[These documents are based on Annual 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 originals, the originals shall prevail. Nexon assumes no responsibility for this translation or for direct, indirect or any other forms of damages arising from the translations.]

Annual Securities Report

(The 21st Fiscal Year)

From January 1, 2022 to December 31, 2022

NEXON Co., Ltd

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【Fiscal year】	The 21st Fiscal Year (from January 1, 2022 to December 31, 2022)
【Company name】	Kabushiki Kaisha NEXON
【Company name in English】	NEXON Co., Ltd.
【Name and title of representative】	Owen Mahoney, Representative Director, President and Chief Executive Officer
【Address of head office】	1-4-5 Roppongi, Minato-ku, Tokyo
【Telephone number】	03-6629-5318 (main)
【Contact person】	Shiro Uemura, Representative Director and Chief Financial Officer
【Nearest contact address】	1-4-5 Roppongi, Minato-ku, Tokyo
【Telephone number】	03-6629-5318 (main)
【Contact person】	Shiro Uemura, Representative Director and Chief Financial Officer
【Place where a copy of this document is made available for public inspection】	Tokyo Stock Exchange, Inc. (2-1 Nihonbashi Kabutocho, Chuo-ku, Tokyo)

Part I 【Information on the Company】

I. 【Overview of the Company】

1 【Changes in Key Management Indicators】

(1) Consolidated management indicators, etc.

(Millions of yen, unless otherwise stated)

Term	International Accounting Standard				
	17^{th} FY	18^{th} FY	19^{th} FY	20^{th} FY	21^{st} FY
Fiscal year-end	December 2018	December 2019	December 2020	December 2021	December 2022
Revenue	253,721	248,542	293,024	274,462	353,714
Income before income taxes	117,444	121,968	108,171	135,472	140,525
Net income attributable to owners of the parent company	107,672	115,664	56,220	114,888	100,339
Total comprehensive income	72,012	86,865	86,427	131,280	114,732
Total equity attributable to owners of the parent company	555,268	619,985	709,882	836,668	858,193
Total assets	649,998	719,088	862,161	986,632	1,042,849
Equity attributable to owners of the parent company per share (yen)	620.91	702.59	800.35	939.19	996.95
Basic earnings per share (yen)	121.03	129.34	63.57	128.91	114.74
Diluted earnings per share (yen)	119.65	128.03	61.90	126.55	113.81
Ratio of equity attributable to owners of the parent company to total assets (%)	85.4	86.2	82.3	84.8	82.3
Return on equity (%)	21.1	19.7	8.5	14.9	11.8
Price earnings ratio (times)	11.7	11.2	50.0	17.3	25.8
Cash flows from operating activities	118,018	105,073	137,603	105,914	130,144
Cash flows from investing activities	(68,183)	(28,625)	(140,234)	18,084	(10,918)
Cash flows from financing activities	8,260	(27,742)	(2,626)	(21,053)	(105,859)
Cash and cash equivalents at end of year	205,292	253,636	252,570	365,239	409,368
Number of employees [average number of temporary workers] (persons)	6,441 [143]	6,428 [143]	6,288 [77]	6,683 [138]	7,467 [357]

(Notes) 1. The Company executed a two-for-one stock split of its common stock as of April 1, 2018. As a result, “Equity attributable to owners of the parent company per share,” “Basic earnings per share” and “Diluted earnings per share” are calculated assuming the stock split was executed on January 1, 2018.

2. During the 17th fiscal year, the total number of outstanding shares became 894,278,664 shares due to increases in common stock because of the following reasons:
   - ・Increase by 443,794,332 shares due to a two-for-one stock split of common stock as of April 1, 2018
   - ・Increase by 10,300,000 shares due to exercise of stock options

3. During the 18th fiscal year, the total number of outstanding shares increased to 901,530,560 shares due to increases in common stock for the following reasons:
   - ・Increase by 5,852,000 shares due to exercise of stock options
   - ・1,399,896 shares were issued by third-party allotment as part of the acquisition consideration due to the business combination of Embark Studios AB and in-kind contribution (45,003,500 shares of

common stock of Embark Studios AB; ¥2,186 million) was received from the shareholders of Embark Studios AB who are the allottees.

4. During the 19th fiscal year, the total number of outstanding shares became 886,961,539 shares due to changes in common stock because of the following reasons:
   ・Decrease by 20,971,021 shares due to retirement of treasury stock on February 28, 2020
   ・Increase by 6,402,000 shares due to exercise of stock options
5. During the 20th fiscal year, the total number of outstanding shares increased to 898,746,469 shares due to increases in common stock for the following reasons:
   ・Increase by 4,396,000 shares due to exercise of stock options
   ・7,388,930 shares were issued by third-party allotment as the consideration for making Embark Studios AB a wholly-owned subsidiary and in-kind contribution (176,469,789 shares of common stock of Embark Studios AB; ¥15,628 million) was received from the shareholders of Embark Studios AB who are the allottees. Refer to "V. Financial Information, 1 Consolidated Financial Statements, etc., Notes to consolidated financial statements, 22 Equity and other equity interest" for details of the third-party allotment.
6. During the 21st fiscal year, the total number of outstanding shares became 866,773,728 shares due to changes in common stock for the following reasons:
   ・Decrease by 36,571,300 shares due to retirement of treasury stock on August 31, 2022
   ・Increase by 4,145,042 shares due to exercise of stock options
   ・453,517 shares were issued by third-party allotment to the employees of Embark Studios AB and in-kind contribution (14,580,684 shares of common stock of Embark Studios AB; ¥1,370 million) was received from the employees who are the allottees.
7. From the 20th fiscal year, the Company made Stiftelsen Embark Incentive ("Foundation") its consolidated subsidiary and records the Company's shares owned by the Foundation as treasury stock on the consolidated financial statements. As a result, the Company's shares owned by the Foundation are included in treasury stock deducted to calculate the total number of outstanding shares as of December 31 for the purpose of calculating equity attributable to owners of the parent company per share after December 31, 2021. They are also included in treasury stock deducted to calculate the average number of shares during the period for the purpose of calculating basic and diluted earnings per share after the fiscal year ended December 31, 2021.

(2) The Company's management indicators, etc.

(Millions of yen, unless otherwise stated)

Term	17th FY	18th FY	19th FY	20th FY	21st FY
Fiscal year-end	December 2018	December 2019	December 2020	December 2021	December 2022
Net sales	7,024	6,016	5,411	5,898	5,872
Ordinary income	361	23,359	39,937	84,163	72,787
Net income (loss)	(423)	22,397	37,152	78,667	73,481
Capital stock	14,199	17,757	22,470	34,167	38,881
Total number of outstanding shares (thousands of shares)	894,278	901,530	886,961	898,746	866,773
Net assets	57,327	60,604	100,759	184,833	165,910
Total assets	60,045	63,004	103,313	189,677	171,073
Net assets per share (yen)	56.82	60.18	104.28	195.23	174.00
Dividend per share (yen) [of which, interim dividend per share]	— [—]	2.5 [—]	5.0 [2.5]	7.5 [2.5]	10.0 [5.0]
Basic net income (loss) per share (yen)	(0.48)	25.04	42.01	88.23	83.94
Diluted net income per share (yen)	—	24.87	41.54	87.16	83.35
Shareholders' equity ratio (%)	84.6	84.3	89.5	91.8	87.6
Return on equity (%)	—	43.1	51.0	59.0	45.4
Price earnings ratio (times)	—	57.9	75.7	25.2	35.3
Dividend payout ratio (%)	—	10.0	11.9	8.5	11.9
Number of employees [average number of temporary workers] (persons)	322 [1]	311 [2]	268 [3]	270 [2]	266 [3]
Total shareholder return [benchmark: TOPIX including dividends] (%)	86.2 [84.0]	88.6 [99.2]	194.4 [106.6]	136.5 [120.2]	182.1 [117.2]
Highest stock price (yen)	1,845 [4,010]	1,823	3,445	3,740	3,295
Lowest stock price (yen)	1,074 [3,185]	1,225	1,302	1,666	1,949

(Notes) 1. The Company executed a two-for-one stock split of its common stock as of April 1, 2018. Accordingly, "Net assets per share," "Basic net income (loss) per share" and "Diluted net income per share" are calculated assuming the stock split was executed on January 1, 2018.

2. The highest and lowest stock prices were recorded on the First Section of the Tokyo Stock Exchange until April 3, 2022 and on the Prime Market of the Tokyo Stock Exchange after April 4, 2022. The stock prices listed for the 17th fiscal year are the highest and lowest stock prices recorded after the stock split. The highest and lowest stock prices before the stock split are shown in bracket.

3. For the 17th fiscal year, diluted net income per share is not disclosed in spite of stock acquisition rights as net loss was recorded.

4. For the 17th fiscal year, return on equity is not disclosed as net loss was recorded.

5. For the 17th fiscal year, price earnings ratio and dividend payout ratio are not disclosed as net loss was recorded.

6. During the 17th fiscal year, the total number of outstanding shares became 894,278,664 shares due to increases in common stock because of the following reasons:

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8. During the 19th fiscal year, the total number of outstanding shares became 886,961,539 shares due to changes in common stock because of the following reasons:
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   ・Increase by 4,396,000 shares due to exercise of stock options
   ・7,388,930 shares were issued by third-party allotment as the consideration for making Embark Studios AB a wholly-owned subsidiary and in-kind contribution (176,469,789 shares of common stock of Embark Studios AB; ¥15,628 million) was received from the shareholders of Embark Studios AB who are the allottees. Refer to "V. Financial Information, 1 Consolidated Financial Statements, etc., Notes to consolidated financial statements, 22 Equity and other equity interest" for details of the third-party allotment.
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   ・453,517 shares were issued by third-party allotment to the employees of Embark Studios AB and in-kind contribution (14,580,684 shares of common stock of Embark Studios AB; ¥1,370 million) was received from the employees who are the allottees.

2 【History】

In December 1994, Jungju Kim founded the former NEXON Corporation (current NXC Corporation) in Seoul, Korea, and started the online game business, which is the origin of Nexon Group.

The former NEXON Corporation (current NXC Corporation) entered Japan in September 2000 by acquiring 50% of outstanding shares of Solid Networks, Inc. (former NEXON Japan Co., Ltd.).

In December 2002, the Company (then, new NEXON Japan Co., Ltd.) was established with the aim of a full-scale entry into on-line game business in Japan. The Company’s history subsequent to its establishment is summarized below.

(Note) Solid Networks, Inc. changed its name to the former NEXON Japan Co., Ltd. in October 2000 and then to Solid Networks, Inc. in October 2002.

<Subsequent to the establishment>

Date	Summary
December 2002	The former NEXON Corporation (current NXC Corporation) established the Company (new NEXON Japan Co., Ltd.) in Chuo-ku, Tokyo. The former NEXON Corporation (current NXC Corporation) sold its shareholding in Solid Networks, Inc. (former NEXON Japan Co., Ltd.).
January 2003	Following the dissolution of capital alliance between the former NEXON Corporation (current NXC Corporation) and Solid Networks, Inc. (former NEXON Japan Co., Ltd.), the Company took over the online game business from Solid Networks, Inc. (former NEXON Japan Co., Ltd.) and started full-scale operation of the online game business in Japan.
November 2003	The Company relocated its head office to 2-3-1 Shinkawa, Chuo-ku, Tokyo.
January 2004	The former NEXON Corporation (current NXC Corporation) established Lexian Software Development (Shanghai) Co., Ltd. in Shanghai, PRC.
September 2005	The Company established NX Games Inc. (current Nexon America Inc.) in the U.S.A.
October 2005	The former NEXON Corporation (current NXC Corporation) established new NEXON Corporation (current NEXON Korea Corporation) through a company split. The former NEXON Corporation (current NXC Corporation) changed its name to Nexon Holdings Corporation. The Company acquired new NEXON Corporation (current NEXON Korea Corporation) from Nexon Holdings Corporation (current NXC Corporation) and made it its subsidiary. (Note 2) The new NEXON Corporation (current NEXON Korea Corporation) acquired Nexon Mobile Corporation from Nexon Holdings Corporation (current NXC Corporation) and made it its subsidiary (merged into NEXON Korea Corporation in May 2012).
December 2005	The new NEXON Corporation (current NEXON Korea Corporation) acquired *MapleStory* from Wizet Corporation (current NX Properties Corporation).
March 2006	The new NEXON Corporation (current NEXON Korea Corporation) acquired Nexon SD Corporation (current Nexon Networks Corporation) and made it its subsidiary.
April 2006	The Company acquired Lexian Software Development (Shanghai) Co., Ltd. from Nexon Holdings Corporation (current NXC Corporation) and made it its subsidiary. NX Games Inc. changed its name to Nexon America Inc.
July 2006	The Company established Nexon Publishing North America Inc. in Canada (liquidated in March 2009). The new NEXON Corporation (current NEXON Korea Corporation) acquired Doobic Entertainment Co., Ltd. and made it its subsidiary (liquidated in December 2007).
August 2006	The new NEXON Corporation (current NEXON Korea Corporation) acquired *KartRider* and *BnB* from MPlay Games Corporation.
September 2006	The new NEXON Corporation (current NEXON Korea Corporation) established Nexon DD Corporation (changed its name to Nova Studio Corporation in May 2009, to Nexon Nova Corporation in August 2009, and to Redcard Studio Co., Ltd. in March 2012)(liquidated in January 2013).

Date	Summary
March 2007	The Company established NEXON Europe Limited in the U.K. (liquidated in April 2012).
July 2008	The new NEXON Corporation (current NEXON Korea Corporation) acquired Xeogen, Inc. and made it its subsidiary (it became an affiliate as a result of partial sale of shares in April 2009).
August 2008	The new NEXON Corporation (current NEXON Korea Corporation) acquired NEOPLE INC. and made it its subsidiary.
October 2008	The new NEXON Corporation (current NEXON Korea Corporation) acquired Silverportion Co., Ltd. and made it its subsidiary (liquidated in June 2010).
March 2009	The new NEXON Corporation (current NEXON Korea Corporation) established Nextoric Corporation in Korea (merged into GameHi Co., Ltd. (changed its name to NEXON GT Co., Ltd. in March 2014) in February 2014). Nexon Holdings Corporation changed its name to NXC Corporation.
April 2009	The Company changed its name to NEXON Co., Ltd. from NEXON Japan Co., Ltd.
July 2009	The new NEXON Corporation (current NEXON Korea Corporation) acquired Copersons Corporation (later changed its name to UbiFun Corporation) and made it its subsidiary (it became an affiliate as a result of partial sale of shares in May 2013, and all shares were sold in July 2020).
August 2009	The new NEXON Corporation (current NEXON Korea Corporation) acquired Symmetric Space Corporation and made it its subsidiary (merged into Nextoric Corporation in December 2011).
October 2009	The new NEXON Corporation (current NEXON Korea Corporation) established ExC Games Corporation (changed its name to Neon Studio Corporation in December 2012) in Korea (it became an affiliate as a result of partial sale of shares in February 2017, and all shares were sold in September 2020).
January 2010	The Company acquired Fantage.com Inc. and made it its subsidiary (sold in April 2017).
April 2010	Nexon SD Corporation changed its name to Nexon Networks Corporation. The new NEXON Corporation (current NEXON Korea Corporation) established Centum Interactive Co., Ltd. (changed its name to Qbious Co., Ltd. in August 2011 and to Wizet Corporation in June 2012) in Korea (liquidated in January 2013).
May 2010	The new NEXON Corporation (current NEXON Korea Corporation) acquired NDOORS Corporation and made it its subsidiary (merged into NEXON RED Corp. in March 2018).
July 2010	The new NEXON Corporation (current NEXON Korea Corporation) acquired GameHi Co., Ltd. (changed its name to NEXON GT Co., Ltd. in March 2014) and made it its subsidiary (merged into NAT GAMES Co., Ltd. (current NEXON Games Co., Ltd.) in March 2022).
October 2010	The new NEXON Corporation (current NEXON Korea Corporation) acquired NCLIPSE Corporation and made it its subsidiary (merged into Nextoric Corporation in December 2011). Fantage.com Inc. established Wawagames Inc. in the U.S.A. (liquidated in April 2012).
November 2010	The Company established NEXON Europe S.à.r.l. in Luxemburg (merged into Nexon Europe GmbH in December 2015).
December 2010	The Company acquired Quad Dimensions Co., Ltd. (changed its name to Rushmo Co., Ltd. in July 2012 and to BLOCKCHAIN ENTERTAINMENT LAB Co., Ltd. in May 2018) from NXC Corporation and made it its subsidiary (sold in September 2020).
February 2011	The new NEXON Corporation (current NEXON Korea Corporation) changed its name to NEXON Korea Corporation.
October 2011	NEXON Korea Corporation established NEXON COMMUNICATIONS Co., Ltd. in Korea.
December 2011	The Company was listed on the First Section of the Tokyo Stock Exchange.
June 2012	The Company acquired inBlue, Inc. and made it its subsidiary (merged into gloops, Inc. in May 2015).
October 2012	The Company acquired gloops, Inc. and made it its subsidiary (sold in February 2020).
July 2013	NEXON Korea Corporation established Nexon Space Co., Ltd. in Korea.
September 2013	The Company acquired gloops International Inc. (changed its name to Nexon M Inc. in September 2013) from gloops, Inc. and made it its subsidiary (liquidated in September 2020). NEOPLE INC. acquired Thingsoft Inc. and made it its subsidiary (merged into NEXON Korea Corporation in November 2022).

Date	Summary
October 2013	NEXON Korea Corporation acquired Weclay Inc. and made it its subsidiary (merged into NEXON Korea Corporation in December 2014).
November 2014	Rushmo Co., Ltd. (changed its name to BLOCKCHAIN ENTERTAINMENT LAB Co., Ltd. in May 2018) established Rushmo America Inc. in the U.S.A. (liquidated in November 2019).
March 2015	The Company established Nexon Europe GmbH in Germany (liquidated in January 2019).
April 2015	NEXON Korea Corporation acquired BOOLEAN GAMES and made it its subsidiary (merged into NEXON Korea Corporation in January 2020).
December 2015	NEXON Korea Corporation established NEXON TAIWAN LIMITED in Taiwan.
February 2016	NEXON Korea Corporation established Nexon US Holding Inc. in the U.S.A.
March 2016	Nexon US Holding Inc. acquired Big Huge Games, Inc. and made it its subsidiary.
May 2016	NEXON GT Co., Ltd. (merged into NAT GAMES Co., Ltd. (current NEXON Games Co., Ltd.) in March 2022) acquired Wellgames Corporation (changed its name to NEXON RED Corp. in March 2017) and made it its subsidiary (merged into NEXON Korea Corporation in February 2020).
July 2016	NEXON Korea Corporation acquired N Media Platform Co., LTD. and made it its subsidiary.
October 2016	NEXON Korea Corporation acquired i Digital Connect Co., Ltd. (changed its name to Nexon Thailand Co., Ltd. in September 2017) and made it its subsidiary.
November 2016	NEXON Korea Corporation acquired NSC Corporation and made it its subsidiary (merged into NEXON Korea Corporation in November 2017).
April 2017	Nexon US Holding Inc. established NEXON OC Studio in the U.S.A. (liquidated in October 2020)
September 2017	NEXON GT Co., Ltd. (merged into NAT GAMES Co., Ltd. (current NEXON Games Co., Ltd.) in March 2022) acquired JoongAng Pangyo Development Co., Ltd. and made it its subsidiary.
November 2017	Nexon US Holding Inc. acquired Pixelberry Studios and made it its subsidiary.
February 2018	NEXON Korea Corporation acquired Ngine Studios and made it its subsidiary.
March 2018	The Company relocated its headquarters to 1-4-5 Roppongi, Minato-ku, Tokyo.
April 2018	gloops, Inc. established PURERO, Inc. in Japan (sold in December 2019).
June 2018	NEXON Korea Corporation acquired additional shares of NAT GAMES Co., Ltd. (current NEXON Games Co., Ltd.) and made it its subsidiary.
August 2018	N Media Platform Co., LTD. acquired 10 Years Co., Ltd. and made it its subsidiary (merged into N Media Platform in December 2019).
May 2019	Nexon Networks Corporation established NEXON NETWORKS VINA in Vietnam.
July 2019	The Company acquired additional shares of Embark Studios AB and made it its subsidiary.
December 2019	NEXON Korea Corporation established TDF Co., LTD in Korea (sold in November 2021).
October 2021	The Company established Nexon Studios, Inc. (current Nexon Filmed Entertainment Inc.) in the U.S.A. Nexon Studios, Inc. (current Nexon Filmed Entertainment Inc.) established Nexon Animation Development LLC in the U.S.A.
March 2022	NAT GAMES Co., Ltd. changed its name to NEXON Games Co., Ltd.
April 2022	The Company transitioned from the First Section to the Prime Market of the Tokyo Stock Exchange due to the restructuring of the market segments. Nexon Networks Corporation established NEXON DEV VINA LIMITED COMPANY in Vietnam.
May 2022	NEXON Korea Corporation acquired methinks Co., Ltd. and its subsidiary methinks technologies, Inc. and made them its subsidiaries. Nexon Studios, Inc. changed its name to Nexon Filmed Entertainment Inc.
October 2022	NEXON Korea Corporation established Toben Studio Inc. in the U.S.A.
December 2022	NEXON Korea Corporation established Nexon Block Corporation in Korea.

(Notes) 1. Nexon Block Corporation established NEXON BLOCK SINGAPORE PTE. LTD. in Singapore in January 2023.

2. The former NEXON Corporation (current NXC Corporation) transferred its PC online business to the new NEXON Corporation (current NEXON Korea Corporation) in Korea through a company

split on October 11, 2005 and assigned all of its shares to the Company on October 28, 2005. Since then, the former NEXON Corporation (current NXC Corporation) was engaged in investment business other than the game business as the Company's parent company, and the Company, as an operating holding company, is engaged in the online game business in Japan and also manages overseas group companies. However, the former NEXON Corporation (current NXC Corporation) sold part of its shareholding of the Company on January 30, 2018, and therefore is no longer the "parent company" and became an "other affiliate" of the Company.

The capital relationship of the former NEXON Corporation (current NXC Corporation), the Company and the new NEXON Corporation (current NEXON Korea Corporation) subsequent to the establishment of the Company by the former NEXON Corporation (current NXC Corporation) in December 2002 is illustrated below.

(December, 2002)

Former NEXON Corporation

(Current NXC Corporation）

100.0%

The Company
(New Nexon Japan Co., Ltd. was established)

⇩

(October 11, 2005)

Nexon Holdings Corporation
(Change of company name)

(Current NXC Corporation)

100.0%

The Company

100.0%

New NEXON Corporation
(Established through company split)

(Current NEXON Korea Corporation)

⇩

(October 28, 2005)

Nexon Holdings Corporation

(Current NXC Corporation)

100.0%

The Company

100.0%

New NEXON Corporation

(Current NEXON Korea Corporation)

⇩

(As of December 31, 2022)

NXC Corporation
（Change of company name in March 2009）

(Note) 46.8%

The Company
(NEXON Co., Ltd; change of company name in April 2009)

100.0%

NEXON Korea Corporation
(Change of company name in Februay 2011)

(Note) The ratio of the Company's shares held by NXC Corporation and persons closely related to it.

3 【Description of Business】

Nexon Group consists of the Company, its 41 consolidated subsidiaries and 15 affiliated companies and joint ventures (as of December 31, 2022), and is engaged in production, development and service of PC online and mobile games. In Japan, the Company is responsible for developing the overall strategies for our products and services and operating the business, while overseas, our local consolidated subsidiaries do so in their respective regions as independently managed entities.

Accordingly, Nexon Group consists of geographical segments based on production, development and service of PC online and mobile games. The reportable segments include "Japan," "Korea," "China," "North America," and "Other." European and Asian countries are included in "Other."

See ＜Business description and positioning of the Company and its consolidated subsidiaries＞ in "(5) Nexon Group" below for the business description of each company.

・Major consolidated subsidiaries (as of December 31, 2022)

Korea:	NEXON Korea Corporation; NEOPLE INC.; NEXON Games Co., Ltd.; JoongAng Pangyo Development Co., Ltd.; Mirae Asset Global Innovation Growth Focus Equity Privately Placed Investment Trust; VIP Global Super Growth Hedge Fund;
China:	Lexian Software Development (Shanghai) Co., Ltd.
North America:	Nexon America Inc.; Nexon US Holding Inc.; Pixelberry Studios
Other:	Embark Studios AB

Nexon Group classifies its lines of business mainly into (a) PC online business and (b) Mobile business.

(1) Lines of business

(a) PC online business

The PC online business mostly involves the production, development and service of PC online games. Additional services we offer include consulting related to PC online game service, in-game advertising, and merchandising incidental to the PC online business.

Major PC online game titles serviced by Nexon Group include *MapleStory*, *Dungeon&Fighter* and *EA SPORTS™ FIFA ONLINE 4* ("*FIFA ONLINE 4"*). When we launch a new title, we flexibly adapt to market differences by conducting a test service of the game, taking into account the characteristics and preferences of users in the respective areas of the world and the genre of the game to be serviced.

PC online games developed within Nexon Group, by NEXON Korea Corporation, NEOPLE INC. or other group companies, are directly serviced by themselves or, in regions that have large markets, through other members of Nexon Group such as the Company, Nexon America Inc., NEXON TAIWAN LIMITED or Nexon Thailand Co., Ltd. We have endeavored to maximize business synergy effects by establishing a closely coordinated structure within Nexon Group for the production, development and service of PC online games. In addition, with regards to PC online games developed by non-Nexon Group developers and for which we have acquired publishing rights, we try to maximize revenues by publishing those games through Nexon Group so that they reach a large audience and we also build rapport with such developers as we service their games. In regions where Nexon Group does not directly service games, we go through local publishers to service in-house developed PC online games. Through such business initiatives as above, we are making the utmost effort to service fun and creative games to users all over the world.

As for the consulting business, Lexian Software Development (Shanghai) Co., Ltd. provides Chinese publishers with consulting services for setting up and maintaining billing systems (see the Note below) and membership systems, business strategy development, game operation and marketing.

In Korea, Nexon Networks Corporation provides services related to customer support and net-café operation when offering PC online and mobile games. N Media Platform Co., LTD. provides net-cafés with advertisement platform and operation management services.

The in-game advertisement business capitalizes on the strengths of ad placements within PC online games, i.e. ongoing updates of game contents and advertisement information, and leverages such features as that enabling direct exposure to players through in-game usage of functional items equipped with an advertisement function, or that enabling simultaneous exposure of different advertisements to their respective target users through dedicated servers that comprehensively manage all advertisements.

The merchandising business engages in the production and sales of goods that feature popular characters from games owned by Nexon Group.

(Note) Billing system: An electronic billing confirmation service related to the usage of internet or email services provided by enterprises.

