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Consolidated Financial Results
for the Nine Months Ended September 30, 2024
[IFRS]

November 12, 2024

Company name: NEXON Co., Ltd.

Stock exchange listing: Tokyo Stock Exchange

Stock code: 3659

URL: <https://www.nexon.co.jp/en/ir/>

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Scheduled date of commencing dividend payments: -

Supplementary briefing material on financial results: Yes

Financial results briefing: Yes (online earnings presentation for institutional investors, analysts and media)

(Amounts are rounded to nearest million yen)

1. Consolidated Financial Results for the Nine Months Ended September 30, 2024 (from January 1, 2024 to September 30, 2024)

(1) Consolidated Operating Results (cumulative)

(% changes year-over-year)

(Millions of yen)

	Revenue		Operating profit		Profit before tax		Profit		Profit attributable to owners of parent		Total comprehensive income	
Nine months ended September 30, 2024	366,485	8.2%	125,905	(3.3)%	154,580	(7.8)%	104,035	(8.1)%	102,819	(8.6)%	143,051	(17.9)%
Nine months ended September 30, 2023	338,779	24.3%	130,199	40.4%	167,589	7.1%	113,206	5.4%	112,496	4.2%	174,299	37.8%

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended September 30, 2024	123.06	122.48
Nine months ended September 30, 2023	131.77	130.83

(2) Consolidated Financial Position

(Millions of yen)

	Total assets	Total equity	Equity attributable to owners of parent	Ratio of equity attributable to owners of parent to total assets
As of September 30, 2024	1,236,733	1,005,685	994,137	80.4%
As of December 31, 2023	1,098,103	906,575	896,267	81.6%

2. Dividends

(Yen)

	Annual Dividends				
	End of 1st Quarter	End of 2nd Quarter	End of 3rd Quarter	End of Year	Total
FY 2023	—	5.00	—	5.00	10.00
FY 2024	—	7.50	—		
FY 2024 (Forecast)				15.00	22.50

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

3. Consolidated Financial Results Forecast for the Year Ending December 31, 2024 (from January 1, 2024 to December 31, 2024)

(% changes year-over-year)

(Millions of yen)

	Revenue		Operating profit		Profit before tax		Profit		Profit attributable to owners of parent		Basic earnings per share
											Yen
Full year	450,296	6.4%	124,562	(7.6)%	157,252	24.9%	104,477	47.0%	103,288	46.3%	123.83
	~	~	~	~	~	~	~	~	~	~	~
	461,204	8.9%	133,072	(1.2)%	165,762	31.6%	110,140	54.9%	108,964	54.3%	130.63

(Note) As it is difficult to estimate specific figures, disclosure is made with a range. For details, please refer to "1. Overview of Operating Results, etc. (3) Explanation on Future Forecast Information including Consolidated Financial Results Forecast" on page 4 of the Appendix.

*(Notes)

(1) Significant Changes in the Scope of Consolidation during the Period : No

(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 (ordinary shares)

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

As of September 30, 2024: 841,790,912 shares

As of December 31, 2023: 857,453,260 shares

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

As of September 30, 2024: 12,293,862 shares

As of December 31, 2023: 15,809,545 shares

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

Nine months ended September 30, 2024: 835,507,469 shares

Nine months ended September 30, 2023: 853,724,967 shares

(Note) “Total number of treasury shares at the end of the period” includes Nexon’s shares held by our consolidated subsidiaries, Stiftelsen Embark Incentive and NEXON Employee Benefit Trust (as of September 30, 2024: 1,704,979 shares; as of December 31, 2023: 1,088,506 shares). The number of treasury shares deducted in the calculation of the average number of shares during the period includes Nexon’s shares held by the consolidated subsidiaries (as of September 30, 2024: 1,340,906 shares; as of September 30, 2023: 1,064,912 shares).

* Review of the attached quarterly consolidated financial statements by certified public accountants or an audit firm: No

* 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. Overview of Operating Results, etc. (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. Overview of Operating Results, etc.

(1) Overview of Operating Results for the Period

As for the global economy during the nine months ended September 30, 2024, the outlook remained uncertain primarily due to Europe and the United States keeping their interest rates higher, downside risks from the effects of continued stagnation in the real estate market in China, and the prolonged conflict in the Middle East. In Japan, while we experienced soaring resource and energy prices due to the uncertain international situation and inflation attributable to changes in foreign exchange rates, the economy continued to gradually recover due in part to the effects of various political measures as employment and income environments improved.

Under these circumstances, with its live game operations capability as a foundation, Nexon Group is centralizing its organizational structure around an IP Growth Initiative which can snowball growth within its established IP and develop new blockbusters. The new IP Growth Initiative is a strategy for creating vertical growth by revitalizing and extending established blockbusters such as *Dungeon&Fighter* and *MapleStory* with new content, on new platforms, and in new markets. The strategy includes hyperlocalization, a concept that recognizes the cultural differences between markets and deploys teams to customize content to match the unique player preferences in each region. Additionally, horizontal growth initiatives will focus on developing new blockbusters from other Nexon Group games and franchises like *Mabinogi*, plus new games in development such as *ARC Raiders*.

