

[This document is based on the Quarterly Securities Report (Japanese only) of NEXON Co., Ltd. (“Nexon”), which has been prepared in compliance with the Financial Instruments and Exchange Act for the purpose of providing accurate financial information and other information in a manner that is easy to understand. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail. Nexon assumes no responsibility for this translation or for direct, indirect or any other forms of damages arising from any translation.]

Quarterly Securities Report

(The First Quarter of the 23rd Fiscal Year)

NEXON Co., Ltd.

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【Cover】

【Document title】	Quarterly Securities Report
【Clause of stipulation】	Article 24-4-7 (1) of the Financial Instruments and Exchange Act of Japan
【Place of filing】	Director, Kanto Local Finance Bureau
【Filing date】	May 15, 2024
【Quarterly accounting period】	The First Quarter of the 23rd Fiscal Year (from January 1, 2024 to March 31, 2024)
【Company name】	Kabushiki Kaisha NEXON
【Company name in English】	NEXON Co., Ltd.
【Name and title of representative】	Junghun Lee, Representative Director, President and Chief Executive Officer
【Address of registered head office】	1-4-5 Roppongi, Minato-ku, Tokyo
【Telephone number】	03-6629-5318 (main)
【Name of contact person】	Shiro Uemura, Representative Director and Chief Financial Officer
【Nearest place of contact】	1-4-5 Roppongi, Minato-ku, Tokyo
【Telephone number】	03-6629-5318 (main)
【Name of contact person】	Shiro Uemura, Representative Director and Chief Financial Officer
【Place for public inspection】	Tokyo Stock Exchange, Inc. (2-1 Nihombashi Kabutocho, Chuo-ku, Tokyo)

Part I 【Company Information】

I. 【Overview of Company】

1 【Key Financial Data】

(Unit: Millions of yen, unless otherwise stated)

Term	First three months of 22 nd FY	First three months of 23 rd FY	The 22 nd FY
Accounting period	From January 1, 2023 to March 31, 2023	From January 1, 2024 to March 31, 2024	From January 1, 2023 to December 31, 2023
Revenue	124,087	108,418	423,356
Profit before tax	71,903	54,239	125,929
Profit attributable to owners of parent	52,791	35,918	70,609
Comprehensive income	38,554	68,130	110,249
Total equity attributable to owners of parent	865,402	954,167	896,267
Total assets	1,064,848	1,177,945	1,098,103
Basic earnings per share attributable to owners of parent (yen)	61.63	42.77	82.89
Diluted earnings per share attributable to owners of parent (yen)	61.10	42.57	82.33
Ratio of equity attributable to owners of parent to total assets (%)	81.3	81.0	81.6
Cash flows from operating activities	28,533	12,183	128,712
Cash flows from investing activities	(112,126)	(45,305)	(188,367)
Cash flows from financing activities	(32,314)	(11,881)	(78,554)
Cash and cash equivalents at end of period/year	291,665	244,227	280,515

(Notes)1. As Nexon prepares the quarterly consolidated financial statements, information regarding changes in key financial data of the company filing the report is not included herein.

2. The indicators above are based on our condensed quarterly consolidated financial statements and consolidated financial statements prepared in compliance with the Designated International Accounting Standards (“IFRS”).
3. We have consolidated Stiftelsen Embark Incentive and NEXON Employee Benefit Trust in our condensed quarterly consolidated financial statements and consolidated financial statements from the three months ended September 30, 2021 and the three months ended March 31, 2023, respectively, and the ordinary shares of Nexon held by them are included in our treasury shares. Consequently, in the calculation of basic and diluted earnings per share attributable to owners of parent, the number of such treasury shares are included in the treasury shares to be deducted in the calculation of the number of basic weighted-average ordinary shares.

2 【Description of Business】

There were no significant changes in the nature of the businesses conducted by Nexon and its subsidiaries and associates (“Nexon Group”) during the three months ended March 31, 2024. Furthermore, there were no changes in major subsidiaries and associates.

II. 【Overview of Business】

1 【Business Risks】

During the three months ended March 31, 2024, no new business risks have arisen and there have been no significant changes in business risks stated in the annual securities report for the year ended December 31, 2023.

2 【Management Analysis of Financial Position, Operating Results and Cash Flows】

Any forward-looking statement herein is based on the judgment of Nexon Group's management as of the end of the current quarter.

(1) Operating results

As for the global economy during the three months ended March 31, 2024, the outlook remained uncertain primarily due to global monetary tightening, downside risks from the effects of a stagnant real estate market in China and the heightening of geopolitical risks 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, Nexon Group has operated its PC online and mobile businesses, endeavoring to provide users with an enjoyable game experience by developing high-quality games, acquiring more contents, servicing new titles, and updating existing titles. Specifically, we have established the following as Nexon's Focus Strategy: (i) focusing on massive multiplayer online games, (ii) enabling our service to be played across multiple platforms including PC, console and mobile, (iii) leveraging Nexon's IPs, and (iv) investing in new IPs that we think are really special. We have also worked on initiatives for the growth of our global business.

For the three months ended March 31, 2024, Nexon Group's revenue decreased year-over-year as revenues from *Dungeon&Fighter*, our major PC online title, and *EA SPORTS FC™ ONLINE* decreased compared to their particularly strong performances in Q1 2023.

Revenues based on customer location for the three months ended March 31, 2024 are as follows.

In Korea, PC online revenue decreased year-over-year as contributions from *Wars of Prasia* and *MapleStory Worlds* were more than offset by revenue decreases from *MapleStory* and *EA SPORTS FC™ ONLINE*. For *MapleStory*, while revenue decreased year-over-year, our strategy of throttling monetization in favor of improving player engagement had a positive impact. Net Promoter Score, which is a player satisfaction metric, increased by 14 points between January and April. Revenue from *EA SPORTS FC™ ONLINE* decreased compared to Q1 2023 when it marked record-breaking quarterly consolidated revenue. Meanwhile, revenue from *MapleStory Worlds*, which is a UGC (User Generated Contents) platform based on our *MapleStory* IP, grew in popularity and revenue rapidly. Mobile revenue decreased year-over-year as the contribution from *Wars of Prasia* was more than offset by revenue decreases from *HIT2*, *The Kingdom of the Winds: Yeon*, as well as *EA SPORTS FC™ ONLINE M* and *EA SPORTS FC™ MOBILE*.

In China, revenue decreased year-over-year due to a revenue decrease from our major PC online title, *Dungeon&Fighter*. Following an imbalance in the in-game economy which arose late in Q4, we have been sharply focused on improving the game's economy, with recognition that it will take time to completely restore the balance and recover both revenue momentum and the numbers of active players.

In Japan, revenue was flat year-over-year. Growth in *MapleStory* was offset by decreases from mobile titles.

In North America and Europe, revenue significantly grew year-over-year driven by contributions from *THE FINALS*, which launched in December 2023, and *DAVE THE DIVER*, which launched in June 2023, and the growth of *MapleStory*.

In other regions ("Rest of World"), revenue increased year-over-year driven by the growth of *MapleStory* and a contribution from *HIT2*, which launched in Taiwan, Hong Kong and Macau in May 2023.

