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Consolidated Financial Results
for the Three Months Ended March 31, 2024
[IFRS]

May 14, 2024

Company name: NEXON Co., Ltd.

Stock exchange listing: Tokyo Stock Exchange

Stock code: 3659

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

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Scheduled date for filing of quarterly securities report: May 15, 2024

Scheduled date of commencing dividend payments: -

Supplementary briefing material on quarterly financial results: Yes

Quarterly financial results briefing: Yes (conference call for institutional investors, analysts and media)

(Amounts are rounded to nearest million yen)

1. Consolidated Financial Results for the Three Months Ended March 31, 2024 (from January 1, 2024 to March 31, 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	
	Amount	% change	Amount	% change	Amount	% change	Amount	% change	Amount	% change	Amount	% change
Three months ended March 31, 2024	108,418	(12.6)%	29,146	(48.2)%	54,239	(24.6)%	35,951	(32.5)%	35,918	(32.0)%	68,130	76.7%
Three months ended March 31, 2023	124,087	36.3%	56,275	46.1%	71,903	25.7%	53,266	32.8%	52,791	31.1%	38,554	(37.4)%

	Basic earnings per share		Diluted earnings per share	
	Yen		Yen	
Three months ended March 31, 2024	42.77		42.57	
Three months ended March 31, 2023	61.63		61.10	

(2) Consolidated Financial Position

(Millions of yen)

	Total assets	Total equity	Total equity attributable to owners of parent	Ratio of equity attributable to owners of parent
As of March 31, 2024	1,177,945	964,754	954,167	81.0%
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	—				
FY 2024 (Forecast)		7.50	—	7.50	15.00

(Note) Revision of most recently announced dividend forecasts: Yes

For the revision of the dividend forecasts, please refer to "Notice of Revision (Increase) of Dividend Forecast" announced today (May 14, 2024).

3. Consolidated Financial Results Forecast for the Six Months Ending June 30, 2024 (from January 1, 2024 to June 30, 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
2nd Quarter (cumulative)	200,728	(8.1)%	46,483	(44.6)%	75,281	(34.4)%	48,459	(37.6)%	48,871	(36.8)%	Yen
	~	~	~	~	~	~	~	~	~	~	58.21
	213,149	(2.5)%	56,849	(32.2)%	85,650	(25.3)%	56,544	(27.2)%	56,777	(26.6)%	67.63

(Note) As it is difficult to reasonably estimate financial results for the year ending December 31, 2024 at the moment, only the financial results forecast for the six months ending June 30, 2024 is disclosed. Also, as it is difficult to estimate specific figures, disclosure is made with a range. For details, please refer to "1. Qualitative Information on Consolidated Financial Results for the Period (3) Explanation on Future Forecast Information including Consolidated Financial Results Forecast" on page 4 of the Appendix.

*(Notes)

(1) Changes in Significant Subsidiaries during the Period : No

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

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

1) Changes in accounting policies required by IFRS: Yes

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

3) Changes in accounting estimates: No

(3) Number of Shares Issued (ordinary shares)

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

As of March 31, 2024: 840,502,164 shares

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

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

As of March 31, 2024: 1,408,694 shares

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

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

Three months ended March 31, 2024: 839,805,252 shares

Three months ended March 31, 2023: 856,568,666 shares

(Note) “Total number of treasury shares at the end of the period” includes Nexon’s stock held by our consolidated subsidiaries, Stiftelsen Embark Incentive and NEXON Employee Benefit Trust (as of March 31, 2024: 1,408,694 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 stock held by the consolidated subsidiaries (as of March 31, 2024: 1,168,553 shares; as of March 31, 2023: 787,023 share).

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

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

(Caution Concerning Forward-Looking Statements)

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

(Method of Obtaining Supplementary Briefing Material on Financial Results)

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

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1. Qualitative Information on Consolidated Financial Results for the Period

(1) Explanation on Operating Results

As for the global economy during the three months ended March 31, 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) Explanation on 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) Explanation on Future Forecast Information including Consolidated Financial Results Forecast

The outlook on the business environment surrounding Nexon Group remains unclear 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. However, we do not expect these factors to cause any event that could have material impact on Nexon Group’s businesses.

In our consolidated business outlook, we disclose our expectations for the following quarter as a range to provide more accurate information to our shareholders and investors, since it is difficult to derive full-year consolidated forecasts due to uncertainties in projecting the speed of growth of PC online game and mobile game markets in which Nexon Group’s main businesses operate, and because our revenue is largely dependent on such uncertain factors as users’ preferences and whether or not we have any hit titles. “Consolidated Financial Results Forecast for the Six Months Ending June 30, 2024” is the sum of our actual consolidated financial results for the three months ended March 31, 2024 and our consolidated business outlook for the three months ending June 30, 2024. Please refer to the table below for our consolidated financial results forecast for the three months ending June 30, 2024.