For the nine months ended September 30, 2024, total revenues of our three biggest franchises, *Dungeon&Fighter*, *MapleStory*, and *EA SPORTS FC™*, grew driven by a contribution from *Dungeon&Fighter Mobile*, which launched in China on May 21. We also achieved record-breaking Q3 cumulative revenues as a result of a large contribution from *The First Descendant*, which launched on July 2. Revenues by key franchises are as follows:

Dungeon&Fighter successfully attracted many new players and re-energized dormant players of the game's PC version by expanding the franchise to the mobile market in China. Accordingly, the overall revenue of the franchise grew year over year. For *Dungeon&Fighter Mobile*, which launched in China on May 21, our efforts in localizing content to suit the tastes of Chinese players drove player engagement that exceeded our expectations right after its launch, but its revenue is settling down, as expected, in the three months ended September 30, 2024. As for the PC version of *Dungeon&Fighter*, since December 2023, when an imbalance in the in-game economy was found, we have continued to focus on improving that balance and enhancing player engagement for the recovery of its revenue and the number of active users. However, we expect to take more time to return to a growth trajectory and it decreased year over year.

For *MapleStory*, while we worked on improving live operations in existing games and extending its IP to new regions under our hyperlocalization strategy and to new formats, the overall revenue of the franchise decreased year over year due to a tough comparison with the nine months ended September 30, 2023, when the franchise marked record-breaking revenue driven by a major update of the game's PC version in Korea and the launch of the mobile version in China. In Korea, while we have focused on improving player engagement since January, including changes in the monetization policy of some items, revenue decreased year over year. On the other hand, *MapleStory* outside Korea grew year over year thanks to our hyperlocalization strategy, under which content development, events and promotions are customized to match the unique player preferences in each region. *MapleStory M* also grew year over year worldwide driven by the expansion into the China market in FY2023. In addition, *MapleStory Worlds* officially launched in Korea in April, which not only contributed to revenue but also to the expansion of the *MapleStory* IP's fan base.

For *EA SPORTS FC™ ONLINE* and *EA SPORTS FC™ MOBILE*, revenues decreased year over year due to tough comparisons with the nine months ended September 30, 2023, when they marked record-breaking consolidated revenues.

As for other key titles, *The First Descendant*, which launched on July 2, largely contributed to revenue driven by its strong performances mainly in North America and Europe. *THE FINALS*, which launched in December 2023, also contributed to revenue.

In terms of expenses, cost of sales increased year over year due to increased HR costs due to higher headcount, annual salary hike and performance-based bonuses for contributions for great performances. Selling, general and administrative expenses decreased year over year due to decreases in platform fees and marketing expenses, despite increased HR costs due to higher headcount and annual salary hike. Other expenses increased year over year due to consolidation of an equity-method company with net capital deficiency in the three months ended March 31, 2024, and recognition of an impairment loss on goodwill.

Profit before tax and profit attributable to owners of parent decreased year over year as we recognized a foreign exchange loss in the nine months ended September 30, 2024, compared to the foreign exchange gain primarily on

foreign currency-denominated cash deposits recorded in the same period last year.

As a result, for the nine months ended September 30, 2024, Nexon Group recorded revenue of ¥366,485 million (up 8.2% year-over-year), operating profit of ¥125,905 million (down 3.3% year-over-year), profit before tax of ¥154,580 million (down 7.8% year-over-year) and profit attributable to owners of parent of ¥102,819 million (down 8.6% year-over-year).

Business results by reportable segments for the nine months ended September 30, 2024 are as follows:

(a) Japan

Revenue for the nine months ended September 30, 2024 amounted to ¥4,632 million (up 27.9% year-over-year), and segment loss amounted to ¥1,892 million (segment loss of ¥3,511 million for the nine months ended September 30, 2023).

(b) Korea

Revenue for the nine months ended September 30, 2024 amounted to ¥340,612 million (up 5.9% year-over-year), and segment profit amounted to ¥144,383 million (down 0.4% year-over-year). Revenue in Korea includes royalty income of NEOPLE INC. (a subsidiary of NEXON Korea Corporation, our consolidated subsidiary) attributable to license agreements in China.

(c) China

Revenue for the nine months ended September 30, 2024 amounted to ¥2,382 million (down 1.4% year-over-year), and segment profit amounted to ¥888 million (down 14.6% year-over-year).

(d) North America

Revenue for the nine months ended September 30, 2024 amounted to ¥13,386 million (up 30.8% year-over-year), and segment loss amounted to ¥2,782 million (segment loss of ¥6,062 million for the nine months ended September 30, 2023).

(e) Other

Revenue for the nine months ended September 30, 2024 amounted to ¥5,473 million (up 475.3% year-over-year), and segment loss amounted to ¥6,522 million (segment loss of ¥5,608 million for the nine months ended September 30, 2023).

(2) Overview of Financial Position for the Period

(a) Assets, liabilities and equity

(Assets)

Total assets as of September 30, 2024 amounted to ¥1,236,733 million, an increase of ¥138,630 million from December 31, 2023. Major components include an increase of ¥71,945 million in trade and other receivables, an increase of ¥87,657 million in other financial assets and a decrease of ¥43,187 million in other deposits.