In terms of expenses, cost of sales increased year-over-year due to increased HR costs due to headcount increase and an increase in cloud service expenses. Selling, general and administrative expenses slightly decreased year-over-year due to decreases in marketing costs and platform fees for mobile games, despite an increase in HR costs

due to headcount increase. For other expenses, we recognized an impairment loss on goodwill due to consolidation of an equity-method company with excessive debt in the three months ended March 31, 2024.

Finance income increased year-over-year as the foreign exchange gain primarily on foreign currency-denominated cash deposits was larger than that recorded in Q1 2023, and as we recognized a gain on reversal of loss allowances on our loans, and accrued interests, to an equity-method company due to its consolidation.

As a result, for the three months ended March 31, 2024, Nexon Group recorded revenue of ¥108,418 million (down 12.6% year-over-year), operating profit of ¥29,146 million (down 48.2% year-over-year), profit before tax of ¥54,239 million (down 24.6% year-over-year) and profit attributable to owners of parent of ¥35,918 million (down 32.0% year-over-year).

Business results by reportable segments for the three months ended March 31, 2024 are as follows:

(a) Japan

Revenue for the three months ended March 31, 2024 amounted to ¥1,542 million (up 22.6% year-over-year), and segment loss amounted to ¥785 million (segment loss of ¥542 million for the three months ended March 31, 2023).

(b) Korea

Revenue for the three months ended March 31, 2024 amounted to ¥97,002 million (down 17.7% year-over-year), and segment profit amounted to ¥38,800 million (down 35.3% year-over-year). Revenue in Korea include royalty income of NEOPLE INC. (a subsidiary of NEXON Korea Corporation, our consolidated subsidiary) attributable to license agreements in China.

(c) China

Revenue for the three months ended March 31, 2024 amounted to ¥1,312 million (up 21.4% year-over-year), and segment profit amounted to ¥808 million (up 27.7% year-over-year).

(d) North America

Revenue for the three months ended March 31, 2024 amounted to ¥5,732 million (up 67.0% year-over-year), and segment loss amounted to ¥1,191 million (segment loss of ¥1,554 million for the three months ended March 31, 2023).

(e) Other

Revenue for the three months ended March 31, 2024 amounted to ¥2,830 million (up 544.7% year-over-year), and segment loss amounted to ¥2,509 million (segment loss of ¥1,509 million for the three months ended March 31, 2023).

(2) Financial position

(a) Assets, liabilities and equity

(Assets)

Total assets as of March 31, 2024 amounted to ¥1,177,945 million, an increase of ¥79,842 million from December 31, 2023. Major components include an increase of ¥20,972 million in trade and other receivables, an increase of ¥38,850 million in other deposits, an increase of ¥33,656 million in other financial assets, an increase of ¥10,012 million in right-of-use assets and a decrease of ¥36,288 million in cash and cash equivalents.

(Liabilities)

Total liabilities as of March 31, 2024 amounted to ¥213,191 million, an increase of ¥21,663 million from December 31, 2023. Major components include an increase of ¥9,055 million in lease liabilities, an increase of ¥7,771 million in income taxes payable and an increase of ¥6,301 million in deferred tax liabilities.

(Equity)

Equity as of March 31, 2024 totaled ¥964,754 million, an increase of ¥58,179 million from December 31, 2023. Major components of changes in equity include an increase of ¥35,918 million in retained earnings

due to recording of profit attributable to owners of parent and an increase of ¥33,934 million in other components of equity primarily due to recording of exchange differences on translation of foreign operations.

As a result, ratio of equity attributable to owners of parent was 81.0% (81.6% as of December 31, 2023).

(b) Cash flows

Cash and cash equivalents (collectively, “cash”) as of March 31, 2024 was ¥244,227 million, a decrease of ¥36,288 million from December 31, 2023. The decrease includes ¥8,715 million in effects of an increase due to exchange rate changes on cash.

Cash flows from each activity for the three months ended March 31, 2024 and their significant components are as follows:

(Cash flows from operating activities)

Net cash provided by operating activities was ¥12,183 million, compared to ¥28,533 million for the three months ended March 31, 2023. Major components of the increase include profit before tax of ¥54,239 million. Major components of the decrease include an increase in trade and other receivables of ¥20,133 million.

Net cash provided by operating activities decreased year-over-year due to a decrease in profit before tax.

(Cash flows from investing activities)

Net cash used in investing activities was ¥45,305 million, compared to ¥112,126 million for the three months ended March 31, 2023. Major cash outflows include a net increase in time deposits of ¥38,536 million and purchase of securities of ¥4,575 million.

Net cash used in investing activities decreased year-over-year due to decreases in time deposits and purchases of investments accounted for using equity method.

(Cash flows from financing activities)

Net cash used in financing activities was ¥11,881 million, compared to ¥32,314 million for the three months ended March 31, 2023. Major cash outflows include purchases of treasury shares of ¥7,759 million and dividends paid of ¥4,109 million.

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

(3) Business and financial issues to be addressed

During the three months ended March 31, 2024, there were no significant changes in business and financial issues to be addressed and no new issues have arisen.

(4) Research and development

Total research and development expense incurred during the three months ended March 31, 2024 amounted to ¥5,411 million. There were no significant changes in research and development activities during the three months ended March 31, 2024.

3 【Material Contracts, etc.】

During the three months ended March 31, 2024, no material contracts, etc. were decided on or entered into.

III. 【Information about Reporting Company】

1 【Company's Shares, etc.】

(1) 【Total number of shares】

(a) 【Authorized shares】

Class	Total number of authorized shares
Ordinary shares	1,400,000,000
Total	1,400,000,000

(b) 【Issued shares】

Class	Number of issued shares as of March 31, 2024	Number of issued shares as of filing date (May 15, 2024)	Name of financial instruments exchange on which securities are listed or authorized financial instruments business association to which securities are registered	Description
Ordinary shares	840,502,164	840,530,116	Tokyo Stock Exchange Prime Market	Shares with full voting rights, which are standard shares of Nexon with no restrictions on rights. The number of shares per trading unit is 100 shares.
Total	840,502,164	840,530,116	—	—

(Notes) 1. “Number of issued shares as of filing date” does not include the number of shares issued upon exercise of share acquisition rights during the period from May 1, 2024 to the date on which this quarterly securities report is filed.

2. Of the issued shares, 14,242,343 shares are contribution in kind (shares of subsidiaries and associates: ¥23,966 million).

(2) 【Share acquisition rights】

(a) 【Share option plan】

Not applicable.

(b) 【Share acquisition rights for other uses】

Not applicable.

(3) 【Exercises of moving strike convertible bonds, etc.】

Not applicable.

(4) 【Changes in total number of issued shares, share capital and legal capital surplus】

Date	Change in total number of issued shares (shares)	Total number of issued shares (shares)	Change in share capital (million yen)	Balance of share capital (million yen)	Change in capital reserve (million yen)	Balance of legal capital surplus (million yen)
January 1, 2024 to February 29, 2024 (Note 1)	469,241	857,922,501	570	47,982	570	47,232
February 29, 2024 (Note 2)	(17,539,739)	840,382,762	—	47,982	—	47,232
March 1, 2024 to March 31, 2024 (Note 3)	119,402	840,502,164	148	48,130	148	47,380

- (Notes) 1. The total number of issued shares increased by 469,241 shares and the amounts of share capital and legal capital surplus each increased by ¥570 million due to exercise of share acquisition rights.
2. All 17,539,739 shares of repurchased treasury shares were cancelled as of February 29, 2024.
3. The total number of issued shares increased by 119,402 shares and the amounts of share capital and legal capital surplus each increased by ¥148 million due to exercise of share acquisition rights.
4. During the period from April 1 to April 30, 2024, the total number of issued shares increased by 27,952 shares, and the amounts of share capital and legal capital surplus each increased by ¥38 million, due to the exercise of share acquisition rights.