＜List of major game titles＞

Title	Description	Genre	Major serviced area	Launched in
MapleStory	*MapleStory* is a side-scrolling 2D action MMORPG (Note 1) featuring cute characters and simple operation that can be played on low-spec PCs. Before the launch of *MapleStory*, MMORPGs were stereotyped as hard-core games, which was successfully overturned by the success of this title. Since its launch in Korea in 2003, *MapleStory* has actively introduced highly fashionable items, which played a role in establishing the microtransaction business model and became a major driving force in establishing the microtransaction revenue model in the online game industry. *MapleStory*'s IP (Note 2) is owned by NEXON Korea Corporation.	MMORPG	Japan Korea China North America Europe	Dec 2003 May 2003 Dec 2004 Oct 2005 May 2007
Dungeon&Fighter	*Dungeon&Fighter* is a side-scrolling action RPG featuring dynamic and speedy gameplay with a wide variety of skills and weapons, which are activated through simple operation, and various sound effects. It employs the stage-clear method where players can play the game casually because a play session ends every time a dungeon (Note 3) is cleared. This also creates a synergy with its thrilling arcade game-type combat method and the game has become a hit in all areas where it is serviced. *Dungeon&Fighter*'s IP is owned by NEOPLE INC.	MORPG (Note 4)	Japan Korea China	Mar 2009 Nov 2005 June 2008
FIFA ONLINE 4	*FIFA ONLINE 4* is the latest PC soccer game from the world-acclaimed FIFA games franchise. It features updated visuals, improvements in players' individual skills and ball movements, and improved AI and defense systems that allow for strategic play. *FIFA ONLINE 4*'s motion-capture technology and licensing agreements with worldwide soccer leagues, along with the sound of the crowd and commentary, recreate the vitality of real-life soccer matches.	Sports	Korea	May 2018

(Notes) 1. MMORPG: Massively multiplayer online role-playing game

2. IP: Intellectual property right which collectively refers to patent, trademark, copyright, etc.
3. Dungeon: A setting for the adventure in the game where various mysteries are hidden, including regions, labyrinths and other places where players earn experience points.
4. MORPG: Multiplayer online role-playing game. It is different from MMORPG in the number of players who actually play in the game world.

(b) Mobile business

The mobile business involves the development and service of mobile games playable on smartphones and tablet devices. Nexon Group develops and services mobile games in Japan and overseas. In Japan, the Company services mobile games. In Korea, mobile game development and service are conducted primarily through NEXON Korea Corporation, NEOPLE INC. and NEXON Games Co., Ltd. In the U.S., mobile game development and service are conducted through Big Huge Games, Inc. and Pixelberry Studios.

(2) Business models for PC online and mobile games

The Company's PC online and mobile game business models can be categorized into the following three types:

(a) Self-publishing model

Self-publishing model is a model where a game developed by a Nexon Group member such as NEXON Korea Corporation and NEOPLE INC. is directly serviced (including the setup of a network environment, marketing and user support) by themselves or by the Company or Nexon Group companies including Nexon America Inc., NEXON TAIWAN LIMITED and Nexon Thailand Co., Ltd.

Once a game is launched, service fees are collected from users according to the pre-determined monetization method. In many cases, we pay fees to payment gateway providers to have them collect service fees from users on our behalf.

(b) Licensing model

Licensing model is a model where Nexon Group, as a copyright holder of commercialized games, enters into licensing agreements with outside publishers and grants them the right to publish our games.

A publisher who enters into a licensing agreement with us and acquires the publishing rights for a game will be responsible for setting up the network environment, marketing and user support necessary to service the game. The respective Nexon Group company holding the copyright will provide support for such activities to enable the publisher to generate greater revenues.

Nexon Group members engaged in the development of PC online games, including NEXON Korea Corporation and NEOPLE INC., grant publishing rights to non-Nexon Group publishers in China, for instance.

Under the licensing agreements where publishing rights are granted by Nexon Group, in principle, license is granted to a single publisher per country per game title. In other words, Nexon Group grants local exclusive publishing rights to a publisher. The respective Nexon Group company holding the game copyright will provide game content updates and technical support on an ongoing basis to the publisher and in return receive contract money at the time of entering into the agreement, and once the game is launched, receive royalty at a predetermined rate according to service fees that the publisher collects from users.

The conditions for royalty and other payments are determined individually for each agreement, taking into account the real local situation of the country in which the publisher is located.

(c) Licensed publishing model

Licensed publishing model is a model where Nexon Group enters into a licensing agreement with a non-Nexon Group developer of PC online games or mobile games to acquire exclusive publishing rights to a game within a specified region. Nexon Group will set up the network environment, conduct marketing and user support and service the licensed game.

In this case, we will collect service fees from users and pay a certain amount out of it as royalty to the outside PC online game or mobile game developer.

Nexon Group's deal with Valve Corporation related to *Counter-Strike Online*, the deals with Electronic Arts Inc. related to *FIFA ONLINE 4, EA SPORTS™ FIFA ONLINE 4 M* ("*FIFA ONLINE 4 M*") and *EA SPORTS™ FIFA MOBILE* ("*FIFA MOBILE*") fall into this category.

(3) Monetization models for PC online games

Currently, there are three types of monetization methods for PC online games as follows. Nexon Group mainly uses the method under (a) for monetization.

(a) Microtransaction model of paying to purchase in-game items

Microtransaction is a model where a game is basically offered for free, but users pay to purchase the items (e.g. costumes, weapons) they need or to use specific services.

The basic game is free to play, which lowers the mental hurdle for a user to start playing a new PC online game. This allows new users to casually start playing a game, but on the other hand, it means that revenues generated by a game could be impacted by how appealing the in-game items offered for purchase are. In recent years, with heightening market awareness of free-to-play games, there are more and more PC online games in the market as a whole which have adopted this model to acquire new users.

Nexon Group was early to adopt the microtransaction model to PC online games because we wish for more users to enjoy the services of games we offer.

(b) Pay-as-you-go according to the period of use (subscription model)

Pay-as-you-go (subscription) is a model where users are charged with a fixed service fee based on the number of months, days or hours of use for playing a game.

Although this method can generate a constant level of revenue by securing a certain number of users, it is likely that, compared to free-to-play games, new users would find making fixed monthly payments burdensome when starting a game.

(c) Advertisement revenue model

Advertisement revenue model is a model where a game is free to play and revenue is generated through advertisements which are displayed on screen before, after or during the game. Since advertisements under this model are primarily sponsored by businesses, it is typically used in combination with method (a) or (b) above, and the popularity of the game itself (i.e. user traffic) will have a direct impact on revenues.

(4) Monetization models for mobile games

Currently, there are two types of monetization methods for mobile games as follows. Nexon Group mainly uses the method under (a) for monetization.

(a) Microtransaction model of paying to purchase in-game items

Microtransaction is a model where a game is basically offered for free, but users pay to purchase the items (e.g. costumes, weapons) they need or to use specific services.

The basic game is free to play, which lowers the mental hurdle for a user to start playing a new mobile game. This allows new users to casually start playing a game, but on the other hand, it means that revenues generated by a game could be impacted by how appealing the in-game items offered for purchase are. The microtransaction model is the mainstream in the mobile game market.

(b) Advertisement revenue model

Advertisement revenue model is a model where a game is free to play and revenue is generated through advertisements which are displayed on screen before, after or during the game. Since advertisements under this model are primarily sponsored by businesses, it is typically used in combination with method (a) above, and the popularity of the game itself (i.e. user traffic) will have a direct impact on revenue.

(5) Nexon Group

The Company, an operating holding company, is engaged in game-related business, mainly service of PC online and mobile games, in Japan and also management of Group companies.

Nexon Group has consolidated subsidiaries that service PC online games in major overseas markets (NEXON Korea Corporation in Korea, Nexon America Inc. in the U.S.A. and Nexon Thailand Co., Ltd. in Southeast Asia), and Nexon Group owns 100% of their shares.

NEXON Korea Corporation in Korea and its affiliated developers are engaged in production and development of PC online games as well as own intellectual property rights such as game copyrights of the developed games. For each game, they enter into an exclusive publishing agreement with (grants a license to) a Nexon Group or third-party online game publisher in each region and receive royalty fees.

In China, the laws prohibit foreign invested companies to directly service PC online games, and therefore Lexian Software Development (Shanghai) Co., Ltd., a Chinese consolidated subsidiary, provides Chinese publishers with necessary infrastructures and consultation (on business strategy, game operation, and marketing) for servicing games. Korean consolidated subsidiaries, including NEXON Korea Corporation, which own IPs of PC online games directly grant licenses to publishers who have necessary infrastructure and know-how to operate PC online games. NEOPLE INC. services *Dungeon&Fighter* through Tencent Technology Shenzhen Company Limited and Shenzhen Tencent Computer Systems Co., Ltd.

While Nexon Group has in-house development team and develops world-class PC online game titles, it also acquires intellectual property rights of PC online games through joint development with other companies, investments in developers, or acquisition of other companies. NEOPLE INC. which we acquired in August 2008 has the IP of *Dungeon&Fighter*, one of our main titles, and receives royalty from publishers based on the exclusive publishing agreements.

In the mobile game business, primarily, NEXON Korea Corporation, Pixelberry Studios and NEXON Games Co., Ltd. are engaged in the development and service.

The business description and positioning of the Company and its major consolidated subsidiaries are as follows:

＜Business description and positioning of the Company and its consolidated subsidiaries＞

Company name	Business description	Capital relationship within Nexon Group	Main business		
			Service	Production/ Development	Other
NEXON Co., Ltd. (The Company) (Japan)	The Company is the core of game-related business, playing a leading role for overseas expansion of such game-related business as PC online and mobile games. It is also engaged in the PC and mobile game-related businesses in Japan and the management of its subsidiaries. It is also responsible for forming business partnerships with industry peers and other companies in Japan, as well as facilitating partnerships to globally service game titles developed by non-Nexon Group companies in Japan through Nexon Group.	The Company	○		
NEXON Korea Corporation (Korea)	Engaged in the development and management of PC online and mobile game-related business in Korea as well as in-house development of PC online and mobile game titles. It is also responsible for forming business partnerships to globally service game titles developed by non-Nexon Group companies in Korea through Nexon Group, as well as investing in and managing game developers in Korea. When a PC online game publisher services a PC online game whose IP is owned by NEXON Korea Corporation, NEXON Korea Corporation enters into an exclusive publishing agreement with (grants a license to) the publisher in the respective region and receives royalty. Major game titles developed include *MapleStory.*	Subsidiary of the Company	○	○	
Lexian Software Development (Shanghai) Co., Ltd. (PRC)	Provides publishers with necessary infrastructure and consultation (on business strategy, game operation and marketing) for servicing games in China.	Subsidiary of the Company			○
Nexon America Inc. (North America, U.S.A.)	Engaged in the service of PC online games mainly in North America.	Subsidiary of the Company	○		
NEOPLE INC. (Korea)	Engaged in the development of PC online and mobile games in Korea. It is the developer of the Company's key title *Dungeon&Fighter* and owns its IP.	Subsidiary of NEXON Korea Corporation	○	○	
JoongAng Pangyo Development Co., Ltd. (Korea)	Engaged in the real estate management service in Korea.	Subsidiary of NEXON Games Co., Ltd.			○
Pixelberry Studios (North America, U.S.A)	Engaged in the production, development and service of mobile games mainly in North America.	Subsidiary of Nexon US Holding Inc.	○	○	
NEXON Games Co., Ltd. (Note) (Korea)	Engaged in the production and development of PC online games and the production, development and service of mobile games in Korea	Subsidiary of NEXON Korea Corporation	○	○	

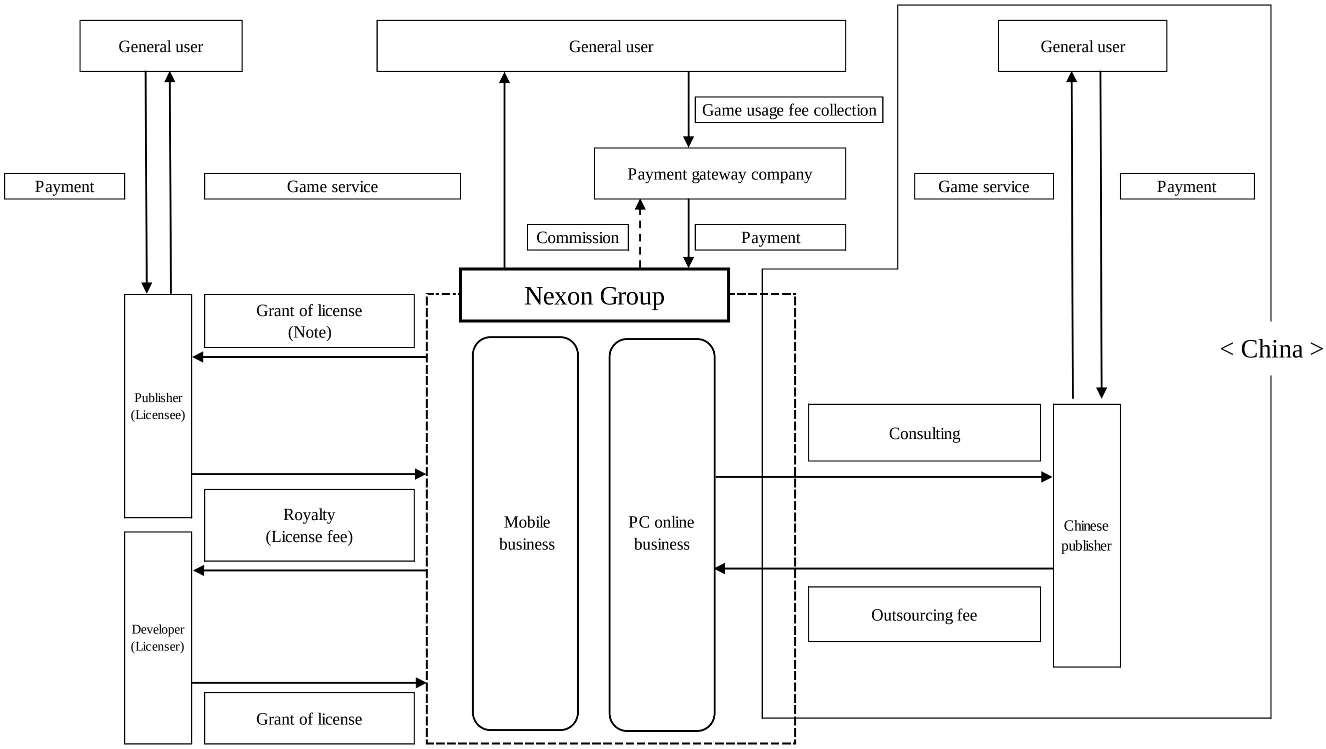
(Note) Effective March 31, 2022, NEXON Games Co., Ltd. merged NEXON GT Co., Ltd., a consolidated subsidiary of the Company, and the company name was changed from "NAT GAMES Co., Ltd." to "NEXON Games Co., Ltd." following the merger.

Company name	Business description	Capital relationship within Nexon Group	Main service		
			Service	Production/ Development	Other
Embark Studios AB (Other, Sweden)	Engaged primarily in the development of games as a key entity in Europe.	Subsidiary of the Company		○	
Nexon US Holding Inc. (North America, U.S.A.)	A holding company in North America.	Subsidiary of NEOPLE INC.			○
VIP Global Super Growth Hedge Fund (Korea)	Engaged in equity investment trust business in Korea.	Subsidiary of NEXON Korea Corporation			○
Mirae Asset Global Innovation Growth Focus Equity Privately Placed Investment Trust (Korea)	Engaged in equity investment trust business in Korea.	Subsidiary of NEXON Korea Corporation			○

［Business System Chart］

Chart 1 shows the matters described above.

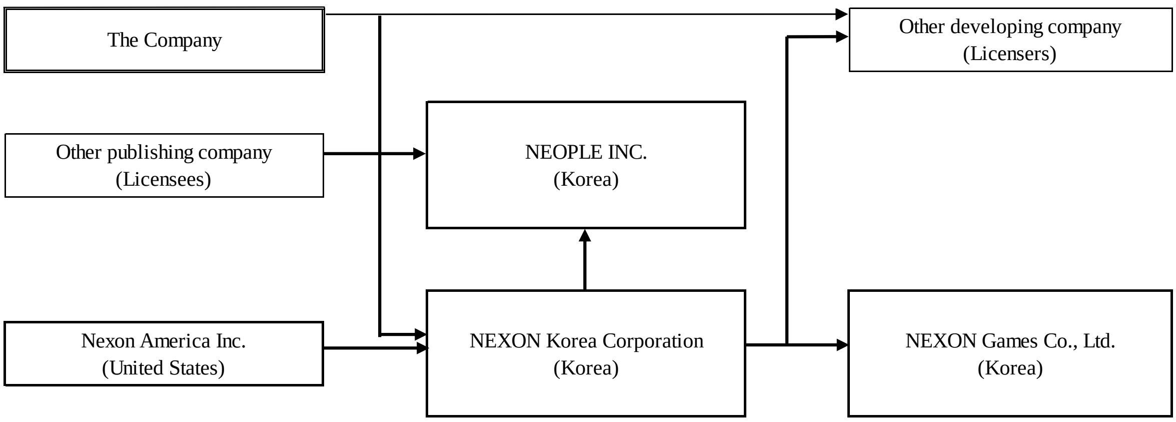
＜Chart 1＞



(Note) A local exclusive publishing right is granted to a single company per game per country.

The royalty income flow within Nexon Group is shown in Chart 2, covering the Company and its major subsidiaries.

＜Chart 2＞



4 【Group Companies】

As of December 31, 2022

Company name	Location	Capital stock/ investment	Principal business	Ownership ratio of voting rights (%)	Relationship
(Consolidated subsidiaries) NEXON Korea Corporation (Notes) 3, 4	Seongnam, Gyeonggi-do, South Korea	KRW 32,000 million	Development and service of PC online and mobile games	100.0	Provide license of PC online and mobile games to the Company
Lexian Software Development (Shanghai) Co., Ltd.	Shanghai, PRC	USD 4,100 thousand	Consulting	100.0	Concurrent service of directors
Nexon America Inc. (Note) 8	California, U.S.A.	USD 210	Service of PC online games	100.0	Financial assistance; Joint and several guarantee is provided for a building lease agreement; Concurrent service of directors
NEOPLE INC. (Notes) 1, 3, 7	Jeju Self-Governing Province, South Korea	KRW 181 million	Development and service of PC online and mobile games	100.0 (100.0)	Provide license of PC online games to the Company
JoongAng Pangyo Development Co., Ltd. (Notes) 1, 3	Seongnam, Gyeonggi-do, South Korea	KRW 40,795 million	Real estate management	61.9 (99.9)	Financial assistance (Note) 6
Pixelberry Studios (Note) 1	California, U.S.A.	USD 0.1	Development and service of mobile games	100.0 (100.0)	Not applicable
NEXON Games Co., Ltd. (Notes) 1, 5, 11	Seoul, South Korea	KRW 32,881 million	Development of PC online games and mobile games and service of mobile games	62.0 (62.0)	Not applicable
Embark Studios AB (Note) 1	Stockholm, Sweden	SEK 67 thousand	Development of games	100.0 (32.6)	Financial assistance (Note) 6; Concurrent service of directors
Nexon US Holding Inc. (Notes) 1, 3	California, U.S.A.	USD 0.1	Holding company	100.0 (100.0)	Guarantee is provided for licensing agreements
VIP Global Super Growth Hedge Fund (Notes) 1, 3	Seoul, South Korea	KRW 111,201 million	Equity investment trust	100.0 (100.0)	Not applicable
Mirae Asset Global Innovation Growth Focus Equity Privately Placed Investment Trust (Notes) 1, 3	Seoul, South Korea	KRW 63,000 million	Equity investment trust	100.0 (100.0)	Not applicable
Other 30 companies					

Company name	Location	Capital stock/ investment	Principal business	Ownership ratio of voting rights (%)	Relationship
(Equity-method affiliates) Brothers International, LLC (Notes) 1, 9	California, U.S.A.	USD 306,608 thousand	Production and development of movies, TV and digital contents	48.8 (48.8)	Not applicable
Alignment Growth Fund I, LP (Notes) 1, 9	New York, U.S.A.	USD 115,925 thousand	Investment business	57.1 (57.1)	Not applicable (Note) 10
Smash Capital Fund I, L.P. (Notes) 1, 9	California, U.S.A.	USD 178,226 thousand	Investment business	44.3 (44.3)	Not applicable
Other 10 companies					
(Equity-method joint ventures) DevCAT Co., Ltd. (Note) 1	Seoul, South Korea	KRW 100 million	Development of games	50.0 (50.0)	Financial assistance (Note) 6
Nitro Studio Co., Ltd. (Note) 1	Seoul, South Korea	KRW 100 million	Development of games	50.0 (50.0)	Financial assistance (Note) 6
(Other associate) NXC Corporation (Notes) 1, 2	Jeju Self-Governing Province, South Korea	KRW 1,454 million	Investment business	Held 46.2 (16.8) ［0.6］	Not applicable

(Notes) 1. Figures in parentheses in "Ownership ratio of voting rights" indicate indirect ownership ratio included in the total.

2. Figures in brackets in "Ownership ratio of voting rights" indicate the ratio of voting rights held by closely related persons or those who have agreed and not included in the total.

3. These companies fall under a category of specified subsidiary.

4. Revenue of NEXON Korea Corporation (excluding internal revenue between consolidated companies) accounts for more than 10% of revenue in the consolidated financial statements. Major profit or loss information of NEXON Korea Corporation for the fiscal year ended December 31, 2022 is as follows:

Major profit or loss information	(1) Revenue	¥254,871 million
	(2) Income before income taxes	¥87,132 million
	(3) Net income	¥64,610 million
	(4) Total equity	¥594,268 million
	(5) Total assets	¥677,516 million

5. Listed on KOSDAQ in Korea.

6. Financial assistance represents loans from Nexon Group.

7. Revenue of NEOPLE INC. (excluding internal revenue between consolidated companies) accounts for more than 10% of revenue in the consolidated financial statements. Major profit or loss information of NEOPLE INC. for the fiscal year ended December 31, 2022 is as follows:

Major profit or loss information	(1)Revenue	¥96,245 million
	(2) Income before income taxes	¥73,879 million
	(3) Net income	¥68,492 million
	(4) Total equity	¥292,575 million
	(5) Total assets	¥319,137 million

8. The company is insolvent with liabilities exceeding assets by ¥33,714 million as of December 31, 2022.

9. "Ownership ratio of voting rights" represents investment ratio.

10. While Nexon Group’s investment in Alignment Growth Fund I, LP (“Fund”) accounts for a majority of the total investment, there is an agreement that Nexon Group shall follow the policy of NXC Corporation, the Company’s other affiliate and another investor of the Fund, and may not exercise its rights to the Fund at its own discretion; and therefore, Nexon Group does not control the Fund. On the other hand, because Nexon Group has significant influence over the Fund due to a majority ownership, the Fund is determined to be its affiliate and accounted for using the equity method.
11. Effective March 31, 2022, NEXON Games Co., Ltd. merged NEXON GT Co., Ltd., a consolidated subsidiary of the Company, and the company name was changed from “NAT GAMES Co., Ltd.” to “NEXON Games Co., Ltd.” following the merger.

5 【Employees】

(1) Employees of Nexon Group

As of December 31, 2022

Name of reportable segment	Number of employees
Japan	266 (3)
Korea	6,044 (327)
China	194 (0)
North America	423 (25)
Other	540 (2)
Total	7,467 (357)

(Notes) 1. The number of employees represent full-time employees, excluding those seconded from Nexon Group to outside Nexon Group and including those seconded from outside Nexon Group to Nexon Group.

2. The average number of temporary workers (e.g. contract employees) during the year is shown in parentheses.

3. The number of employees increased by 784 compared to December 31, 2021 mainly due to an increase in the number of new hires in response to the expansion of business in the Korean segment.

(2) Employees of the Company

As of December 31, 2022

Number of employees	Average age	Average years of service	Average annual salary
266 (3)	37.5 years old	6.4 years	6,646 thousand yen

(Note) The number of employees represent full-time employees, and the average number of temporary workers (e.g. contract employees) during the year is shown in parentheses.

(3) Labor union

No labor union is organized within the Company, but our group company NEXON Korea Corporation and some of its subsidiaries have formed the Nexon branch of the Korean Chemical & Textile & Food Workers' Union, which is affiliated with the Korean Confederation of Trade Unions. The management and employees maintain good relationship, and there are no matters between the labor union to be reported.

II. 【Business Overview】

1 【Management Policy, Business Environment, Issues to be Addressed, etc.】

Any forward-looking statements in the following discussion are based on the judgment of Nexon Group's management as of December 31, 2022.

(1) Basic management policy

Nexon Group is aiming to become the world's top game company. Our fundamental policy for new game titles is to provide exciting, creative and unique games with high quality, and that for existing game titles is to provide users with games that continue to be fun for a long period of time, through engaging content updates and satisfying game operation.

(2) Target management indicators

Nexon Group focuses on revenue and operating income as the key management indicators. We will increase our corporate value through the continuous growth of our revenue and operating income.

(3) Business environment

Nexon Group is a global leader in the virtual worlds (online multiplayer games offering deeply immersive game experience). We have produced popular game titles having devoted fan bases and developed them over the years through our best-in-class live operation. Our portfolio consisting of diversified titles constitutes our solid and stable revenue base.

Currently, the focus of the global entertainment industry is shifting from the entertainment based on the real world to virtual entertainment and from passive to participative experience. In addition to such structural change, a breakthrough in mobile technology has enabled virtual world games, our area of specialty, to be played not only on high-end PCs but also on mobile devices. As a result, our total addressable market has expanded from hundreds of millions of game players having high-end PCs to billions of players having mobile devices. Against such a backdrop, there is increasing demand for the virtual world games, our greatest strength, and we believe such movement will further accelerate in the future. Also, because there are few companies that can create exciting games and have operational capability to sustainably grow them in this field, we take this situation as a tremendous opportunity for us.

(4) Mid- to long-term management strategy and issues to be addressed

Under such business environment, we will further grow our business by growing our portfolio consisting of diversified titles sustainably, expanding our services to new platforms such as mobile devices, producing more new virtual worlds and piling them on top of our existing revenue base.

Meanwhile, the gaming market in which Nexon Group operates is expected to experience increasingly fast-paced technological evolution and changes in users' preference and ever-intensifying global competition. In light of such circumstances, Nexon Group recognizes the following matters as issues to be addressed in order to achieve future growth.

(a) Reinvest stable cash flows generated from our major titles to grow Nexon Group's global business

Nexon Group has hundreds of millions of fans around the world and owns intellectual property associated with multiple game titles ("game IPs") that are as big as, or even bigger than, international blockbuster movies and game series. So far, we have created and grown some of the biggest game IPs, including *MapleStory* (19 years), *KartRider* (18 years) and *Dungeon&Fighter* (17 years), all of which have grown significantly over the years. These game titles have grown and generated stable revenues over a long period of time through attractive and consistent content updates aiming to entertain users and our best-in-class live game operations. We will expand our global business by investing the stable cash flows in live operation to further grow our major titles, creation of new technologies, new game development, acquisition of game studios, and recruitment of top talent. Specifically, our growth strategy comprises four pillars as described below:

(i) Focus on virtual worlds

As a pioneer in the industry, Nexon Group has produced virtual worlds for more than the last two decades, demonstrating its greatest strength in growing them over a long period of time. We are focusing on the virtual worlds as one of our biggest opportunities as demand for them are increasing globally but few companies in the world have strength in this field, and also because we have the most knowhow in this field.