(Liabilities)

Total liabilities as of September 30, 2024 amounted to ¥231,048 million, an increase of ¥39,520 million from December 31, 2023. Major components include an increase of ¥11,856 million in provisions, an increase of ¥10,875 million in lease liabilities, an increase of ¥5,259 million in income taxes payable and an increase of ¥4,754 million in deferred tax liabilities.

(Equity)

Equity as of September 30, 2024 totaled ¥1,005,685 million, an increase of ¥99,110 million from December 31, 2023. Major components of changes in equity include an increase of ¥40,937 million in retained earnings primarily due to recording of profit attributable to owners of parent and an increase of ¥40,594 million in other components of equity primarily due to recording of net change in fair value of equity instruments designated as measured at fair value through other comprehensive income.

As a result, ratio of equity attributable to owners of parent to total assets was 80.4% (81.6% as of December 31, 2023).

(b) Cash flows

Cash and cash equivalents (collectively, “cash”) as of September 30, 2024 was ¥296,872 million, an increase of ¥16,357 million from December 31, 2023. The increase includes ¥(2,960) million in effects of a decrease due to exchange rate changes on cash.

Cash flows from each activity for the nine months ended September 30, 2024 and their significant components are as follows:

(Cash flows from operating activities)

Net cash provided by operating activities was ¥62,805 million, compared to ¥98,764 million for the nine months ended September 30, 2023. Major components of the increase include profit before tax of ¥154,580 million. Major components of the decrease include income taxes paid of ¥32,840 million and an increase in trade and other receivables of ¥70,786 million.

Net cash provided by operating activities decreased year over year due to an increase in trade and other receivables, while income taxes paid decreased.

(Cash flows from investing activities)

Net cash provided by investing activities was ¥5,687 million, compared to ¥222,445 million used in the nine months ended September 30, 2023. Major cash inflows include a net decrease in time deposits of ¥35,526 million. Major cash outflows include purchase of securities of ¥11,827 million, a net increase in restricted deposits of ¥8,059 million, and purchase of securities by investment funds under consolidated subsidiaries of ¥9,191 million.

Net cash provided by investing activities increased year over year due to decreases in time deposits.

(Cash flows from financing activities)

Net cash used in financing activities was ¥49,175 million, compared to ¥51,592 million for the nine months ended September 30, 2023. Major cash outflows include purchase of treasury shares of ¥39,098 million and dividends paid of ¥10,294 million.

Net cash used in financing activities decreased year over year due to a decrease in purchase of treasury shares.

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

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, 2024” is the sum of our actual consolidated financial results for the nine months ended September 30, 2024 and our consolidated business outlook for the three months ending December 31, 2024. Please refer to the table below for our consolidated financial results forecast for the three months ending December 31, 2024.

For the fiscal year ending December 31, 2024, Nexon Group expects consolidated revenue in the range of ¥450,296 ~ 461,204 million (up 6.4% ~ 8.9% year-over-year), operating profit in the range of ¥124,562 ~ 133,072 million (down 7.6% ~ 1.2% year-over-year), profit before tax in the range of ¥157,252 ~ 165,762 million (up 24.9% ~ 31.6% year-over-year), profit in the range of ¥104,477 ~ 110,140 million (up 47.0% ~ 54.9% year-over-year), profit attributable to owners of parent in the range of ¥103,288 ~ 108,964 million (up 46.3% ~ 54.3% year-over-year), and basic earnings per share in the range of ¥123.83 ~ 130.63. Nexon Group operates its businesses around the world, in Japan, South Korea, China, the United States and other countries. Major exchange rates for Q4 2024 are assumed to be 1 U.S Dollar = ¥149.69, 100 South Korean Won = ¥11.02 and 1 Chinese Yuan = ¥21.19. 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 ¥584 million on consolidated revenue and approximately ¥61 million on operating profit for the three months ending December 31, 2024.

As for revenue in the three months ending December 31, 2024, for our key franchises, while we expect *MapleStory* franchise revenues to decrease year over year, we anticipate growth from *Dungeon&Fighter* franchise driven by a contribution from *Dungeon&Fighter Mobile*, and growth from *EA SPORTS FC™* franchise. In addition, we expect continued contribution from *The First Descendant* that launched on July 2. As a result, we expect year-over-year

revenue growth in the three months ending December 31, 2024. Outlook by key franchise is as follows.

We expect *Dungeon&Fighter* franchise revenues to grow double digit driven by a contribution from *Dungeon&Fighter Mobile*. *Dungeon&Fighter Mobile* settled into an expected pattern in Q3 after an explosive launch in May. We expect a sequential revenue decline in Q4 in part due to the weak seasonality. As for the PC *Dungeon&Fighter* in China, we expect the revenue to decrease year over year again in Q4. We are releasing new content in Q4 and preparing a large New Year update in Q1 2025 which aims to deliver a better player experience to revitalize growth and profitability over the long term.