(5) 【Major shareholders】

There is no entry for the three months ended March 31, 2024 because this is the first quarter.

(6) 【Voting rights】

The status of voting rights as of March 31, 2024 is unavailable because the information cannot be confirmed against our shareholder registry. Therefore, the information below is based on our shareholder registry on the immediately preceding record date (December 31, 2023).

(a) 【Issued shares】

As of December 31, 2023

Category	Number of shares (shares)	Number of voting rights (units)	Description
Shares with no voting rights	—	—	—
Shares with restricted voting rights (Treasury shares, etc.)	—	—	—
Shares with restricted voting rights (Other)	—	—	—
Shares with full voting rights (Treasury shares, etc.)	(Treasury shares) Ordinary shares 14,721,000	—	—
Shares with full voting rights (Other)	Ordinary shares 842,711,400	8,427,114	Standard shares of Nexon with no restrictions on rights
Shares less than one unit	Ordinary shares 20,860	—	Same as above
Total number of issued shares	857,453,260	—	—
Number of voting rights held by all shareholders	—	8,427,114	—

(Note) 39 treasury shares held by Nexon are included in the ordinary shares under “Shares less than one unit.”

(b) 【Treasury shares, etc.】

As of December 31, 2023

Name of shareholder	Address of shareholder	Number of shares held in own name (shares)	Number of shares held in others' names (shares)	Total number of shares held (shares)	Shareholding ratio (%)
(Treasury shares) NEXON Co., Ltd.	1-4-5 Roppongi, Minato-ku, Tokyo	14,721,000	—	14,721,000	1.7
Total	—	14,721,000	—	14,721,000	1.7

(Note) 39 shares of “Shares less than one unit” are not included in the number of treasury shares above.

While the status of treasury shares as of March 31, 2024 cannot be confirmed against the information in our shareholder registry, we have purchased 2,818,700 treasury shares during the period from December 31, 2023 to March 31, 2024 based on a resolution of the Board of Directors meeting held on November 9, 2023. Furthermore, we have cancelled 17,539,739 treasury shares including the shares less than one unit based on a resolution of the Board of Directors meeting held on February 8, 2024. Due to this cancellation of treasury shares, we do not own any treasury shares as of March 31, 2024.

2 【Directors (and Other Officers)】

Not applicable.

IV. 【Financial Information】

1. Preparation of the quarterly consolidated financial statements

Nexon's condensed quarterly consolidated financial statements are prepared in accordance with the International Accounting Standard No. 34 *Interim Financial Reporting* ("IAS 34"), pursuant to the provisions of Article 93 of the *Regulation on the Terminology, Forms, and Preparation Methods of Quarterly Consolidated Financial Statements* (Cabinet Office Ordinance No. 64, 2007; "Quarterly Consolidated Financial Statements Rules").

In the condensed quarterly consolidated financial statements contained herein, amounts of less than one million yen are rounded to the nearest million yen.

2. Audit certification

Pursuant to Article 193-2 (1) of the Financial Instruments and Exchange Act of Japan, Nexon's condensed quarterly consolidated financial statements for the first quarter (from January 1, 2024 to March 31, 2024) and the three months ended March 31, 2024 (from January 1, 2024 to March 31, 2024) were reviewed by PricewaterhouseCoopers Japan LLC.

1 【Condensed Quarterly Consolidated Financial Statement】

(1) 【Condensed quarterly consolidated statement of financial position】

(Unit: Millions of yen)

	Notes	As of December 31, 2023	As of March 31, 2024
Assets			
Current assets			
Cash and cash equivalents	6	280,515	244,227
Trade and other receivables	6	37,873	58,845
Other deposits	6	316,243	355,093
Other financial assets	6	41,582	43,466
Other current assets		13,293	19,686
Total current assets		689,506	721,317
Non-current assets			
Property, plant and equipment		28,854	29,323
Goodwill	7	43,924	44,809
Intangible assets	7	17,847	25,612
Right-of-use assets		24,000	34,012
Investments accounted for using equity method	6,12	58,120	61,692
Other financial assets	6	179,199	210,971
Other non-current assets		754	724
Deferred tax assets		55,899	49,485
Total non-current assets		408,597	456,628
Total assets		1,098,103	1,177,945

(Unit: Millions of yen)

	Notes	As of December 31, 2023	As of March 31, 2024
Liabilities and equity			
Liabilities			
Current liabilities			
Trade and other payables	6	16,332	18,564
Deferred income	8	21,065	20,414
Income taxes payable		17,932	25,703
Lease liabilities		5,634	6,618
Provisions		11,839	6,543
Other current liabilities		16,572	19,469
Total current liabilities		89,374	97,311
Non-current liabilities			
Deferred income	8	15,207	15,114
Lease liabilities		24,090	32,161
Other financial liabilities	6	1,072	1,219
Provisions		325	485
Other non-current liabilities		9,711	8,851
Deferred tax liabilities		51,749	58,050
Total non-current liabilities		102,154	115,880
Total liabilities		191,528	213,191
Equity			
Share capital	10	47,510	48,228
Capital surplus	10	26,719	27,475
Treasury shares	10	(45,046)	(2,800)
Other components of equity	7	159,857	193,791
Retained earnings		707,227	687,473
Total equity attributable to owners of parent		896,267	954,167
Non-controlling interests		10,308	10,587
Total equity		906,575	964,754
Total liabilities and equity		1,098,103	1,177,945

(2) 【Condensed quarterly consolidated statement of profit or loss】

【For the three months ended March 31, 2023 and 2024】

(Unit: Millions of yen)

	Notes	Three months ended March 31	
		2023	2024
		(From January 1, 2023 to March 31, 2023)	(From January 1, 2024 to March 31, 2024)
Revenue	5	124,087	108,418
Cost of sales		(34,233)	(40,557)
Gross profit		89,854	67,861
Selling, general and administrative expenses		(32,883)	(32,723)
Other income		344	199
Other expenses	7	(1,040)	(6,191)
Operating profit		56,275	29,146
Finance income	5,6	14,075	25,680
Finance costs	6	(422)	(518)
Reversal of loss on revaluation	5,7	2,719	692
Share of loss of investments accounted for using equity method		(744)	(761)
Profit before tax		71,903	54,239
Income tax expense		(18,637)	(18,288)
Profit		53,266	35,951
Profit attributable to:			
Owners of parent		52,791	35,918
Non-controlling interests		475	33
Profit		53,266	35,951
Earnings per share		(Yen)	(Yen)
(attributable to owners of parent)			
Basic earnings per share	11	61.63	42.77
Diluted earnings per share	11	61.10	42.57

(3) 【Condensed quarterly consolidated statement of comprehensive income】

【For the three months ended March 31, 2023 and 2024】

(Unit: Millions of yen)