(ii) Offer service on multiple platforms including PC, console and mobile devices

Mobile devices now have nearly the same functions as PCs. And while the market size of PCs used for gameplay was hundreds of millions, billions of people are carrying mobile devices with high-end features today. Furthermore, thanks to the companies in the platform business making huge investments in the game business, highly sophisticated gaming platforms are about to be introduced to the enormous market which has grown incomparably bigger from the time when PC was the main device for gameplay. The current environment allows us to offer virtual worlds, in which we have a strong advantage, to incomparably larger group of users. Taking advantage of this situation, we will offer our service on multiple platforms.

(iii) Leverage our own IPs

Nexon Group has hundreds of millions of fans around the world and owns multiple game IPs that are as big as, or even bigger than, international blockbuster movies and game series. As our game IPs are familiar to hundreds of millions of users who have enjoyed them, new or extended version of games based on such IPs will have millions of fans at their launch who are eager to experience that world again. We will create virtual worlds that will generate stable revenues over a long period of time by taking best advantage of our IPs.

(iv) Invest in especially valuable new IPs

Nexon Group is currently at the growth stage. In order to accelerate the growth of our global business, we will proactively invest in new IPs that we believe have a special value. One of the examples of such investment is Embark Studios AB, which was acquired in 2019 and became a wholly-owned subsidiary in 2021.

(b) Strengthen information security

Nexon Group provides PC online game and mobile game service which handles game data and users' personal information through the information system, and accordingly, it is required to maintain the highest level of information systems infrastructure to prevent illegal access or illegal use by external parties, and to enhance information security structure including appropriate internal information management organization.

In response, Nexon Group has acquired ISMS certification in all relevant countries to secure the same security level within Nexon Group. Also, we conduct 24/7 log monitoring for each game-related server as well as query monitoring and periodic diagnosis for critical database to maintain high-level security system. In addition, we convene internal information management committee meetings four times a year to regularly monitor the maintenance of information security and report to management.

Amid the spread of the COVID-19 infections, accelerated cloud shift of various tools and systems has further increased the importance of information security as well as the needs to enhance it. Nexon Group is committed to making continued efforts to strengthen the overall information security system in order to provide our users with reliable and secure services while focusing on the enhancement of the information security system in the business and cloud environment.

2 【Risk Factors】

The following section provides an overview of the matters related to our business and financial information stated in this report that may have a significant impact on investors' judgments. Matters that are not necessarily considered as such risk factors but are deemed important for investors in making investment decisions are also disclosed from the viewpoint of active information disclosure to investors.

Fully recognizing the possibility of these risks occurring, the Company's policy is to prevent their occurrence and to prepare countermeasures in case of occurrence; however, it is our view that investment decisions concerning the Company's shares should be made after carefully considering the matters specifically noted below as well as other information contained in this report.

Any forward-looking statements in the following discussion are based on the judgments of Nexon Group's management as of the filing date of this report and do not contain all risks that may arise in future.

(a) Risk concerning business environment

i) Growth potential of PC online and mobile game markets

In line with the growing number of Internet users in Asia and the increasing broadband penetration rate in China, Europe and North America, the Internet market is expected to keep expanding. The penetration rates of smartphones and tablets are also expected to increase globally. And above all, the Company expects to see further expansion of the global market of PC online and mobile games in which Nexon Group operates.

However, if the PC online and mobile game markets do not grow in the manner the Company expects, if game license fees soar or if a prolonged game development period causes delay or suspension in service, Nexon Group's financial results or future business development could be adversely affected.

ii) Market environment of PC online and mobile games

The Company's core business is PC online and mobile games. The expansion of our PC online business is based on the premise that the Internet market continues growing with the spread of broadband environment. For the mobile game business, the mobile game market is also expected to continue growing along with the global spread of smartphones.

However, if the development of the Internet-related market is impeded by unexpected factors including introduction of new legal regulations, delay in technological innovation and trends of telecommunication providers such as revision of fees for Internet or mobile phone service, Nexon Group's business development and financial results could be adversely affected.

iii) New entrants and competitors

There are substantial number of competitors in the PC online and mobile game markets which are the major markets for Nexon Group's business.

We are in competition with not only PC online and mobile games but also other games in various genres including PC packaged games, console games and social-network games. We also compete for users' time with other online services than gaming such as social network and music streaming services. If users spend more time on these competing games and online services, Nexon Group's business development and financial results could be adversely affected.

With an aim to attain market supremacy, Nexon Group strives to differentiate itself from its competitors by offering unique services and game titles through the use of our experiences, know-how and brand in the PC online business accumulated over the years, and to acquire new users steadily by constantly developing and servicing attractive and competitive new PC online and mobile game titles.

However, if an intensified competition or reputational damage results in a decrease in the number of users of our PC online and mobile games or if service of game contents is delayed, Nexon Group's business development and financial results could be adversely affected.

iv) Technological innovation

The PC online and mobile game markets in which Nexon Group operates are closely linked to the Internet environment and network technology and subject to extremely fast-paced technological innovation and rapid advancement of programs, etc.

In an effort to keep up with such technological innovation, Nexon Group continues to develop software and contents that correspond to changes in service models and new functions. However, if we cannot respond to unexpected new technology or new services developed by our competitors in a timely manner, the competitiveness of our services could decline relatively and it could adversely affect Nexon Group's business development and financial results.

(b) Risks concerning Nexon Group's services

i) Business expansion into overseas markets

Nexon Group services or grants licenses of PC online and mobile games globally including in Japan, Korea, China and the United States, and its operating results and financial position may be affected by changes in political, economic and geopolitical situations in these countries and regions, especially in Korea and China.

In promoting business expansion in overseas markets, Nexon Group considers business alliance with other companies, establishment of joint ventures, or M&A as necessary, but if such process is delayed due to various uncertainties, Nexon Group's business development and financial results could be adversely affected.

ii) Concentration of sales on major games

Nexon Group's revenue depends heavily on certain major game titles, and *Dungeon&Fighter*, *MapleStory* and *FIFA ONLINE 4* accounted for a large percentage of consolidated revenue for the fiscal year ended December 31, 2022. Although Nexon Group is striving to diversify its portfolio through developing competitive new game titles and obtaining licenses of or acquiring titles developed by other companies, changes in users' preference, unexpected failure in servers or other systems, or disputes concerning intellectual property right could have an adverse effect on Nexon Group's business development and financial results.

iii) Seasonal fluctuations in financial results and business characteristics

In the PC online game market in which Nexon Group operates, revenue tends to increase during holiday seasons such as the New Year holidays, summer vacation, long holiday season and Lunar New Year around the world including Japan, Korea, China, Europe and the United States. Although we recognize such seasonal fluctuations as one of the variable factors affecting the number of game users, a significant fluctuation could have an adverse effect on Nexon Group's financial results.

iv) Expansion of PC online and mobile game portfolios

With an aim to increase the number of users, Nexon Group seeks to expand its portfolios by continuously developing new PC online and mobile game titles, but it is possible that development does not go as planned. We also work on the portfolio expansion by obtaining licenses of or acquiring PC online and mobile game titles developed by other companies, but if we fail to develop or acquire PC online and mobile game titles as planned, it could have an adverse effect on Nexon Group's business development and financial results.

v) Updates of the existing titles of PC online and mobile games

Nexon Group offers updates for new stories and holds highly entertaining in-game events regularly for the existing PC online and mobile game titles in order to increase continued users and extend their life cycle.

However, if we fail to update or enhance the existing PC online and mobile game titles as planned, it could have an adverse effect on Nexon Group's financial results.

vi) Risks associated with service

Nexon Group mostly develops its PC online and mobile game titles within the group, which enables us to accumulate its unique development know-how and have a flexible development system capable of promptly responding to changes in users' preferences that vary from country to country.

However, we cannot deny the possibility that we may not be able to understand customer demands in a timely and accurate manner for any reason, which may hinder enhancement of appropriate service for the existing game titles or development of new game titles meeting the users' preferences. In such an event, our appeal to users will deteriorate and Nexon Group's business development and financial results could be adversely affected.

vii) Microtransaction model

Nexon Group primarily offers PC online and mobile game services using free-to-play model whereby users can play games for free but pay to purchase items to enjoy the game including costumes, accessories, and weapons. While Nexon Group strives to develop an optimized revenue model by analyzing the item sales trend, there is a possibility that a different revenue model developed by our competitors may be accepted by users. If we fail to accommodate such new model, our appeal to users' may deteriorate and Nexon Group's business development and financial results could be adversely affected.

viii) Reputational damage and fraudulent act

Users' unfounded rumors about PC online and mobile games serviced by Nexon Group may damage our reputation and have an adverse effect on our financial results.

In addition, a fraudulent act called "Real Money Trading" (Note) by certain malicious users was identified whereby in-game contents such as items, characters and non-cashable currency used within the games serviced by Nexon Group were obtained through illegal means and then used and transferred. In the past, there was an incident in one of our U.S. subsidiaries where its server was hacked from outside resulting in an anomalous increase in the in-game currency of certain users, and the subsidiary needed to terminate their access. Nexon Group works on preventing any illegal use or transactions of contents by introducing a system that enables in-game trading of contents among users. However, there are more ways of fraudulent acts than we can imagine and we cannot assure that these countermeasures are sufficient.

In the event that a fraudulent act using our service is identified, the credibility of Nexon Group and the Company's services may be undermined, which could have an adverse effect on Nexon Group's business development and financial results.

(Note) Real Money Trading: Act to sell characters, items, in-game currency, etc. used in online games for real money.

ix) Damage to Nexon brand

Nexon Group enjoys high brand recognition in Korea, China and Japan, and we believe it is important to maintain and enhance such recognition in order to expand customer base and acquire new business partners.

If Nexon Group fails to make sufficient investment to maintain and enhance brand recognition, if our competitors establish a more competitive brand, or if the public image of the PC online and mobile game industry declines, it may damage Nexon Group's brand and could have an adverse effect on Nexon Group's business development and financial results.

(c) Risks concerning legal regulations

Nexon Group services or grants licenses of PC online and mobile games around the world including in Japan, Korea, China, the United States and Europe, and our business operation is subject to legal regulations in these countries and regions. Nexon Group operates its business faithfully in full compliance with laws and regulations. However, if Nexon Group receives administrative punishment for violating these regulations or judicial precedents, or if Nexon Group's business becomes subjected to restrictions due to reasons such that relevant laws and regulations are tightened or new laws and regulations or judicial precedents are established in the future, Nexon Group's business development and financial results could be adversely affected.

Legal restrictions considered especially important are as follows:

i) Legal regulations concerning juveniles

On May 25, 2019, the WHO ratified the text of ICD-11, which newly designates "gaming disorder" as an addictive behavior disorder. ICD-11 has come into effect in January 2022 and is utilized internationally by medical experts in diagnoses and examinations. Also, each country has regulations to prevent juveniles from becoming game addict and protect them from intense stimulus such as violence. For example, in 2011 the Korean government enacted an act requiring game publishers to block children under the age of 16 from playing online games from midnight to 6:00 a.m. In addition, the Ministry of Culture, Sports and Tourism of Korea advised to adopt measures to limit the connection speed of game users who have been connecting to online games for long hours. In China, "Online Games Ethics Committee (OGEC)," an organization to evaluate the appropriateness of game contents to be serviced in China, was established and measures for juveniles have been put in place to limit their play time of online games, as well as the amount of spending for in-game contents, according to their respective ages. In addition, on August 30, 2021, General Administration of Press and Publication of China put forth measures limiting play time of online games to address gaming addiction considered to have effects on physical and psychological health of minors and released a notice. As a result of this notice, gaming companies are required to limit their service of online games offered to children under 18 years of age to one hour between 8 pm and 9 pm on Fridays, Saturdays, Sundays and public holidays, and the rule has become effective on September 1, 2021.

Nexon Group is striving to minimize potential impacts from these regulations by voluntarily introducing a game fatigue system and actively participating in social activities to prevent game addiction. However, if the interpretation of these regulations or judicial precedents is revised or new laws and regulations are established in the future, Nexon Group's business may be subjected to restrictions, or we may be required to take additional measures and spend more costs to comply with such regulations.

In addition, with the spread of smartphones, the number of juvenile users using the smartphone of their family members is increasing. The payment options for purchasing in-game items of our smartphone games include payments through telecommunications carrier and payments through distribution platform linked to the smartphone, which could result in billing-related troubles such that juvenile users using their family members' smartphone mistakenly purchase in-game items with the payment method using the smartphone resulting in a large amount of bills.

Nexon Group is striving to form a sound market environment through measures such as information exchange with the supervisory authorities, but if billing-related troubles increase or an unexpectedly large-scale trouble occurs, or if new laws and regulations or self-regulations to deal with such troubles are established in the future, Nexon Group's financial results, financial position and future business development could be adversely affected.

ii) Assessment of game contents

Prior to releasing games, Nexon Group undergoes an assessment by supervisory authorities or a third party organization designated by the country in which games will be released or a platform on which games will be serviced. If issues related to violence, gambling property or sensational contents are identified in the assessment, we may be required to limit access by certain age group or revise game contents. In addition, if serious violation of the assessment items is identified after the launch, we may receive administrative punishment or other punishment including suspension of game service on the relevant platform. In such an event, the credibility and brand of Nexon Group's and the Company's services are undermined, which could have an adverse effect on Nexon Group's business development and financial results.

iii) Legal regulations concerning randomized items

Many countries, states and regions, including the U.K., Sweden, Australia and some states of the United States, are moving toward tightening regulations, such as requiring probability disclosure, on the service generally called loot boxes or gacha games focusing on its speculative and gambling nature as the service provides in-game items by deciding the type of items based on pure chance. Particularly, in Belgium and Slovakia, it was made clear that loot boxes offered for purchase would fall under gambling and be subject to gambling regulations. In 2022, a higher court of the Netherlands overturned the lower court's decision that loot boxes fall under gambling, but the law-making body is trying to pass a bill that would make loot boxes illegal. If countries, states or regions in which Nexon Group services online games establish stricter regulations or declare harsher judicial decisions, Nexon Group's business may be subjected to restrictions, or we may be required to take additional measures and spend more costs to comply with such regulations.

iv) Legal regulations in China

The Chinese government has been promoting to foster its domestic online game industry and regulates the operation of games developed by foreign companies in China. On May 1, 2017, the Ministry of Culture enacted a law strengthening regulations and administrative supervisory functions with respect to standard online game operation, and "Online Games Ethics Committee (OGEC)," an organization to evaluate the appropriateness of game contents to be serviced in China, was established in December 2018.

Nexon Group strives to minimize potential impacts of the above legal regulations mainly by forming partnership with local game publishers in China. However, if Nexon Group receives administrative punishment for violating these regulations due to unexpected circumstances, if the game approval procedures by the Chinese authorities is delayed or frozen, or if relevant laws and regulations are tightened or new laws and regulations are established in the future and Nexon Group's business is subjected to the restrictions, Nexon Group's business and financial results could be adversely affected.

v) Legal regulations in Japan

In Japan, it was clarified that "Kompu gacha (complete gacha)" falls under the category of "card matching" that is prohibited by the Act against Unjustifiable Premiums and Misleading Representations, and the industry group took the lead in establishing and releasing self-regulating guidelines. In-game currencies may also be subject to the Payment Services Act as "prepaid payment instruments." Nexon Group has always operated its business by placing the most importance on continuous use and support by users while ensuring compliance with the laws and regulations. However, Nexon Group may be required to put into place a new system or framework in order to comply with laws or judicial precedents that may be enacted or amended/revised as well as the industry group's guidelines that may be established in future. If we fail to establish such system or framework in a timely manner, or if we incur more costs than expected to take necessary measures, it could have an adverse effect on the Company's financial results.

(d) Risks concerning business structure

i) Human resources

Nexon Group's PC online and mobile game business has been growing rapidly in recent years, and for further business expansion and diversification, we need to increase talented people with various skills including creativity, technical skills, ability to act and management skills. In addition, as our overseas subsidiaries play an important role in our business development, we consider it is important to have in place and enhance an internal control system as well as governance system including securing qualified personnel for the management departments in overseas subsidiaries.

However, if, for example, a delay in recruiting talented people from outside or fostering within the group in line with the level of expansion and diversification of our business or resignation of key personnel causes problems in the operation or management systems, Nexon Group's business development and financial results could be adversely affected.

ii) Internal control framework

Nexon Group recognizes that effective corporate governance and internal control system is essential for continuous increase in corporate value.

Nexon Group is committed to ensuring proper operations and reliability of financial reporting as well as compliance with laws and regulations based on sound ethics. However, if we fail to maintain sufficient level of internal controls due to rapid growth of business, making it difficult to properly operate business, it could have an adverse effect on Nexon Group's business and financial results.

iii) Protection of personal information

In servicing or promoting PC online and mobile games and providing other services, Nexon Group may acquire personal information of existing and potential users, including their addresses, names, telephone numbers and e-mail addresses. With regard to such action, Nexon Group is subject to the "Act on the Protection of Personal Information" as a business operator handling personal information in Japan, and many foreign countries are also establishing laws regarding protection of personal information; and therefore, Nexon Group may be subject to administrative punishment, financial penalties or criminal charges in case of violating the laws and regulations on acquisition and safekeeping of personal information. Considering that an enormous amount of personal information is stored and managed in its server and that the cyber-attacks are increasing worldwide in recent years, Nexon Group has reinforced its security measures including by establishing "Global Security Center" responsible for sophisticated information security measures and acquiring certification of Information Security Management System (ISMS). Our privacy policy and our approach toward information security are disclosed on our website.

In addition, EU's "General Data Protection Regulation (GDPR)," which strictly regulates processing of personal data and its transfer outside EU, became effective on May 25, 2018. In the U.S., the "California Consumer Privacy Act" became effective on January 1, 2020, and the "California Privacy Rights Act," which amends the "California Consumer Privacy Act," became effective on January 1, 2023, with the Regulations for the "California Privacy Rights Act" scheduled to become effective as early as April 2023 subject to approval. Any violation of these laws or regulations may result in imposition of substantial amount of fines. As these laws and regulations may also apply to foreign business operators, Nexon Group continues to improve and enhance systems to comply with them and prevent violations.

Nexon Group pays careful attention to prevent leakage of personal data by reinforcing security measures on an ongoing basis and ensuring thorough employee training. In the past, however, there was a leakage of personal information such as names due to our employees' negligence and an outflow of a large amount of personal information including users' names and encrypted resident registration numbers due to a hacking attempt against Nexon Group's server from outside. If personal information is leaked as a result of hacking attacks from outside or employees' willful intention or negligence, Nexon Group may face claim for damage from users, administrative punishment, or criminal charges, and the resulting damage to the credibility, which could have an adverse effect on Nexon Group's financial results.

iv) Dependence on specific persons

In determining and executing Nexon Group's management policy and business strategy, certain officers with abundant experience and knowledge about PC online and mobile game services as well as certain key employees including developers of major titles play very important roles, and the future success of Nexon Group's business depends on these specific officers and employees.

Although Nexon Group works on building a management structure that does not heavily depend on specific persons, if such officers or employees resign for any reason or if it becomes difficult for them to continue their duties and their competent replacements cannot be found in a timely manner, Nexon Group's business development and financial results could be adversely affected.

In addition, although there are certain restrictions, if any of our officers or key employees joins a competitor or forms a competing company, our business know-how may be compromised, which could have an adverse effect on Nexon Group's business development and financial results.

(e) Risks concerning intellectual property rights

Intellectual property rights, including patent, copyright and trademark, related to game titles owned by Nexon Group are essential to our business development, and we are making a special effort to protect and manage them. Certain PC online and mobile games serviced by Nexon Group may use third parties' intellectual property, and therefore we pay a special attention not to infringe on such intellectual property rights and conducts various investigation in advance. In the license agreements with licensers, we incorporate a warranty of non-infringement and limitation of liability clause to ensure smooth execution of our business.

If Nexon Group's intellectual property right is infringed by a third party, we will take adequate measures against such party, but there is a possibility that we may not be able to eliminate it. Or if an insufficient investigation results in an infringement by Nexon Group of an intellectual property right of a third party, Nexon Group may face a lawsuit claiming for damages or seeking an injunction prohibiting the use of the intellectual property and also may be subjected to injunction, or payment of consideration or damages related to such intellectual property. In such an event, Nexon Group's financial results could be adversely affected.

(f) Risks concerning systems, etc.

i) System failure

As PC online and mobile games offered by Nexon Group use a network system, any system failure due to natural disaster, computer virus, power outage, overload of server, fraudulent activities including hacking by third parties or other unexpected circumstances may cause suspension of Nexon Group's operations.

Nexon Group is prepared for the quick recovery by having in place a 24-hour management system and a system to promptly notify monitoring staffs. However, if we cannot restore our systems for any reasons and provide our services, or if data is lost or leaked, it may lead to claims for damages or undermine our credibility, which could have an adverse effect on Nexon Group's financial results.

ii) Program defects

PC online and mobile games offered by Nexon Group are complex programs and may contain defects as we launch new game titles or introduce updates of the existing titles. Although Nexon Group endeavors to improve game quality and prevent defects by conducting pre-release tests, it is not possible to completely eliminate the possibility of defects due to various factors including human errors.

As the impact of program defects on games has been growing in recent years, if Nexon Group fails to prevent defects in advance or fails to respond to defects adequately, game elements and credibility of our PC online and mobile games are undermined, which could have an adverse effect on Nexon Group's business and financial results.

(g) Risks concerning misappropriation of games

PC online games may be used illegally by certain users through illegal servers or illegal copies. As our efforts to prevent misappropriation of our PC online games, Nexon Group has established a security system to protect the source codes of the programs for our PC online games. However, because of factors including human errors in the security system, there is a possibility that illegal acquisition and use of our programs by third parties cannot be completely eliminated. Illegal servers and copies prevents us from collecting payments for purchased items from users who play pirated versions of our games and also impedes normal play by users due to its inferior game quality, which could have an adverse effect on Nexon Group's financial results and financial position.

(h) Risks concerning legal proceedings

Although Nexon Group has in place a compliance system primarily focusing on compliance with laws and regulations, there are possibilities that we may become subject to lawsuits filed by third parties or investigations by the supervisory authorities, in relation to default of contract, infringement of intellectual property rights, leak of personal information, violation of the Subcontract Act or the Act against Unjustifiable Premiums and Misleading

Representations or labor issues during the course of our business operations. In addition to huge burden of responding to lawsuits or investigations, if unfavorable judgments, decisions or rulings are made, the resulting economic loss as well as damage to our brand image may adversely affect Nexon Group's financial results and financial position.

(i) Risks concerning M&A and business/capital alliance

i) Business expansion through M&A

Nexon Group has effectively utilized M&A targeting developers and operating companies of PC online and mobile games as an effective means to establish an effective business structure and accelerate business expansion and intends to continue M&A and investment activities to secure and enhance competitive business portfolios, IPs and development personnel. In doing so, we collect information on, scrutinize and consider business plans, financial condition and legal matters of target companies in advance to the extent considered necessary and sufficient in order to avoid risks as much as possible.

However, if certain items including contingent liabilities or unrecognized liabilities which we fail to identify in the pre-acquisition investigation or consideration are identified during the process of post-merger integration, if a business integration does not go as planned due to changes in market environment or competitive situation or delay in or unsuccessful post-merger integration, or if the investment value in the target companies is impaired, Nexon Group's financial results and financial position could be adversely affected.

ii) Business/capital alliance with other companies

Nexon Group services online games by granting licenses to local companies in countries in which we operate, including the exclusive license agreement of *Dungeon&Fighter* in China. While Nexon Group will continue to work on business expansion through these business alliances, if the effects originally expected is not realized, if such alliance is terminated or if a license agreement is not renewed, Nexon Group's business and financial results could be adversely affected.

(j) Risks concerning fluctuations of foreign exchange rates

Overseas business expansion involves the risk of exchange-rate fluctuations and is affected mainly by fluctuation of foreign exchanges rates of the Korean won, U.S. dollar and Chinese yuan. Nexon Group's consolidated financial statements are presented in Japanese yen, and fluctuations in exchange rates may have an adverse effect on Nexon Group's financial results as translation and transaction risk.

(k) Risks concerning fluctuations of stock price of publicly traded shares held

Nexon Group invests in publicly traded shares in Japan and overseas which have risks of stock-price fluctuations in the stock market. Accordingly, declines in stock prices could decrease fair values of publicly traded shares held by Nexon Group and have an adverse effect on our financial results and financial position.

(l) Risks concerning investment in crypto-assets

Nexon Group makes investments in crypto-assets on the crypto-asset market, and prices of crypto-assets may fluctuate significantly in a short period of time. Crypto-assets are generally subject to risks associated with security violation, cyber attacks and other malicious activities, and losses resulting from such activities may not be reimbursed by the custodian of the crypto-assets. As a result, Nexon Group's financial results and financial position could be adversely affected.

(m) Changes in laws and regulations and accounting standards

Unexpected enactment or amendment of laws and regulations or introduction or amendment of accounting standards or taxation system may adversely affect Nexon Group's financial results and financial position. Also, differences in opinion with the tax authorities regarding tax returns may result in additional tax payments.

(n) Risks concerning natural disasters and outbreaks of diseases

While Nexon Group strives to prepare for a rapid restoration by setting up a 24-hour management system and using the cloud services, if Nexon Group's major facilities are damaged or employees are affected by natural disasters such as earthquakes and typhoons, it may affect our operation and service of online games offered by Nexon Group. In addition, costs to repair damaged facilities and compensate affected employees could have an adverse effect on Nexon Group's financial results and financial position.

Also, an outbreak of diseases such as influenza or COVID-19 may interfere with the execution of duties by employees, which could have an adverse effect on the provision of services and the Company's financial results.

(o) Risks concerning dilution due to stock acquisition rights

Nexon Group has issued stock acquisition rights to provide incentives to our officers and employees. As a result of exercise of rights in the future, the Company's shares may be newly issued, resulting in dilution of existing shareholders' share value and the ownership ratio of voting rights. As of December 31, 2022, the number of underlying shares subject to outstanding stock acquisition rights (excluding treasury stock acquisition rights) accounted for 3.3% of the total number of outstanding shares.

(p) Relationship with NXC Corporation

NXC Corporation owns 253,262,800 shares, or voting right ratio of 29.4%, of the Company as of December 31, 2022, and accordingly, the company, even with its indirect shareholding, is not the parent company of the Company under the Companies Act and the Financial Instruments and Exchange Act.

As of the filing date of this report, NXC Corporation is the largest and major shareholder of the Company and engages in investment and other businesses that are not related to online game business which is Nexon Group's primary business. With regard to the company name trademark "NEXON" in Japan owned by NXC Corporation, the Company has entered into a trademark licensing agreement and agreed to pay license fee to NXC Corporation, which is set as the amount calculated as a certain percentage of the Company's revenue. NXC Corporation has agreed that the Company has a right to extend the trademark licensing agreement regarding the company name trademark "NEXON." Certain subsidiaries of the Company, including NEXON Korea Corporation and Nexon America, Inc., have also entered into a similar agreement with NXC Corporation.

Except for the licensing agreement described above, there are no other recurring transactions related to significant financial and business policy between Nexon Group and NXC Corporation.

3【Management's Analysis of Financial Position, Operating Results and Cash Flows】

(1) Summary of operating results, etc.