We expect *MapleStory* franchise revenues to decrease year over year. For *MapleStory* in Korea, we expect the revenue to decrease year over year, however, the Winter update scheduled for release in December is expected to drive the revenue to increase sequentially despite the weak seasonality. Outside of Korea, we expect double-digit growth year over year driven by the hyperlocalization strategy.

For *EA SPORTS FC™* franchise (*EA SPORTS FC™ ONLINE* and *EA SPORTS FC™ MOBILE*), revenues are expected to grow by double digits year over year. As a result, we expect to finish the year with franchise full-year revenue reaching close to record-high 2023 level.

On the cost side in Q4, we anticipate increased HR costs year over year due to the performance-based bonuses and higher headcount, and increased royalty costs year over year due to the growth of *EA SPORTS FC™*. On the other hand, we expect lower platform fees year over year due to a decrease in mobile revenues excluding *Dungeon&Fighter Mobile* in China, which is a royalty business.

In addition, we will incur a prepaid royalty impairment loss of ¥6.5 billion related to the termination of one of our publishing projects in Q4. However, profit before tax and each subsequent income is expected to increase compared to the year-ago quarter when we recorded a foreign exchange loss of ¥9.3 billion primarily on foreign currency-denominated cash deposits, and an impairment loss of ¥44.4 billion on one of the equity method investments.

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

(Reference)

Consolidated financial results forecast for the three months ending December 31, 2024 (from October 1, 2024 to December 31, 2024)

(% changes from the previous fiscal year)

(Millions of yen)

	Revenue		Operating profit		Profit before tax		Profit		Profit attributable to owners of parent		Basic earnings per share
4th Quarter	83,811	(0.9)%	(1,343)	—	2,672	—	441	—	469	—	Yen 0.57
	94,719	12.0%	7,167	57.7%	11,182	—	6,104	—	6,145	—	7.41

2. Condensed Quarterly Consolidated Financial Statements and Major Notes

(1) Condensed Quarterly Consolidated Statement of Financial Position

	(Millions of yen)	
	As of December 31, 2023	As of September 30, 2024
Assets		
Current assets		
Cash and cash equivalents	280,515	296,872
Trade and other receivables	37,873	109,818
Other deposits	316,243	273,056
Other financial assets	41,582	46,528
Other current assets	13,293	20,209
Total current assets	689,506	746,483
Non-current assets		
Property, plant and equipment	28,854	28,388
Goodwill	43,924	44,365
Intangible assets	17,847	23,631
Right-of-use assets	24,000	35,606
Investments accounted for using equity method	58,120	59,764
Other financial assets	179,199	261,910
Other non-current assets	754	1,040
Deferred tax assets	55,899	35,546
Total non-current assets	408,597	490,250
Total assets	1,098,103	1,236,733

	(Millions of yen)	
	As of December 31, 2023	As of September 30, 2024
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	16,332	16,987
Deferred income	21,065	24,178
Income taxes payable	17,932	23,191
Lease liabilities	5,634	6,920
Provisions	11,839	23,498
Other current liabilities	16,572	19,499
Total current liabilities	89,374	114,273
Non-current liabilities		
Deferred income	15,207	16,094
Lease liabilities	24,090	33,679
Other financial liabilities	1,072	1,154
Provisions	325	522
Other non-current liabilities	9,711	8,823
Deferred tax liabilities	51,749	56,503
Total non-current liabilities	102,154	116,775
Total liabilities	191,528	231,048
Equity		
Share capital	47,510	49,991
Capital surplus	26,719	29,283
Treasury shares	(45,046)	(33,752)
Other components of equity	159,857	200,451
Retained earnings	707,227	748,164
Total equity attributable to owners of parent	896,267	994,137
Non-controlling interests	10,308	11,548
Total equity	906,575	1,005,685
Total liabilities and equity	1,098,103	1,236,733

(2) Condensed Quarterly Consolidated Statement of Profit or Loss

For the nine months ended September 30, 2023 and 2024

(Millions of yen)

	Nine months ended September 30	
	2023	2024
	(From January 1, 2023 to September 30, 2023)	(From January 1, 2024 to September 30, 2024)
Revenue	338,779	366,485
Cost of sales	(102,945)	(130,868)
Gross profit	235,834	235,617
Selling, general and administrative expenses	(104,886)	(101,529)
Other income	1,220	642
Other expenses	(1,969)	(8,825)
Operating profit	130,199	125,905
Finance income	43,047	34,879
Finance costs	(6,043)	(2,570)
Reversal of loss on revaluation	2,360	692
Share of loss of investments accounted for using equity method	(1,974)	(4,326)
Profit before tax	167,589	154,580
Income tax expense	(54,383)	(50,545)
Profit	113,206	104,035
Profit attributable to:		
Owners of parent	112,496	102,819
Non-controlling interests	710	1,216
Profit	113,206	104,035
Earnings per share		
(attributable to owners of parent)	(Yen)	(Yen)
Basic earnings per share	131.77	123.06
Diluted earnings per share	130.83	122.48

For the three months ended September 30, 2023 and 2024

(Millions of yen)