	Notes	Three months ended March 31	
		2023 (From January 1, 2023 to March 31, 2023)	2024 (From January 1, 2024 to March 31, 2024)
Profit		53,266	35,951
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	6	(1,558)	14,014
Remeasurements of defined benefit plans		1	(2)
Gain on revaluation of intangible assets	7	—	7,037
Share of other comprehensive income of investments accounted for using equity method		(303)	795
Income taxes	7	398	(6,708)
Total of items that will not be reclassified to profit or loss		(1,462)	15,136
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations		(13,250)	17,043
Total of items that may be reclassified to profit or loss		(13,250)	17,043
Total other comprehensive income		(14,712)	32,179
Comprehensive income		38,554	68,130
Comprehensive income attributable to:			
Owners of parent		38,294	67,905
Non-controlling interests		260	225
Comprehensive income		38,554	68,130

(4) 【Condensed quarterly consolidated statement of changes in equity】

For the three months ended March 31, 2023 (From January 1, 2023 to March 31, 2023)

(Unit: Millions of yen)

	Notes	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		—	—	—	—	52,791	52,791	475	53,266
Other comprehensive income		—	—	—	(14,497)	—	(14,497)	(215)	(14,712)
Comprehensive income		—	—	—	(14,497)	52,791	38,294	260	38,554
Issuance of new shares	10	1,598	1,598	—	—	—	3,196	—	3,196
Share issuance costs		—	(9)	—	—	—	(9)	—	(9)
Dividends	9	—	—	—	—	(4,308)	(4,308)	—	(4,308)
Share-based payment transactions		—	—	—	(430)	—	(430)	—	(430)
Changes in ownership interest in subsidiaries		—	37	—	—	—	37	42	79
Purchase of treasury shares	10	—	(3)	(29,568)	—	—	(29,571)	—	(29,571)
Transfer from other components of equity to retained earnings		—	—	—	629	(629)	—	—	—
Total transactions with owners, etc.		1,598	1,623	(29,568)	199	(4,937)	(31,085)	42	(31,043)
Balance at end of period		40,570	19,954	(46,032)	99,714	751,196	865,402	9,655	875,057

For the three months ended March 31, 2024 (From January 1, 2024 to March 31, 2024)

(Unit: Millions of yen)

	Notes	Equity attributable to owners of parent					Non-controlling interests	Total
		Share capital	Capital surplus	Treasury shares	Other components of equity	Retained earnings		
Balance at beginning of period		47,510	26,719	(45,046)	159,857	707,227	10,308	906,575
Profit		—	—	—	—	35,918	33	35,951
Other comprehensive income		—	—	—	31,987	—	192	32,179
Comprehensive income		—	—	—	31,987	35,918	225	68,130
Issuance of new shares	10	718	718	—	—	—	—	1,436
Share issuance costs		—	(6)	—	—	—	—	(6)
Dividends	9	—	—	—	—	(4,214)	—	(4,214)
Share-based payment transactions		—	—	—	489	—	—	489
Forfeiture of share acquisition rights		—	—	—	(5)	5	—	—
Changes in ownership interest in subsidiaries		—	49	—	—	—	54	103
Purchase of treasury shares	10	—	(5)	(7,754)	—	—	—	(7,759)
Cancellation of treasury shares	10	—	—	50,000	—	(50,000)	—	—
Transfer from other components of equity to retained earnings		—	—	—	1,463	(1,463)	—	—
Total transactions with owners, etc.		718	756	42,246	1,947	(55,672)	54	(9,951)
Balance at end of period		48,228	27,475	(2,800)	193,791	687,473	10,587	964,754

(5) 【Condensed quarterly consolidated statement of cash flows】

(Unit: Millions of yen)

	Notes	Three months ended March 31	
		2023	2024
		(From January 1, 2023 to March 31, 2023)	(From January 1, 2024 to March 31, 2024)
Cash flows from operating activities			
Profit before tax		71,903	54,239
Depreciation and amortization		1,764	2,422
Share-based payment expenses		537	797
Interest and dividend income		(5,180)	(5,762)
Interest expenses		300	453
Impairment losses		1,026	6,161
Reversal of loss on revaluation	5,7	(2,719)	(692)
Share of loss of investments accounted for using equity method	5	744	761
Gain on valuation of securities		(2,872)	(2,957)
Gain on sales and redemption of securities		(325)	(525)
Foreign exchange gain		(4,145)	(8,122)
Increase in trade and other receivables		(32,230)	(20,133)
Decrease (increase) in other current assets		283	(6,747)
Increase in trade and other payables		696	1,831
Increase (decrease) in deferred income		1,320	(449)
Decrease in provisions		(6,259)	(5,484)
Increase in other current liabilities		4,923	1,416
Increase (decrease) in loss allowances		18	(5,697)
Other		333	(1,689)
Subtotal		30,117	9,823
Interest received	2	3,262	4,902
Dividends received	2	544	759
Interest paid		(299)	(448)
Income taxes paid		(5,091)	(2,853)
Net cash provided by operating activities		28,533	12,183
Cash flows from investing activities			
Net decrease (increase) in restricted deposit		0	(12)
Net increase in time deposits		(82,763)	(38,536)
Purchases of property, plant and equipment		(458)	(818)
Proceeds from sales of property, plant and equipment		7	10
Purchases of intangible assets		(1,318)	(681)
Payments associated with increase in long-term prepaid expenses		(219)	(204)
Purchases of securities by investment funds under consolidated subsidiaries		(4,924)	(3,315)
Proceeds from sale of securities by investment funds under consolidated subsidiaries		6,372	5,100
Purchase of securities		(5,248)	(4,575)
Proceeds from sales and redemption of securities		1,839	866
Purchase of investments accounted for using equity method	12	(23,506)	(2,016)
Payments for short-term loans receivable		—	(671)
Payments for long-term loans receivable		(1,518)	(901)
Collection of long-term loans receivable		4	4
Other		(394)	444
Net cash used in investing activities		(112,126)	(45,305)

(Unit: Millions of yen)

	Notes	Three months ended March 31	
		2023	2024
		(From January 1, 2023 to March 31, 2023)	(From January 1, 2024 to March 31, 2024)
Cash flows from financing activities			
Proceeds from exercise of employee share options	10	2,326	1,033
Purchase of treasury shares	10	(29,571)	(7,759)
Dividends paid	9	(4,308)	(4,109)
Repayments of lease liabilities		(761)	(1,046)
Net cash used in financing activities		(32,314)	(11,881)
Net decrease in cash and cash equivalents		(115,907)	(45,003)
Cash and cash equivalents at beginning of period		409,368	280,515
Effect of exchange rate changes on cash and cash equivalents		(1,796)	8,715
Cash and cash equivalents at end of period		291,665	244,227

【Notes to condensed quarterly consolidated financial statements】

1 Reporting entity

NEXON Co., Ltd. (“Nexon”) is a company located in Japan. Nexon’s consolidated financial statements are comprised of Nexon Group entities. Nexon Group is mainly engaged in the production, development, and service of PC online and mobile games. Refer to “5 Segment Information” for the description of each business.

Nexon’s parent company is NXC Corporation, which is also the ultimate parent company of Nexon Group.