Financial position, operating results, and cash flows ("Operating Results, etc.") of Nexon Group for the fiscal year ended December 31, 2022 are as follows.

(a) Operating results

As for the global economy during the fiscal year ended December 31, 2022, while recovery was seen mainly in developed countries, the global situation remained uncertain primarily due to the impact of the unpredictable COVID-19 situation, the tightening of monetary policy in the U.S. to keep inflation under control, and slowdown of economic activities in China under its zero-COVID policy. In Japan, while economic recovery was seen as restrictions established as measures against COVID-19 were gradually relaxed, the pace of the recovery continued to be unpredictable mainly due to the prolonged conflict in Ukraine and inflation associated with the rapid depreciation of the Japanese yen.

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.

As a result, for the fiscal year ended December 31, 2022, Nexon Group recorded revenue of ¥353,714 million (up 28.9% year-over-year), operating income of ¥103,696 million (up 13.3% year-over-year), income before income taxes of ¥140,525 million (up 3.7% year-over-year) and net income attributable to owners of the parent company of ¥100,339 million (down 12.7% year-over-year).

Performance results by reportable segments are as follows:

(i) Japan

Revenue for the fiscal year ended December 31, 2022 amounted to ¥4,702 million (down 6.7% year-over-year), and segment loss amounted to ¥10,643 million (segment loss of ¥11,939 million for the fiscal year ended December 31, 2021).

(ii) Korea

Revenue for the fiscal year ended December 31, 2022 amounted to ¥331,218 million (up 32.4% year-over-year), and segment profit amounted to ¥129,255million (up 18.4% year-over-year). Revenue in Korea includes royalty income of NEOPLE INC. (a subsidiary of NEXON Korea Corporation, our consolidated subsidiary) attributable to license agreements in China.

(iii) China

Revenue for the fiscal year ended December 31, 2022 amounted to ¥3,341 million (up 6.1% year-over-year), and segment profit amounted to ¥1,556 million (down 7.4% year-over-year).

(iv) North America

Revenue for the fiscal year ended December 31, 2022 amounted to ¥13,085 million (down 12.2% year-over-year), and segment loss amounted to ¥6,217 million (segment loss of ¥175 million for the fiscal year ended December 31, 2021).

(v) Other

Revenue for the fiscal year ended December 31, 2022 amounted to ¥1,368 million (up 10.3% year-over-year), and segment loss amounted to ¥5,311 million (segment loss of ¥4,902 million for the fiscal year ended December 31, 2021).

(b) Financial position

(Assets)

Total assets as of December 31, 2022 amounted to ¥1,042,849 million, an increase of ¥56,217 million from December 31, 2021. Major components include an increase of ¥44,129 million in cash and cash equivalents, an increase of ¥24,662 million in investments accounted for using equity method, an increase of ¥18,931 million in deferred tax assets and a decrease of ¥46,136 million in other financial assets.

(Liabilities)

Total liabilities as of December 31, 2022 amounted to ¥175,303 million, an increase of ¥34,564 million from December 31, 2021. Major components include an increase of ¥9,455 million in deferred income, an increase of ¥7,997 million in lease liabilities and an increase of ¥7,098 million in income taxes payable.

(Equity)

Equity as of December 31, 2022 totaled ¥867,546 million, an increase of ¥21,653 million from December 31, 2021. Major components of changes in equity include an increase of ¥21,265 million in other equity interest primarily due to recording of exchange differences on translating foreign operations.

(c) Cash flows

Cash and cash equivalents (“cash”) as of December 31, 2022 were ¥409,368 million, an increase of ¥44,129 million from December 31, 2021. The increase includes ¥30,762 million in effects of exchange rate changes on cash.

Cash flows from each activity for the fiscal year ended December 31, 2022 and their significant components are as follows:

(Cash flows from operating activities)

Net cash provided by operating activities was ¥130,144 million, compared to ¥105,914 million for the fiscal year ended December 31, 2021. Major components of the increase include income before income taxes of ¥140,525 million and an increase in deferred income of ¥7,131 million. Major components of the decrease include income taxes paid of ¥39,642 million.

Net cash provided by operating activities increased year-over-year due to increases in income before income taxes and deferred income.

(Cash flows from investing activities)

Net cash used in investing activities was ¥10,918 million, compared to net cash of ¥18,084 million provided in the fiscal year ended December 31, 2021. Major cash inflows include a net decrease in time deposit of ¥21,925 million. Major cash outflows include purchases of investments accounted for using equity method of ¥27,790 million.

Net cash used in investing activities increased year-over-year as a result of a decrease in withdrawal of time deposit.

(Cash flows from financing activities)

Net cash used in financing activities was ¥105,859 million, compared to ¥21,053 million for the fiscal year ended December 31, 2021. Major cash outflows include purchases of treasury stock of ¥98,824 million.

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

(d) Production, Orders Received and Sales

This section presents information by reportable segment for the fiscal year ended December 31, 2022.

(i) Production

The disclosure is omitted as the amount of Nexon Group’s production is immaterial.

(ii) Orders received

Not applicable as Nexon Group does not receive orders.

(iii) Sales

Sales by reportable segment for the fiscal year ended December 31, 2022 are as follows:

Name of reportable segment	Fiscal year ended December 31, 2022 (¥ million)	Year-over-year (%)
Japan	4,702	93.3
Korea	331,218	132.4
China	3,341	106.1
North America	13,085	87.8
Other	1,368	110.3
Total	353,714	128.9

(Notes) 1. Intersegment transactions are eliminated.

2. The amount of sales by major counterparties and their ratio to the total sales for the recent two years are as follows:

Counterparty	Fiscal year ended December 31, 2021		Fiscal year ended December 31, 2022	
	Amount (¥ million)	Ratio (%)	Amount (¥ million)	Ratio (%)
Tencent Holdings Limited and its subsidiaries	63,743	23.2	75,070	21.2

(2) Management's analysis and discussion of Operating Results, etc.

Management's recognition, analysis and discussion of Operating Results, etc. of Nexon Group is as follows. Any forward-looking statements in the following discussion are based on the judgment of Nexon Group's management as of December 31, 2022.

(a) Recognition, analysis and discussion of operating results

For the fiscal year ended December 31, 2022, Nexon Group recorded revenue of ¥353,714 million (up 28.9% year-over-year), operating income of ¥103,696 million (up 13.3% year-over-year), income before income taxes of ¥140,525 million (up 3.7% year-over-year) and net income attributable to owners of the parent company of ¥100,339 million (down 12.7% year-over-year).

(i) Analysis of revenue

Revenue for the fiscal year ended December 31, 2022 amounted to ¥353,714 million, up 28.9% year-over-year.

For the fiscal year ended December 31, 2022, the Company achieved record-breaking full-year revenue driven by the growth of existing titles and contributions from new titles based on our strength in live operations.

In Korea, both PC online and mobile businesses grew year-over-year. For PC online, *FIFA ONLINE 4* significantly grew and achieved record-breaking full-year revenue four years in a row. From Q2, *MapleStory* saw a turnaround from the decreases in its active users and revenue in FY2021 and grew year-over-year. As for mobile, revenue significantly increased year-over-year driven by the contributions from *Dungeon&Fighter Mobile* and *HIT2*, as well as growth of *Blue Archive*, *FIFA ONLINE 4 M* and *FIFA MOBILE*, despite decreases in *V4* and *The Kingdom of the Winds: Yeon*. As a result, we achieved record-breaking overall full-year revenue in Korea.

In China, revenue increased year-over-year driven by an increase in revenue from our major PC title, *Dungeon&Fighter*. *Dungeon&Fighter* had experienced revenue decreases over the past few years, but in FY2022, we adjusted the game to be more user friendly, expanded its contents and events, and promoted communication with the players. As a result, its revenue increased year-over-year.

In Japan, revenue was roughly flat year-over-year due to declines in revenues from *TRAHA* and *V4*, which offset *Blue Archive*'s and *MapleStory*'s growth.

In North America and Europe, revenue increased year-over-year due to favorable foreign exchange rates. However, excluding the impact of the exchange rates, revenue slightly decreased due to *Blue Archive*'s growth and contributions from new games being offset by a decline in revenue from *Choices: Stories You Play.*

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

(ii) Analysis of cost of sales

Cost of sales amounted to ¥105,778 million, up 46.7% year-over-year, due mainly to increased HR costs due to headcount increase, annual salary hike and an increase in bonuses, increased royalty costs for *FIFA ONLINE 4*, and increased server costs due to growth of mobile titles including *Dungeon&Fighter Mobile*.

(iii) Analysis of selling, general and administrative expenses

Selling, general and administrative expenses amounted to ¥139,297 million, up 28.4% year-over-year primarily due to increased platform costs for mobile games, increased marketing costs primarily for promotions of new game launches, and increased HR costs due to headcount increase, annual salary hike and an increase in bonuses.

(iv) Analysis of other income (expenses)

Other income amounted to ¥575 million, down 28.5% year-over-year, due mainly to an absence of income such as gain on sale of subsidiaries' stock, which was recorded in FY2021.

Other expenses amounted to ¥5,518 million, up 77.2% year-over-year, mainly because the amount of impairment loss on intangible assets of subsidiaries recorded in FY2022 exceeded the amount recorded in FY2021 and impairment loss on goodwill of subsidiaries was recorded in FY2022.

(v) Analysis of finance income (costs)

Finance income amounted to ¥65,323 million, up 36.4% year-over-year, due mainly to recording foreign exchange gains related to cash and deposits denominated in foreign currency in excess of those recorded in FY2021 and recording gain on sale of investments accounted for using the equity method in FY2022.

Finance costs amounted to ¥12,892 million, up 851.3% year-over-year mainly because loss on valuation of securities and loss on sale of securities were recorded due to a decline in market prices of marketable equity securities.

(vi) Analysis of share of profit (loss) of investments accounted for using equity method

Share of loss of investments accounted for using equity method amounted to ¥10,246 million, up 925.8% year-over-year, due mainly to fluctuations in performance of investments accounted for using the equity method.

(vii) Analysis of income taxes expense

Income taxes expense amounted to ¥40,535 million, up 80.9% year-over-year, mainly due to a comparison with FY2021 when income taxes expense was at a low level due to additional recognition of deferred tax assets on foreign tax credit carryforward of our overseas subsidiary and also because income before income taxes increased year-over-year.

(b) Factors that have material impacts on operating results

See “II. Business Overview, 2 Risk Factors” for factors that have material impacts on Nexon Group’s operating results.

(c) Recognition, analysis and discussion of financial position

See “II. Business Overview, 3 Management’s Analysis of Financial Position, Operating Results and Cash Flows, (1) Summary of Operating Results, etc., (b) Financial position” for recognition, analysis and discussion of Nexon Group’s financial position as of December 31, 2022.

(d) Analysis and discussion of cash flows and information on sources of funding and funds liquidity

(i) Analysis and discussion of cash flows

See “II. Business Overview, 3 Management’s Analysis of Financial Position, Operating Results and Cash Flows, (1) Summary of Operating Results, etc., (c) Cash flows” for analysis and discussion of Nexon Group’s cash flows for the fiscal year ended December 31, 2022.

(ii) Information on sources of funding and funds liquidity

The demand for funds of Nexon Group for the purpose of mid- and long-term business expansion and corporate value improvement consists mainly of operating expenses including cost of sales (e.g. outsourcing expense and personnel costs), selling, general and administrative expenses and research and development expense. The demand for funds for investment consists mostly of capital expenditures. Nexon Group allocates its own funds to these working capital and capital expenditures and maintains sufficient level of liquidity to meet funding requirements.

(e) Significant accounting estimates and assumptions used for the estimates

Nexon Group’s consolidated financial statements are prepared in accordance with IFRS pursuant to provisions of Article 93 of the “Regulation for Terminology, Forms and Preparation of Consolidated Financial Statements.” These consolidated financial statements are prepared using estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expense, and figures based on these estimates and assumptions could differ from actual results.

See “V. Financial Information, 1 Consolidated Financial Statements, etc., (1) Consolidated financial statements, Notes to consolidated financial statements, 4 Critical accounting estimates and judgement” for critical estimates and assumptions used to prepare the consolidated financial statements.

(f) Awareness of the issues by management and future policies

See “II. Business Overview, 1 Management Policy, Business Environment, Issues to be Addressed, etc., (3) Business environment and (4) Mid- to long-term management strategy and issues to be addressed.”

4 【Material Agreements, etc. in Business Operation】

License agreement

As of December 31, 2022

Contracting company	Counterparty	Country	Contract date	Contract description	Contract period
NEXON Korea Corporation (consolidated subsidiary)	Shanghai Posts & Telecommunications Technology Co., Ltd.	China	November 18, 2005	Exclusive license agreement for PC online game "*Kart Rider*" (licensing-out)	From November 18, 2005 to November 17, 2023 (Note) 1
NEOPLE INC. (consolidated subsidiary)	Tencent Technology (Shenzhen) Co., Ltd. Shenzhen Tencent Computer Systems Co., Ltd.	China	November 16, 2007	Exclusive license agreement for PC online game "*Dungeon&Fighter*" (licensing-out)	From November 16, 2007 to June 16, 2026 (Note) 2
NEXON Korea Corporation (consolidated subsidiary)	Lansha Information Technology (Shanghai) Co., Ltd.	China	April 21, 2004	Exclusive license agreement for PC online game "*MapleStory*" (licensing-out)	From April 21, 2004 to June 30, 2025 (Note) 3
NEXON Korea Corporation (consolidated subsidiary)	NXC Corporation	Worldwide	April 30, 2017	License agreement for company name trademark (licensing-in)	From May 1, 2017 to December 31, 2018, with automatic renewals for three-year periods thereafter
NEXON Korea Corporation (consolidated subsidiary)	Electronic Arts, Inc.	Korea	July 10, 2017	Exclusive license agreement for online game "*FIFA ONLINE 4*" (licensing-in)	From July 10, 2017 to the day on which three years have elapsed from the commercialization date, with automatic renewals for two-year periods thereafter if certain conditions are met
NEOPLE Inc. (consolidated subsidiary)	Shenzhen Tencent Computer Systems Co., Ltd. Tencent Technology (Shenzhen) Co., Ltd. Shenzhen Tencent Information Technology Co., Ltd.	China	October 8, 2018	Exclusive license agreement for online game "*Dungeon&Fighter*" (licensing-out)	From October 8, 2018 to the day on which ten years have elapsed from the initial commercialization date

(Notes)
1. The expiration date of the agreement was revised to November 17, 2023 by a renewal agreement dated November 16, 2020.
2. The expiration date of the agreement was revised to June 16, 2026 by a renewal agreement dated May 1, 2015.
3. The expiration date of the agreement was revised to June 30, 2025 by a renewal agreement dated June 30, 2022.

Agreement to acquire trust beneficiary certificates, etc.

As of December 31, 2022

Contracting company	Counterparty	Country	Contract date	Contract description
NEXON Korea Corporation (consolidated subsidiary)	The Korean Teachers' Credit Union	Korea	December 16, 2022	Acquisition of 50% of the trust beneficiary certificates for "Autoway Tower," the real estate in Gangnam-gu, Seoul, Korea, and a priority right to lease, etc.

5 【Research and Development】

Overview of Nexon Group's research and development activities is as follows:

(1) Research and development system

Nexon Group does not conduct any activity equivalent to research and development such as basic research and new technology development and does not have an independent research and development organization.

However, Nexon Group considers the process from planning through commercialization of online game contents developed within Nexon Group as "research and development," which is conducted by development personnel within the group as part of our regular development activities.

(2) Research and development policy

Nexon Group has no specific research and development policy as our research and development activities are conducted by development personnel within the group as part of our regular development activities.

(3) Research and development expense

Nexon Group records expenses incurred from the approval of a plan up to the date of commercialization of online game contents developed by Nexon Group (labor cost, outsourcing cost and other expenses) as research and development expense, and ¥25,930 million was recorded as research and development expense for the fiscal year ended December 31, 2022.

Fiscal year ended December 31, 2022

Research and development expense by reportable segment for the fiscal year ended December 31, 2022 is as follows. There has been no significant change in the research and development activities during the fiscal year ended December 31, 2022.

Name of reportable segment	Research and development expense (¥ million)
Japan	1
Korea	20,509
China	—
North America	3,411
Other	2,557
Total reportable segments	26,478
Adjustments	(548)
Total (consolidated)	25,930

III. 【Property, Plant and Equipment】

1 【Summary of Capital Investment, etc.】

Total capital investment for the fiscal year ended December 31, 2022 amounted to ¥16,128 million, and capital investments by reportable segment are as follows.

There have been no disposals or sales of significant facilities during the fiscal year ended December 31, 2022.

Name of reportable segment	Capital investment (¥ million)
Japan	9
Korea	14,521
China	114
North America	630
Other	854
Total reportable segments	16,128
Adjustments	—
Total (consolidated)	16,128

(Note) Including investments in property, plant and equipment, intangible assets and right-of-use assets. However, investment in crypto-assets made through an exchange is excluded from the investment in intangible assets.

2 【Major Facilities】

Major facilities of Nexon Group are as follows:

(1) The Company

As of December 31, 2022

Office name (Location)	Reportable segment	Description of facility	Carrying amount						Number of employees (persons)
			Building and structures (¥ million)	Tools, furniture and fixtures (¥ million)	Land (¥ million) (Floor area m^2)	Right-of-use assets (¥ million)	Other (¥ million)	Total (¥ million)	
Head office (Minato-ku, Tokyo)	Japan	Facility for PC online/ mobile games	—	1	—	—	—	1	266 (3)

(Notes) 1. The number of employees represents full-time employees, and the average number of temporary workers (e.g. contract employees) during the year is shown in parenthesis.

2. Impairment loss is recorded during the fiscal year ended December 31, 2022, and the carrying amounts are stated, net of impairment loss.

3. Right-of-use assets above include the following facility leased from a third party.

Office name (Location)	Description of facility	Leased facility	Floor area (m^2)	Annual rent (¥ million)
Head office (Minato-ku, Tokyo)	Business-use facility	Building	2,823.79	323

(2) Overseas subsidiaries

As of December 31, 2022

Company name	Location	Reportable segment	Description of facility	Carrying amount						Number of employees (persons)
				Building and structures (¥million)	Tools, furniture and fixtures (¥million)	Land (¥million) (Floor area m^2)	Right-of-use assets (¥million)	Other (¥million)	Total (¥million)	
NEXON Korea Corporation	Seongnam, Gyeonggi-do, South Korea	Korea	Facility for PC online/ mobile games	10,340	1,655	3,667 (10,818)	10,385	3,627	29,674	3,154 (241)
NEOPLE INC.	Jeju Self-Governing Province, South Korea	Korea	Facility for PC online/ mobile games	2,126	563	1,280 (21,393)	2,745	174	6,888	1,138 (－)
JoongAng Pangyo Development Co., Ltd.	Seongnam, Gyeonggi-do, South Korea	Korea	Property for lease	3,061	—	2,722 (8,510)	—	—	5,783	— (－)
NEXON Games Co., Ltd. (Note 5)	Seoul, South Korea	Korea	Facility for PC online/ mobile games	68	265	1 (143)	1,506	423	2,263	1,009 (4)
Embark Studios AB	Stockholm, Sweden	Other	Facility for PC online games	142	163	—	2,440	1,660	4,405	210 (－)

(Notes) 1. The number of employees represents full-time employees, and the average number of temporary workers (e.g. contract employees) during the year is shown in parentheses.
2. “Other” under carrying amount consists mainly of software and game copyrights.
3. The amount of investment property is not included in the above table.
4. Impairment loss is recorded during the fiscal year ended December 31, 2022, and the carrying amounts are stated, net of impairment loss.
5. The company name was changed from “NAT GAMES Co., Ltd.” to “NEXON Games Co., Ltd.” in March 2022.
6. Right-of-use assets above include the following facilities leased from third parties.

Company name	Description of facility	Leased facility	Floor area (m^2)	Annual rent (¥ million)
NEXON Korea Corporation	Business-use facility	Building	44,780.18	861
NEOPLE INC.	Business-use facility	Building	15,082.62	354
NEXON Games Co., Ltd.	Business-use facility	Building	13,289.74	309
Embark Studios AB	Business-use facility	Building	4,340.00	448

3 【Plans for Additions, Disposals, etc. of Property, Plant, and Equipment】

The facility planning of Nexon Group is developed taking into consideration economic forecast, industry trend, investment efficiency, etc. The facility planning is developed separately by each group company in principle but adjusted mainly by the Company.

The plans for additions and disposals of major facilities as of December 31, 2022 are as follows:

(1) New major facilities

Company name	Location	Reportable segment	Description of facility	Planned investment		Funding method	Scheduled start and completion date	
				Total (¥ million)	Paid (¥ million)		Start	Completion
NEXON Korea Corporation	Seongnam, Gyeonggi-do, South Korea	Korea	Facility for PC online/mobile games, etc.	1,315	—	Own capital	January 2023	December 2023
			Software, etc.	1,043	—	Own capital	January 2023	December 2023
			Leasehold improvements	712	—	Own capital	March 2023	November 2023
			Other	133	—	Own capital	January 2023	December 2023
NEOPLE INC.	Jeju Self-Governing Province, South Korea	Korea	Facility for PC online/mobile games, etc.	133	—	Own capital	January 2023	December 2023
			Right-of-use assets	403	—	Own capital	July 2023	July 2023
			Other	134	—	Own capital	January 2023	October 2023
NEXON Games Co., Ltd. (Note 2)	Seoul, Korea	Korea	Facility for PC online/mobile games, etc.	205	—	Own capital	January 2023	December 2023
			Right-of-use assets	1,617	—	Own capital	January 2023	November 2023
			Leasehold improvements	104	—	Own capital	January 2023	December 2023
Total	—	—	—	5,799	—	—	—	—

(Notes) 1. The disclosure of potential increase in capacity after completion is omitted as it is difficult to measure.

2. The company name was changed from "NAT GAMES Co., Ltd." to "NEXON Games Co., Ltd." in March 2022.

(2) Disposals of major facilities, etc.

Not applicable.

IV. 【Information on the Company】

1 【Information on the Company's Stock, etc.】

(1) 【Total number of shares, etc.】

(a) 【Total number of shares】

Class	Total number of authorized shares (shares)
Common stock	1,400,000,000
Total	1,400,000,000

(b) 【Outstanding shares】

Class	Number of outstanding shares as of December 31, 2022 (shares)	Number of outstanding shares as of the filing date (shares) (March 27, 2023)	Name of the financial instruments exchange of listing or authorized financial instruments firms association	Description
Common stock	866,773,728	867,785,714	Prime Market of the Tokyo Stock Exchange	Shares with full voting rights, which are standard shares of the Company with no restrictions on rights. The number of shares per trading unit is 100 shares.
Total	866,773,728	867,785,714	—	—

(Notes) 1. "Number of outstanding shares as of the filing date" does not include the number of shares issued due to exercise of stock acquisition rights during the period from March 1, 2023 to the filing date of this annual securities report.

2. 14,242,343 shares of outstanding shares are contribution in kind (stocks of subsidiaries and affiliates: ¥23,966 million).

(2) 【Stock acquisition rights】

(a) Description of stock option plan

The Company has a stock option plan which issues stock acquisition rights in accordance with the Companies Act. The description of the plan is as follows.

(i) Resolution at the Annual General Meeting of Shareholders held on March 26, 2013

Pursuant to the Companies Act, it was resolved at the Annual General Meeting of Shareholders held on March 26, 2013 to issue stock acquisition rights as equity-based stock options to directors of the Company.

1) Resolution at the Board of Directors on April 22, 2013

Date of resolution	March 26, 2013
Category and number of eligible persons (persons)	Directors of the Company: 3
Number of stock acquisition rights (units) *	75 (Note) 1
Class, description and number of underlying shares (shares) *	Common stock 150,000 (Note) 2
Amount to be paid upon exercise of stock acquisition rights (yen) *	1
Exercise period of stock acquisition rights *	From May 7, 2013 to May 6, 2043
Issue price and the amount of capital stock to be increased by issuance of shares upon exercise of stock acquisition rights (yen) *	Issue price: 1 Amount of capital stock to be increased: 0.5
Conditions for exercise of stock acquisition rights*	Holders of stock acquisition rights may exercise their right within ten days from the following day of retirement from directorship during the exercise period (or during the calendar year in which the eligible person retires in case the holder resides in the U.S.). Holders who reside overseas may exercise their right during the period to be decided by the Board of Directors taking into consideration relevant overseas laws and regulations. Such retirement shall constitute “separation from service” provided in Section 409A of the Internal Revenue Code.
Assignment of stock acquisition rights *	Stock acquisition rights cannot be assigned or pledged as collateral.
Issuance of stock acquisition rights associated with the Company’s restructuring *	When approval is granted for proposals i), ii), or iii) below at the Company’s Annual General Meeting of Shareholders (or by resolution of the Company’s Board of Directors if a resolution of the Annual General Meeting of Shareholders is not required), the Company shall grant stock acquisition rights of the stock company specified below according to the ratio of the restructuring. i) Proposal for the approval of a merger agreement in which the Company will become the extinct company Surviving company (in case of absorption-type merger) or newly formed company (in case of consolidation-type merger) ii) Proposal for the approval of a split agreement or a split plan in which the Company will become a split company Stock company succeeding to all or part of the rights and obligations relating to its business held by the stock company effecting the absorption-type company split (in case of absorption-type company split) or stock company to be incorporated by the incorporation-type company split (in case of incorporation-type company split) iii) Proposal for the approval of a share exchange agreement or a share transfer plan in which the Company will become a wholly owned subsidiary Stock company acquiring all outstanding shares of the stock company effecting the share exchange or stock company to be incorporated by the share transfer

* The information above is as of December 31, 2022 and remains the same as of February 28, 2023.

(Notes) 1. The number of underlying shares per unit of stock acquisition right is 2,000 shares of the Company’s common stock.

2. In the event that the Company carries out a stock split (including gratis allocation) or stock consolidation, the number of underlying shares shall be adjusted according to the formula outlined below. However, such adjustment shall be made only to those subject to stock acquisition rights unexercised at the time of such adjustment, and any fraction less than one share resulting from such adjustment shall be rounded down.

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

2) Resolution at the Board of Directors on July 17, 2015

Date of resolution	March 26, 2013
Category and number of eligible persons (persons)	Director of the Company: 1
Number of stock acquisition rights (units) *	50 (Note) 1
Class, description and number of underlying shares (shares) *	Common stock 100,000 (Note) 2
Amount to be paid upon exercise of stock acquisition rights (yen) *	1
Exercise period of stock acquisition rights *	From August 3, 2015 to August 2, 2045
Issue price and the amount of capital stock to be increased by issuance of shares upon exercise of stock acquisition rights (yen) *	Issue price: 1 Amount of capital stock to be increased: 0.5
Conditions for exercise of stock acquisition rights*	Holders of stock acquisition rights may exercise their right within ten days from the following day of retirement from directorship during the exercise period.
Assignment of stock acquisition rights *	Stock acquisition rights cannot be assigned or pledged as collateral.
Issuance of stock acquisition rights associated with the Company's restructuring *	When approval is granted for proposals i), ii), or iii) below at the Company's Annual General Meeting of Shareholders (or by resolution of the Company's Board of Directors if a resolution of the Annual General Meeting of Shareholders is not required), the Company shall grant stock acquisition rights of the stock company specified below according to the ratio of the restructuring. i) Proposal for the approval of a merger agreement in which the Company will become the extinct company Surviving company (in case of absorption-type merger) or newly formed company (in case of consolidation-type merger) ii) Proposal for the approval of a split agreement or a split plan in which the Company will become a split company Stock company succeeding to all or part of the rights and obligations relating to its business held by the stock company effecting the absorption-type company split (in case of absorption-type company split) or stock company to be incorporated by the incorporation-type company split (in case of incorporation-type company split) iii) Proposal for the approval of a share exchange agreement or a share transfer plan in which the Company will become a wholly owned subsidiary Stock company acquiring all outstanding shares of the stock company effecting the share exchange or stock company to be incorporated by the share transfer

* The information above is as of December 31, 2022 and remains the same as of February 28, 2023.

