company	15,696	60,969
Non-controlling interests	(817)	(24)
Total comprehensive income	14,879	60,945

(4) Condensed Consolidated Statement of Changes in Equity

For the three months ended March 31, 2020 (From January 1, 2020 to March 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 for the period	—	—	—	—	49,911	49,911	(157)	49,754
Other comprehensive income	—	—	—	(34,215)	—	(34,215)	(660)	(34,875)
Total comprehensive income	—	—	—	(34,215)	49,911	15,696	(817)	14,879
Issue of shares	1,036	1,036	—	—	—	2,072	—	2,072
Stock issue cost	—	(8)	—	—	—	(8)	—	(8)
Payment of dividends	—	—	—	—	(2,206)	(2,206)	—	(2,206)
Share-based compensation	—	—	—	(238)	—	(238)	—	(238)
Changes in interests in subsidiaries	—	20	—	—	—	20	51	71
Purchase of treasury stock	—	(2)	(2,781)	—	—	(2,783)	—	(2,783)
Retirement of treasury stock	—	(22,972)	30,000	—	(7,028)	—	—	—
Reclassification from other equity interest to retained earnings	—	—	—	(3)	3	—	—	—
Total transactions with the owners	1,036	(21,926)	27,219	(241)	(9,231)	(3,143)	51	(3,092)
Balance at March 31, 2020	19,003	13,762	(0)	4,055	595,718	632,538	10,380	642,918

For the three months ended March 31, 2021 (From January 1, 2021 to March 31, 2021)

(Millions of yen)

	Equity attributable to owners of the parent company						Non-controlling interests	Total equity
	Capital stock	Capital surplus	Treasury stock	Other equity interest	Retained earnings	Total		
Balance at January 1, 2021	22,679	17,421	(0)	69,975	599,807	709,882	10,563	720,445
Net income for the period	—	—	—	—	46,034	46,034	(301)	45,733
Other comprehensive income	—	—	—	14,935	—	14,935	277	15,212
Total comprehensive income	—	—	—	14,935	46,034	60,969	(24)	60,945
Issue of shares	1,462	1,462	—	—	—	2,924	—	2,924
Stock issue cost	—	(11)	—	—	—	(11)	—	(11)
Payment of dividends	—	—	—	—	(2,217)	(2,217)	—	(2,217)
Share-based compensation	—	—	—	1,184	—	1,184	—	1,184
Changes in interests in subsidiaries	—	36	—	—	—	36	64	100
Total transactions with the owners	1,462	1,487	—	1,184	(2,217)	1,916	64	1,980
Balance at March 31, 2021	24,141	18,908	(0)	86,094	643,624	772,767	10,603	783,370

(5) Condensed Consolidated Statement of Cash Flows

(Millions of yen)