	Three months ended September 30	
	2023	2024
	(From July 1, 2023 to September 30, 2023)	(From July 1, 2024 to September 30, 2024)
Revenue	120,256	135,593
Cost of sales	(35,908)	(46,124)
Gross profit	84,348	89,469
Selling, general and administrative expenses	(37,720)	(36,384)
Other income	293	148
Other expenses	(611)	(1,698)
Operating profit	46,310	51,535
Finance income	13,204	8,753
Finance costs	(6,294)	(20,323)
Loss on revaluation	(822)	—
Share of profit (loss) of investments accounted for using equity method	461	(1,058)
Profit before tax	52,859	38,907
Income tax expense	(17,374)	(10,211)
Profit	35,485	28,696
Profit attributable to:		
Owners of parent	35,167	27,023
Non-controlling interests	318	1,673
Profit	35,485	28,696
Earnings per share		
(attributable to owners of parent)	(Yen)	(Yen)
Basic earnings per share	41.28	32.55
Diluted earnings per share	41.05	32.34

(3) Condensed Quarterly Consolidated Statement of Comprehensive Income
For the nine months ended September 30, 2023 and 2024

(Millions of yen)

	Nine months ended September 30	
	2023	2024
	(From January 1, 2023 to September 30, 2023)	(From January 1, 2024 to September 30, 2024)
Profit	113,206	104,035
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Net change in fair value of equity instruments designated as measured at fair value through other comprehensive income	13,381	60,352
Remeasurements of defined benefit plans	(4)	1
Gain on revaluation of intangible assets	—	4,626
Share of other comprehensive income of investments accounted for using equity method	(269)	691
Income taxes	(3,503)	(18,462)
Total of items that will not be reclassified to profit or loss	9,605	47,208
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	51,488	(8,192)
Total of items that may be reclassified to profit or loss	51,488	(8,192)
Total other comprehensive income	61,093	39,016
Comprehensive income	174,299	143,051
Comprehensive income attributable to:		
Owners of parent	173,056	141,928
Non-controlling interests	1,243	1,123
Comprehensive income	174,299	143,051

For the three months ended September 30, 2023 and 2024

(Millions of yen)

	Three months ended September 30	
	2023	2024
	(From July 1, 2023 to September 30, 2023)	(From July 1, 2024 to September 30, 2024)
Profit	35,485	28,696
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Net change in fair value of equity instruments designated as measured at fair value through other comprehensive income	(7,300)	33,277
Remeasurements of defined benefit plans	(1)	6
Gain on revaluation of intangible assets	—	(1,826)
Share of other comprehensive income of investments accounted for using equity method	12	(149)
Income taxes	1,933	(8,538)
Total of items that will not be reclassified to profit or loss	(5,356)	22,770
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	10,020	(58,286)
Total of items that may be reclassified to profit or loss	10,020	(58,286)
Total other comprehensive income	4,664	(35,516)
Comprehensive income	40,149	(6,820)
Comprehensive income attributable to:		
Owners of parent	39,725	(7,849)
Non-controlling interests	424	1,029
Comprehensive income	40,149	(6,820)

(4) Condensed Quarterly Consolidated Statement of Changes in Equity

For the nine months ended September 30, 2023 (From January 1, 2023 to September 30, 2023)

(Millions of yen)

	Equity attributable to owners of parent						Non-controlling interests	Total
	Share capital	Capital surplus	Treasury shares	Other components of equity	Retained earnings	Total		
Balance at beginning of period	38,972	18,331	(16,464)	114,012	703,342	858,193	9,353	867,546
Profit	—	—	—	—	112,496	112,496	710	113,206
Other comprehensive income	—	—	—	60,560	—	60,560	533	61,093
Comprehensive income	—	—	—	60,560	112,496	173,056	1,243	174,299
Issuance of new shares	6,499	6,499	—	—	—	12,998	—	12,998
Share issuance costs	—	(44)	—	—	—	(44)	—	(44)
Dividends	—	—	—	—	(8,579)	(8,579)	—	(8,579)
Share-based payment transactions	—	—	—	(269)	—	(269)	—	(269)
Forfeiture of share acquisition rights	—	—	—	(1)	1	(0)	0	—
Changes in ownership interest in subsidiaries	—	68	—	—	—	68	69	137
Purchase of treasury shares	—	(35)	(50,079)	—	—	(50,114)	—	(50,114)
Disposal of treasury shares	—	—	333	(333)	—	—	—	—
Cancellation of treasury shares	—	—	50,001	—	(50,001)	—	—	—
Transfer from other components of equity to retained earnings	—	—	—	628	(628)	—	—	—
Other	—	(1)	—	—	—	(1)	—	(1)
Total transactions with owners, etc.	6,499	6,487	255	25	(59,207)	(45,941)	69	(45,872)
Balance at end of period	45,471	24,818	(16,209)	174,597	756,631	985,308	10,665	995,973

For the nine months ended September 30, 2024 (From January 1, 2024 to September 30, 2024)

(Millions of yen)