(Notes) 1. The number of underlying shares per unit of stock acquisition right is 2,000 shares of the Company's common stock.

2. In the event that the Company splits its common stock (including gratis allocation) or consolidates its common stock, the number of underlying shares ("Number of Granted Shares") shall be adjusted according to the formula outlined below. However, such adjustment shall be made only to the Number of Granted Shares unexercised at the time of such adjustment, and any fraction less than one share resulting from such adjustment shall be rounded down.

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

In addition, in case of merger, company split, or other events that compel the exercise price to be adjusted after the allotment date, the exercise price shall be adjusted to the extent reasonable based on the resolution at the Board of Directors meeting.

(ii) Resolution at the Annual General Meeting of Shareholders held on March 28, 2017

Pursuant to the Companies Act, it was resolved at the Annual General Meeting of Shareholders held on March 28, 2017 to issue stock acquisition rights to certain directors and employees of the Company and directors and employees of its subsidiaries under particularly preferential terms.

1) Resolution at the Board of Directors on September 28, 2017

Date of resolution	March 28, 2017
Category and number of eligible persons (persons)	Employee of the Company: 1 Directors and employees of the Company's subsidiaries: 10
Number of stock acquisition rights (units) *	354 [312] (Note) 1
Class, description and number of underlying shares (shares) *	Common stock 708,000 [624,000] (Note) 2
Amount to be paid upon exercise of stock acquisition rights (yen) *	1,468 (Note) 3
Exercise period of stock acquisition rights *	(Qualified stock options) From September 28, 2019 to September 28, 2023 (Non-qualified stock options) From September 29, 2017 to September 28, 2023
Issue price and the amount of capital stock to be increased by issuance of shares upon exercise of stock acquisition rights (yen) *	Issue price: 1,468 Amount of capital stock to be increased: 734
Conditions for exercise of stock acquisition rights*	・One third (1/3) of the units granted shall vest on the day on which one year has elapsed from the allotment date. Thereafter, one twelfth (1/12) of the units granted shall vest every three months until the day on which three years have elapsed from the allotment date. The vested stock acquisition rights may be exercised during the exercise period only if terms and conditions for the issuance and other conditions for exercise set forth in the Stock Acquisition Rights Allotment Agreement are satisfied. ・In principle, holders of stock acquisition rights must continue to be director or employee of the Company or its subsidiary from the allotment date up to the date of exercise to be eligible to exercise the right. ・Partial exercise of stock acquisition rights is not allowed.
Assignment of stock acquisition rights *	Stock acquisition rights cannot be assigned or pledged as collateral.
Issuance of stock acquisition rights associated with the Company's restructuring *	Not applicable

* The information above is as of December 31, 2022 and remains the same as of February 28, 2023, except for the items modified during the period between December 31, 2022 and February 28, 2023, for which the information as of February 28, 2023 is shown in brackets.

(Notes) 1. The number of underlying shares per unit of stock acquisition right is 2,000 shares of the Company's common stock.

2. In the event that the Company carries out a stock split (including gratis allocation) or stock consolidation, the number of underlying shares shall be adjusted according to the formula outlined below. However, such adjustment shall be made only to those subject to stock acquisition rights unexercised at the time of such adjustment, and any fraction less than one share resulting from such adjustment shall be rounded down.

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

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

3. In the event that the Company splits its common stock (including gratis allocation) or consolidates its common stock after the allotment date, the exercise price shall be adjusted according to the formula outlined below. Any fraction less than one yen shall be rounded up.

$$\text{Exercise price after adjustment} = \text{Exercise price before adjustment} \times \frac{1}{\text{Ratio of split or consolidation}}$$

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

2) Resolution at the Board of Directors on October 31, 2017

Date of resolution	March 28, 2017
Category and number of eligible persons (persons)	Employees of the Company: 34 Directors and employees of the Company's subsidiaries: 413
Number of stock acquisition rights (units) *	2,065 [1,735] (Note) 1
Class, description and number of underlying shares (shares) *	Common stock 4,130,000 [3,470,000] (Note) 2
Amount to be paid upon exercise of stock acquisition rights (yen) *	1,640 (Note) 3
Exercise period of stock acquisition rights *	(Qualified stock option) From October 31, 2019 to November 8, 2023 (Non-qualified stock option) From November 9, 2017 to November 8, 2023
Issue price and the amount of capital stock to be increased by issuance of shares upon exercise of stock acquisition rights (yen) *	Issue price: 1,640 Amount of capital stock to be increased: 820
Conditions for exercise of stock acquisition rights*	・One third (1/3) of the units granted shall vest on the day on which one year has elapsed from the allotment date. Thereafter, one twelfth (1/12) of the units granted shall vest every three months until the day on which three years have elapsed from the allotment date. The vested stock acquisition rights may be exercised during the exercise period only if terms and conditions for the issuance and other conditions for exercise set forth in the Stock Acquisition Rights Allotment Agreement are satisfied. ・In principle, holders of stock acquisition rights must continue to be director or employee of the Company or its subsidiary from the allotment date up to the date of exercise to be eligible to exercise the right. ・Partial exercise of stock acquisition rights is not allowed.
Assignment of stock acquisition rights *	Stock acquisition rights cannot be assigned or pledged as collateral.
Issuance of stock acquisition rights associated with the Company's restructuring *	Not applicable

* The information above is as of December 31, 2022 and remains the same as of February 28, 2023, except for the items modified during the period between December 31, 2022 and February 28, 2023, for which the information as of February 28, 2023 is shown in brackets.

(Notes) 1. The number of underlying shares per unit of stock acquisition right is 2,000 shares of the Company's common stock.

2. In the event that the Company carries out a stock split (including gratis allocation) or stock consolidation, the number of underlying shares shall be adjusted according to the formula outlined below. However, such adjustment shall be made only to those subject to stock acquisition rights unexercised at the time of such adjustment, and any fraction less than one share resulting from such adjustment shall be rounded down.

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

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

3. In the event that the Company splits its common stock (including gratis allocation) or consolidates its common stock after the allotment date, the exercise price shall be adjusted according to the formula outlined below. Any fraction less than one yen shall be rounded up.

$$\text{Exercise price after adjustment} = \text{Exercise price before adjustment} \times \frac{1}{\text{Ratio of split or consolidation}}$$

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

3) Resolution at the Board of Directors on January 30, 2018

Date of resolution	March 28, 2017
Category and number of eligible persons (persons)	Directors and employees of the Company's subsidiaries: 10
Number of stock acquisition rights (units) *	8 (Note) 1
Class, description and number of underlying shares (shares) *	Common stock 16,000 (Note) 2
Amount to be paid upon exercise of stock acquisition rights (yen) *	1,685 (Note) 3
Exercise period of stock acquisition rights *	From February 8, 2018 to February 7, 2024
Issue price and the amount of capital stock to be increased by issuance of shares upon exercise of stock acquisition rights (yen) *	Issue price: 1,685 Amount of capital stock to be increased: 843
Conditions for exercise of stock acquisition rights*	・One third (1/3) of the units granted shall vest on the day on which one year has elapsed from the allotment date. Thereafter, one twelfth (1/12) of the units granted shall vest every three months until the day on which three years have elapsed from the allotment date. The vested stock acquisition rights may be exercised during the exercise period only if terms and conditions for the issuance and other conditions for exercise set forth in the Stock Acquisition Rights Allotment Agreement are satisfied. ・In principle, holders of stock acquisition rights must continue to be director or employee of the Company or its subsidiary from the allotment date up to the date of exercise to be eligible to exercise the right. ・Partial exercise of stock acquisition rights is not allowed.
Assignment of stock acquisition rights *	Stock acquisition rights cannot be assigned or pledged as collateral.
Issuance of stock acquisition rights associated with the Company's restructuring *	Not applicable

* The information above is as of December 31, 2022 and remains the same as of February 28, 2023.

(Notes) 1. The number of underlying shares per unit of stock acquisition right is 2,000 shares of the Company's common stock.

2. In the event that the Company carries out a stock split (including gratis allocation) or stock consolidation, the number of underlying shares shall be adjusted according to the formula outlined below. However, such adjustment shall be made only to those subject to stock acquisition rights unexercised at the time of such adjustment, and any fraction less than one share resulting from such adjustment shall be rounded down.

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

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

3. In the event that the Company splits its common stock (including gratis allocation) or consolidates its common stock after the allotment date, the exercise price shall be adjusted according to the formula outlined below. Any fraction less than one yen shall be rounded up.

$$\text{Exercise price after adjustment} = \text{Exercise price before adjustment} \times \frac{1}{\text{Ratio of split or consolidation}}$$

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

(iii) Resolution at the Annual General Meeting of Shareholders held on March 27, 2018

Pursuant to the Companies Act, it was resolved at the Annual General Meeting of Shareholders held on March 27, 2018 to issue stock acquisition rights to certain employees of the Company and directors and employees of its subsidiaries under particularly preferential terms.

Resolution at the Board of Directors on July 25, 2018

Date of resolution	March 27, 2018
Category and number of eligible persons (persons)	Employees of the Company's subsidiaries: 6
Number of stock acquisition rights (units) *	40 [33] (Note) 1
Class, description and number of underlying shares (shares) *	Common stock 80,000 [66,000] (Note) 2
Amount to be paid upon exercise of stock acquisition rights (yen) *	1,699 (Note) 3
Exercise period of stock acquisition rights *	From July 26, 2018 to July 25, 2024
Issue price and the amount of capital stock to be increased by issuance of shares upon exercise of stock acquisition rights (yen) *	Issue price: 1,699 Amount of capital stock to be increased: 850
Conditions for exercise of stock acquisition rights*	・One third (1/3) of the units granted shall vest on the day on which one year has elapsed from the allotment date. Thereafter, one twelfth (1/12) of the units granted shall vest every three months until the day on which three years have elapsed from the allotment date. The vested stock acquisition rights may be exercised during the exercise period only if terms and conditions for the issuance and other conditions for exercise set forth in the Stock Acquisition Rights Allotment Agreement are satisfied. ・In principle, holders of stock acquisition rights must continue to be director or employee of the Company or its subsidiary from the allotment date up to the date of exercise to be eligible to exercise the right. ・Partial exercise of stock acquisition rights is not allowed.
Assignment of stock acquisition rights *	Stock acquisition rights cannot be assigned or pledged as collateral.
Issuance of stock acquisition rights associated with the Company's restructuring *	Not applicable

* The information above is as of December 31, 2022 and remains the same as of February 28, 2023, except for the items modified during the period between December 31, 2022 and February 28, 2023, for which the information as of February 28, 2023 is shown in brackets.

(Notes) 1. The number of underlying shares per unit of stock acquisition right is 2,000 shares of the Company's common stock.

2. In the event that the Company carries out a stock split (including gratis allocation) or stock consolidation, the number of underlying shares shall be adjusted according to the formula outlined below. However, such adjustment shall be made only to those subject to stock acquisition rights unexercised at the time of such adjustment, and any fraction less than one share resulting from such adjustment shall be rounded down.

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

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

3. In the event that the Company splits its common stock (including gratis allocation) or consolidates its common stock after the allotment date, the exercise price shall be adjusted according to the formula outlined below. Any fraction less than one yen shall be rounded up.

$$\text{Exercise price after adjustment} = \text{Exercise price before adjustment} \times \frac{1}{\text{Ratio of split or consolidation}}$$

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

(iv) Resolution at the Annual General Meeting of Shareholders held on March 25, 2020

Pursuant to the Companies Act, it was resolved at the Annual General Meeting of Shareholders held on March 25, 2020 to issue stock acquisition rights to certain employees of the Company and directors and employees of its subsidiaries under particularly preferential terms.

1) Resolution at the Board of Directors on April 2, 2020

Date of resolution	March 25, 2020
Category and number of eligible persons (persons)	Director of the Company's subsidiary: 1
Number of stock acquisition rights (units) *	250 [225] (Note) 1
Class, description and number of underlying shares (shares) *	Common stock 500,000 [450,000] (Note) 2
Amount to be paid upon exercise of stock acquisition rights (yen) *	1,787 (Note) 3
Exercise period of stock acquisition rights *	From April 3, 2020 to April 2, 2026
Issue price and the amount of capital stock to be increased by issuance of shares upon exercise of stock acquisition rights (yen) *	Issue price: 1,787 Amount of capital stock to be increased: 894
Conditions for exercise of stock acquisition rights*	・One third (1/3) of the units granted shall vest on the day on which one year has elapsed from the allotment date. Thereafter, one twelfth (1/12) of the units granted shall vest every three months until the day on which three years have elapsed from the allotment date. The vested stock acquisition rights may be exercised during the exercise period only if terms and conditions for the issuance and other conditions for exercise set forth in the Stock Acquisition Rights Allotment Agreement are satisfied. ・In principle, holders of stock acquisition rights must continue to be director or employee of the Company or its subsidiary from the allotment date up to the date of exercise to be eligible to exercise the right. ・Partial exercise of stock acquisition rights is not allowed.
Assignment of stock acquisition rights *	Stock acquisition rights cannot be assigned or pledged as collateral.
Issuance of stock acquisition rights associated with the Company's restructuring *	Not applicable

* The information above is as of December 31, 2022 and remains the same as of February 28, 2023, except for the items modified during the period between December 31, 2022 and February 28, 2023, for which the information as of February 28, 2023 is shown in brackets.

(Notes) 1. The number of underlying shares per unit of stock acquisition right is 2,000 shares of the Company's common stock.

2. In the event that the Company carries out a stock split (including gratis allocation) or stock consolidation, the number of underlying shares shall be adjusted according to the formula outlined below. However, such adjustment shall be made only to those subject to stock acquisition rights unexercised at the time of such adjustment, and any fraction less than one share resulting from such adjustment shall be rounded down.

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

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

3. In the event that the Company splits its common stock (including gratis allocation) or consolidates its common stock after the allotment date, the exercise price shall be adjusted according to the formula outlined below. Any fraction less than one yen shall be rounded up.

$$\text{Exercise price after adjustment} = \text{Exercise price before adjustment} \times \frac{1}{\text{Ratio of split or consolidation}}$$

In the event that the Company issues new shares or sells treasury stock of its common stock at below market price (except for exercise of stock acquisition rights), the exercise price shall be adjusted according to the following formula. Any fraction of less than one yen shall be rounded up.

$$\text{Exercise price after adjustment} = \text{Exercise price before adjustment} \times \frac{\text{Number of previously issued shares} + \dfrac{\text{Number of newly issued shares x Amount paid per share}}{\text{Market price per share}}}{\text{Number of previously issued shares + Number of newly issued shares}}$$

For the purpose of the calculation above, “Number of previously issued shares” shall be the total number of shares of the Company’s common stock issued and outstanding less the total number of shares of treasury stock, and in case of disposition of treasury stock, “Number of newly issued shares” shall be read as “Number of shares of treasury stock to be disposed.”

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

2) Resolution at the Board of Directors on May 13, 2020

Date of resolution	March 25, 2020
Category and number of eligible persons (persons)	Directors and employees of the Company's subsidiaries: 5
Number of stock acquisition rights (units) *	690 [679] (Note) 1
Class, description and number of underlying shares (shares) *	Common stock 1,380,000 [1,358,000] (Note) 2
Amount to be paid upon exercise of stock acquisition rights (yen) *	2,072 (Note) 3
Exercise period of stock acquisition rights *	From May 14, 2020 to May 13, 2026
Issue price and the amount of capital stock to be increased by issuance of shares upon exercise of stock acquisition rights (yen) *	Issue price: 2,072 Amount of capital stock to be increased: 1,036
Conditions for exercise of stock acquisition rights*	・One third (1/3) of the units granted shall vest on the day on which one year has elapsed from the allotment date. Thereafter, one twelfth (1/12) of the units granted shall vest every three months until the day on which three years have elapsed from the allotment date. The vested stock acquisition rights may be exercised during the exercise period only if terms and conditions for the issuance and other conditions for exercise set forth in the Stock Acquisition Rights Allotment Agreement are satisfied. ・In principle, holders of stock acquisition rights must continue to be director or employee of the Company or its subsidiary from the allotment date up to the date of exercise to be eligible to exercise the right. ・Partial exercise of stock acquisition rights is not allowed.
Assignment of stock acquisition rights *	Stock acquisition rights cannot be assigned or pledged as collateral.
Issuance of stock acquisition rights associated with the Company's restructuring *	Not applicable

* The information above is as of December 31, 2022 and remains the same as of February 28, 2023, except for the items modified during the period between December 31, 2022 and February 28, 2023, for which the information as of February 28, 2023 is shown in brackets.

(Notes) 1. The number of underlying shares per unit of stock acquisition right is 2,000 shares of the Company's common stock.

2. In the event that the Company carries out a stock split (including gratis allocation) or stock consolidation, the number of underlying shares shall be adjusted according to the formula outlined below. However, such adjustment shall be made only to those subject to stock acquisition rights unexercised at the time of such adjustment, and any fraction less than one share resulting from such adjustment shall be rounded down.

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

In addition, in case of merger, company split, share exchange, share transfer or other events that compel the number of granted shares to be adjusted, those subject to the stock acquisition rights unexercised at the time of such adjustment shall be adjusted to the extent reasonable taking into consideration the terms and conditions of such merger, company split, share exchange or share transfer.

3. In the event that the Company splits its common stock (including gratis allocation) or consolidates its common stock after the allotment date, the exercise price shall be adjusted according to the formula outlined below. Any fraction less than one yen shall be rounded up.

$$\text{Exercise price after adjustment} = \text{Exercise price before adjustment} \times \frac{1}{\text{Ratio of split or consolidation}}$$

In the event that the Company issues new shares or sells treasury stock of its common stock at below market price (except for exercise of stock acquisition rights), the exercise price shall be adjusted according to the following formula. Any fraction of less than one yen shall be rounded up.

$$\text{Exercise price after adjustment} = \text{Exercise price before adjustment} \times \frac{\text{Number of previously issued shares} + \dfrac{\text{Number of newly issued shares x Amount paid per share}}{\text{Market price per share}}}{\text{Number of previously issued shares + Number of newly issued shares}}$$

For the purpose of the calculation above, “Number of previously issued shares” shall be the total number of shares of the Company’s common stock issued and outstanding less the total number of shares of treasury stock, and in case of disposition of treasury stock, “Number of newly issued shares” shall be read as “Number of shares of treasury stock to be disposed.”
In addition, in case of merger, company split, share exchange, share transfer or other events that compel the exercise price to be adjusted, the exercise price shall be adjusted to the extent reasonable taking into consideration the terms and conditions of such merger, company split, share exchange or share transfer.

3) Resolution at the Board of Directors on October 30, 2020

Date of resolution	March 25, 2020
Category and number of eligible persons (persons)	Employees of the Company: 22 Directors and employees of the Company's subsidiaries: 185
Number of stock acquisition rights (units) *	4,718 [4,397] (Note) 1
Class, description and number of underlying shares (shares) *	Common stock 9,436,000 [8,794,000] (Note) 2
Amount to be paid upon exercise of stock acquisition rights (yen) *	3,055 (Note) 3
Exercise period of stock acquisition rights *	(Qualified stock option) From October 30, 2022 to November 8, 2026 (Non-qualified stock option) From November 9, 2020 to November 8, 2026
Issue price and the amount of capital stock to be increased by issuance of shares upon exercise of stock acquisition rights (yen) *	Issue price: 3,055 Amount of capital stock to be increased: 1,528
Conditions for exercise of stock acquisition rights *	・One third (1/3) of the units granted shall vest on the day on which one year has elapsed from the allotment date. Thereafter, one twelfth (1/12) of the units granted shall vest every three months until the day on which three years have elapsed from the allotment date. The vested stock acquisition rights may be exercised during the exercise period only if terms and conditions for the issuance and other conditions for exercise set forth in the Stock Acquisition Rights Allotment Agreement are satisfied. ・In principle, holders of stock acquisition rights must continue to be director or employee of the Company or its subsidiary from the allotment date up to the date of exercise to be eligible to exercise the right. ・Partial exercise of stock acquisition rights is not allowed.
Assignment of stock acquisition rights *	Stock acquisition rights cannot be assigned or pledged as collateral.
Issuance of stock acquisition rights associated with the Company's restructuring *	Not applicable

* The information above is as of December 31, 2022 and remains the same as of February 28, 2023, except for the items modified during the period between December 31, 2022 and February 28, 2023, for which the information as of February 28, 2023 is shown in brackets.

(Notes) 1. The number of underlying shares per unit of stock acquisition right is 2,000 shares of the Company's common stock.

2. In the event that the Company carries out a stock split (including gratis allocation) or stock consolidation, the number of underlying shares shall be adjusted according to the formula outlined below. However, such adjustment shall be made only to those subject to stock acquisition rights unexercised at the time of such adjustment, and any fraction less than one share resulting from such adjustment shall be rounded down.

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

In addition, in case of merger, company split, share exchange, share transfer or other events that compel the number of granted shares to be adjusted, those subject to stock acquisition rights unexercised at the time of such adjustment shall be adjusted to the extent reasonable taking into consideration the terms and conditions of such merger, company split, share exchange or share transfer.

3. In the event that the Company splits its common stock (including gratis allocation) or consolidates its common stock after the allotment date, the exercise price shall be adjusted according to the formula outlined below. Any fraction less than one yen shall be rounded up.

$$\text{Exercise price after adjustment} = \text{Exercise price before adjustment} \times \frac{1}{\text{Ratio of split or consolidation}}$$

In the event that the Company issues new shares or sells treasury stock of its common stock at below market price (except for exercise of stock acquisition rights), the exercise price shall be adjusted according to the following formula. Any fraction of less than one yen shall be rounded up.

$$\text{Exercise price after adjustment} = \text{Exercise price before adjustment} \times \frac{\text{Number of previously issued shares} + \dfrac{\text{Number of newly issued shares x Amount paid per share}}{\text{Market price per share}}}{\text{Number of previously issued shares + Number of newly issued shares}}$$

For the purpose of the calculation above, “Number of previously issued shares” shall be the total number of shares of the Company’s common stock issued and outstanding less the total number of shares of treasury stock, and in case of disposition of treasury stock, “Number of newly issued shares” shall be read as “Number of shares of treasury stock to be disposed.”

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

(v) Resolution at the Annual General Meeting of Shareholders held on March 25, 2021

Pursuant to the Companies Act, it was resolved at the Annual General Meeting of Shareholders held on March 25, 2021 to issue stock acquisition rights as equity-based stock options to directors of the Company. This does not fall under issuance with preferential terms as stock acquisition rights are issued as directors' compensation, etc.

1) Resolution at the Board of Directors on March 25, 2021

Date of resolution	March 25, 2021
Category and number of eligible persons (persons)	Directors of the Company: 5
Number of stock acquisition rights (units)*	1,666,722 (Note) 1
Class, description and number of underlying shares (shares)*	Common stock 1,666,722 (Notes) 2, 3
Amount to be paid upon exercise of stock acquisition rights (yen)*	No cash payment or contribution of assets is required.
Exercise period of stock acquisition rights*	From April 12, 2021 to March 15, 2025
Issue price and the amount of capital stock to be increased by issuance of shares upon exercise of stock acquisition rights (yen)*	Issue price: Between 2,303 and 3,560 Amount of capital stock to be increased: Between 1,152 and 1,780
Conditions for exercise of stock acquisition rights*	・ Part of the units granted shall vest after each of the Annual General Meetings of Shareholders to be held in 2022, 2023 and 2024, with the remainder to vest based on a predefined performance achievement rate during the period up to the date of the Annual General Meetings of Shareholders to be held in 2023 and 2024. ・ Only directors (including former directors) may exercise stock acquisition rights. Specifically, the person must be a director of the Company at the time of the exercise to be eligible, and those who are no longer a director may exercise the stock acquisition rights only if they lose their position as a director due to retirement, resignation or dismissal (excluding punitive dismissal or any other event similar thereto), or death or disability, or when there is any other due reason specifically provided by the Board of Directors. ・ Partial exercise of stock acquisition rights is not allowed.
Assignment of stock acquisition rights*	Acquisition of stock acquisition rights by assignment shall require approval of the Board of Directors.
Issuance of stock acquisition rights associated with the Company's restructuring*	Not applicable

* The information above is as of December 31, 2022 and remains the same as of February 28, 2023.

(Notes) 1. The number of underlying shares per unit of stock acquisition right is one share of the Company's common stock.

2. In the event that the Company carries out a stock split (including gratis allocation) or stock consolidation, the number of underlying shares shall be adjusted according to the formula outlined below. However, such adjustment shall be made only to those subject to stock acquisition rights unexercised at the time of such adjustment.

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

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

3. Any fraction less than one share included in the number of shares to be issued to the holders of the stock acquisition rights who have exercised the rights shall be rounded down.

2) Resolution at the Board of Directors on May 12, 2021

Date of resolution	March 25, 2021
Category and number of eligible persons (persons)	Director of the Company: 1
Number of stock acquisition rights (units)*	17,830 (Note) 1
Class, description and number of underlying shares (shares)*	Common stock 17,830 (Notes) 2, 3
Amount to be paid upon exercise of stock acquisition rights (yen)*	No cash payment or contribution of assets is required.
Exercise period of stock acquisition rights*	From May 27, 2021 to March 15, 2025
Issue price and the amount of capital stock to be increased by issuance of shares upon exercise of stock acquisition rights (yen)*	Issue price: Between 2,303 and 2,577 Amount of capital stock to be increased: Between 1,152 and 1,289
Conditions for exercise of stock acquisition rights*	・ Part of the units granted shall vest upon conclusion of each of the Annual General Meetings of Shareholders to be held in 2022, 2023 and 2024, with the remainder to vest based on a predefined performance achievement rate during the period up to the date of the Annual General Meeting of Shareholders to be held in 2024. ・ Only directors (including former directors) may exercise stock acquisition rights. Specifically, the person must be a director of the Company at the time of the exercise to be eligible, and those who are no longer a director may exercise the stock acquisition rights only if they lose their position as a director due to retirement, resignation or dismissal (excluding punitive dismissal or any other event similar thereto), or death or disability, or when there is any other due reason specifically provided by the Board of Directors. ・ Partial exercise of stock acquisition rights is not allowed.
Assignment of stock acquisition rights*	Acquisition of stock acquisition rights by assignment shall require approval of the Board of Directors.
Issuance of stock acquisition rights associated with the Company's restructuring*	Not applicable

* The information above is as of December 31, 2022 and remains the same as of February 28, 2023.