For the six months ending June 30, 2024, Nexon Group expects consolidated revenue in the range of ¥200,728~213,149 million (down 8.1%~2.5% year-over-year), operating profit in the range of ¥46,483~56,849 million (down 44.6%~32.2% year-over-year), profit before tax in the range of ¥75,281~85,650 million (down 34.4%~25.3% year-over-year), profit in the range of ¥48,459~56,544 million (down 37.6%~27.2% year-over-year), profit attributable to owners of parent in the range of ¥48,871~56,777 million (down 36.8%~26.6% year-over-year), and basic earnings per share in the range of ¥58.21~67.63. Nexon Group operates its businesses around the world, in Japan, South Korea, China, the United States and other countries. Major exchange rates for Q2 2024 are expected to be 1 U.S. dollar=¥153.85, 100 South Korean Won=¥11.24 and 1 Chinese Yuan=¥21.51. In general, the exchange rates of the Korean Won and the Chinese Yuan to Japanese Yen are assumed to be linked to the exchange rate of U.S. Dollar to Japanese Yen. Based on this assumption, we expect that every one Japanese Yen move against the U.S. Dollar will have an impact of approximately ¥630 million on revenue and approximately ¥164 million on operating profit for the three months ending June 30, 2024.

As for revenue based on customer location for the three months ending June 30, 2024, our expectations are as follows.

In Korea, for PC online, our strategy of prioritizing the improvement of player sentiment and satisfaction in *MapleStory* delivered early good progress. As a result, we expect *MapleStory*'s revenue to return to the previous year's level and to increase quarter over quarter despite the typical weak seasonality. However, while *EA SPORTS FC™ ONLINE* is performing stably, the game is expected to decline year over year due to the challenging comparisons from Q2 2023 when we achieved the highest Q2 revenue in the game's history. In addition, we expect a significant year-over-year revenue decrease from *Wars of Prasia*, which launched across mobile and PC platforms on March 30, 2023, due to the comparison with the outstanding performance of Q2 2023 when the launch momentum remained strong. As a result, we expect overall PC online revenue in Korea to decrease year-over-year.

For mobile in Korea, we expect Q2 revenue to decrease year-over-year due to revenue decreases from *Wars of Prasia*, *HIT2* and other titles.

In China, while we anticipate a soft performance from *Dungeon&Fighter*, our major PC online title, in the near term, we expect overall revenue to significantly grow year-over-year driven by the release of *Dungeon&Fighter Mobile* on May 21, 2024. Although we are sharply focused on improving the in-game economy for PC *Dungeon&Fighter*, further adjustments are needed and will be made in the months ahead. We expect the game's revenue to decrease as packaged-item sales of the Labor Day update have not performed well compared to Q2 last year. However, ongoing content updates in Q2 and onward are expected to further improve the in-game economy.

In Japan, we expect revenue to significantly increase year-over-year driven by the launch of *HIT : The World*, which is the Japan service of *HIT2*, on April 17, 2024. We also anticipate year-over-year growth in *MapleStory* and *Blue Archive*.

In North America and Europe, we expect revenue to significantly increase year-over-year driven by a contribution from *THE FINALS*, which launched in December 2023, and growth of *MapleStory*.

For the Rest of World, we expect revenue to decrease year-over-year as growth from *MapleStory* is expected to be more than offset by the revenue decline of *HIT2* due to the comparison with the outstanding performance of Q2 2023 when the launch momentum remained strong.

On the cost side, we expect a year-over-year increase in costs for the three months ending June 30, 2024. We expect increased HR costs primarily due to higher headcount and the consolidation of an equity method affiliate in the three months ended March 31, 2024, as well as increased cloud service costs. We also expect a loss on sales of subsidiaries' shares in other expenses due to the sale of a consolidated subsidiary.

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

(Reference)

Consolidated financial results forecast for the three months ending June 30, 2024 (from April 1, 2024 to June 30, 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
		(%)		(%)		(%)		(%)		(%)	
2nd Quarter	92,310	(2.3)%	17,337	(37.2)%	21,042	(50.9)%	12,508	(48.9)%	12,952	(47.2)%	Yen 15.44
	~	~	~	~	~	~	~	~	~	~	~
	104,731	10.9%	27,703	0.3%	31,410	(26.7)%	20,593	(15.8)%	20,858	(15.0)%	24.86

2. Matters Related to Summary Information (Notes)

(1) Changes in Significant Subsidiaries during the Period

Not applicable.

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

(Changes in accounting policies required by IFRS)

The accounting policies used to prepare these condensed consolidated financial statements are consistent with those applied in the consolidated financial statements for the year ended December 31, 2023 unless otherwise noted, except for the new standards applied as listed below. Nexon Group calculated income taxes for the three months ended March 31, 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 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 IFRS 7	Statement of Cash Flows Financial Instruments: Disclosures	<ul style="list-style-type: none">• Requires disclosures to enhance the transparency of supplier finance arrangements

3. Condensed Consolidated Financial Statements and Major Notes

(1) Condensed Consolidated Statement of Financial Position

(Millions of yen)

	As of December 31, 2023	As of March 31, 2024
Assets		
Current assets		
Cash and cash equivalents	280,515	244,227
Trade and other receivables	37,873	58,845
Other deposits	316,243	355,093
Other financial assets	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	43,924	44,809
Intangible assets	17,847	25,612
Right-of-use assets	24,000	34,012
Investments accounted for using equity method	58,120	61,692
Other financial assets	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

