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Consolidated Financial Results
for the Three Months Ended March 31, 2023
[IFRS]

May 11, 2023

Company name: NEXON Co., Ltd.

Stock exchange listing: Tokyo Stock Exchange

Stock code: 3659

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Scheduled date for filing of quarterly securities report: May 12, 2023

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, 2023 (from January 1, 2023 to March 31, 2023)

(1) Consolidated Operating Results (cumulative)

(% changes year-over-year)

(Millions of yen)

	Revenue		Operating income		Income before income taxes		Net income		Net income attributable to owners of the parent company		Total comprehensive income	
	Amount	% change	Amount	% change	Amount	% change	Amount	% change	Amount	% change	Amount	% change
Three months ended March 31, 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)%
Three months ended March 31, 2022	91,034	3.1%	38,520	(11.1)%	57,201	(10.0)%	40,119	(12.3)%	40,261	(12.5)%	61,561	1.0%

	Basic earnings per share		Diluted earnings per share	
	Yen		Yen	
Three months ended March 31, 2023	61.63		61.10	
Three months ended March 31, 2022	45.35		45.07	

(2) Consolidated Financial Position

(Millions of yen)

	Total assets	Total equity	Total equity attributable to owners of the parent company	Ratio of equity attributable to owners of the parent company
As of March 31, 2023	1,064,848	875,057	865,402	81.3%
As of December 31, 2022	1,042,849	867,546	858,193	82.3%

2. Dividends

(Yen)

	Annual Dividends				
	End of 1st Quarter	End of 2nd Quarter	End of 3rd Quarter	End of Year	Total
FY 2022	—	5.00	—	5.00	10.00
FY 2023	—				
FY 2023 (Forecast)		5.00	—	5.00	10.00

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

3. Consolidated Financial Results Forecast for the Six Months Ending June 30, 2023 (from January 1, 2023 to June 30, 2023)

(% changes year-over-year)

(Millions of yen)

	Revenue		Operating income		Income before income taxes		Net income		Net income attributable to owners of the parent company		Basic earnings per share
2nd Quarter (cumulative)	212,478	21.3%	78,363	28.0%	98,116	(0.8)%	71,144	10.2%	70,849	9.1%	Yen 82.97
	~ 220,751	~ 26.0%	~ 84,966	~ 38.8%	~ 104,725	~ 5.9%	~ 76,328	~ 18.3%	~ 75,935	~ 16.9%	~ 88.93

(Note) As it is difficult to reasonably estimate financial results for the year ending December 31, 2023 at the moment, only the financial results forecast for the six months ending June 30, 2023 is disclosed. Also, as it is difficult to estimate specific figures, disclosure is made with a range. For details, please refer to "1. Qualitative Information on Consolidated Financial Results for the Period (3) Explanation on Future Forecast Information including Consolidated Financial Results Forecast" on page 4 of the Appendix.

*(Notes)

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

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

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

1) Changes in accounting policies required by IFRS: Yes

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

3) Changes in accounting estimates: No

(3) Number of Shares Issued (common stock)

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

As of March 31, 2023: 868,187,793 shares

As of December 31, 2022: 866,773,728 shares

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

As of March 31, 2023: 15,758,649 shares

As of December 31, 2022: 5,955,400 shares

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

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

Three months ended March 31, 2022: 887,836,007 shares

(Note) "Total number of treasury stock at the end of the period" includes Nexon's stock held by our consolidated subsidiary, Stiftelsen Embark Incentive (as of March 31, 2023: 787,023 shares; as of December 31, 2022: 787,023 shares). The number of treasury stock deducted in the calculation of the average number of shares during the period includes Nexon's stock held by the consolidated subsidiary (as of March 31, 2023: 787,023 shares; as of March 31, 2022: 865,770 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, 2023, the outlook remained uncertain due to spreading concerns of financial instability triggered by the collapse of Silicon Valley Bank, a medium sized bank in the U.S., amidst declining domestic demand due to global inflation and monetary tightening, and because the end of the Ukraine war, which is the primary cause of the inflation, is out of sight. In Japan, while the country has moved towards living with COVID-19 and there is heightening anticipation of demand generated by inbound tourism, the economy remained unpredictable as business sentiments of large manufacturers worsened for five consecutive quarters.