2 Basis of preparation

(1) Compliance with IFRS

The condensed quarterly consolidated financial statements of Nexon Group are prepared in accordance with IAS 34 pursuant to the provisions of Article 93 of the Quarterly Consolidated Financial Statements Rules, as Nexon Group satisfies all requirements for a “Specified Company Complying with Designated International Accounting Standards” as defined in Article 1-2 of the Rules. Accordingly, these condensed quarterly consolidated financial statements do not include all the information required in the annual consolidated financial statements and therefore should be read in conjunction with our consolidated financial statements for the year ended December 31, 2023.

Our condensed quarterly consolidated financial statements for Q1 2024 were approved for disclosure on May 15, 2024 by Junghun Lee, Representative Director, President and Chief Executive Officer of Nexon, and Shiro Uemura, Representative Director and Chief Financial Officer of Nexon.

(2) Changes in presentation

(Condensed quarterly consolidated statement of cash flows)

For the three months ended March 31, 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 three months ended March 31, 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 three months ended March 31, 2023 were each reclassified as follows: Of the ¥3,806 million included in “Interest and dividends received” under “Cash flows from operating activities,” ¥3,262 million was reclassified to “Interest received” and ¥544 million was reclassified to “Dividends received.”

3 Material accounting policy information

The material accounting policies used to prepare our condensed quarterly consolidated financial statements for Q1 2024 are consistent with those applied in our consolidated financial statements for the year ended December 31, 2023, unless otherwise noted, except for the newly applied standards as listed below. Our income tax expense for the three months ended March 31, 2024 has been calculated based on the estimated average annual effective tax rate.

Nexon Group has applied the following standards since Q1 2024, which did not have any significant impact on our condensed quarterly consolidated financial statements for the three months ended March 31, 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
IFRS 7	Financial Instruments: Disclosures	<ul style="list-style-type: none">• finance arrangements

4 Significant accounting estimates and judgments

The preparation of the condensed quarterly consolidated financial statements requires the management to apply the accounting policies, as well as make judgments, estimates and assumptions that affect the amounts of assets, liabilities, revenue and expenses reported. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. The effects of the review of accounting estimates are recognized in the accounting period in which the estimates were reviewed and in future accounting periods.

In principle, estimates and assumptions that have significant impact on the amounts recognized in Nexon Group's condensed quarterly consolidated financial statements are the same as those for the consolidated financial statements for the previous fiscal year.

5 Segment information

(1) Outline of reportable segments

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

Nexon Group is engaged in production, development and distribution of PC online games and mobile games, and Nexon (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.

(2) Revenue, profit or loss by reportable segment

Information on the segments of Nexon Group is as follows:

For the three months ended March 31, 2023 (From January 1, 2023 to March 31, 2023)

(Unit: Millions of yen)

	Reportable Segments					Total	Adjustments (Note 3)	Consolidated
	Japan	Korea	China	North America	Other			
Revenue								
Revenue from external customers								
PC online	970	88,137	1,081	2,024	434	92,646	—	92,646
Mobile	287	29,323	—	1,407	—	31,017	—	31,017
Other	1	417	—	1	5	424	—	424
Total revenue from external customers	1,258	117,877	1,081	3,432	439	124,087	—	124,087
Intersegment revenue	247	1,526	—	222	250	2,245	(2,245)	—
Total	1,505	119,403	1,081	3,654	689	126,332	(2,245)	124,087
Segment profit (loss) (Note 1)	(542)	59,945	633	(1,554)	(1,509)	56,973	(2)	56,971
Other income and expenses, net								(696)
Operating profit								56,275
Finance income and costs, net (Note 5)								13,653
Reversal of loss on revaluation (Note 6)								2,719
Share of loss of investments accounted for using equity method								(744)
Profit before tax								71,903

(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 ¥(2) 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 a foreign exchange gain of ¥5,639 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 March 31, 2024 (From January 1, 2024 to March 31, 2024)

(Unit: Millions of yen)

	Reportable Segments					Total	Adjustments (Note 3)	Consolidated
	Japan	Korea	China	North America	Other			
Revenue								
Revenue from external customers								
PC online	1,287	69,390	1,312	4,076	2,823	78,888	—	78,888
Mobile	254	27,214	—	1,653	—	29,121	—	29,121
Other	1	398	—	3	7	409	—	409
Total revenue from external customers	1,542	97,002	1,312	5,732	2,830	108,418	—	108,418
Intersegment revenue	201	1,896	—	348	487	2,932	(2,932)	—
Total	1,743	98,898	1,312	6,080	3,317	111,350	(2,932)	108,418
Segment profit (loss) (Note 1)	(785)	38,800	808	(1,191)	(2,509)	35,123	15	35,138
Other income and expenses, net								(5,992)
Operating profit								29,146
Finance income and costs, net (Note 5)								25,162
Reversal of loss on revaluation (Note 6)								692
Share of loss of investments accounted for using equity method								(761)
Profit before tax								54,239

(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 ¥15 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. Major components of finance income are a foreign exchange gain of ¥10,653 million and a gain on reversal of loss allowances of ¥5,663 million on loans made to an equity-method company and accrued interest, which were recognized due to its consolidation.

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).

(3) Information by region

Revenue from external customers is as follows.

For the three months ended March 31, 2023 (From January 1, 2023 to March 31, 2023)

(Unit: Millions of yen)

	Revenue by major business			Total
	PC online	Mobile	Other	
Main regional market				
Japan	993	2,605	11	3,609
Korea	42,997	21,577	368	64,942
China	42,935	145	—	43,080
North America and Europe	1,947	3,194	15	5,156
Rest of World	3,774	3,496	30	7,300
Total	92,646	31,017	424	124,087

(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, 2024 (From January 1, 2024 to March 31, 2024)

(Unit: Millions of yen)

	Revenue by major business			Total
	PC online	Mobile	Other	
Main regional market				
Japan	1,400	2,217	13	3,630
Korea	40,586	16,381	373	57,340
China	26,716	2,466	(0)	29,182
North America and Europe	5,289	4,623	7	9,919
Rest of World	4,897	3,434	16	8,347
Total	78,888	29,121	409	108,418

(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

6 Fair value of financial instruments

(1) Calculation method of fair value

As of December 31, 2023

(Unit: Millions of yen)

	Carrying amount					Fair value
	Financial assets/liabilities measured at FVTPL (Note 1)	Financial assets/liabilities measured at FVTOCI (Note 2)	Financial assets/liabilities measured at amortized cost	Lease receivables	Total	
Cash and cash equivalents	—	—	280,515	—	280,515	280,515
Trade and other receivables	—	—	37,124	749	37,873	37,873
Other deposits	—	—	316,243	—	316,243	316,243
Other financial assets (current)	16,977	—	24,605	—	41,582	41,554
Other financial assets (non-current)	25,636	140,405	10,724	2,434	179,199	179,199
Trade and other payables	—	—	16,332	—	16,332	16,332
Other financial liabilities (non-current)	0	—	1,072	—	1,072	1,072

(Notes) 1. Financial assets and financial liabilities measured at fair value through profit or loss

2. Financial assets and financial liabilities measured at fair value through other comprehensive income

As of March 31, 2024

(Unit: Millions of yen)

	Carrying amount					Fair value
	Financial assets/liabilities measured at FVTPL (Note 1)	Financial assets/liabilities measured at FVTOCI (Note 2)	Financial assets/liabilities measured at amortized cost	Lease receivables	Total	
Cash and cash equivalents	—	—	244,227	—	244,227	244,227
Trade and other receivables	—	—	58,213	632	58,845	58,845
Other deposits	—	—	355,093	—	355,093	355,093
Other financial assets (current)	18,127	—	25,339	—	43,466	43,441
Other financial assets (non-current)	32,424	157,327	19,744	1,476	210,971	210,971
Trade and other payables	—	—	18,564	—	18,564	18,564
Other financial liabilities (non-current)	—	—	1,219	—	1,219	1,219

(Notes) 1. Financial assets and financial liabilities measured at fair value through profit or loss

2. Financial assets and financial liabilities measured at fair value through other comprehensive income

The fair value of financial assets and financial liabilities is determined as follows. The fair value of financial instruments is estimated using market prices or by discounting future cash flows, etc. when market prices are not available.