(Notes) 1. The number of underlying shares per unit of stock acquisition right is one share of the Company's common stock.

2. In the event that the Company carries out a stock split (including gratis allocation) or stock consolidation, the number of underlying shares shall be adjusted according to the formula outlined below. However, such adjustment shall be made only to those subject to stock acquisition rights unexercised at the time of such adjustment.

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

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

3. Any fraction less than one share included in the number of shares to be issued to the holders of the stock acquisition rights who have exercised the rights shall be rounded down.

3) Resolution at the Board of Directors on March 25, 2022

Date of resolution	March 25, 2021
Category and number of eligible persons (persons)	Directors of the Company: 2
Number of stock acquisition rights (units)*	8,290 (Note) 1
Class, description and number of underlying shares (shares) *	Common stock 8,290 (Notes) 2, 3
Amount to be paid upon exercise of stock acquisition rights (yen)*	No cash payment or contribution of assets is required.
Exercise period of stock acquisition rights*	From April 12, 2022 to March 15, 2024
Issue price and the amount of capital stock to be increased by issuance of shares upon exercise of stock acquisition rights (yen)*	Issue price: 2,986 Amount of capital stock to be increased: 1,493
Conditions for exercise of stock acquisition rights*	・ All units granted shall vest upon conclusion of the Annual General Meeting of Shareholders to be held in 2023. ・ Only directors (including former directors) may exercise stock acquisition rights. Specifically, the person must be a director of the Company at the time of the exercise to be eligible, and those who are no longer a director may exercise the stock acquisition rights only if they lose their position as a director due to retirement, resignation or dismissal (excluding punitive dismissal or any other event similar thereto), or death or disability, or when there is any other due reason specifically provided by the Board of Directors. ・ Partial exercise of stock acquisition rights is not allowed.
Assignment of stock acquisition rights*	Acquisition of stock acquisition rights by assignment shall require approval of the Board of Directors.
Issuance of stock acquisition rights associated with the Company's restructuring*	Not applicable

* The information above is as of December 31, 2022 and remains the same as of February 28, 2023.

(Notes) 1. The number of underlying shares per unit of stock acquisition right is one share of the Company's common stock.

2. In the event that the Company carries out a stock split (including gratis allocation) or stock consolidation, the number of underlying shares shall be adjusted according to the formula outlined below. However, such adjustment shall be made only to those subject to stock acquisition rights unexercised at the time of such adjustment.

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

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

3. Any fraction less than one share included in the number of shares to be issued to the holders of the stock acquisition rights who have exercised the rights shall be rounded down.

4) Resolution at the Board of Directors on March 24, 2023

Date of resolution	March 25, 2021
Category and number of eligible persons (persons)	Directors of the Company: 2
Number of stock acquisition rights (units)	8,004 (Note) 1
Class, description and number of underlying shares (shares)	Common stock 8,004 (Notes) 2, 3
Amount to be paid upon exercise of stock acquisition rights (yen)	No cash payment or contribution of assets is required.
Exercise period of stock acquisition rights	From April 11, 2023 to March 15, 2025
Issue price and the amount of capital stock to be increased by issuance of shares upon exercise of stock acquisition rights (yen)	Issue price: to be determined based on the closing price of the Company's common stock in regular transactions on the Tokyo Stock Exchange on the date of allotment of stock acquisition rights. Amount of capital stock to be increased: to be determined based on the closing price of the Company's common stock in regular transactions on the Tokyo Stock Exchange on the date of allotment of stock acquisition rights.
Conditions for exercise of stock acquisition rights	・ All units granted shall vest upon conclusion of the Annual General Meeting of Shareholders to be held in 2024. ・ Only directors (including former directors) may exercise stock acquisition rights. Specifically, the person must be a director of the Company at the time of the exercise to be eligible, and those who are no longer a director may exercise the stock acquisition rights only if they lose their position as a director due to retirement, resignation or dismissal (excluding punitive dismissal or any other event similar thereto), or death or disability, or when there is any other due reason specifically provided by the Board of Directors. ・ Partial exercise of stock acquisition rights is not allowed.
Assignment of stock acquisition rights	Acquisition of stock acquisition rights by assignment shall require approval of the Board of Directors.
Issuance of stock acquisition rights associated with the Company's restructuring	Not applicable

(Notes) 1. The number of underlying shares per unit of stock acquisition right is one share of the Company's common stock.

2. In the event that the Company carries out a stock split (including gratis allocation) or stock consolidation, the number of underlying shares shall be adjusted according to the formula outlined below. However, such adjustment shall be made only to those subject to stock acquisition rights unexercised at the time of such adjustment.

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

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

3. Any fraction less than one share included in the number of shares to be issued to the holders of the stock acquisition rights who have exercised the rights shall be rounded down.

(vi) Resolution at the Annual General Meeting of Shareholders held on March 25, 2021

Pursuant to the Companies Act, it was resolved at the Annual General Meeting of Shareholders held on March 25, 2021 to issue stock acquisition rights to certain employees of the Company and certain directors and employees of its subsidiaries under particularly preferential terms.

1) Resolution at the Board of Directors on July 1, 2021

Date of resolution	March 25, 2021
Category and number of eligible persons (persons)	Directors and employees of the Company's subsidiaries: 18
Number of stock acquisition rights (units) *	730,000 [670,000] (Note) 1
Class, description and number of underlying shares (shares) *	Common stock 730,000 [670,000] (Notes) 2, 3
Amount to be paid upon exercise of stock acquisition rights (yen) *	2,325 (Note) 4
Exercise period of stock acquisition rights *	From July 12, 2021 to July 11, 2027
Issue price and the amount of capital stock to be increased by issuance of shares upon exercise of stock acquisition rights (yen) *	Issue price: 2,325 Amount of capital stock to be increased: 1,163
Conditions for exercise of stock acquisition rights*	・One third (1/3) of the units granted shall vest on the day on which one year has elapsed from the allotment date. Thereafter, one twelfth (1/12) of the units granted shall vest every three months until the day on which three years have elapsed from the allotment date. The vested stock acquisition rights may be exercised during the exercise period only if terms and conditions for the issuance and other conditions for exercise set forth in the Stock Acquisition Rights Allotment Agreement are satisfied. ・In principle, holders of stock acquisition rights must continue to be director or employee of the Company or its subsidiary from the allotment date up to the date of exercise to be eligible to exercise the right. ・Partial exercise of stock acquisition rights is not allowed.
Assignment of stock acquisition rights *	Stock acquisition rights cannot be assigned or pledged as collateral.
Issuance of stock acquisition rights associated with the Company's restructuring *	Not applicable

* The information above is as of December 31, 2022 and remains the same as of February 28, 2023, except for the items modified during the period between December 31, 2022 and February 28, 2023, for which the information as of February 28, 2023 is shown in brackets.

(Notes) 1. The number of underlying shares per unit of stock acquisition right is one share of the Company's common stock.

2. In the event that the Company carries out a stock split (including gratis allocation) or stock consolidation, the number of underlying shares shall be adjusted according to the formula outlined below. However, such adjustment shall be made only to those subject to stock acquisition rights unexercised at the time of such adjustment.

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

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

3. Any fraction less than one share included in the number of shares to be issued to the holders of the stock acquisition rights who have exercised the rights shall be rounded down.

4. In the event that the Company splits its common stock (including gratis allocation) or consolidates its common stock after the allotment date, the exercise price shall be adjusted according to the formula outlined below. Any fraction less than one yen shall be rounded up.

$$\text{Exercise price after adjustment} = \text{Exercise price before adjustment} \times \frac{1}{\text{Ratio of split or consolidation}}$$

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

2) Resolution at the Board of Directors on September 22, 2021

Date of resolution	March 25, 2021
Category and number of eligible persons (persons)	Employees of the Company: 19 Directors and employees of the Company's subsidiaries: 253
Number of stock acquisition rights (units) *	10,098,102 [9,516,448] (Note) 1
Class, description and number of underlying shares (shares) *	Common stock 10,098,102 [9,516,448] (Notes) 2, 3
Amount to be paid upon exercise of stock acquisition rights (yen) *	1,759 (Note) 4
Exercise period of stock acquisition rights *	(Qualified stock option) From September 22, 2023 to September 30, 2027 (Non-qualified stock option) From October 1, 2021 to September 30, 2027
Issue price and the amount of capital stock to be increased by issuance of shares upon exercise of stock acquisition rights (yen) *	Issue price: 1,759 Amount of capital stock to be increased: 880
Conditions for exercise of stock acquisition rights*	・One third (1/3) of the units granted shall vest on the day on which one year has elapsed from the allotment date. Thereafter, one twelfth (1/12) of the units granted shall vest every three months until the day on which three years have elapsed from the allotment date. The vested stock acquisition rights may be exercised during the exercise period only if terms and conditions for the issuance and other conditions for exercise set forth in the Stock Acquisition Rights Allotment Agreement are satisfied. ・In principle, holders of stock acquisition rights must continue to be director or employee of the Company or its subsidiary from the allotment date up to the date of exercise to be eligible to exercise the right. ・Partial exercise of stock acquisition rights is not allowed.
Assignment of stock acquisition rights *	Stock acquisition rights cannot be assigned or pledged as collateral.
Issuance of stock acquisition rights associated with the Company's restructuring *	Not applicable

* The information above is as of December 31, 2022 and remains the same as of February 28, 2023, except for the items modified during the period between December 31, 2022 and February 28, 2023, for which the information as of February 28, 2023 is shown in brackets.

(Notes) 1. The number of underlying shares per unit of stock acquisition right is one share of the Company's common stock.

2. In the event that the Company carries out a stock split (including gratis allocation) or stock consolidation, the number of underlying shares shall be adjusted according to the formula outlined below. However, such adjustment shall be made only to those subject to stock acquisition rights unexercised at the time of such adjustment.

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

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

3. Any fraction less than one share included in the number of shares to be issued to the holders of the stock acquisition rights who have exercised the rights shall be rounded down.

4. In the event that the Company splits its common stock (including gratis allocation) or consolidates its common stock after the allotment date, the exercise price shall be adjusted according to the formula outlined below. Any fraction less than one yen shall be rounded up.

$$\text{Exercise price after adjustment} = \text{Exercise price before adjustment} \times \frac{1}{\text{Ratio of split or consolidation}}$$

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

3) Resolution at the Board of Directors on November 9, 2021

Date of resolution	March 25, 2021
Category and number of eligible persons (persons)	Employee of the Company: 1 Employee of the Company's subsidiary: 1
Number of stock acquisition rights (units) *	115,000 [110,000] (Note) 1
Class, description and number of underlying shares (shares) *	Common stock 115,000 [110,000] (Notes) 2, 3
Amount to be paid upon exercise of stock acquisition rights (yen) *	2,498 (Note) 4
Exercise period of stock acquisition rights *	(Qualified stock option) From November 9, 2023 to November 16, 2027 (Non-qualified stock option) From November 17, 2021 to November 16, 2027
Issue price and the amount of capital stock to be increased by issuance of shares upon exercise of stock acquisition rights (yen) *	Issue price: 2,498 Amount of capital stock to be increased: 1,249
Conditions for exercise of stock acquisition rights*	・One third (1/3) of the units granted shall vest on the day on which one year has elapsed from the allotment date. Thereafter, one twelfth (1/12) of the units granted shall vest every three months until the day on which three years have elapsed from the allotment date. The vested stock acquisition rights may be exercised during the exercise period only if terms and conditions for the issuance and other conditions for exercise set forth in the Stock Acquisition Rights Allotment Agreement are satisfied. ・In principle, holders of stock acquisition rights must continue to be director or employee of the Company or its subsidiary from the allotment date up to the date of exercise to be eligible to exercise the right. ・Partial exercise of stock acquisition rights is not allowed.
Assignment of stock acquisition rights *	Stock acquisition rights cannot be assigned or pledged as collateral.
Issuance of stock acquisition rights associated with the Company's restructuring *	Not applicable

* The information above is as of December 31, 2022 and remains the same as of February 28, 2023, except for the items modified during the period between December 31, 2022 and February 28, 2023, for which the information as of February 28, 2023 is shown in brackets.

(Notes) 1. The number of underlying shares per unit of stock acquisition right is one share of the Company's common stock.

2. In the event that the Company carries out a stock split (including gratis allocation) or stock consolidation, the number of underlying shares shall be adjusted according to the formula outlined below. However, such adjustment shall be made only to those subject to stock acquisition rights unexercised at the time of such adjustment.

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

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

3. Any fraction less than one share included in the number of shares to be issued to the holders of the stock acquisition rights who have exercised the rights shall be rounded down.

4. In the event that the Company splits its common stock (including gratis allocation) or consolidates its common stock after the allotment date, the exercise price shall be adjusted according to the formula outlined below. Any fraction less than one yen shall be rounded up.

$$\text{Exercise price after adjustment} = \text{Exercise price before adjustment} \times \frac{1}{\text{Ratio of split or consolidation}}$$

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

(vii) Resolution at the Annual General Meeting of Shareholders held on March 25, 2022

Pursuant to the Companies Act, it was resolved at the Annual General Meeting of Shareholders held on March 25, 2022 to issue stock acquisition rights to certain employees of the Company and certain directors and employees of its subsidiaries under particularly preferential terms.

Resolution at the Board of Directors on May 12, 2022

Date of resolution	March 25, 2022
Category and number of eligible persons (persons)	Employees of the Company's subsidiaries: 4
Number of stock acquisition rights (units)*	265,000 (Note) 1
Class, description and number of underlying shares (shares)*	Common stock 265,000 (Notes) 2, 3
Amount to be paid upon exercise of stock acquisition rights (yen)*	3,065 (Note) 4
Exercise period of stock acquisition rights*	From May 13, 2022 to May 12, 2028
Issue price and the amount of capital stock to be increased by issuance of shares upon exercise of stock acquisition rights (yen)*	Issue price: 3,065 Amount of capital stock to be increased: 1,533
Conditions for exercise of stock acquisition rights*	・One third (1/3) of the units granted shall vest on the day on which one year has elapsed from the allotment date. Thereafter, one twelfth (1/12) of the units granted shall vest every three months until the day on which three years have elapsed from the allotment date. The vested stock acquisition rights may be exercised during the exercise period only if terms and conditions for the issuance and other conditions for exercise set forth in the Stock Acquisition Rights Allotment Agreement are satisfied. ・In principle, holders of stock acquisition rights must continue to be director or employee of the Company or its subsidiary from the allotment date up to the date of exercise to be eligible to exercise the right. ・Partial exercise of stock acquisition rights is not allowed.
Assignment of stock acquisition rights*	Stock acquisition rights cannot be assigned or pledged as collateral.
Issuance of stock acquisition rights associated with the Company's restructuring*	Not applicable

* The information above is as of December 31, 2022 and remains the same as of February 28, 2023.

(Notes) 1. The number of underlying shares per unit of stock acquisition right is one share of the Company's common stock.

2. In the event that the Company carries out a stock split (including gratis allocation) or stock consolidation, the number of underlying shares shall be adjusted according to the formula outlined below. However, such adjustment shall be made only to those subject to stock acquisition rights unexercised at the time of such adjustment.

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

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

3. Any fraction less than one share included in the number of shares to be issued to the holders of the stock acquisition rights who have exercised the rights shall be rounded down.

4. In the event that the Company splits its common stock (including gratis allocation) or consolidates its common stock after the allotment date, the exercise price shall be adjusted according to the formula outlined below. Any fraction less than one yen shall be rounded up.

$$\text{Exercise price after adjustment} = \text{Exercise price before adjustment} \times \frac{1}{\text{Ratio of split or consolidation}}$$

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

(viii) Resolution at the Annual General Meeting of Shareholders held on March 24, 2023

Pursuant to the Companies Act, it was resolved at the Annual General Meeting of Shareholders held on March 24, 2023 to issue stock acquisition rights as equity-based stock options to directors of the Company. This does not fall under issuance with preferential terms as stock acquisition rights are issued as directors' compensation, etc.

1) Resolution at the Annual General Meeting of Shareholders held on March 24, 2023

Date of resolution	March 24, 2023
Category and number of eligible persons (persons)	Directors of the Company: 5
Number of stock acquisition rights (units)	Up to 620,000 (Note) 2
Class, description and number of underlying shares (shares)	Common stock up to 620,000 (Notes) 3, 4
Amount to be paid upon exercise of stock acquisition rights (yen)	No cash payment or contribution of assets is required.
Exercise period of stock acquisition rights	Ten years from the allotment date of the stock acquisition rights. If the last date of the exercise period is a non-business day of the Company, it shall be the business day immediately preceding such date.
Issue price and the amount of capital stock to be increased by issuance of shares upon exercise of stock acquisition rights (yen)	i) The amount of capital stock to be increased by the issuance of shares upon exercise of stock acquisition rights shall be one-half of the maximum limit on the increase in capital stock as calculated pursuant to Article 17, Paragraph 1 of the Regulation on Corporate Accounting. Any fraction of less than one yen shall be rounded up. ii) The amount of capital reserve to be increased by the issuance of shares upon exercise of stock acquisition rights shall be the maximum limit on the increase in capital stock provided in i) above less the amount of increased capital stock stipulated in i) above.
Conditions for the exercise of stock acquisition rights	Only directors (including former directors) may exercise stock acquisition rights. Specifically, the person must be a director of the Company at the time of the exercise to be eligible, and those who are no longer a director may exercise the stock acquisition rights only if they lose their position as a director due to retirement, resignation or dismissal (excluding punitive dismissal or any other event similar thereto), or death or disability, or when there is any other due reason specifically provided by the Board of Directors.
Assignment of stock acquisition rights	Acquisition of stock acquisition rights by assignment shall require approval of the Board of Directors.
Issuance of stock acquisition rights associated with the Company's restructuring	Not applicable.

(Notes) 1. Matters not described above shall be determined pursuant to the resolution of the Board of Directors meeting held after the Annual General Meeting of Shareholders held on March 24, 2023.

2. The number of underlying shares per unit of stock acquisition right is one share of the Company's common stock.

3. In the event that the Company carries out a stock split (including gratis allocation) or stock consolidation, the number of underlying shares shall be adjusted according to the formula outlined below. However, such adjustment shall be made only to those subject to stock acquisition rights unexercised at the time of such adjustment.

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

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

4. Any fraction less than one share included in the number of shares to be issued to the holders of the stock acquisition rights who have exercised the rights shall be rounded down.

2) Resolution at the Board of Directors on March 24, 2023

Date of resolution	March 24, 2023
Category and number of eligible persons (persons)	Directors of the Company: 1
Number of stock acquisition rights (units)	12,008 (Note) 1
Class, description and number of underlying shares (shares)	Common stock 12,008 (Notes) 2, 3
Amount to be paid upon exercise of stock acquisition rights (yen)	No cash payment or contribution of assets is required.
Exercise period of stock acquisition rights	From April 11, 2023 to March 15, 2027
Issue price and the amount of capital stock to be increased by issuance of shares upon exercise of stock acquisition rights (yen)	Issue price: to be determined based on the closing price of the Company's common stock in regular transactions on the Tokyo Stock Exchange on the date of allotment of stock acquisition rights. Amount of capital stock to be increased: to be determined based on the closing price of the Company's common stock in regular transactions on the Tokyo Stock Exchange on the date of allotment of stock acquisition rights.
Conditions for the exercise of stock acquisition rights	・ One third (1/3) of the units granted shall vest upon conclusion of each of the Annual General Meetings of Shareholders to be held in 2024, 2025 and 2026. ・ Only directors (including former directors) may exercise stock acquisition rights. Specifically, the person must be a director of the Company at the time of the exercise to be eligible, and those who are no longer a director may exercise the stock acquisition rights only if they lose their position as a director due to retirement, resignation or dismissal (excluding punitive dismissal or any other event similar thereto), or death or disability, or when there is any other due reason specifically provided by the Board of Directors. ・ Partial exercise of stock acquisition rights is not allowed.
Assignment of stock acquisition rights	Acquisition of stock acquisition rights by assignment shall require approval of the Board of Directors.
Issuance of stock acquisition rights associated with the Company's restructuring	Not applicable.

(Notes) 1. The number of underlying shares per unit of stock acquisition right is one share of the Company's common stock.

2. In the event that the Company carries out a stock split (including gratis allocation) or stock consolidation, the number of underlying shares shall be adjusted according to the formula outlined below. However, such adjustment shall be made only to those subject to stock acquisition rights unexercised at the time of such adjustment.

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

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

3. Any fraction less than one share included in the number of shares to be issued to the holders of the stock acquisition rights who have exercised the rights shall be rounded down.

(b) 【Contents of rights plan】

Not applicable.

(c) 【Other stock acquisition rights】

Not applicable.

(3) 【Exercise status of convertible bonds with an exercise price adjustment clause, etc.】

Not applicable.

(4) 【Changes in the total number of outstanding shares, capital stock, etc.】

Date	Changes in total number of outstanding shares (shares)	Total number of outstanding shares (shares)	Changes in capital stock (¥ million)	Balance of capital stock (¥ million)	Changes in capital reserve (¥ million)	Balance of capital reserve (¥ million)
January 1, 2018 to March 31, 2018 (Note 1)	3,610,000	443,794,332	2,438	11,621	2,438	10,871
April 1, 2018 (Note 2)	443,794,332	887,588,664	—	11,621	—	10,871
April 2, 2018 to December 31, 2018 (Note 1)	6,690,000	894,278,664	2,578	14,199	2,578	13,449
January 1, 2019 to September 30, 2019 (Note 1)	4,922,000	899,200,664	2,062	16,261	2,062	15,511
September 30, 2019 (Note 3)	1,399,896	900,600,560	1,093	17,354	1,093	16,604
October 1, 2019 to December 31, 2019 (Note 1)	930,000	901,530,560	403	17,757	403	17,007
January 1, 2020 to February 28, 2020 (Note 1)	2,046,000	903,576,560	879	18,636	879	17,886
February 28, 2020 (Note 4)	(20,971,021)	882,605,539	—	18,636	—	17,886
February 29, 2020 to December 31, 2020 (Note 1)	4,356,000	886,961,539	3,834	22,470	3,834	21,720
January 1, 2021 to August 23, 2021 (Note 1)	2,816,000	889,777,539	2,520	24,990	2,520	24,240
August 23, 2021 (Note 5)	7,388,930	897,166,469	7,814	32,804	7,814	32,054
August 24, 2021 to December 31, 2021 (Note 1)	1,580,000	898,746,469	1,363	34,167	1,363	33,417
January 1, 2022 to April 13, 2022 (Note 1)	950,862	899,697,331	813	34,980	813	34,230
April 13, 2022 (Note 6)	355,673	900,053,004	541	35,521	541	34,771
April 14, 2022 to May 10, 2022 (Note 1)	714,000	900,767,004	525	36,046	525	35,296
May 10, 2022 (Note 7)	63,983	900,830,987	94	36,140	94	35,390
May 11, 2022 to June 27, 2022 (Note 1)	1,092,862	901,923,849	1,060	37,200	1,060	36,450
June 27, 2022 (Note 8)	11,289	901,935,138	16	37,216	16	36,466
June 28, 2022 to July 26, 2022 (Note 1)	34,000	901,969,138	37	37,253	37	36,503
July 26, 2022 (Note 9)	22,572	901,991,710	34	37,287	34	36,537
July 27, 2022 to August 31, 2022 (Note 1)	452,420	902,444,130	481	37,768	481	37,018
August 31, 2022 (Note 10)	(36,571,300)	865,872,830	—	37,768	—	37,018
September 1, 2022 to December 31, 2022 (Note 1)	900,898	866,773,728	1,113	38,881	1,113	38,131

(Notes) 1. An increase due to exercise of stock acquisition rights.
2. Due to a two-for-one stock split of common stock.
3. Third-party allotment with payment (third-party allotment as part of acquisition consideration for the business combination of Embark Studios AB)
Issue price: ¥1,561.22
Capital incorporation: ¥780.61
Allottees: Six shareholders of common stock of Embark Studios AB
4. Treasury stock purchased of 20,971,021 shares were all retired on February 28, 2020.
5. Third-party allotment with payment (third-party allotment to shareholders of Embark Studios AB)
Issue price: ¥2,115
Capital incorporation: ¥1,057.5
Allottees: Shareholders of common stock of Embark Studios AB (six individuals and one foundation)
Refer to "V. Financial Information, 1. Consolidated Financial Statements, etc., Notes to consolidated financial statements, 22 Equity and other equity interest" for details of the third-party allotment.
6. Third-party allotment with payment (third-party allotment to employees of Embark Studios AB)
Issue price: ¥3,040
Capital incorporation: ¥1,520
Allottees: Employees of Embark Studios AB (25 individuals)
7. Third-party allotment with payment (third-party allotment to employees of Embark Studios AB)
Issue price: ¥2,944
Capital incorporation: ¥1,472
Allottees: Employees of Embark Studios AB (five individuals)
8. Third-party allotment with payment (third-party allotment to employees of Embark Studios AB)
Issue price: ¥2,863
Capital incorporation: ¥1,431.5
Allottees: Employees of Embark Studios AB (three individuals)
9. Third-party allotment with payment (third-party allotment to employees of Embark Studios AB)
Issue price: ¥3,020
Capital incorporation: ¥1,510
Allottees: Employees of Embark Studios AB (14 individuals)
10. Treasury stock purchased of 36,571,300 shares were all retired on August 31, 2022.
11. Between January 1, 2023 and February 28, 2023, the total number of outstanding shares increased by 1,011,986 shares and the amount of capital stock and capital reserve increased by ¥1,135 million, respectively, due to exercise of stock acquisition rights.

(5) 【Shareholdings by shareholder category】

As of December 31, 2022

Category	Stock information (One unit = 100 shares)								Shares less than one trading unit (shares)
	Government and local public authorities	Financial institutions	Financial instruments business operators	Other corporations	Foreign corporations, etc.		Individuals and other	Total	
					Other than individuals	Individuals			
Number of shareholders (persons)	—	25	23	21	712	53	1,894	2,728	—
Number of shares held (units)	—	1,485,891	80,390	10,150	6,780,974	188,577	121,545	8,667,527	21,028
Percentage of shares held (%)	—	17.1	0.9	0.1	78.2	2.2	1.4	100.0	—

(Notes) 1. Number of shares held (units) of "Individuals and other" above includes 5,168,300 shares of treasury stock.
2. "Shares less than one trading unit" above includes 77 shares of treasury stock.