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

For the three months ended March 31, 2023, Nexon achieved record-breaking quarterly revenue primarily driven by the growth of *EA SPORTS™ FIFA ONLINE 4* and *EA SPORTS™ FIFA MOBILE* in Korea, *Dungeon&Fighter* in China, and *Blue Archive*.

As for revenue based on customer location, in Korea, PC online revenue increased year-over-year driven by *EA SPORTS™ FIFA ONLINE 4*'s record-breaking revenue and *Dungeon&Fighter*'s growth, which were partially offset by a year-over-year decrease in *MapleStory*. *EA SPORTS™ FIFA ONLINE 4*'s revenue grew significantly driven by successful events and sales promotions. We were able to maintain the high base of active users who entered the game during the World Cup at the end of last year. As for *MapleStory*, in February, the number of active users decreased due to user dissatisfaction with the imbalance in the difficulty of character development across servers. We have taken immediate measures to eliminate imbalances between servers and improve the player experience. We also started the large-scale 20th Anniversary update and provided rewards from April 20 and have seen improvements in user sentiment and user numbers. Mobile revenue increased year-over-year primarily driven by a contribution from *HIT2* and the growth of *EA SPORTS™ FIFA MOBILE* and *EA SPORTS™ FIFA ONLINE 4 M*, which were partially offset by decreases in *Dungeon&Fighter Mobile*, *The Kingdom of the Winds: Yeon* and *KartRider Rush+*. As a result, we achieved record-breaking overall quarterly revenue in Korea.

In China, revenue increased year-over-year due to an increase in *Dungeon&Fighter*, our key PC online game. For *Dungeon&Fighter*, since last quarter, we have been working on initiatives to enhance user engagement such as optimizing the game balance and promoting communications with users. Amidst this positive trend, the package for the Lunar New Year update introduced on January 12 was well-received by users.

In Japan, revenue increased year-over-year primarily driven by the growth of *Blue Archive*.

In North America and Europe, revenue increased year-over-year driven by increases in *MapleStory* and *Blue Archive*, which were partially offset by decreases in *Choices: Stories You Play* and *MapleStory M*.

In other regions ("Rest of World"), revenue increased year-over-year driven by the growth of *Blue Archive* and contributions from other mobile games.

In terms of expenses, cost of sales increased year-over-year due to increased royalty costs for *EA SPORTS™ FIFA ONLINE 4* and *EA SPORTS™ FIFA MOBILE* as well as increased HR costs due to headcount increase and annual salary hike. Selling, general and administrative expenses increased year-over-year due to increased platform costs for mobile games and increased marketing costs primarily for promotions of new title launches.

As a result, for the three months ended March 31, 2023, Nexon Group recorded revenues of ¥124,087 million (up 36.3% year-over-year), operating income of ¥56,275 million (up 46.1% year-over-year), income before income taxes of ¥71,903 million (up 25.7% year-over-year) and net income attributable to owners of the parent company of ¥52,791 million (up 31.1% year-over-year).

Business results by reportable segments for the three months ended March 31, 2023 are as follows:

(a) Japan

Revenues for the three months ended March 31, 2023 amounted to ¥1,258 million (down 1.0% year-over-year), and segment loss amounted to ¥542 million (segment loss of ¥3,075 million for the three months ended March 31, 2022).

(b) Korea

Revenues for the three months ended March 31, 2023 amounted to ¥117,877 million (up 38.1% year-over-year), and segment profit amounted to ¥59,945 million (up 39.3% year-over-year). Revenues in Korea include royalty income of NEOPLE INC. (a subsidiary of NEXON Korea Corporation, our consolidated subsidiary) attributable to license agreements in China.