	Equity attributable to owners of parent						Non-controlling interests	Total
	Share capital	Capital surplus	Treasury shares	Other components of equity	Retained earnings	Total		
Balance at beginning of period	47,510	26,719	(45,046)	159,857	707,227	896,267	10,308	906,575
Profit	—	—	—	—	102,819	102,819	1,216	104,035
Other comprehensive income	—	—	—	39,109	—	39,109	(93)	39,016
Comprehensive income	—	—	—	39,109	102,819	141,928	1,123	143,051
Issuance of new shares	2,481	2,481	—	—	—	4,962	—	4,962
Share issuance costs	—	(18)	—	—	—	(18)	—	(18)
Dividends	—	—	—	—	(10,465)	(10,465)	—	(10,465)
Share-based payment transactions	—	—	—	403	—	403	—	403
Forfeiture of share acquisition rights	—	—	—	(10)	8	(2)	2	—
Changes in ownership interest in subsidiaries	—	121	—	—	—	121	115	236
Purchase of treasury shares	—	(31)	(39,067)	—	—	(39,098)	—	(39,098)
Disposal of treasury shares	—	11	361	(333)	—	39	—	39
Cancellation of treasury shares	—	—	50,000	—	(50,000)	—	—	—
Transfer from other components of equity to retained earnings	—	—	—	1,425	(1,425)	—	—	—
Total transactions with owners, etc.	2,481	2,564	11,294	1,485	(61,882)	(44,058)	117	(43,941)
Balance at end of period	49,991	29,283	(33,752)	200,451	748,164	994,137	11,548	1,005,685

(5) Condensed Quarterly Consolidated Statement of Cash Flows

(Millions of yen)

	Nine months ended September 30	
	2023	2024
	(From January 1, 2023 to September 30, 2023)	(From January 1, 2024 to September 30, 2024)
Cash flows from operating activities		
Profit before tax	167,589	154,580
Depreciation and amortization	6,270	7,415
Share-based payment expenses	3,532	2,554
Interest and dividend income	(17,894)	(18,279)
Interest expenses	994	1,541
Impairment losses	1,666	6,443
Reversal of loss on revaluation	(2,360)	(692)
Share of loss of investments accounted for using equity method	1,974	4,326
Gain on sale of investments accounted for using equity method	(126)	—
Gain on valuation of securities	(3,273)	(8,417)
Gain on sale and redemption of securities	(1,693)	(2,240)
Foreign exchange loss (gain)	(15,915)	1,897
Increase in trade and other receivables	(15,206)	(70,786)
Decrease (increase) in other current assets	1,051	(7,421)
Decrease in trade and other payables	(342)	(1,639)
Increase in deferred income	842	5,353
Increase (decrease) in provisions	(1,577)	12,091
Increase (decrease) in other current liabilities	2,296	(1,654)
Increase (decrease) in loss allowances	4,809	(5,664)
Other	291	(957)
Subtotal	132,928	78,451
Interest received	11,544	15,359
Dividends received	3,016	3,363
Interest paid	(991)	(1,528)
Income taxes paid	(47,733)	(32,840)
Net cash provided by operating activities	98,764	62,805
Cash flows from investing activities		
Net increase in restricted deposits	(2,394)	(8,059)
Net decrease (increase) in time deposits	(185,915)	35,526
Purchase of property, plant and equipment	(2,130)	(2,461)
Proceeds from sale of property, plant and equipment	28	63
Purchase of intangible assets	(2,048)	(1,687)
Payments associated with increase in long-term prepaid expenses	(296)	(753)
Purchase of securities by investment funds under consolidated subsidiaries	(14,827)	(9,191)
Proceeds from sale of securities by investment funds under consolidated subsidiaries	17,736	10,892
Purchase of securities	(5,965)	(11,827)
Proceeds from sale and redemption of securities	2,186	2,418
Purchase of investments accounted for using equity method	(24,030)	(5,286)
Proceeds from sale of investments accounted for using equity method	126	—
Payments for short-term loans receivable	—	(1,468)
Collection of short-term loans receivable	10	—
Payments for long-term loans receivable	(4,587)	(1,680)
Collection of long-term loans receivable	13	12

		(Millions of yen)	
		Nine months ended September 30	
		2023	2024
		(From January 1, 2023 to September 30, 2023)	(From January 1, 2024 to September 30, 2024)
Other		(352)	(812)
Net cash provided by (used in) investing activities		(222,445)	5,687
Cash flows from financing activities			
Proceeds from exercise of employee share options		9,589	3,398
Purchase of treasury shares		(50,114)	(39,098)
Dividends paid		(8,579)	(10,294)
Repayments of lease liabilities		(2,487)	(3,221)
Other		(1)	40
Net cash used in financing activities		(51,592)	(49,175)
Net increase (decrease) in cash and cash equivalents		(175,273)	19,317
Cash and cash equivalents at beginning of period		409,368	280,515
Effect of exchange rate changes on cash and cash equivalents		16,080	(2,960)
Cash and cash equivalents at end of period		250,175	296,872

(6) Notes to Condensed Quarterly Consolidated Financial Statements

(Notes on Going Concern Assumption)

Not applicable.