	Three months ended March 31	
	2020	2021
	(From January 1, 2020 to March 31, 2020)	(From January 1, 2021 to March 31, 2021)
Cash flows from operating activities		
Income before income taxes	61,989	63,575
Depreciation and amortization	2,147	2,264
Share-based compensation expenses	372	2,109
Interest and dividend income	(3,030)	(1,526)
Interest expense	84	102
Impairment loss	6,063	19
Share of loss (profit) of investments accounted for using equity method	(113)	91
(Gain) loss on valuation of securities	940	381
Exchange (gain) loss	(17,077)	(17,288)
(Increase) decrease in trade and other receivables	(25,347)	(17,180)
(Increase) decrease in other current assets	1,213	(4,469)
(Decrease) increase in trade and other payables	609	(2,134)
(Decrease) increase in deferred income	(119)	267
(Decrease) increase in provisions	151	(5,328)
(Decrease) increase in other current liabilities	1,514	3,356
Other	(549)	(1,276)
Subtotal	28,847	22,963
Interest and dividends received	3,651	2,145
Interest paid	(135)	(101)
Income taxes paid	(2,815)	(7,074)
Net cash provided by operating activities	29,548	17,933
Cash flows from investing activities		
Net decrease (increase) in restricted deposit	138	2,075
Net decrease (increase) in time deposit	10,189	(12,853)
Purchases of property, plant and equipment	(371)	(374)
Proceeds from sales of property, plant and equipment	4	9
Purchases of intangible assets	(323)	(121)
Payments associated with increase in long-term prepaid expenses	(0)	(595)
Purchases of securities by investment funds under consolidated subsidiaries	(9,879)	(10,666)
Proceeds from sale of securities by investment funds under consolidated subsidiaries	1,433	10,085
Purchases of investment securities	—	(21,563)
Proceeds from sale and redemption of investment securities	276	1,192
Other	(433)	(18)
Net cash provided by (used in) investing activities	1,034	(32,829)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(137)	(2,094)
Proceeds from exercise of stock options	1,554	2,081
Purchases of treasury stock	(2,783)	—
Cash dividends paid	(2,203)	(2,217)
Repayment of lease liability	(608)	(616)
Net cash used in financing activities	(4,177)	(2,846)
Net (decrease) increase in cash and cash equivalents	26,405	(17,742)
Cash and cash equivalents at the beginning of the period	253,636	252,570
Effects of exchange rate changes on cash and cash equivalents	(4,897)	8,819
Cash and cash equivalents at the end of the period	275,144	243,647

(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.

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.”

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

(a) Amount of dividends paid

For the three months ended March 31, 2020 (From January 1, 2020 to March 31, 2020)

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

For the three months ended March 31, 2021 (From January 1, 2021 to March 31, 2021)

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

(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 three months ended March 31, 2020 based on a resolution of the Board of Directors on September 9, 2019.

(c) Retirement of treasury stock

In the three months ended March 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 March 31, 2020 was negative ¥7,028 million and other retained earnings were reduced by this amount.

(9) Segment Information

(a) Outline of reportable segments

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

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

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

(b) Revenue, profit or loss by reportable segment

Information on the segments of Nexon Group is as follows:

For the three months ended March 31, 2020 (From January 1, 2020 to March 31, 2020)

(Millions of yen)

	Reportable Segments					Total	Adjustments (Note 3)	Consolidated
	Japan	Korea	China	North America	Other			
Revenue								
Revenue from external customers								
PC online	717	62,237	903	984	432	65,273	—	65,273
Mobile	161	13,666	—	2,728	482	17,037	—	17,037
Other	17	433	—	2	—	452	—	452
Total revenue from external customers	895	76,336	903	3,714	914	82,762	—	82,762
Intersegment revenue	224	511	—	144	90	969	(969)	—
Total	1,119	76,847	903	3,858	1,004	83,731	(969)	82,762
Segment profit or loss (Note 1)	(655)	47,724	653	(461)	(461)	46,800	5	46,805
Other income (expense), net								(5,262)
Operating income								41,543
Finance income (costs), net (Note 4)								20,333
Share of profit of investments accounted for using equity method								113
Income before income taxes								61,989

(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 ¥5 million represent elimination of intersegment transactions.

4. A major component of finance income is foreign exchange gain of ¥18,663 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.

For the three months ended March 31, 2021 (From January 1, 2021 to March 31, 2021)

(Millions of yen)

	Reportable Segments					Total	Adjustments (Note 3)	Consolidated
	Japan	Korea	China	North America	Other			
Revenue								
Revenue from external customers								
PC online	816	61,663	1,049	1,500	339	65,367	—	65,367
Mobile	504	19,459	—	2,574	8	22,545	—	22,545
Other	20	380	—	1	—	401	—	401
Total revenue from external customers	1,340	81,502	1,049	4,075	347	88,313	—	88,313
Intersegment revenue	181	692	—	206	120	1,199	(1,199)	—
Total	1,521	82,194	1,049	4,281	467	89,512	(1,199)	88,313
Segment profit or loss (Note 1)	(2,285)	45,606	736	262	(1,023)	43,296	1	43,297
Other income (expense), net								24
Operating income								43,321
Finance income (costs), net (Note 4)								20,345
Share of loss of investments accounted for using equity method								(91)
Income before income taxes								63,575

(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 ¥1 million represent elimination of intersegment transactions.