(c) China

Revenues for the three months ended March 31, 2023 amounted to ¥1,081 million (up 20.3% year-over-year), and segment profit amounted to ¥633 million (up 25.1% year-over-year).

(d) North America

Revenues for the three months ended March 31, 2023 amounted to ¥3,432 million (up 11.5% year-over-year), and segment loss amounted to ¥1,554 million (segment loss of ¥615 million for the three months ended March 31, 2022).

(e) Other

Revenues for the three months ended March 31, 2023 amounted to ¥439 million (up 6.3% year-over-year), and segment loss amounted to ¥1,509 million (segment loss of ¥1,224 million for the three months ended March 31, 2022).

(2) Explanation on Financial Position

(a) Assets, liabilities and equity

(Assets)

Total assets as of March 31, 2023 amounted to ¥1,064,848 million, an increase of ¥21,999 million from December 31, 2022. Major components include an increase of ¥31,247 million in trade and other receivables, an increase of ¥79,835 million in other deposits, an increase of ¥14,558 million in other financial assets, an increase of ¥10,911 million in investments accounted for using equity method and a decrease of ¥117,703 million in cash and cash equivalents.

(Liabilities)

Total liabilities as of March 31, 2023 amounted to ¥189,791 million, an increase of ¥14,488 million from December 31, 2022. Major components include an increase of ¥11,421 million in income taxes payable.

(Equity)

Equity as of March 31, 2023 totaled ¥875,057 million, an increase of ¥7,511 million from December 31, 2022. Major components of changes in equity include an increase of ¥47,854 million in retained earnings primarily due to recording of net income attributable to owners of the parent company, a decrease of ¥29,568 million due to purchases of treasury stock and a decrease of ¥14,298 million in other equity interest primarily due to recording of exchange differences on translating foreign operations.

As a result, ratio of equity attributable to owners of the parent company was 81.3% (82.3% as of December 31, 2022).

(b) Cash flows

Cash and cash equivalents (collectively, “Cash”) as of March 31, 2023 was ¥291,665 million, a decrease of ¥117,703 million from December 31, 2022. The decrease includes ¥(1,796) million in effects of exchange rate changes on cash.

Cash flows from each activity for the three months ended March 31, 2023 and their significant components are as follows:

(Cash flows from operating activities)

Net cash provided by operating activities was ¥28,533 million, compared to ¥18,048 million for the three months ended March 31, 2022. Major components of the increase include income before income taxes of ¥71,903 million. Major components of the decrease include an increase in trade and other receivables of ¥32,230 million and a decrease in provisions of ¥6,259 million.

Net cash provided by operating activities increased year-over-year due to an increase in income before income taxes.

(Cash flows from investing activities)

Net cash used in investing activities was ¥112,126 million, compared to ¥1,477 million for the three months ended March 31, 2022. Major cash outflows include a net increase in time deposit of ¥82,763 million and purchases of investments accounted for using equity method of ¥23,506 million.

Net cash used in investing activities increased year-over-year due to increases in time deposit and purchases of investments accounted for using equity method.

(Cash flows from financing activities)

Net cash used in financing activities was ¥32,314 million, compared to ¥22,611 million for the three months ended March 31, 2022. Major cash outflows include purchases of treasury stock of ¥29,571 million and cash dividends paid of ¥4,308 million.

Net cash used in financing activities increased year-over-year due to an increase in purchases of treasury stock.

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

The outlook on the business environment surrounding Nexon Group remains unclear due to ongoing concerns regarding the Ukraine war, which is the primary cause of the inflation, as well as concerns of financial instability, which have spread triggered by the collapse of Silicon Valley Bank, a medium sized bank in the U.S. As for the business environment in Japan, while the country has moved towards living with COVID-19 and the demand generated by inbound tourism is on a recovery trend, the situation remains unpredictable primarily as business sentiments of large manufacturers worsened for five consecutive quarters. However, we do not expect these factors to cause any event that could have material impact on Nexon Group’s businesses going forward.