(Significant Matters Forming the Basis for Preparing Condensed Quarterly Consolidated Financial Statements)

The condensed quarterly consolidated financial statements have been prepared in accordance with Article 5, Paragraph 2 of the Standards for the Preparation of Quarterly Financial Statements, etc. of the Tokyo Stock Exchange, Inc. However, some disclosures in IAS 34 *Interim Financial Reporting* have been omitted in accordance with Article 5, Paragraph 5 of the Standards for the Preparation of Quarterly Financial Statements, etc.

(Changes in Accounting Policies)

Changes in accounting policies required by IFRS

The material accounting policies used to prepare these condensed quarterly consolidated financial statements are consistent with those applied in the consolidated financial statements for the year ended December 31, 2023 unless otherwise noted, except for the new standards applied as listed below. Nexon Group calculated income taxes for the nine months ended September 30, 2024, based on the estimated average annual effective tax rate.

Nexon Group has applied the following standards since Q1 2024, but the application of these standards did not have material impacts on the nine months ended September 30, 2024.

Standards	Title	Overview of New or Revised Standard
IAS 1	Presentation of Financial Statements	<ul style="list-style-type: none">• Clarified how to classify debt and other liabilities as current or non-current• Improve information an entity provides about non-current liabilities with covenants
IFRS 16	Leases	<ul style="list-style-type: none">• Added subsequent measurement requirements for sale and leaseback transactions
IAS 7	Statement of Cash Flows	<ul style="list-style-type: none">• Requires disclosures to enhance the transparency of supplier finance arrangements
IFRS 7	Financial Instruments: Disclosures	

(Changes in Presentation Method)

Condensed quarterly consolidated statement of cash flows

For the nine months ended September 30, 2023, “Interest received” and “Dividends received” were collectively presented in “Interest and dividends received” under “Cash flows from operating activities.” However, these items are separately listed from the nine months ended September 30, 2024 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 quarterly consolidated statement of cash flows for the nine months ended September 30, 2023 were each reclassified as follows: Of the ¥14,560 million included in “Interest and dividends received” under “Cash flows from operating activities,” ¥11,544 million was reclassified to “Interest received” and ¥3,016 million was reclassified to “Dividends received.”

(Notes on Segment Information)

(a) Outline of reportable segments

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

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

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

(b) Revenue, profit or loss by reportable segment

Information on the segments of Nexon Group is as follows:

(For the nine months ended September 30)

For the nine months ended September 30, 2023 (From January 1, 2023 to September 30, 2023)

(Millions of yen)

	Reportable Segments					Total	Adjustments (Note 3)	Consolidated
	Japan	Korea	China	North America	Other			
Revenue								
Revenue from external customers								
PC online	2,810	230,833	2,417	6,067	941	243,068	—	243,068
Mobile	795	89,449	—	4,161	—	94,405	—	94,405
Other	16	1,278	—	3	9	1,306	—	1,306
Total revenue from external customers	3,621	321,560	2,417	10,231	950	338,779	—	338,779
Intersegment revenue	631	4,769	—	888	985	7,273	(7,273)	—
Total	4,252	326,329	2,417	11,119	1,935	346,052	(7,273)	338,779
Segment profit (loss) (Note 1)	(3,511)	144,910	1,040	(6,062)	(5,608)	130,769	179	130,948
Other income and expenses, net								(749)
Operating profit								130,199
Finance income and costs, net (Note 5)								37,004
Reversal of loss on revaluation (Note 6)								2,360
Share of loss of investments accounted for using equity method								(1,974)
Profit before tax								167,589

(Notes) 1. Segment profit (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 (loss) of ¥179 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 ¥19,779 million.

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

For the nine months ended September 30, 2024 (From January 1, 2024 to September 30, 2024)

(Millions of yen)

	Reportable Segments					Total	Adjustments (Note 3)	Consolidated
	Japan	Korea	China	North America	Other			
Revenue								
Revenue from external customers								
PC online	3,839	183,557	2,382	10,400	5,453	205,631	—	205,631
Mobile	775	155,770	—	2,969	—	159,514	—	159,514
Other	18	1,285	—	17	20	1,340	—	1,340
Total revenue from external customers	4,632	340,612	2,382	13,386	5,473	366,485	—	366,485
Intersegment revenue	971	6,220	—	1,105	1,385	9,681	(9,681)	—
Total	5,603	346,832	2,382	14,491	6,858	376,166	(9,681)	366,485
Segment profit (loss) (Note 1)	(1,892)	144,383	888	(2,782)	(6,522)	134,075	13	134,088
Other income and expenses, net								(8,183)
Operating profit								125,905
Finance income and costs, net (Note 5)								32,309
Reversal of loss on revaluation (Note 6)								692
Share of loss of investments accounted for using equity method								(4,326)
Profit before tax								154,580

(Notes) 1. Segment profit (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 (loss) of ¥13 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 interest and dividend income of ¥18,279 million.