(6) 【Major shareholders】

As of December 31, 2022

Name	Address	Number of shares held (shares)	Percentage of shares held to total outstanding shares (excluding treasury stock) (%)
NXC Corporation (Standing proxy: The Company) (Standing proxy: SMBC Nikko Securities Inc.) (Standing proxy: Citibank, N.A., Tokyo branch)	17, EUNSU-GIL, JEJU-SI, JEJU-DO, 63141, KOREA (1-4-5 Roppongi, Minato-ku, Tokyo) (1-5-1 Marunouchi, Chiyoda-ku, Tokyo) (6-27-30 Shinjuku, Shinjuku-ku, Tokyo)	253,262,800	29.4
NXMH BV (Standing proxy: The Company) (Standing proxy: Sumitomo Mitsui Banking Corporation) (Standing proxy: Mizuho Bank, Ltd., Settlement & Clearing Services Department) (Standing proxy: Goldman Sachs Japan Co., Ltd.)	LOUIZALAAN 326 BOX24, B-1050 ELSENE (BRUSSELS) BELGIUM (1-4-5 Roppongi, Minato-ku, Tokyo) (1-1-2 Marunouchi, Chiyoda-ku, Tokyo) (2-15-1 Konan, Minato-ku, Tokyo) (6-10-1 Roppongi, Minato-ku, Tokyo)	145,111,400	16.8
The Master Trust Bank of Japan, Ltd. (trust account)	2-11-3 Hamamatsucho, Minato-ku, Tokyo	103,154,100	12.0
JP MORGAN CHASE BANK 380815 (Standing proxy: Mizuho Bank, Ltd., Settlement & Clearing Services Department)	25 BANK STREET, CANARY WHARF, LONDON, E14 5JP, U.K. (2-15-1 Konan, Minato-ku, Tokyo)	88,548,900	10.3
HSBC-FUND SERVICES CLIENTS A/C 006 (Standing proxy: The Hongkong and Shanghai Banking Corporation Limited, Tokyo branch, Custody services)	LEVEL 13, 1 QUEEN’S ROADCENTRAL, HONG KONG (3-11-1 Nihonbashi, Chuo-ku, Tokyo)	38,428,600	4.5
Custody Bank of Japan, Ltd. (trust account)	1-8-12 Harumi, Chuo-ku, Tokyo	37,703,589	4.4
KOREA SECURITIES DEPOSITORY-SAMSUNG (Standing proxy: Citibank, N.A., Tokyo branch)	34-6, YEOUIDO-DONG, YEONGDEUNGPO-GU, SEOUL, KOREA (6-27-30 Shinjuku, Shinjuku-ku, Tokyo)	10,163,700	1.2
Min Seo (Standing proxy: Mizuho Securities, Co., Ltd.)	YONGSAN-GU, SEOUL, KOREA (1-5-1 Otemachi, Chiyoda-ku, Tokyo)	9,715,000	1.1
STATE STREET BANK WEST CLIENT - TREATY 505234 (Standing proxy: Mizuho Bank, Ltd., Settlement & Clearing Services Department)	1776 HERITAGE DRIVE, NORTH QUINCY, MA 02171 U.S.A. (2-15-1 Konan, Minato-ku, Tokyo)	8,077,448	0.9
J.P. MORGAN SECURITIES PLC (Standing proxy: JPMorgan Securities Japan Co., Ltd.)	25 BANK STREET CANARY WHARF LONDON U.K. (2-7-3 Marunouchi, Chiyoda-ku, Tokyo)	7,755,969	0.9
Total	—	701,921,506	81.5

(Note) The Amendment Report to the Large Shareholding Report made available for public inspection as of April 13, 2022, shows that Public Investment Fund holds shares shown below as of April 8, 2022, but it is not included in major shareholders listed above as the Company was not able to confirm the actual number of shares held by the company as of December 31, 2022.

The Detail of the Amendment Report to the Large Shareholding Report is as follows:

Name	Address	Number of share certificates, etc. held (shares)	Ratio of share certificates, etc. held (%)
Public Investment Fund	AlRaidah Digital City, Building MU04, Al Nakheel District, P.O. Box 6847, Riyadh, 11452, Kingdom of Saudi Arabia	82,226,400	9.14

(7) 【Voting rights】

(a) 【Outstanding shares】

As of December 31, 2022

Category	Number of shares (shares)	Number of voting rights (units)	Description
Non-voting shares	—	—	—
Shares with restricted voting rights (treasury stock, etc.)	—	—	—
Shares with restricted voting rights (other)	—	—	—
Shares with full voting rights (treasury stock, etc.)	(Treasury stock) Common stock 5,168,300	—	—
Shares with full voting rights (other)	Common stock 861,584,400	8,615,844	Standard shares of the Company with no restrictions on rights
Shares less than one trading unit	Common stock 21,028	—	Same as above
Total number of outstanding shares	866,773,728	—	—
Total number of voting rights	—	8,615,844	—

(Note) Common stock in “Shares less than one trading unit” includes treasury stock held by the Company of 77 shares.

(b) 【Treasury stock】

As of December 31, 2022

Name of the holder	Address of the holder	Number of shares held in their own name (shares)	Number of shares held in the name of another (shares)	Total number of shares held (shares)	Ratio of the number of shares held to the total number of outstanding shares (%)
(Treasury stock) NEXON Co., Ltd.	1-4-5 Roppongi, Minato-ku, Tokyo	5,168,300	—	5,168,300	0.6
Total	—	5,168,300	—	5,168,300	0.6

(Note) The number of shares of treasury stock above does not include 77 shares of “Shares less than one trading unit.”

2 【Information on Purchase, etc. of Treasury Stock】

【Class of shares, etc.】 Purchase of common stock under Article 155, Item 3 and Item 7 of the Companies Act.

(1) 【Purchase approved at the Annual General Meeting of Shareholders】

Not applicable.

(2) 【Purchase approved at the Board of Directors meeting】

Category	Number of shares (shares)	Total value (yen)
Status of approval at the Board of Directors (November 19, 2021) (Acquisition period: November 22, 2021 to April 28, 2022)	26,000,000	40,000,000,000
Treasury stock purchased prior to the fiscal year ended December 31, 2022	7,042,600	16,031,623,066
Treasury stock purchased during the fiscal year ended December 31, 2022	9,340,200	23,967,954,155
Total number and value of remaining approved shares	9,617,200	422,779
Unexercised ratio as of December 31, 2022 (%)	37.0	0.0
Treasury stock acquired during the current period	—	—
Unexercised ratio as of the filing date (%)	37.0	0.0

Category	Number of shares (shares)	Total value (yen)
Status of approval at the Board of Directors (June 14, 2022) (Acquisition period: June 15, 2022 to June 30, 2022)	26,000,000	60,000,000,000
Treasury stock purchased prior to the fiscal year ended December 31, 2022	—	—
Treasury stock purchased during the fiscal year ended December 31, 2022	20,188,400	59,999,924,800
Total number and value of remaining approved shares	5,811,600	75,200
Unexercised ratio as of December 31, 2022 (%)	22.4	0.0
Treasury stock acquired during the current period	—	—
Unexercised ratio as of the filing date (%)	22.4	0.0

Category	Number of shares (shares)	Total value (yen)
Status of approval at the Board of Directors (November 9, 2022) (Acquisition period: November 10, 2022 to April 19, 2023)	25,000,000	50,000,000,000
Treasury stock purchased prior to the fiscal year ended December 31, 2022	—	—
Treasury stock purchased during the fiscal year ended December 31, 2022	5,168,300	14,799,274,687
Total number and value of remaining approved shares	19,831,700	35,200,725,313
Unexercised ratio as of December 31, 2022 (%)	79.3	70.4
Treasury stock acquired during the current period*	6,423,600	19,406,881,053
Unexercised ratio as of the filing date (%)	53.6	31.6

* The information above is as of February 28, 2023.

(3) 【Purchase not based on approval at the Annual General Meeting of Shareholders or Board of Directors meeting】

Category	Number of shares (shares)	Total value (yen)
Treasury stock purchased during the fiscal year ended December 31, 2022	110	331,980
Treasury stock purchased during the current period	49	152,145

(Note) Treasury stock purchased during the current period does not include the number of shares less than one trading unit purchased during the period from March 1, 2023 to the filing date of this annual securities report.

(4) 【Status of disposition and holding of purchased treasury stock】

Category	Fiscal year ended December 31, 2022		Current period	
	Number of shares (shares)	Total disposition amount (yen)	Number of shares (shares)	Total disposition amount (yen)
Purchased treasury stock offered to subscribers	—	—	—	—
Purchased treasury stock retired	36,571,300	99,999,718,535	—	—
Purchased treasury stock transferred due to merger, share exchange, share issuance or company split	—	—	—	—
Other	—	—	—	—
Number of shares of treasury stock held	5,168,377	—	11,592,026	—

(Note) Treasury stock held during the current period does not include the number of shares purchased during the period from March 1, 2023 to the filing date of this annual securities report.

3 【Dividend Policy】

The Company recognizes that the return of profits to shareholders is an important management issue. Our policy is to return profits to shareholders through dividend payments, share repurchases and other means depending on the results of operations and upon full consideration of factors including the state of shareholder equity, management results and revenue outlook. We intend to use our internal capital reserves by taking into account the balance between return of profits to shareholders and other considerations such as the expansion of our existing business and development of new businesses to strengthen our management base and enrich our future business domain, and effective investments, primarily M&As and acquisition of game publishing rights, to proactively develop our business for future growth. Our basic policy is to pay dividend twice a year as interim and year-end dividends.

In accordance with the policy above, we are scheduled to pay dividends of surplus of 10.0 yen per share for the fiscal year ended December 31, 2022 (including interim dividend of 5.0 yen per share) in consideration of factors including financial results and financial condition. Furthermore, interim and year-end dividends of 5.0 yen per share are also scheduled for the fiscal year ending December 31, 2023.

The Company decides dividends of surplus by a resolution of the Board of Directors. Furthermore, the Company's Articles of Incorporation stipulates that "The decisions of the Company with regards to dividends of surplus and other matters as stipulated under each provision of Article 459, Paragraph 1 of the Companies Act shall not require a resolution of the General Meeting of Shareholders but shall be decided by a resolution of the Board of Directors, except when otherwise provided for by laws and regulations," and that "The record date for the Company's year-end dividends shall be December 31 of each year" and "The record date for the Company's interim dividends shall be June 30 of each year."

(Note) Dividends of surplus for which the record date belongs to the fiscal year ended December 31, 2022 are as follows:

Date of resolution	Total dividend amount (¥ million)	Dividend per share (yen)
Resolution by the Board of Directors on August 9, 2022	4,327	5.0
Resolution by the Board of Directors on February 16, 2023	4,308	5.0

4【Information on Corporate Governance, etc.】

(1) 【Overview of Corporate Governance】

(a) Fundamental philosophy of corporate governance

Recognizing that its most important management issue is to balance the maximization of its corporate value and securing of the soundness in business operations through efficient and highly transparent management, the Company has stipulated (i) the maximization of shareholder value, (ii) building of a good relationship of trust with stakeholders such as users, business partners, local communities and employees, and (iii) sustainable and stable growth, as its basic policy of corporate governance.

To that end, we have been striving so that we will realize strict and legitimate supervisory function over the execution of operations, and will focus on effective design and operation of internal control systems, management always mindful of compliance, and organization management through group governance, which is mindful of appropriate cooperation with subsidiaries.

(b) Corporate governance system, etc.

(i) Overview of corporate governance system and reason for adopting such system

The Company's corporate governance system consists of the Board of Directors and the Audit and Supervisory Committee. The Compensation Committee is also established as an advisory body of the Board of Directors.

The Company's Board of Directors, consisting of eight directors (including three who are Audit and Supervisory Committee members), convenes regular meetings at least every three months and special meetings, if necessary, to perform its function to mutually supervise directors' performance of their duties by exchanging opinions and deliberating.

The Company's Audit and Supervisory Committee, consisting of three Audit and Supervisory Committee members including two independent external directors, convenes, in principle, regular meetings at least every three months and special meetings, if necessary, and performs audit of the directors' performance of their duties through operational and financial audits based on the audit plan.

A majority of the members of the Company's Compensation Committee is independent external directors and its chairperson is an independent external director. It engages the service of a compensation consultant to introduce objective external perspectives and expert opinions into the operation of the Compensation Committee, and also refers to other investigation reports provided regarding directors' compensation. Specific compensation payment amounts and performance achievement rates are finalized and determined by a resolution of the Board of Directors after a confirmation from the Compensation Committee is obtained to ensure that the level and composition of directors' compensation are appropriate and to ensure the transparency of the process in which they are decided.

The systems of the Board of Directors (BOD), the Audit and Supervisory Committee (ASC) and the Compensation Committee (CC) render our corporate governance effective.

The corporate governance system consists of the following members (◎: chairperson):

Title	Name	BOD	ASC	CC
Representative Director, President and CEO	Owen Mahoney	◎		
Representative Director, Chief Financial and Chief Administrative Officer	Shiro Uemura	○		
Director	Junghun Lee	○		
Director	Patrick Söderlund	○		
External Director	Mitchell Lasky	○		
External Director (ASC member)	Alexander Iosilevich	○	◎	○
External Director (ASC member)	Satoshi Honda	○	○	○
External Director (ASC member)	Shiro Kuniya	○	○	◎

(ii) Internal control system

The Company has approved "NEXON Corporate Governance Basic Policy," "NEXON Group Code of Conduct and Business Ethics (Code of Conduct)," and "Basic Policies relating to Internal Control Systems" at the Board of Directors meeting in order to develop the internal control system.

(iii) Risk management system

Nexon Group believes that risk management is one of the important factors in internal control. In addition to developing the "Risk Management Rules," we set up the "Risk Management (Internal Control) Project," consisting of the head of the Internal Audit Section as the project leader and other department heads as members, and prepared "Risk Map" in order to prevent risk from arising. If any risks should arise and cause serious situation, department heads will be called up based on the predetermined emergency network and a task force will be set up to handle such situation.

We also believe that another important matter in internal control is compliance. Accordingly, the Company has approved the "Compliance Regulations" at the Board of Directors meeting, established the "Compliance Committee" chaired by the head of the Legal Department, and designated the Legal Department as a "department responsible for compliance," with the aim of developing in-house compliance system.

(iv) System to ensure proper operations of the Company's subsidiaries

Nexon Group ensures proper operations of the Company's subsidiaries by, while respecting the independence of each entity with consideration for unique local circumstances, establishing a subsidiary management system in accordance with the system to ensure proper operation of the Company as described below.

・System for reporting matters regarding performance of duties by subsidiaries' directors to the Company:

The Company shall request subsidiaries' directors to report important matters and other necessary matters regularly based on the "Affiliated Company Management Rules."

・System to manage potential risks of losses of subsidiaries:

The Company shall request subsidiaries to prepare internal rules based on the Company's "Risk Management Rules" and minimize potential exposure to risk of incurring losses and to establish a system enabling timely response in cooperation with the Company in the event of serious incidents.

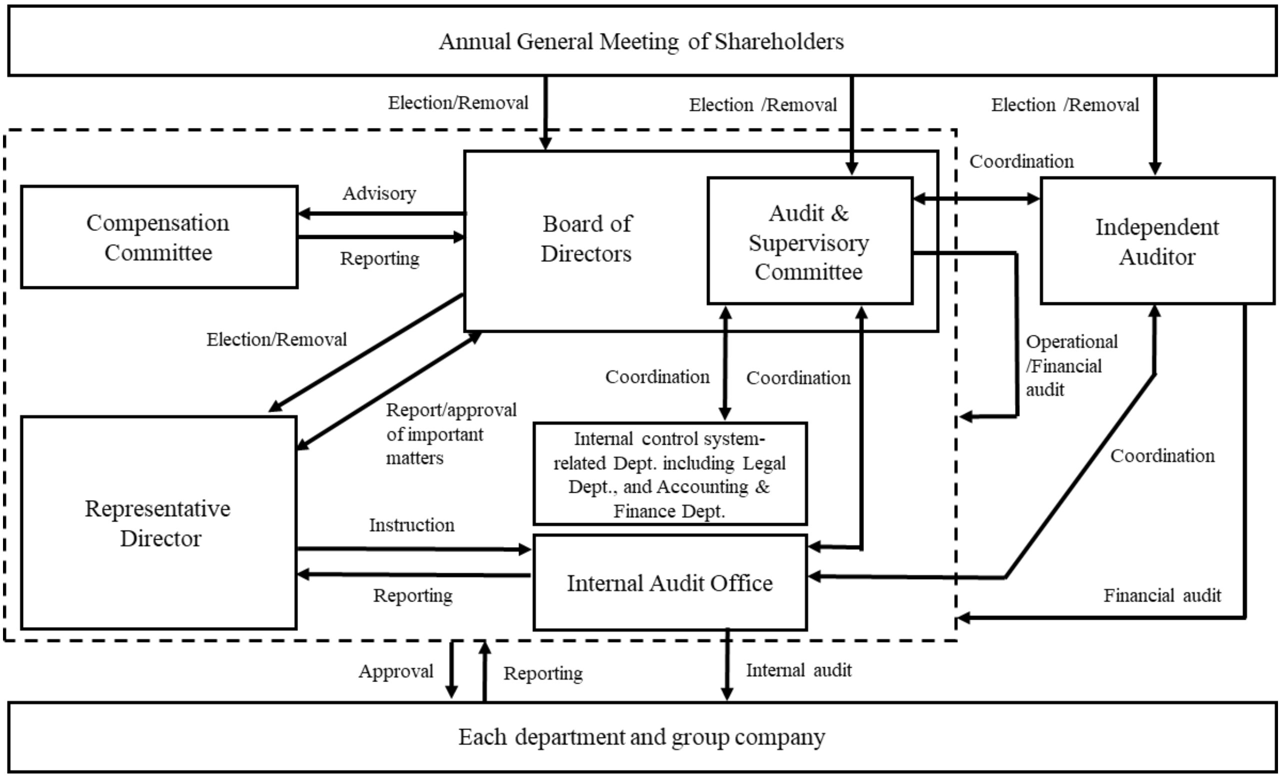
・System to ensure efficient performance of duties by subsidiaries' directors, etc.:

The Company shall request subsidiaries' directors to report the status of performance of their respective duties on a monthly basis and to improve obstructive factors in the execution of duties in a timely manner, if any.

・System to ensure that the performance of duties by directors and employees of subsidiaries complies with laws and regulations and the articles of incorporation:

The Company shall review the compliance status by collecting and obtaining relevant information through methods including audit and investigation by directors, the Internal Audit Section, the Legal Department and the Accounting & Finance Department of the Company. In addition, the Company shall request subsidiaries to take necessary measures including preventive measures.

(v) Below is a diagram of our corporate governance system described above.



(vi) Limited liability agreement

In order to ensure that they can fulfill their expected roles to the fullest extent, the Company's Articles of Incorporation stipulates that the Company may, pursuant to the provisions of Article 427, Paragraph 1 of the Companies Act, enter into agreements with its non-executive directors to limit their liability with respect to any negligence in the performance of their duties. The Company entered into the agreement to limit liability with four non-executive directors in accordance with the Article of Incorporation. The limit of liability for damages under the agreement is ¥2.4 million or the minimum liability amount provided for in Article 425, Paragraph 1 of the Companies Act, whichever is higher.

(vii) Indemnification agreement

In order to ensure that they can fulfill their expected roles to the fullest extent, the Company has entered into indemnification agreements with Mr. Owen Mahoney, Mr. Shiro Uemura, Mr. Junghun Lee, Mr. Patrick Söderlund, Mr. Mitchell Lasky, Mr. Alexander Iosilevich, Mr. Satoshi Honda and Mr. Shiro Kuniya to indemnify for expenses provided by Article 430-2, Paragraph 1, Item 1 of the Companies Act and losses provided by Item 2 of the Paragraph to the extent provided by relevant laws and regulations.

(viii) Directors and officers liability insurance

In order to ensure that they can fulfill their expected roles to the fullest extent, the Company has taken out a directors and officers liability insurance covering all officers, executive officers and employees in management position to indemnify for possible losses arising from monetary damages and legal costs in connection with claims against the insured. The Company pays all insurance premiums. However, there are some exclusions not covered by the insurance such as losses arising from illegal actions taken for personal profit or provision of favors, criminal actions, and actions taken with knowledge of the illegality.

(ix) Number of directors

The Company's Articles of Incorporation stipulates that the Company shall have no more than ten directors (excluding those who are Audit and Supervisory Committee members) and shall have no more than five directors who are Audit and Supervisory Committee members.

(x) Election criteria for directors

The Company's Articles of Incorporation stipulates that the Company shall elect directors who are Audit and Supervisory Committee members and other directors separately at the General Meeting of Shareholders, and that resolutions to elect directors shall be made by a majority vote by shareholders present at the meeting where one third or more of the eligible shareholders are present.

The Company's Articles of Incorporation also stipulates that resolutions to elect directors shall not be based on cumulative voting.

(xi) Purchase of treasury stock

In accordance with Article 165, Paragraph 2 of the Companies Act, the Company's Articles of Incorporation stipulates that the Company may purchase own shares through market transactions based on resolutions of the Board of Directors in order to flexibly implement capital policies in response to changes in business environment.

(xii) Dividends of surplus

The Company's Articles of Incorporation stipulates that "the decisions with regards to dividends from surplus and other matters as stipulated under each item of Article 459, Paragraph 1 of the Companies Act shall not require a resolution of the General Meeting of Shareholders but shall be decided by a resolution of the Board of Directors, except when otherwise provided for by laws and regulations," that "the record date for the Company's year-end dividends shall be December 31 of each year" and that "the record date for the Company's interim dividends shall be June 30 of each year." This is for the purpose of returning profits to shareholders flexibly.

(xiii) Special resolutions of the General Meeting of Shareholders

The Company's Articles of Incorporation stipulates that special resolutions of the General Meeting of Shareholders as provided by Article 309, Paragraph 2 of the Companies Act shall be made by two thirds or more of the votes of the shareholders present at the meeting where one third or more of the eligible shareholders are present.

This is for the purpose of ensuring smooth management of the General Meeting of Shareholders by easing the quorum for special resolutions of the General Meeting of Shareholders.

(xiv) Guidelines on policy for protection of minority shareholders in transactions with controlling shareholders, etc.

In order not to undermine the interests of non-controlling shareholders, Nexon Group determines terms and conditions applicable to transactions between the Company and its controlling shareholders, etc. in the same manner as general terms and conditions applicable to transactions with unaffiliated parties.

(xv) Basic policy regarding control of a stock company

The Company has not established a basic policy regarding those who control the decisions on the financial and business policies of the stock company as stipulated by Article 118, Item 3 of the Ordinance for Enforcement of the Companies Act.

(2) 【Information on the Company's Officers】

(i) List of the Company's officers

Male: 8 Female: 0 (Ratio of female officers: 0 %)

Position	Name	Date of birth	Career summary		Term of office	Number of shares held (shares)
Representative Director, President and Chief Executive Officer	Owen Mahoney	December 28, 1966	November 2000 September 2009 August 2010 September 2010 November 2010 March 2012 July 2012 August 2012 January 2013 March 2014 June 2015	Chief vice-president of Electronic Arts Inc. Representative Director of Outspark Inc. Chief Financial Officer of NEXON Co., Ltd. Director of NEXON Co., Ltd. Chief Administrative Officer of NEXON Co., Ltd. Director of NEXON Korea Corporation Director of inBlue.com Director of Nexon America, Inc. Director of gloops, Inc. Representative Director, President and Chief Executive Officer of NEXON Co., Ltd. (to present) Director of transcosmos inc.	(Note) 4	952,000
Representative Director, Chief Financial and Chief Administrative Officer	Shiro Uemura	December 31, 1970	December 2000 September 2003 December 2004 July 2011 March 2014 March 2014 March 2014 March 2015 April 2016 April 2016 April 2016 September 2016 January 2020 October 2021 October 2021	Joined Deloitte Touche Tohmatsu (current Deloitte Touche Tohmatsu LLC) Joined Pacific Golf Management K.K. Joined Pacific Golf Group International Holdings K.K. Joined NEXON Co., Ltd. Chief Financial and Chief Administrative Officer of NEXON Co., Ltd. Director of gloops, Inc. Director of inBlue.com Representative Director of NEXON Co., Ltd. (to present) Director of Nexon America, Inc. (to present) Director of NEXON M Inc. Director of Lexian Software Development (Shanghai) Co., Ltd. (to present) Director of NEXON Europe GmbH Representative Director and President of gloops, Inc. Chief Financial and Chief Administrative Officer of NEXON Co., Ltd. (to present) Director or Nexon Studios, Inc. (current Nexon Filmed Entertainment Inc.) (to present)	(Note) 4	120,320

Position	Name	Date of birth	Career summary		Term of office	Number of shares held (shares)
Director	Junghun Lee	March 12, 1979	May 2003 November 2006 April 2010 July 2012 April 2014 November 2015 March 2018 March 2022 March 2023	Joined NEXON Corporation (current NXC Corporation) Publishing QM Team Leader of NEXON Corporation (current NEXON Korea Corporation) Command Center Manager of NEOPLE INC. FIFA Department Manager of NEXON Korea Corporation General Manager of Business Headquarters of NEXON Korea Corporation Vice President of Business of NEXON Korea Corporation Chief Executive Officer of NEXON Korea Corporation (to present) Director of NEXON Games Co., Ltd. (to present) Director of NEXON Co., Ltd. (to present)	(Note) 4	216,000
Director	Patrick Söderlund	September 27, 1973	January 2000 October 2006 September 2013 April 2018 November 2018 November 2018 January 2019 March 2019 July 2019 November 2019 June 2020 August 2020 August 2021 November 2021	Chief Executive Officer of Digital Illusions Creative Entertainment Vice President & General Manager of Electronic Arts, Inc. Executive Vice President of Electronic Arts, Inc., EA Worldwide Studios Chief Design Officer of Electronic Arts, Inc. Director of Sicalis AB (to present) Chief Executive Officer of Embark Studios AB (to present) Director of Fractal Gaming Group AB (to present) External Director of NEXON Co., Ltd. Director of NEXON Co., Ltd. (to present) Director of Ortalis Group AB (to present) Director of Hexagon Aktiebolag (to present) Director of Surmount Together AB (to present) Director of Ortalis Holding AB (to present) Director of CoFounded Kapital AB (to present)	(Note) 4	4,373,882

Position	Name	Date of birth	Career summary		Term of office	Number of shares held (shares)
Director	Mitchell Lasky	January 18, 1962	December 1988 August 1992 January 1994 February 1995 November 2000 February 2006 April 2007 May 2012 October 2013 May 2017 November 2017 December 2018 February 2020 March 2023	Joined Irell & Manella LLP Senior Counsel of Walt Disney Company Chief Executive Officer of Serum Entertainment Software Worldwide Studios Executive Vice-President of Activision, Inc. CEO & Chairman of the Board of JAMDAT Mobile Inc. Executive Mobile & Online Vice-President of Electronic Arts Inc. General Partner of Benchmark Capital Director of thatgamecompany, Inc. (to present) Director of Discord Inc. (to present) Director of Hound Labs, Inc. (to present) Director of Manticore Games Inc. (to present) Partner of Benchmark Capital (to present) Director of Los Angeles Football Club (to present) Director of NEXON Co., Ltd. (to present)	(Note) 4	—
Director (Audit and Supervisory Committee member)	Alexander Iosilevich	January 12, 1975	June 1998 November 2000 October 2001 April 2004 June 2007 September 2008 October 2014 June 2019 July 2021 July 2021 March 2022 July 2022	Joined Donaldson, Lufkin & Jenrette Joined Credit Suisse First Boston Joined Liberty Media Corporation Joined Bank of America Securities LLC Head of US Media Investment Banking/Managing Director of Lehman Brothers Holdings Inc. Head of US Media Investment Banking/Managing Director of Barclays Capital (current Barclays Corporate and Investment Bank) Head of Media Investment Banking Americas/Managing Director of Deutsche Bank AG Head of Media Investment Banking Americas/Managing Director of UBS Securities LLC Global President and Chief Investment Officer of NXC Corporation (to present) Partner of Alignment Growth Management, LLC (to present) External Director (Audit and Supervisory Committee member) of NEXON Co., Ltd. (to present) Director of Crunchbase, Inc. (to present)	(Note) 5	—

Position	Name	Date of birth	Career summary		Term of office	Number of shares held (shares)
Director (Audit and Supervisory Committee member)	Satoshi Honda	September 29, 1947	July 1971 June 1992 December 1992 November 1995 August 1998 December 2009 November 2010 March 2012 March 2018	Joined Victor Company of Japan, Limited Director of Victor Entertainment Inc. Representative Director of Electronic Arts Victor Co., Ltd. (current Electronic Arts Co., Ltd.) Auditor of Computer Entertainment Software Association (current Computer Entertainment Supplier's Association) Representative Director of Eidos Interactive KK Director of Spline Network Inc. Director of Software Imaging Technology Limited External Director of NEXON Co., Ltd. External Director (Audit and Supervisory Committee member) of NEXON Co., Ltd. (to present)	(Note) 5	862
Director (Audit and Supervisory Committee member)	Shiro Kuniya	February 22, 1957	April 1982 July 1987 June 1997 June 1999 April 2002 June 2006 June 2009 April 2011 April 2011 March 2012 June 2012 June 2013 June 2013 June 2016 March 2018 June 2019 April 2020 June 2021	Registered as a lawyer Joined Oh-Ebashi Law Offices Registered as a lawyer in the State of New York Statutory Auditor of Sunstar Inc. Auditor of Kitano Hospital, The Tazuke Kofukai Medical Research Institute (to present) Managing Partner of Oh-Ebashi LPC & Partners Statutory Auditor of Nidec Corporation Board member of the Japan Commercial Arbitration Association (to present) Board member of Japan Century Symphony Orchestra (to present) President of Inter-Pacific Bar Association (IPBA) External Director of NEXON Co., Ltd. Director of Ebara Corporation Statutory Auditor of Takeda Pharmaceutical Company Limited Director of Sony Financial Holdings Inc. Director (Audit and Supervisory Committee member) of Takeda Pharmaceutical Company Ltd. External Director (Audit and Supervisory Committee member) of NEXON Co., Ltd. (to present) External Director of Takeda Pharmaceutical Company Ltd. Auditor of CiRA Foundation (to present) External Director of TOA Corporation (to present)	(Note) 5	28,862
Total						5,691,926

(Notes) 1. The Audit and Supervisory Committee consists of the following members.
Chairperson: Alexander Iosilevich Member: Satoshi Honda Member: Shiro Kuniya
2. Mr. Alexander Iosilevich is not an executive director of the Company or any of its subsidiaries.
3. Mr. Mitchell Lasky, Mr. Alexander Iosilevich, Mr. Satoshi Honda and Mr. Shiro Kuniya are external directors.
4. From March 24, 2023 to the conclusion of the Annual General Meeting of Shareholders for the fiscal year ending December 31, 2023.
5. From March 25, 2022 to the conclusion of the Annual General Meeting of Shareholders for the fiscal year ending December 31, 2023.