In our consolidated business outlook, we disclose our expectations for the following quarter as a range to provide more accurate information to our shareholders and investors, since it is difficult to derive full-year consolidated forecasts due to uncertainties in projecting the speed of growth of PC online game and mobile game markets in which Nexon Group’s main businesses operate, and because our revenue is largely dependent on such uncertain factors as users’ preferences and whether or not we have any hit titles. “Consolidated Financial Results Forecast for the Six Months Ending June 30, 2023” is the sum of our actual consolidated financial results for the three months ended March 31, 2023 and our consolidated business outlook for the three months ending June 30, 2023. Please refer to the table below for our consolidated financial results forecast for the three months ending June 30, 2023.

For the six months ending June 30, 2023, Nexon Group expects consolidated revenue in the range of ¥212,478~220,751 million (up 21.3%~26.0% year-over-year), operating income in the range of ¥78,363~84,966 million (up 28.0%~38.8% year-over-year), income before income taxes in the range of ¥98,116~104,725 million (down 0.8%~up 5.9% year-over-year), net income in the range of ¥71,144~76,328 million (up 10.2%~18.3% year-over-year), net income attributable to owners of the parent company in the range of ¥70,849~75,935 million (up 9.1%~16.9% year-over-year), and basic earnings per share in the range of ¥82.97~88.93. Nexon Group operates its businesses around the world, in Japan, South Korea, China, the United States and other countries. Major exchange rates for Q2 2023 are expected to be 1 U.S dollar=¥133.33, 100 South Korean Won=¥10.10 and 1

Chinese Yuan=¥19.38. 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 ¥690 million on revenue and approximately ¥203 million on operating income for the three months ending June 30, 2023.

As for revenue based on customer location for the three months ending June 30, 2023, our expectations are as follows.

In Korea, we expect overall PC online revenue to increase year-over-year. We expect *EA SPORTS™ FIFA ONLINE 4*, our major title, to maintain its strong momentum from Q1 2023 and grow year-over-year. We also expect a year-over-year revenue increase from *MapleStory*, which celebrated its 20th anniversary in April, with a large Summer update coming up in June. In addition, we anticipate a significant contribution from *Wars of Prasia*, which launched on March 30 across PC and mobile platforms.

For mobile in Korea, we expect Q2 revenue to be roughly flat year-over-year. We expect to benefit from *Wars of Prasia*, which launched on March 30, and *HIT2*, and anticipate growth in *EA SPORTS™ FIFA MOBILE*. We expect these to be offset by a year-over-year revenue decrease in *Dungeon&Fighter Mobile*, which had an extremely strong performance in Q2 2022 following its recent launch.

In China, while we expect *Dungeon&Fighter*, our major PC online title, to maintain its strong performance from Q1, we expect revenue to be roughly flat compared to Q2 2022, which had significant year-over-year revenue growth.

In Japan, we expect revenue to be roughly flat year-over-year. While we expect growth in *Blue Archive*, we expect this to be offset by revenue decreases in terminated mobile titles.

In North America and Europe, we expect revenue to decrease year-over-year due to revenue decreases in mobile titles.

In Rest of World, we expect revenue to increase year-over-year driven by contributions from new games such as *HIT2*, which is scheduled to launch in Taiwan, Hong Kong and Macau on May 23, and *VEILED EXPERTS*, which will start early access globally on May 19.

On the cost side, we expect a year-over-year increase in costs for the three months ending June 30, 2023. We expect increased royalty costs due to revenue increases from publishing titles (i.e., *EA SPORTS™ FIFA ONLINE 4* and *EA SPORTS™ FIFA MOBILE*), and increased HR costs related to additional headcount for development and operation of multiple major titles as well as annual salary increase. We also expect increased marketing expenses primarily associated with existing titles such as *EA SPORTS™ FIFA ONLINE 4*, which has been delivering strong performance, and *MapleStory*, which celebrated its 20th Anniversary, as well as promotions for new games including *HIT2*, which is scheduled to launch in Taiwan, Hong Kong and Macau, and *Wars of Prasia*. In addition, we expect increased outsourcing fees and cloud service costs.