Cash and cash equivalents, other deposits, trade and other payables

They are stated at carrying amount as it approximates fair value because of the short period of time until its maturity or settlement.

Trade and other receivables

The fair value is estimated based on the present value of future cash flows of receivables grouped by category discounted at an appropriate rate such as government bonds yields adjusted with credit risk. Trade and other receivables with short maturities are stated at carrying amount as it approximates fair value.

Other financial assets (current)

Marketable equity instruments and debt instruments are classified as financial assets measured at fair value through profit or loss (“FVTPL”) and measured at fair value at the end of the reporting period. Fair values are based on market prices.

Of debt instruments, debt securities are measured at fair value at the end of the reporting period based on the quoted price provided by counterparty financial institutions.

Other items presented in this category are stated at carrying amount as it approximates fair value because of the short period of time until its maturity or settlement.

Other financial assets (non-current)

Stocks included in marketable securities are classified as financial assets measured at fair value through other comprehensive income (“FVTOCI”) and measured at fair value at the end of the reporting period. Fair values are based on market prices.

Unlisted stocks classified as financial assets measured at FVTOCI are measured at fair value at the end of the reporting period. Fair values are estimated primarily by discounting future cash flows.

Stocks other than the above and funds are classified as financial assets measured at FVTPL and measured at fair value at the end of reporting period.

For other items presented in this category, fair values are estimated primarily by discounting future cash flows.

Other financial liabilities (non-current)

Derivative liabilities without hedge accounting application are classified as financial liabilities measured at FVTPL and measured at fair value at the end of the reporting period.

For other items presented in this category, fair values are estimated primarily by discounting future cash flows.

(2) Financial instruments measured at fair value

IFRS 13 *Fair Value Measurement* requires fair value measurements to be categorized using the fair value hierarchy based on the significance of the inputs used to measure fair value.

The fair value hierarchy consists of the following three levels:

- Level 1: Quoted prices for identical assets or liabilities in active markets
- Level 2: Inputs made up of prices, other than quoted prices, that are observable, either directly or indirectly
- Level 3: Inputs that include unobservable prices

The level of the fair value hierarchy used to measure fair value is determined based on the lowest level input that is significant to the fair value measurement. Transfers between levels are recognized on the date of the event or change in circumstances that caused the transfer.

The following tables present the financial assets and liabilities recognized at fair value on a recurring basis in the condensed quarterly consolidated statement of financial position classified by fair value hierarchy level.

As of December 31, 2023

(Unit: Millions of yen)

	Level 1	Level 2	Level 3	Total
Other financial assets (current)				
Financial assets measured at FVTPL				
Stocks	16,977	—	—	16,977
Other financial assets (non-current)				
Financial assets measured at FVTPL				
Stocks	—	—	2,950	2,950
Funds	—	—	22,686	22,686
Financial assets measured at FVTOCI				
Stocks	132,714	—	7,691	140,405
Total financial assets	149,691	—	33,327	183,018
Other financial liabilities (non-current)				
Financial liabilities measured at FVTPL				
Derivative liabilities without hedge accounting application	—	—	0	0
Total financial liabilities	—	—	0	0

As of March 31, 2024

(Unit: Millions of yen)

	Level 1	Level 2	Level 3	Total
Other financial assets (current)				
Financial assets measured at FVTPL				
Stocks	18,127	—	—	18,127
Other financial assets (non-current)				
Financial assets measured at FVTPL				
Stocks	—	—	3,003	3,003
Funds	—	—	29,421	29,421
Financial assets measured at FVTOCI				
Stocks	150,402	—	6,925	157,327
Total financial assets	168,529	—	39,349	207,878

The following tables present changes in financial instruments measured at fair value on a recurring basis classified as Level 3:

Three months ended March 31, 2023
(From January 1, 2023 to March 31, 2023)

(Unit: Millions of yen)

	Other financial assets			Other financial liabilities
	Stocks	Funds	Total	Derivative liabilities without hedge accounting application
Balance at January 1	10,923	7,685	18,608	9
Gains or losses				
Profit or loss (Note 1)	—	(1,130)	(1,130)	—
Other comprehensive income (Note 2)	(3,265)	—	(3,265)	—
Purchases	2,363	159	2,522	—
Distribution	—	(612)	(612)	—
Transfer from investments accounted for using equity method (Note 3)	—	13,020	13,020	—
Exchange differences on translation of foreign operations	(240)	4	(236)	(0)
Balance at March 31	9,781	19,126	28,907	9

Unrealized gains (losses) recorded in
profit or loss relating to assets and
liabilities held at the end of the
reporting period (Note 1)

— (1,601) (1,601)

- (Notes) 1. Gains or losses recognized in profit or loss are presented in finance income or costs.
2. Gains or losses recognized in other comprehensive income are presented in financial assets measured at fair value through other comprehensive income.
3. Transfer from investments accounted for using equity method represents a transfer to other financial assets (funds) as a result of the loss of Nexon Group's significant influence over Smash Capital Fund I L.P. after Mr. Kevin Mayer who is a general partner of Smash Capital Fund I L.P. retired as Nexon's external director at the expiration of his term during the three months ended March 31, 2023.

Three months ended March 31, 2024
(From January 1, 2024 to March 31, 2024)

(Unit: Millions of yen)

	Other financial assets			Other financial liabilities
	Stocks	Funds	Total	Derivative liabilities without hedge accounting application
Balance at January 1	10,641	22,686	33,327	0
Gains or losses				
Profit or loss (Note 1)	—	859	859	(0)
Other comprehensive income (Note 2)	(62)	—	(62)	—
Purchases	—	4,575	4,575	—
Sales	(839)	—	(839)	—
Distribution	—	(27)	(27)	—
Exchange differences on translation of foreign operations	188	1,328	1,516	0
Balance at March 31	9,928	29,421	39,349	—

Unrealized gains (losses) recorded in profit or loss relating to assets and liabilities held at the end of the reporting period (Note 1)

	—	859	859	—
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(Notes) 1. Gains or losses recognized in profit or loss are presented in finance income or costs.

2. Gains or losses recognized in other comprehensive income are presented in financial assets measured at fair value through other comprehensive income.