4. A major component of finance income is foreign exchange gain of ¥18,119 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.

(c) Information on each region

Revenue from external customers are as follows:

For the three months ended March 31, 2020 (From January 1, 2020 to March 31, 2020)

(Millions of yen)

	Revenue by major business			Total
	PC online	Mobile	Other	
Main regional market				
Japan	717	836	14	1,567
Korea	28,857	10,504	383	39,744
China	33,047	452	—	33,499
North America and Europe	893	3,236	39	4,168
Rest of World	1,759	2,009	16	3,784
Total	65,273	17,037	452	82,762

(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 March 31, 2021 (From January 1, 2021 to March 31, 2021)

(Millions of yen)

	Revenue by major business			Total
	PC online	Mobile	Other	
Main regional market				
Japan	816	2,546	20	3,382
Korea	34,933	14,882	352	50,167
China	25,623	175	—	25,798
North America and Europe	1,387	3,415	12	4,814
Rest of World	2,608	1,527	17	4,152
Total	65,367	22,545	401	88,313

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

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

3. Main countries or regions in each category:

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

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

(10) Subsequent Events

(a) Issuance of equity-based stock options (stock acquisition rights)

On March 25, 2021, Nexon's Board of Directors resolved the issuance of stock acquisition rights as equity-based stock options to directors, which were approved by Nexon's Annual General Meeting of Shareholders held on the same date, pursuant to the provisions of Articles 236, 238 and 240 of the Companies Act. The stock acquisition rights were allotted on April 12, 2021. Furthermore, these stock acquisition rights were issued primarily as directors' compensation and do not fall under favorable issue.

The details are as follows:

Date of resolution	March 25, 2021
Category and number of eligible persons (persons)	Nexon's directors: 5
Number of stock acquisition rights (units) *	1,672,866 (Note) 1
Class, description and number of underlying shares (shares) *	Common stock: 1,672,866 (Note) 2, 3
Amount to be paid upon exercise of stock acquisition rights (yen) *	No cash payment or granting of property other than cash is required.
Exercise period of stock acquisition rights *	April 12, 2021 to March 15, 2025
Issue price and the amount of capital stock to be increased by issuance of shares upon exercise of stock acquisition rights (yen) *	Issue price: 2,303~3,560 Amount of capital stock to be increased: 1,152~1,780
Conditions for exercise of stock acquisition rights *	<ul style="list-style-type: none">• A portion of the number of units granted shall vest at the end of each Annual General Meeting of Shareholders to be held in 2022, 2023 and 2024. The remaining number of units shall vest according to the given level of achievement by the date of the Annual General Meeting of Shareholders to be held in 2023 and 2024.• Only directors (including former directors) may exercise these stock acquisition rights. Specifically, stock acquisition right holders must continue to be Nexon's director to exercise the right. However, former directors may exercise the stock acquisition rights only if they have lost their position as director due to resignation, termination of employment or dismissal (excluding punitive discharge or any case equivalent thereto), or death or disabilities, or otherwise if there is any other justifiable reason as separately provided by the Board of Directors.• Partial exercise of stock acquisition rights is not allowed.
Assignment of stock acquisition rights *	Acquisition of stock acquisition rights by assignment shall require the approval of the Board of Directors.
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 (April 12, 2021).

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

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

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

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

(b) Acquisition of crypto-assets

Based on the resolution of the Board of Directors on April 2, 2021, Nexon purchased approximately ¥11.1 billion (\$100 million) worth of bitcoin (crypto-assets) in the same month.