(Millions of yen)

	As of December 31, 2023	As of March 31, 2024
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	16,332	18,564
Deferred income	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	15,207	15,114
Lease liabilities	24,090	32,161
Other financial liabilities	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	47,510	48,228
Capital surplus	26,719	27,475
Treasury shares	(45,046)	(2,800)
Other components of equity	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 Consolidated Income Statement
For the three months ended March 31, 2023 and 2024

(Millions of yen)

	Three months ended March 31	
	2023	2024
	(From January 1, 2023 to March 31, 2023)	(From January 1, 2024 to March 31, 2024)
Revenue	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	(1,040)	(6,191)
Operating profit	56,275	29,146
Finance income	14,075	25,680
Finance costs	(422)	(518)
Reversal of loss on revaluation	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 (attributable to owners of parent)	(Yen)	(Yen)
Basic earnings per share	61.63	42.77
Diluted earnings per share	61.10	42.57

(3) Condensed Consolidated Statement of Comprehensive Income
For the three months ended March 31, 2023 and 2024

(Millions of yen)

	Three months ended March 31	
	2023	2024
	(From January 1, 2023 to March 31, 2023)	(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	(1,558)	14,014
Remeasurements of defined benefit plans	1	(2)
Gain on revaluation of intangible assets	—	7,037
Share of other comprehensive income of investments accounted for using equity method	(303)	795
Income taxes	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 Consolidated Statement of Changes in Equity

For the three months ended March 31, 2023 (From January 1, 2023 to March 31, 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	—	—	—	—	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	1,598	1,598	—	—	—	3,196	—	3,196
Share issuance costs	—	(9)	—	—	—	(9)	—	(9)
Dividends	—	—	—	—	(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	—	(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)

(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	—	—	—	—	35,918	35,918	33	35,951
Other comprehensive income	—	—	—	31,987	—	31,987	192	32,179
Comprehensive income	—	—	—	31,987	35,918	67,905	225	68,130
Issuance of new shares	718	718	—	—	—	1,436	—	1,436
Share issuance costs	—	(6)	—	—	—	(6)	—	(6)
Dividends	—	—	—	—	(4,214)	(4,214)	—	(4,214)
Share-based payment transactions	—	—	—	489	—	489	—	489
Forfeiture of share acquisition rights	—	—	—	(5)	5	—	—	—
Changes in ownership interest in subsidiaries	—	49	—	—	—	49	54	103
Purchase of treasury shares	—	(5)	(7,754)	—	—	(7,759)	—	(7,759)
Cancellation of treasury shares	—	—	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)	(10,005)	54	(9,951)
Balance at end of period	48,228	27,475	(2,800)	193,791	687,473	954,167	10,587	964,754

(5) Condensed Consolidated Statement of Cash Flows

(Millions of yen)

	Three months ended March 31	
	2023 (From January 1, 2023 to March 31, 2023)	2024 (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	(2,719)	(692)
Share of loss of investments accounted for using equity method	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	3,262	4,902
Dividends received	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	(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)

(Millions of yen)

	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	2,326	1,033
Purchase of treasury shares	(29,571)	(7,759)
Dividends paid	(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

(6) Notes on Going Concern Assumption

Not applicable.

(7) Changes in Presentation Method

(Condensed consolidated statement of cash flows)

For the three months ended March 31, 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 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.”

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

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

(i) Amount of dividends paid

	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 our subsidiary, Stiftelsen Embark Incentive.

(ii) Purchases of treasury shares

Nexon’s treasury shares increased by ¥29,568 million as a result of the purchase of 9,803,200 shares of treasury shares during the three months ended March 31, 2023 based on a resolution of the Board of Directors’ meeting on November 9, 2022.

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

(i) Amount of dividends paid

	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 our consolidated subsidiaries, Stiftelsen Embark Incentive and NEXON Employee Benefit Trust, respectively.

(ii) Purchases of treasury shares

Nexon’s treasury shares increased by ¥7,754 million as a result of the purchase of 2,818,700 shares of treasury shares during the three months ended March 31, 2024 based on a resolution of the Board of Directors’ meeting on November 9, 2023.

(iii) Cancellation of treasury shares

During the three months ended March 31, 2024, Nexon cancelled 17,539,739 shares of its treasury shares based on a resolution of the Board of Directors on February 8, 2024. As a result, treasury shares and retained earnings each decreased by ¥50,000 million.

(9) Segment Information

(a) Outline of reportable segments

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

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

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

(b) Revenue, profit or loss by reportable segment

Information on the segments of Nexon Group is as follows:

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

(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. Major components of finance income are 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)

(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 foreign exchange gain of ¥10,653 million and gain on reversal of loss allowances of ¥5,663 million on loans made to an equity-method affiliate 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).

(c) Information on each region

Revenue from external customers are as follows:

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

(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)

(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

(10) 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 outstanding excluding treasury shares as of April 30, 2024) |
| (iii) Total acquisition amount of shares: | JPY 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 |