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, 2023 (from April 1, 2023 to June 30, 2023)

(% changes from the previous fiscal year)
(Millions of yen)

	Revenue		Operating income		Income before income taxes		Net income		Net income attributable to owners of the parent company		Basic earnings per share
	Yen	%	Yen	%	Yen	%	Yen	%	Yen	%	Yen
2nd Quarter	88,391	5.1%	22,088	(2.6)%	26,213	(37.1)%	17,878	(26.8)%	18,059	(26.9)%	21.22
	~ 96,665	~ 14.9%	~ 28,691	~ 26.5%	~ 32,822	~ (21.3)%	~ 23,062	~ (5.6)%	~ 23,145	~ (6.3)%	~ 27.20

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, 2022 unless otherwise noted, except for the new standards applied as listed below. Nexon Group calculated income taxes for the three months ended March 31, 2023, based on the estimated average annual effective tax rate.

Nexon Group has applied the following standards since Q1 2023, but the application of these standards did not have material impacts on the three months ended March 31, 2023.

Standards	Title	Overview of New or Revised Standard
IAS 1	Presentation of financial statements	Improved accounting policy disclosures and clarified distinction between accounting policies and accounting estimates
IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	
IAS 12	Income Taxes	Clarified the accounting for deferred tax on leases and decommissioning obligations

3. Condensed Consolidated Financial Statements and Major Notes

(1) Condensed Consolidated Statement of Financial Position

(Millions of yen)

	As of December 31, 2022	As of March 31, 2023
Assets		
Current assets		
Cash and cash equivalents	409,368	291,665
Trade and other receivables	30,444	61,691
Other deposits	162,490	242,325
Other financial assets	23,078	23,938
Other current assets	16,649	16,314
Total current assets	642,029	635,933
Non-current assets		
Property, plant and equipment	26,885	26,134
Goodwill	40,136	40,235
Intangible assets	9,655	13,785
Right-of-use assets	19,079	20,191
Investments accounted for using equity method	83,595	94,506
Other financial assets	162,514	176,212
Other non-current assets	1,811	1,441
Deferred tax assets	57,145	56,411
Total non-current assets	400,820	428,915
Total assets	1,042,849	1,064,848

	(Millions of yen)	
	As of December 31, 2022	As of March 31, 2023
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	14,705	15,287
Deferred income	18,942	19,891
Income taxes payable	23,697	35,118
Lease liabilities	4,045	4,485
Provisions	10,164	3,775
Other current liabilities	11,581	18,192
Total current liabilities	83,134	96,748
Non-current liabilities		
Deferred income	15,897	15,505
Lease liabilities	19,279	21,052
Other financial liabilities	1,447	1,471
Provisions	355	376
Other non-current liabilities	4,820	4,905
Deferred tax liabilities	50,371	49,734
Total non-current liabilities	92,169	93,043
Total liabilities	175,303	189,791
Equity		
Capital stock	38,972	40,570
Capital surplus	18,331	19,954
Treasury stock	(16,464)	(46,032)
Other equity interest	114,012	99,714
Retained earnings	703,342	751,196
Total equity attributable to owners of the parent company	858,193	865,402
Non-controlling interests	9,353	9,655
Total equity	867,546	875,057
Total liabilities and equity	1,042,849	1,064,848

(2) Condensed Consolidated Income Statement

For the three months ended March 31, 2022 and 2023

(Millions of yen)