Fair values of financial instruments classified as Level 3 are measured by the Accounting & Finance Departments of Nexon and its consolidated subsidiaries in accordance with relevant internal rules. Fair values are measured with reasonably estimated inputs using the most appropriate valuation model determined based on the nature of the assets, etc., and a proper internal approval process is followed in making such decisions to ensure the validity of the measurements.

The valuation technique used to measure fair values of financial instruments measured at fair value on a recurring basis that are classified as Level 3 is mainly the discounted cash flow method, and the significant unobservable input is usually a discount rate. The weighted average capital cost used as the discount rate in the three months ended March 31, 2023 and 2024 is from 12.5% to 18.0% and 16.7% to 17.1%, respectively. A rise or fall in discount rates result in a decrease or increase in these fair values, respectively. The effect on fair values of using reasonably possible alternative assumptions as inputs are insignificant.

(3) Material commitments

During the three months ended March 31, 2024, Nexon Group made additional investment in response to capital calls based on investment agreements as follows. Nexon Group had commitments to make additional investment as of March 31, 2024.

Company name	Amount of additional investment (in the three months ended March 31, 2024)	Uncalled commitments for additional investment (As of March 31, 2024)
Smash Capital Fund I L.P.	USD 30.6 million (¥4,545 million)	USD 139.6 million (¥21,139 million)

7 Goodwill and intangible assets

Goodwill and intangible assets consisted of the following:

For the three months ended March 31, 2023 (From January 1, 2023 to March 31, 2023)

[Carrying amount]

(Unit: Millions of yen)

	Goodwill	Intangible assets				Total
		Game copyrights (Note 2)	Software	Investment in crypto-assets (Note 4)	Other (Note 3)	
January 1, 2023	40,136	1,837	2,167	3,763	1,888	9,655
Additions	—	3	434	—	1,175	1,612
Amortization	—	(17)	(75)	—	(99)	(191)
Impairment loss (Note 1)	—	—	(1)	—	(9)	(10)
Gain (loss) on revaluation [profit or loss]	—	—	—	2,719	—	2,719
Transfers between accounts	—	33	—	—	—	33
Exchange differences on translation of foreign operations	99	24	(52)	48	(53)	(33)
March 31, 2023	40,235	1,880	2,473	6,530	2,902	13,785

- (Notes) 1. During the three months ended March 31, 2023, Nexon Group performed impairment tests based on an indication of impairment and recognized an impairment loss as realization of profits originally expected was no longer probable. This impairment loss is included in “Other expenses” in the condensed quarterly consolidated income statement.
2. Brands associated with specific game copyrights are included.
3. Game publishing rights are included in Other.
4. Nexon Group made an investment in bitcoins (crypto-assets) on the crypto-asset exchange (our fellow subsidiary Bitstamp Ltd.) in April 2021. This transaction falls under a related party transaction. Nexon Group revalues the investment in crypto-assets at the end of each quarter (23:59 PST of each quarter end date). Nexon Group classifies the asset in Level 2 of the fair value hierarchy and measures its fair value mainly using the quoted price on the crypto-asset exchange. The transfer between the fair value hierarchy is recognized on the date of the event or change in circumstances that caused the transfer. The carrying amount of the revaluated intangible asset (fair value before deducting transaction cost) was ¥6,530 million and the carrying amount that would have been recognized had the intangible assets been measured using the cost model subsequent to initial recognition (fair value after deducting disposal cost) was ¥6,517 million. There was no revaluation surplus with respect to intangible assets as of March 31, 2023.

For the three months ended March 31, 2024 (From January 1, 2024 to March 31, 2024)

[Carrying amount]

(Unit: Millions of yen)

	Goodwill	Intangible assets				Total
		Game copyrights (Note 1)	Software	Investment in crypto-assets (Note 3)	Other (Note 2)	
January 1, 2024	43,924	2,166	2,548	10,392	2,741	17,847
Acquisition through business combination (Note 4)	6,886	7	7	—	—	14
Additions	—	4	74	5	597	680
Amortization	—	(26)	(227)	—	(140)	(393)
Impairment loss (Note 5)	(6,135)	—	—	—	—	—
Gain (loss) on revaluation [profit or loss]	—	—	—	692	—	692
Gain (loss) on revaluation [other comprehensive income]	—	—	—	7,037	—	7,037
Transfers between accounts	—	41	—	—	(11)	30
Other	—	—	—	—	(419)	(419)
Exchange differences on translation of foreign operations	134	(6)	44	37	49	124
March 31, 2024	44,809	2,186	2,446	18,163	2,817	25,612

- (Notes) 1. Brands associated with specific game copyrights are included.
2. Game publishing rights are included in Other.
3. Nexon Group made an investment in bitcoins (crypto-assets) on the crypto-asset exchange (our fellow subsidiary Bitstamp Ltd.) in April 2021. This transaction falls under a related party transaction. Nexon Group revalues the investment in crypto-assets at the end of each quarter (23:59 PST of each quarter end date). Nexon Group classifies the asset in Level 2 of the fair value hierarchy and measures its fair value mainly using the quoted price on the crypto-asset exchange. The transfer between the fair value hierarchy is recognized on the date of the event or change in circumstances that caused the transfer. The carrying amount of the revaluated intangible asset (fair value before deducting transaction cost) was ¥18,105 million and the carrying amount that would have been recognized had the intangible assets been measured using the cost model subsequent to initial recognition (fair value after deducting disposal cost) was ¥11,034 million.

Revaluation surplus on the intangible asset at the beginning of the period, change during the period and balance at the end of the period are as follows:

(Unit: Millions of yen)

Balance at beginning of period	Increase		Decrease		Balance at end of period
	Revaluation	Income taxes	Revaluation	Income taxes	
—	7,037	(3,045)	—	—	3,992

4. Includes goodwill of ¥6,135 million recognized due to the consolidation of Nitro Studio Co., Ltd., an equity-method company with excessive debt, in the three months ended March 31, 2024.
5. During the three months ended March 31, 2024, Nexon Group performed impairment tests based on an indication of impairment and recognized an impairment loss as realization of profits originally expected was no longer probable. This impairment loss is included in “Other expenses” in the condensed quarterly consolidated income statement. The details are as follows:

Item	Reportable segment	Company	Impairment loss (¥ million)
Goodwill	Korea	Nitro Studio Co., Ltd.	6,135

8 Deferred income

Deferred income consisted of the following:

(Unit: Millions of yen)

	December 31, 2023		March 31, 2024	
	Current	Non-current	Current	Non-current
In-game microtransactions	19,165	1,066	18,512	1,050
Royalty	1,882	14,137	1,885	14,061
Other	18	4	17	3
Total	21,065	15,207	20,414	15,114

(Note) Deferred income falls under contract liabilities under IFRS 15 *Revenue from Contracts with Customers*.

9 Dividends

The amounts of dividends paid are as follows:

For the three months ended March 31, 2023 (From January 1, 2023 to March 31, 2023)

	Class of shares	Total dividends	Dividend per share	Record date	Effective date
		(million yen)	(yen)		
Resolution of the Board of Directors on February 16, 2023	Ordinary shares	4,308	5.0	December 31, 2022	March 27, 2023

(Note) Total dividends include dividends of ¥4 million for Nexon's shares owned by Stiftelsen Embark Incentive ("Foundation"), our consolidated subsidiary.