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

(For the three months ended September 30)

For the three months ended September 30, 2023 (From July 1, 2023 to September 30, 2023)

(Millions of yen)

	Reportable Segments					Total	Adjustments (Note 3)	Consolidated
	Japan	Korea	China	North America	Other			
Revenue								
Revenue from external customers								
PC online	1,017	81,065	689	2,448	331	85,550	—	85,550
Mobile	265	32,625	—	1,402	—	34,292	—	34,292
Other	9	403	—	1	1	414	—	414
Total revenue from external customers	1,291	114,093	689	3,851	332	120,256	—	120,256
Intersegment revenue	216	1,715	—	420	354	2,705	(2,705)	—
Total	1,507	115,808	689	4,271	686	122,961	(2,705)	120,256
Segment profit (loss) (Note 1)	(1,359)	51,644	217	(1,795)	(2,149)	46,558	70	46,628
Other income and expenses, net								(318)
Operating profit								46,310
Finance income and costs, net (Note 5)								6,910
Loss on revaluation (Note 6)								(822)
Share of profit of investments accounted for using equity method								461
Profit before tax								52,859

(Notes) 1. Segment profit (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 (loss) of ¥70 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 ¥6,038 million.

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

For the three months ended September 30, 2024 (From July 1, 2024 to September 30, 2024)

(Millions of yen)

	Reportable Segments					Total	Adjustments (Note 3)	Consolidated
	Japan	Korea	China	North America	Other			
Revenue								
Revenue from external customers								
PC online	1,452	63,514	521	3,465	1,311	70,263	—	70,263
Mobile	272	64,311	—	217	—	64,800	—	64,800
Other	9	497	—	11	13	530	—	530
Total revenue from external customers	1,733	128,322	521	3,693	1,324	135,593	—	135,593
Intersegment revenue	330	2,531	—	424	436	3,721	(3,721)	—
Total	2,063	130,853	521	4,117	1,760	139,314	(3,721)	135,593
Segment profit (loss) (Note 1)	(506)	56,027	27	(589)	(1,868)	53,091	(6)	53,085
Other income and expenses, net								(1,550)
Operating profit								51,535
Finance income and costs, net (Note 5)								(11,570)
Share of loss of investments accounted for using equity method								(1,058)
Profit before tax								38,907

(Notes) 1. Segment profit (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 (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 costs is foreign exchange loss of ¥19,641 million.

(c) Information on each region

Revenue from external customers are as follows:

(For the nine months ended September 30)

For the nine months ended September 30, 2023 (From January 1, 2023 to September 30, 2023)

	Revenue by major business			(Millions of yen)
	PC online	Mobile	Other	Total
Main regional market				
Japan	2,924	6,089	41	9,054
Korea	140,506	61,177	1,185	202,868
China	81,951	3,404	—	85,355
North America and Europe	7,117	12,389	36	19,542
Rest of World	10,570	11,346	44	21,960
Total	243,068	94,405	1,306	338,779

(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, 2024 (From January 1, 2024 to September 30, 2024)

	Revenue by major business			(Millions of yen)
	PC online	Mobile	Other	Total
Main regional market				
Japan	6,542	7,575	57	14,174
Korea	111,980	40,407	1,131	153,518
China	51,061	91,613	4	142,678
North America and Europe	23,208	10,851	92	34,151
Rest of World	12,840	9,068	56	21,964
Total	205,631	159,514	1,340	366,485

(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, 2023 (From July 1, 2023 to September 30, 2023)

	Revenue by major business			(Millions of yen)
	PC online	Mobile	Other	Total
Main regional market				
Japan	1,083	2,037	12	3,132
Korea	55,808	19,653	394	75,855
China	20,943	3,101	—	24,044
North America and Europe	3,484	5,440	1	8,925
Rest of World	4,232	4,061	7	8,300
Total	85,550	34,292	414	120,256

(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, 2024 (From July 1, 2024 to September 30, 2024)

	Revenue by major business			(Millions of yen)
	PC online	Mobile	Other	Total
Main regional market				
Japan	3,376	2,595	17	5,988
Korea	35,634	11,264	410	47,308
China	12,195	44,961	0	57,156
North America and Europe	14,227	2,881	80	17,188
Rest of World	4,831	3,099	23	7,953
Total	70,263	64,800	530	135,593

(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

(Significant Subsequent Events)

Share buyback

Nexon's Board of Directors has approved, on November 12, 2024, the matters pertaining to the share buyback pursuant to the provisions of Article 156 as replaced and applied mutatis mutandis pursuant to the provisions of Article 165(3) of the Companies Act.

(a) Reason for the share buyback

To improve capital efficiency and ensure flexibility of capital policy

(b) Details of the buyback

- | | |
|---|---|
| (i) Class of shares: | Ordinary shares of Nexon |
| (ii) Total number of shares to be acquired: | 10,000,000 shares (maximum)
(1.2% of the total number of shares outstanding excluding
treasury shares as of October 31, 2024) |
| (iii) Total acquisition amount of shares: | JPY 20,000 million (maximum) |
| (iv) Acquisition period: | November 13, 2024 to January 31, 2025 |
| (v) Acquisition method: | Purchase at market on the Tokyo Stock Exchange |