	Three months ended March 31	
	2022	2023
	(From January 1, 2022 to March 31, 2022)	(From January 1, 2023 to March 31, 2023)
Revenue	91,034	124,087
Cost of sales	(21,924)	(34,233)
Gross profit	69,110	89,854
Selling, general and administrative expenses	(30,475)	(32,883)
Other income	160	344
Other expenses	(275)	(1,040)
Operating income	38,520	56,275
Finance income	23,308	14,075
Finance costs	(3,695)	(422)
Reversal of loss on revaluation	339	2,719
Share of loss of investments accounted for using equity method	(1,271)	(744)
Income before income taxes	57,201	71,903
Income taxes expense	(17,082)	(18,637)
Net income	40,119	53,266
Attributable to:		
Owners of the parent company	40,261	52,791
Non-controlling interests	(142)	475
Net income	40,119	53,266
Earnings per share	(Yen)	(Yen)
(attributable to owners of the parent company)		
Basic earnings per share	45.35	61.63
Diluted earnings per share	45.07	61.10

(3) Condensed Consolidated Statement of Comprehensive Income
For the three months ended March 31, 2022 and 2023

(Millions of yen)

	Three months ended March 31	
	2022	2023
	(From January 1, 2022 to March 31, 2022)	(From January 1, 2023 to March 31, 2023)
Net income	40,119	53,266
Other comprehensive income		
Items that will not be reclassified to net income		
Financial assets measured at fair value through other comprehensive income	(7,666)	(1,558)
Re-measurement of defined benefit pension plans	(3)	1
Other comprehensive income under equity method	(0)	(303)
Income taxes	2,026	398
Total items that will not be reclassified to net income	(5,643)	(1,462)
Items that may be reclassified subsequently to net income		
Exchange differences on translating foreign operations	27,081	(13,250)
Other comprehensive income under equity method	4	—
Total items that may be reclassified subsequently to net income	27,085	(13,250)
Total other comprehensive income	21,442	(14,712)
Total comprehensive income	61,561	38,554
Attributable to:		
Owners of the parent company	61,205	38,294
Non-controlling interests	356	260
Total comprehensive income	61,561	38,554

(4) Condensed Consolidated Statement of Changes in Equity

For the three months ended March 31, 2022 (From January 1, 2022 to March 31, 2022)

(Millions of yen)

	Equity attributable to owners of the parent company						Non-controlling interests	Total equity
	Capital stock	Capital surplus	Treasury stock	Other equity interest	Retained earnings	Total		
Balance at January 1, 2022	34,255	14,961	(17,863)	92,747	712,568	836,668	9,225	845,893
Net income for the period	—	—	—	—	40,261	40,261	(142)	40,119
Other comprehensive income	—	—	—	20,944	—	20,944	498	21,442
Total comprehensive income	—	—	—	20,944	40,261	61,205	356	61,561
Issue of shares	677	677	—	—	—	1,354	—	1,354
Stock issue cost	—	(5)	—	—	—	(5)	—	(5)
Payment of dividends	—	—	—	—	(4,459)	(4,459)	—	(4,459)
Share-based compensation	—	—	—	2,317	—	2,317	—	2,317
Changes in interests in subsidiaries	—	(704)	—	—	—	(704)	(403)	(1,107)
Purchase of treasury stock	—	(15)	(17,215)	—	—	(17,230)	—	(17,230)
Total transactions with the owners, etc.	677	(47)	(17,215)	2,317	(4,459)	(18,727)	(403)	(19,130)
Balance at March 31, 2022	34,932	14,914	(35,078)	116,008	748,370	879,146	9,178	888,324

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

(Millions of yen)

	Equity attributable to owners of the parent company						Non-controlling interests	Total equity
	Capital stock	Capital surplus	Treasury stock	Other equity interest	Retained earnings	Total		
Balance at January 1, 2023	38,972	18,331	(16,464)	114,012	703,342	858,193	9,353	867,546
Net income for the period	—	—	—	—	52,791	52,791	475	53,266
Other comprehensive income	—	—	—	(14,497)	—	(14,497)	(215)	(14,712)
Total comprehensive income	—	—	—	(14,497)	52,791	38,294	260	38,554
Issue of shares	1,598	1,598	—	—	—	3,196	—	3,196
Stock issue cost	—	(9)	—	—	—	(9)	—	(9)
Payment of dividends	—	—	—	—	(4,308)	(4,308)	—	(4,308)
Share-based compensation	—	—	—	(430)	—	(430)	—	(430)
Changes in interests in subsidiaries	—	37	—	—	—	37	42	79
Purchase of treasury stock	—	(3)	(29,568)	—	—	(29,571)	—	(29,571)
Reclassification from other equity interest to retained earnings	—	—	—	629	(629)	—	—	—
Total transactions with the owners, etc.	1,598	1,623	(29,568)	199	(4,937)	(31,085)	42	(31,043)
Balance at March 31, 2023	40,570	19,954	(46,032)	99,714	751,196	865,402	9,655	875,057