For the three months ended March 31, 2024 (From January 1, 2024 to March 31, 2024)

	Class of shares	Total dividends	Dividend per share	Record date	Effective date
		(million yen)	(yen)		
Resolution of the Board of Directors on February 21, 2024	Ordinary shares	4,214	5.0	December 31, 2023	March 28, 2024

(Note) Total dividends include dividends of ¥3 million and ¥2 million for Nexon's shares owned by the Foundation and NEXON Employee Benefit Trust ("Trust"), respectively, which are our consolidated subsidiaries.

10 Equity and other equity items

Total numbers of authorized shares and issued shares of Nexon are as follows:

	Three months ended March 31, 2023	Three months ended March 31, 2024
	Shares	Shares
Total number of authorized shares		
Ordinary shares	1,400,000,000	1,400,000,000
Total number of issued shares		
January 1	866,773,728	857,453,260
Increase	1,414,065 (Note 1)	588,643 (Note 1)
Decrease	—	(17,539,739) (Note 2)
March 31	868,187,793	840,502,164

- (Notes) 1. An increase due to exercise of share acquisition rights.
2. A decrease due to cancellation of treasury shares.

The numbers of treasury shares included in the total numbers of issued shares stated above are as follows:

	Three months ended March 31, 2023	Three months ended March 31, 2024
	Shares	Shares
Number of treasury shares		
January 1	5,955,400	15,809,545
Increase	9,803,249 (Notes 1,2)	3,138,888 (Notes 4,5)
Decrease	—	(17,539,739) (Note 6)
March 31	15,758,649 (Note 3)	1,408,694 (Note 7)

- (Notes) 1. An increase of 9,803,200 shares due to purchase at market on the Tokyo Stock Exchange.
2. An increase of 49 shares due to purchase demand of shares less than one unit.
3. Includes 787,023 shares of Nexon's stock owned by the Foundation, our consolidated subsidiary.
4. An increase of 2,818,700 shares due to purchase at market on the Tokyo Stock Exchange.
5. An increase of 320,188 shares due to acquisition of Nexon's stock by the Trust, our consolidated subsidiary.
6. A decrease due to cancellation of treasury shares.
7. 599,108 shares and 809,586 shares of Nexon's stock owned by the Foundation and the Trust, respectively, which are our consolidated subsidiaries.

11 Earnings per share

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

	Three months ended March 31, 2023	Three months ended March 31, 2024
Profit attributable to owners of parent (millions of yen)	52,791	35,918
Adjustments to profit used for the calculation of diluted earnings per share		
Adjustments due to dilutive shares of consolidated subsidiaries (millions of yen)	(5)	—
Diluted profit attributable to owners of parent (millions of yen)	52,786	35,918
Number of basic weighted-average ordinary shares (shares) (Note 1)	856,568,666	839,805,252
Dilution: Share option (shares)	7,287,547	3,948,783
Number of dilutive weighted-average ordinary shares (shares)	863,856,213	843,754,035
Earnings per share (attributable to owners of parent)		
Basic earnings per share (yen)	61.63	42.77
Diluted earnings per share (yen) (Note 2)	61.10	42.57

(Notes) 1. Nexon's ordinary shares held by our consolidated subsidiaries, the Foundation and the Trust, are included in the treasury shares deducted in the calculation of the number of basic weighted-average ordinary shares. As for the deducted treasury shares, the average number of shares during the period was 787,023 shares and – shares, respectively, for the three months ended March 31, 2023, and 599,108 shares and 569,445 shares, respectively, for the three months ended March 31, 2024.

2. Some of the share acquisition rights issued by Nexon do not have any dilutive effect and thus are not included in the calculation of diluted earnings per share.

12 Investment accounted for using equity method

(1) Significant change in the scope of application of the equity method

(a) For the three months ended March 31, 2023 (From January 1, 2023 to March 31, 2023)

Nexon Group included “IGIS Private Real Estate Investment Trust No.35,” a real estate investment trust for “Autoway Tower,” a property located in Gangnam-gu, Seoul, Korea, in the scope of equity method application as we obtained significant influence over the REIT by acquiring 50% of the trust beneficiary certificates during the three months ended March 31, 2023.

Also, Nexon Group excluded Smash Capital Fund I L.P. from the scope of equity method application during the three months ended March 31, 2023 as we lost significant influence over the fund after Mr. Kevin Mayer who is a general partner of the fund retired as Nexon’s external director at the expiration of his term.

(b) For the three months ended March 31, 2024 (From January 1, 2024 to March 31, 2024)

Not applicable.

(2) Material commitments

Details of material commitments between Nexon Group and equity-method associates are as follows.

(a) For the three months ended March 31, 2023 (From January 1, 2023 to March 31, 2023)

During the three months ended March 31, 2023, Nexon Group made additional investment in response to capital calls based on the investment agreements with equity-method associates. Nexon Group had commitments to make additional investment in its equity-method companies as of March 31, 2023.

Equity-method associates	Amount of additional investment (in the three months ended March 31, 2023)	Uncalled commitments for additional investment (as of March 31, 2023)
Alignment Growth Fund I, LP	USD 4 million (¥530 million)	USD 129.8 million (¥17,330 million)
Smash Capital Fund I L.P.	USD 19.5 million (¥2,584 million)	USD 201.6 million (¥26,922 million)

Additional investment to Smash Capital Fund I L.P. shows the amount for the period during which it was an equity-method associates and uncalled commitments for additional investment show the balance at the time when it ceased to be an equity-method associates.

(b) For the three months ended March 31, 2024 (From January 1, 2024 to March 31, 2024)

During the three months ended March 31, 2024, Nexon Group made additional investment in response to capital calls based on the investment agreements with equity-method associates. Nexon Group had commitments to make additional investment in its equity-method associates as of March 31, 2024.

Equity-method associates	Amount of additional investment (in the three months ended March 31, 2024)	Uncalled commitments for additional investment (as of March 31, 2024)
Alignment Growth Fund I, LP	USD 6.4 million (¥909 million)	USD 102.2 million (¥15,472 million)

13 Business combinations

- (1) For the three months ended March 31, 2023 (From January 1, 2023 to March 31, 2023)

Not applicable.

- (2) For the three months ended March 31, 2024 (From January 1, 2024 to March 31, 2024)

The disclosure is omitted as the amount is immaterial.

14 Subsequent events

(Share buyback)

Nexon's Board of Directors has approved, on May 14, 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: | 15,000,000 shares (maximum)
(1.8% of the total number of shares issued excluding treasury shares as of April 30, 2024) |
| (iii) Total acquisition amount of shares: | ¥30,000 million (maximum) |
| (iv) Acquisition period: | May 15, 2024 to July 19, 2024 |
| (v) Acquisition method: | Purchase at market on the Tokyo Stock Exchange |

2 【Other Information】

At the Board of Directors meeting on February 21, 2024, it was resolved to conduct dividends of surplus as follows:

(a) Total dividends ¥4,214 million

(b) Dividend per share..... ¥5.0

(c) Effective date of payment demand and payment start date March 28, 2024

(Note) Payments are made to shareholders listed or recorded in our shareholder registry as of December 31, 2023.

Part II 【Information about Reporting Company's Guarantor, etc.】

Not applicable.