(5) Condensed Consolidated Statement of Cash Flows

(Millions of yen)

	Three months ended March 31	
	2022 (From January 1, 2022 to March 31, 2022)	2023 (From January 1, 2023 to March 31, 2023)
Cash flows from operating activities		
Income before income taxes	57,201	71,903
Depreciation and amortization	1,779	1,764
Share-based compensation expenses	2,718	537
Interest and dividend income	(1,200)	(5,180)
Interest expense	105	300
Impairment loss	241	1,026
Reversal of loss on revaluation	(339)	(2,719)
Share of loss of investments accounted for using equity method	1,271	744
Gain on sale of investments accounted for using equity method	(9,298)	—
Loss (gain) on valuation of securities	2,050	(2,872)
Loss (gain) on sale and redemption of securities	1,314	(325)
Foreign exchange gain	(12,209)	(4,145)
Increase in trade and other receivables	(28,065)	(32,230)
Decrease in other current assets	1,024	283
Increase in trade and other payables	1,961	696
Increase in deferred income	1,278	1,320
Decrease in provisions	(4,104)	(6,259)
Increase in other current liabilities	4,483	4,923
Other	(637)	351
Subtotal	19,573	30,117
Interest and dividends received	1,907	3,806
Interest paid	(105)	(299)
Income taxes paid	(3,327)	(5,091)
Net cash provided by operating activities	18,048	28,533
Cash flows from investing activities		
Net decrease in restricted deposit	88	0
Net increase in time deposit	(460)	(82,763)
Purchases of property, plant and equipment	(415)	(458)
Proceeds from sales of property, plant and equipment	10	7
Purchases of intangible assets	(178)	(1,318)
Payments associated with increase in long-term prepaid expenses	(1,432)	(219)
Purchases of securities by investment funds under consolidated subsidiaries	(5,365)	(4,924)
Proceeds from sale of securities by investment funds under consolidated subsidiaries	5,761	6,372
Purchases of investment securities	(447)	(5,248)
Proceeds from sale and redemption of investment securities	75	1,839
Purchases of investments accounted for using equity method	(7,184)	(23,506)
Proceeds from sale of investments accounted for using equity method	9,377	—
Payments for long-term loans receivable	(1,399)	(1,518)
Collection of long-term loans receivable	6	4
Other	86	(394)
Net cash used in investing activities	(1,477)	(112,126)

(Millions of yen)

	Three months ended March 31	
	2022	2023
	(From January 1, 2022 to March 31, 2022)	(From January 1, 2023 to March 31, 2023)
Cash flows from financing activities		
Proceeds from exercise of stock options	1,005	2,326
Purchases of treasury stock	(17,230)	(29,571)
Purchases of treasury stock by subsidiaries	(1,206)	—
Cash dividends paid	(4,457)	(4,308)
Repayment of lease liability	(723)	(761)
Net cash used in financing activities	(22,611)	(32,314)
Net decrease in cash and cash equivalents	(6,040)	(115,907)
Cash and cash equivalents at beginning of period	365,239	409,368
Effects of exchange rate changes on cash and cash equivalents	16,899	(1,796)
Cash and cash equivalents at end of period	376,098	291,665

(6) Notes on Going Concern Assumption

Not applicable.

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

(a) For the three months ended March 31, 2022 (From January 1, 2022 to March 31, 2022)

(i) Amount of dividends paid

	Class of stock	Total dividends	Dividend per share	Record date	Effective date
		(million yen)	(yen)		
Resolution of the Board of Directors on February 17, 2022	Common stock	4,459	5.0	December 31, 2021	March 28, 2022

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

(ii) Purchases of treasury stock

Nexon's treasury stock increased by ¥17,215 million as a result of the purchase of 7,066,200 shares of treasury stock during the three months ended March 31, 2022 based on a resolution of the Board of Directors on November 19, 2021.

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

(i) Amount of dividends paid

	Class of stock	Total dividends	Dividend per share	Record date	Effective date
		(million yen)	(yen)		
Resolution of the Board of Directors on February 16, 2023	Common stock	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 stock

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

(8) 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, 2022 (From January 1, 2022 to March 31, 2022)

(Millions of yen)

	Reportable Segments					Total	Adjustments (Note 3)	Consolidated
	Japan	Korea	China	North America	Other			
Revenue								
Revenue from external customers								
PC online	871	63,875	899	1,333	413	67,391	—	67,391
Mobile	397	21,164	—	1,743	—	23,304	—	23,304
Other	2	336	—	1	—	339	—	339
Total revenue from external customers	1,270	85,375	899	3,077	413	91,034	—	91,034
Intersegment revenue	221	651	—	230	160	1,262	(1,262)	—
Total	1,491	86,026	899	3,307	573	92,296	(1,262)	91,034
Segment profit or loss (Note 1)	(3,075)	43,044	506	(615)	(1,224)	38,636	(1)	38,635
Other income (expense), net								(115)
Operating income								38,520
Finance income (costs), net (Note 4)								19,613
Reversal of loss on revaluation (Note 5)								339
Share of loss of investments accounted for using equity method								(1,271)
Income before income taxes								57,201

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

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

3. Adjustments in segment profit or loss of ¥(1) million represent elimination of intersegment transactions.

4. Major components of finance income are foreign exchange gain of ¥12,670 million and gain on sale of investments accounted for using equity method of ¥9,298 million in connection with the transfer of shares of Six Waves Inc.

The gain on the sale occurred due to the transfer of all shares of Six Waves Inc. owned by Nexon to Stillfront Group AB (publ) during the three months ended March 31, 2022. Consequently, Six Waves Inc. was excluded from the scope of the application of equity method for the three months ended March 31, 2022.

5. 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).

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

For the three months ended March 31, 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 or loss (Note 1)	(542)	59,945	633	(1,554)	(1,509)	56,973	(2)	56,971
Other income (expense), net								(696)
Operating income								56,275
Finance income (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)
Income before income taxes								71,903

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

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

3. Adjustments in segment profit or loss of ¥(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).

(c) Information on each region

Revenue from external customers are as follows:

For the three months ended March 31, 2022 (From January 1, 2022 to March 31, 2022)

(Millions of yen)

	Revenue by major business			Total
	PC online	Mobile	Other	
Main regional market				
Japan	871	1,921	2	2,794
Korea	31,836	15,716	328	47,880
China	29,608	153	—	29,761
North America and Europe	1,204	3,503	(8)	4,699
Rest of World	3,872	2,011	17	5,900
Total	67,391	23,304	339	91,034

(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, 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

(9) Subsequent Events

(Retirement of treasury stock)

At the Board of Directors meeting held on May 11, 2023, Nexon resolved the retirement of treasury stock based on the provisions of Article 178 of the Companies Act.

(a) Reasons for the retirement of treasury stock

To improve capital efficiency and return profits to shareholders

(b) Details of matters related to the retirement

- (i) Method of retirement: To be reduced from the amount of other retained earnings
- (ii) Class of stock to be retired: Common shares of Nexon
- (iii) Number of shares to be retired: 16,752,326 shares
(1.9% of the total number of shares outstanding as of April 30, 2023)
- (iv) Date of scheduled retirement: May 31, 2023