(ii) External directors and non-executive directors

In order to ensure effectiveness of the Board of Directors' function to supervise business management, four of the eight members of the Company's Board of Directors are external directors and three of them are independent external directors who have no special interests in the Company. In addition, two of the three independent external directors are directors who are Audit and Supervisory Committee members in order to ensure independency and transparency of audit. The Company's policy on independence in appointing independent external directors is to observe the independence standards provided by the Companies Act and the Tokyo Stock Exchange, and independent external directors are appointed based on the premise that they can be sufficiently independent in executing their duties, taking into account their career history and relation with the Company.

(iii) Mutual cooperation between supervision or audit by external directors and internal audit, audit by the Audit and Supervisory Committee and financial audit, and relationship with the internal control division

Refer to "(3) State of audit, (b) State of internal audit."

(3) 【State of audit】

(a) State of audit by the Audit and Supervisory Committee

In coordination with the Internal Audit Section, the Legal Department and the Accounting & Finance Department, the Audit and Supervisory Committee members aim to enhance effectiveness of its function to audit directors' execution of their duties by improving design and operating effectiveness of the internal control system. They perform audits of the directors' execution of their duties through regular Audit and Supervisory Committee meetings to be held, in principle, at least once every three months and otherwise by holding an extraordinary Audit and Supervisory Committee meeting as necessary, as well as by performing operational and financial audits based on the audit plan. The number of the Company's Audit and Supervisory Committee meetings held during the fiscal year ended December 31, 2022 and the attendance status of each Audit and Supervisory Committee member is as follows.

Name	Number of meetings held	Number of attendance
Alexander Iosilevich	4	4
Satoshi Honda	5	5
Shiro Kuniya	5	5

Major matters to be discussed at the Audit and Supervisory Committee meetings include audit of execution of duties by directors, development of audit policy and plan, preparation of audit report, design and operating status of internal control system, performance status of internal audit, evaluation of audit by independent auditors, and consent to fees, etc. of independent auditors.

The Audit and Supervisory Committee performs audits in accordance with the "Code of Audit and Supervisory Board Member Auditing Standards" by formulating an audit plan every fiscal year. In addition, Audit and Supervisory Committee members aim to enhance effectiveness of its function to audit directors' execution of their duties by improving design and operating effectiveness of the internal control system in coordination with the Internal Audit Section, the Legal Department and the Accounting & Finance Department, and accordingly the Company does not have full-time Audit and Supervisory Committee members. One of the Company's Audit and Supervisory Committee members is a vastly experienced lawyer in Japan who has extensive legal and audit knowledge.

(b) State of internal audit

(i) Organization, personnel and audit procedures of the Internal Audit Section and the Audit and Supervisory Committee

The Company has the Internal Audit Section, consisting of the head and one staff member, that directly reports to the Chief Executive Officer and President for the purpose of properly evaluating the effectiveness of internal controls and the operating status of departments so as to contribute to improvement of management.

The Internal Audit Section, in principle, performs internal audits for all departments once a year based on the internal audit plan developed for each year and approved by the Chief Executive Officer and President, in accordance with the Internal Audit Rules. With regard to consolidated subsidiaries, the Internal Audit Section of NEXON Korea Corporation performs internal audit of NEXON Korea Corporation and its consolidated subsidiaries, the Company's consolidated subsidiaries having a department in charge of internal audit are audited by such department, and those without such department are audited by the Company's Internal Audit Section on a regular basis.

The Audit and Supervisory Committee also performs audit based on the audit plan developed for each fiscal year in accordance with the "Code of Audit and Supervisory Board Member Auditing Standards." In coordination with the Internal Audit Section, the Legal Department and the Accounting & Finance Department, the Audit and Supervisory Committee members aim to enhance effectiveness of its function to supervise directors' execution of their duties by improving design and operating effectiveness of the internal control system. One of the Company's Audit and Supervisory Committee members is a vastly experienced lawyer in Japan who has extensive legal and audit knowledge.

(ii) Mutual cooperation among internal audit, audit by the Audit and Supervisory Committee, and financial audit, and the relationship between each audit and the internal control division

Audit and Supervisory Committee members and the head of the Internal Audit Section seek mutual cooperation by receiving reports on the results of the quarterly review or financial audit from our independent auditor at least on a quarterly basis.

In addition, the head of the Internal Audit Section who is the project leader of the "Risk Management (Internal Control) Project," which is an internal control division, and the head of the Legal Department who is the chairperson of the "Compliance Committee" frequently exchange information primarily by attending all of the Audit and Supervisory Committee meetings.

(c) State of financial audit

(i) Name of independent auditor

PricewaterhouseCoopers Aarata LLC

(ii) Number of years of continuous audit service

17 years since 2006

(iii) Certified public accountants who have performed audit

Yoshihiro Shiribiki, Designated Limited Liability Partner and Managing Partner

Masafumi Mitsuhiro, Designated Limited Liability Partner and Managing Partner

(iv) Composition of assistants engaged in audit service

Certified public accountant: 9

Other: 33

(v) Policy and reason for the selection of the independent auditor; assessment of the independent auditor by the Audit and Supervisory Committee

In the event that the independent auditor receives disciplinary measures or disposition from the supervising authorities due to violation of laws and regulations such as the Companies Act or Certified Public Accountants Act, or is otherwise judged insufficient to execute the audits primarily from the perspective of the independent auditor's quality of audit, quality control, independence and overall ability, the Audit and Supervisory Committee shall decide to propose the removal or non-reappointment of the independent auditor as an agenda of the general meeting of shareholders.

In cases that fall under the matters provided in each item of Article 340, Paragraph 1 of the Companies Act and which are also deemed appropriate, the independent auditor will be removed based on the unanimous consent of the Audit and Supervisory Committee members. In this case, an Audit and Supervisory Committee member selected by the Audit and Supervisory Committee will report the fact of removal of the independent auditor and the reason for the removal at the first general meeting of shareholders to be convened after the removal.

The Audit and Supervisory Committee has collected information on the independent auditor's quality of audit, quality control, independence and overall ability from the Company's Internal Audit Section, Legal Department, Accounting & Finance Department and the independent auditor itself, and acknowledged that the independent auditor's methods and results of audit to be reasonable. Furthermore, it has assessed that appropriate audit can continue to be expected based on the policy for the decision of removal or non-reappointment of the independent auditor and other assessment standards, and deems the reappointment of PricewaterhouseCoopers Aarata LLC to be reasonable.

(d) Details of audit fees

(i) Audit fees to independent auditor

Category	Fiscal year ended December 31, 2021		Fiscal year ended December 31, 2022	
	Fee for audit certificate service (¥ million)	Fee for non-audit service (¥ million)	Fee for audit certificate service (¥ million)	Fee for non-audit service (¥ million)
The Company	63	1	68	1
Consolidated subsidiary	—	—	—	—
Total	63	1	68	1

(Note) Non-audit service provided to the Company is mainly referred work that is other than the work stipulated by Article 2, Paragraph 1 of the Certified Public Accountants Act of Japan.

(ii) Fees to member firms of the same global network as the Company's independent auditor (PricewaterhouseCoopers) (excluding (i))

Category	Fiscal year ended December 31, 2021		Fiscal year ended December 31, 2022	
	Fee for audit certificate service (¥ million)	Fee for non-audit service (¥ million)	Fee for audit certificate service (¥ million)	Fee for non-audit service (¥ million)
The Company	—	3	—	2
Consolidated subsidiary	98	50	111	57
Total	98	53	111	59

(Note) Non-audit service provided to the Company is mainly tax consulting service.
Non-audit service provided to the consolidated subsidiaries is mainly preparation of tax returns and consulting services related to interpretation and application of tax laws.

(iii) Other material fees for audit certificate service

Not applicable.

(iv) Policy on determination of audit fee

The Company's policy on determination of audit fee for the Company's independent auditor is to draft the fee amount based on the consent from the independent auditor, taking into consideration the Company's size, business characteristics, and the number of days and personnel required for the audit, and obtain approval of the Audit and Supervisory Committee.

(v) Reason why the Audit and Supervisory Committee consented to the independent auditor fees

The Audit and Supervisory Committee provided consent under Article 399, Paragraph 1 of the Companies Act by determining its reasonableness based on the information confirmed, including the system of financial audit for the fiscal year ended December 31, 2022 as explained by the independent auditor, the details of the audit plan, the analyses of audit results including details of audit for the fiscal year ended December 31, 2021 and the status of execution, and the basis for the calculation of the estimated fee.

(4) 【Officers' compensation, etc.】

(a) Officers' compensation, etc.

(i) Total amount of compensation, etc. by officer category, total amount of compensation, etc. by type, and number of eligible officers

Officer category	Total amount of compensation, etc. (¥ million)	Total amount of compensation, etc. by type (¥ million)				Number of eligible officers (persons)
		Monetary compensation	Non-monetary compensation			
		Fixed	Performance-linked		Stock price-linked	
		Base compensation	Annual performance-based bonus	Equity-based stock options (performance-linked)	Equity-based stock options (term-linked)	
Directors (excluding Audit and Supervisory Committee members and external directors)	1,413	132	238	858	185	3
Directors (Audit and Supervisory Committee members) (excluding external directors)	—	—	—	—	—	—
External officers	73	41	—	—	32	3

(Note) Nexon Group, excluding the Company, pays compensation totaling ¥174 million to the Company's two directors.

(ii) Total amount of consolidated compensation, etc. of officers whose total consolidated compensation exceeds ¥100 million

Name	Officer category	Company category	Total amount of consolidated compensation, etc. by type (¥ million)				Total amount of consolidated compensation, etc. (¥ million)
			Monetary compensation	Non-monetary compensation			
			Fixed	Performance-linked		Stock price-linked	
			Base compensation	Annual performance-based bonus	Equity-based stock options (performance-linked)	Equity-based stock options (term-linked)	
Owen Mahoney	Representative director	The Company	80	204	815	166	1,308
		Consolidated subsidiary	43	—	—	—	
Shiro Uemura	Representative director	The Company	41	29	34	16	120
Patrick Söderlund	Directors (excluding those who are Audit and Supervisory Committee members and external directors)	The Company	12	4	9	3	159
		Consolidated subsidiary	131	—	—	—	

(b) Policy and methodology for determining the amount of officers' compensation or its calculation method

The Company's basic policy of directors' compensation under the "Directors' Compensation Policy" is as follows:

i. to contribute to Nexon Group's sustainable growth and enhancement of mid- to long-term corporate value;
ii. to be highly competitive in the global human resource market so as to be able to secure talented personnel for the management from a global perspective and maintain the relationship;
iii. to link directors' compensation with the Company's performance and corporate value so as to share interests with shareholders and raise management awareness with an emphasis on shareholders; and
iv. to ensure that the process to determine compensation is highly transparent and objective.

Furthermore, as part of the "Directors' Compensation Policy," the Company has established the Compensation Committee as an advisory body of the Board of Directors.

A. Roles and activities of the Compensation Committee and the authority to decide on the amount of officers' compensation

The Committee consists mainly of independent external directors and is chaired by an independent external director. For the operation of the Compensation Committee, external compensation consultants may be engaged to introduce outside and objective perspective and professional insights, with other data including management compensation survey used as reference.

To ensure a reasonable level and composition of directors' compensation as well as transparency of its determination process, the specific compensation amounts to be paid and the performance achievement level will be first approved by the Compensation Committee and then finalized and determined by a resolution of the Board of Directors.

The Board of Directors has authority to decide on the policy for the determination of the amount or its calculation method of compensation, etc. of the Company's directors (excluding those who are Audit and Supervisory Committee members). The scope of its authority and discretion is limited to the total amount approved at the annual general meeting of shareholders, and decisions are made in consideration of relevant duties and the Company's situation, etc.

The total amount and breakdown of compensation for President and Chief Executive Officer and other directors will be first discussed between President and Chief Executive Officer and the Compensation Committee and between President and Chief Executive Officer and each director, respectively, then deliberated and approved by the Compensation Committee and determined by a resolution of the Board of Directors. The specific amount and timing of a payment of directors who are Audit and Supervisory Committee members will be determined based on the discussion by directors who are Audit and Supervisory Committee members.

B. The reason why the Board of Directors determined that details of compensation, etc. of each director (excluding those who are Audit and Supervisory Committee members) for the fiscal year ended December 31, 2022 are consistent with the determination policy

The Compensation Committee has deliberated on details of compensation, etc. of each director (excluding those who are Audit and Supervisory Committee members) for the fiscal year ended December 31, 2022 as follows:

- On December 15, 2020: Regarding officers' compensation in and after FY2021
- On January 18, 2021: Regarding officers' compensation in and after FY2021
- On January 25, 2021: Regarding officers' compensation in and after FY2021
- On February 4, 2021: Regarding officers' compensation in and after FY2021
- On March 25, 2021: Regarding indices to be used in the calculation of performance-linked bonus for FY2021
- On February 9, 2022: Regarding calculation of the amount of performance-linked bonus for FY2021
- On February 10, 2023: Regarding calculation of the amount of performance-linked bonus for FY2022

(In addition to above, the Compensation Committee members have exchanged opinions via e-mail as needed.)

The Board of Directors of the Company has reached the conclusion that details of compensation, etc. of each director (excluding those who are Audit and Supervisory Committee members) are consistent with the determination policy on the grounds that they have been approved by the Compensation Committee based on the deliberations listed above and by the Board of Directors based on the confirmation of consistency with the determination policy.

C. Rationale for Compensation Level

In our aim to become the No.1 global company in the entertainment industry including the game industry, Nexon Group is engaged in intense competitions with leading companies in good standing from all over the world, including the competition for acquiring talented management personnel. The level of our directors' compensation is set by referencing directors' compensation levels at such global companies mainly in Japan and the U.S. In doing so, we will also utilize various data (e.g. the absolute amount and forms of compensation) provided by external compensation consultants and management compensation survey and ensure that the total amount of compensation as well as the amount of each component (base compensation, performance-based annual bonus and equity-based stock options) do not fall below median compensation amount in the management compensation survey data of Japanese companies, in principle.

D. Composition of Compensation

(1) Executive Directors (directors who are not Audit and Supervisory Committee members or external directors; "Executive Directors")

Compensation for Executive Directors consists of base compensation, performance-based annual bonus and equity-based stock options. Specifically, (i) "base compensation" which is a fixed amount; (ii) "performance-based annual bonus" which is linked to the Company's performance for each fiscal year; (iii) "equity-based stock options (term-linked) which become exercisable at the conclusion of each of the first, second and third annual general meeting of shareholders to be held after the grant (stock acquisition rights to be issued as directors' compensation, etc. that do not require cash payment upon exercise and are not linked to the Company's performance, having a similar economic effect to Restricted Stock (RS) or Restricted Stock Unit (RSU)); and (iv) "equity-based stock options (performance-linked) which are linked to the Company's mid- to long-term performance (stock acquisition rights to be issued as directors' compensation, etc. that do not require cash payment upon exercise and are linked to the Company's performance, having a similar economic effect to Performance Share (PS)).

In order for directors' compensation to function as a sound incentive for sustainable growth, the proportion of each component of the compensation for Executive Directors will be determined so that the following conditions are met at 100% achievement of key performance indicator ("KPI") targets.

(a) Base amount of the portion whose amount or value is linked to performance or stock price ((ii) + (iii) + (iv)) is greater than the fixed portion (i). [(i) < ((ii) + (iii) + (iv))]

(b) Base amount of equity-based stock options ((iii) + (iv)) is greater than base amount of performance-based annual bonus (ii). [(ii) < ((iii) + (iv))]

(c) Base amount of equity-based stock options (performance-linked) (iv) is greater than base amount of equity-based stock options (term-linked) (iii). [(iii) < (iv)]

In addition, the compensation of Chief Executive Officer and President must meet the following condition: "Base compensation" ≦ "Performance-based annual bonus (base amount)" ≦ "Equity-based stock options (base amount)" [(i) ≦ (ii) ≦ ((iii) + (iv))]

<table>
<tr><td>(i) Base compensation</td><td>(ii) Performance-based annual bonus</td><td>(iii) Equity-based stock options (term-linked)</td><td>(iv) Equity-based stock options (performance-linked)</td></tr>
<tr><td colspan="2">Cash compensation</td><td colspan="2">Stock-based compensation
(Equity-based substitute stock options)</td></tr>
<tr><td>Fixed compensation</td><td colspan="3">Compensation linked to performance / stock price</td></tr>
</table>

Each component of compensation will be paid as follows:

(i) Base compensation: One twelfth of the predetermined annual base compensation amount will be paid monthly.

(ii) Performance-based annual bonus: To be paid after the achievement level of KPI targets for each fiscal year is determined.

(iii) Equity-based stock options (term-linked): Units attributable to three fiscal years will be granted in a lump sum every three years promptly after the annual general meeting of shareholders to be held in the grant year.

(iv) Equity-based stock options (performance-linked): A three-year performance evaluation period will be set and units attributable to such three fiscal years will be granted promptly after the first annual general meeting of shareholders to be held during the performance evaluation period.

(2) Directors who are not Executive Directors (including external directors but excluding those who are Audit and Supervisory Committee members; "Non-Executive Directors")

Compensation for Non-Executive Directors, in principle, consists of (i) "base compensation" which is a fixed amount and (iii) "equity-based stock options (term-linked) which become exercisable at the conclusion of each of the first, second and third annual general meeting of shareholders to be held after the grant (stock acquisition rights to be issued as directors' compensation, etc. that do not require cash payment upon exercise and are not linked to the Company's performance, having a similar economic effect to Restricted Stock (RS) or Restricted Stock Unit (RSU)). This reflects our aim to provide appropriate incentive to Non-Executive Directors to improve the company's mid- to long-term corporate value while considering the fact that it is pointed out that there may be potential adverse effects of paying them performance-linked compensation on their supervisory function as Non-Executive Directors, especially external directors, are expected to supervise business execution by Executive Directors.

However, the composition of each Non-Executive Director's compensation will be determined as follows so that stock-based compensation, which is incentive pay, will not be excessive in comparison with cash compensation: base amount of "equity-based stock options (term-linked)" will not exceed "base compensation" [(i) ≧ (iii)]

(i) Base compensation	(iii) Equity-based stock options (term-linked)
Cash compensation	Stock-based compensation (Equity-based substitute stock options)
Fixed compensation	Compensation linked to stock price

Each component of compensation will be paid as follows:

(i) Base compensation: One twelfth of the predetermined annual base compensation amount will be paid monthly.

(iii) Equity-based stock options (term-linked): Units attributable to three fiscal years will be granted in a lump sum every three years promptly after the annual general meeting of shareholders to be held in the grant year.

(3) Directors who are Audit and Supervisory Committee members (including external directors; "Directors who are Audit and Supervisory Committee members")

Compensation for Directors who are Audit and Supervisory Committee members, in principle, consists of (i) "base compensation" which is a fixed amount and (iii) "equity-based stock options (term-linked) which become exercisable at the conclusion of the first annual general meeting of shareholders to be held after the grant (stock acquisition rights to be issued as directors' compensation, etc. that do not require cash payment upon exercise and are not linked to the Company's performance, having a similar economic effect to Restricted Stock (RS) or Restricted Stock Unit (RSU)). This reflects our aim to provide appropriate incentive to Directors who are Audit and Supervisory Committee members to improve the Company's mid- to long-term corporate value while considering the fact that it is pointed out that there may be potential adverse effects of paying them performance-linked compensation on their supervisory function as Directors who are Audit and Supervisory Committee members are expected to supervise business execution by Executive Directors.

However, the composition of compensation for each Director who is an Audit and Supervisory Committee member will be determined as follows so that stock-based compensation, which is incentive pay, will not be excessive in comparison with cash compensation: base amount of "equity-based stock options (term-linked)" will not exceed "base compensation" [(i) ≧ (iii)]

(i) Base compensation	(iii) Equity-based stock options (term-linked)
Cash compensation	Stock-based compensation (Equity-based substitute stock options)
Fixed compensation	Compensation linked to stock price

Each component of compensation will be paid as follows:

(i) Base compensation: One twelfth of the predetermined annual base compensation amount will be paid monthly.

(iii) Equity-based stock options (term-linked): To be granted every year promptly after the annual general meeting of shareholders

E. Details of Each Component of Compensation

(1) Fixed compensation

The fixed portion of directors' compensation will be as follows:

(i) Base compensation

The annual amount for each director will be determined based on their title, role and responsibility.

(2) Compensation linked to performance/stock price

The portion of directors' compensation linked to the Company's performance or stock price will be as follows:

(ii) Performance-based annual bonus

The base amount for each Executive Director will be determined in consideration of base compensation determined in (i) above and the proportion set forth in "Composition of Compensation" above. The amount of performance-based annual bonus will be determined based on the base amount and the level of achievement of performance targets to be explained below.

The level of achievement of performance targets will be assessed by giving a 50% weight each to consolidated revenue and consolidated operating income, which are deemed to be objective and transparent indices. This portion of compensation fluctuates within the range of 0% to 150% of the base amount based on the achievement level of the internal target set at the beginning of the fiscal year (e.g. 100% at 100% achievement of KPI targets). Consolidated revenue and consolidated operating income used in determining the amount of performance-based annual bonus exclude temporary effects arising from M&As and impairment loss on goodwill recorded during the fiscal year.

The targets and actual results of the KPIs for performance-based bonus for the fiscal year ended December 31, 2022 are as follows:

KPI	Assessment ratio	Range of fluctuation of evaluation coefficients	Target (Millions of yen)	Actual results (Millions of yen)	Evaluation coefficient
Consolidated revenue	50%	0% - 150%	318,690	353,331	110.9%
Consolidated operating income	50%	0% - 150%	72,080	108,889	151.1%

(Note) "Base amount" to be paid when the target is achieved is determined based on factors including job responsibility (in consideration of the trend in the group of companies set as the compensation benchmark).

(iii) Equity-based stock options (term-linked)

Equity-based stock options (term-linked) are similar to Restricted Stock (RS) and Restricted Stock Unit (RSU). Executive Directors and Non-Executive Directors will be granted stock acquisition rights attributable to three fiscal years in a lump sum promptly after the annual general meeting of shareholders to be held in the grant year. Directors who are Audit and Supervisory Committee members will be granted stock acquisition rights attributable to one fiscal year every year promptly after the annual general meeting of shareholders. This portion of compensation is not linked to the Company's performance but linked only to directors' term of office and the Company's stock price.

The number of stock acquisition rights to be granted as equity-based stock options (term-linked) will be calculated by first determining the base amount of equity-based stock options (term-linked) for each director, in consideration of the base compensation determined in (i) above and the proportion set forth in "Composition of Compensation" above, and by dividing such base amount by the closing price of the Company's common stock in regular transactions on the Tokyo Stock Exchange on the day immediately preceding the date of the resolution of the grant (or the most recent trade date if such date is not a trade date) (rounded down to the nearest whole number).

Details of the stock acquisition rights to be granted as equity-based stock options (term-linked) are as follows:

i. Class and number of underlying shares of stock acquisition rights

One share of the Company's common stock per unit of stock acquisition rights.

In the event that the Company splits its common stock (including gratis allocation) or consolidates its common stock, the number of underlying shares shall be adjusted according to the formula outlined below. However, such adjustment shall be made only to those subject to stock acquisition rights unexercised at the time of such adjustment.

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

In case of merger, company split, share exchange, share transfer, share issuance or other events that compel the number of shares to be adjusted, the number of shares shall be adjusted to the extent reasonable taking into consideration the terms and conditions of merger, company split, share exchange, share transfer or share issuance, etc.

ii. Cash payment for stock acquisition rights

¥0

iii. Value of assets to be contributed upon exercise of stock acquisition rights

¥0

iv. Exercise period of stock acquisition rights

From the date of allotment until the day on which ten years have elapsed.

v. Conditions for exercise of stock acquisition rights

As the stock acquisition rights are granted as directors' compensation, etc. pursuant to Article 361, Paragraph 1, Item 4 of the Companies Act, only directors (including former directors) subject to this policy may exercise them.

Holders of the stock acquisition rights must be a director of the Company at the time of the exercise to be eligible, and those who are no longer a director may exercise the stock acquisition rights only if they lose their position as a director due to retirement, resignation or dismissal (excluding punitive dismissal or any other event similar thereto), or death or disability, or when there is any other due reason specifically provided by the Board of Directors.

With respect to the stock acquisition rights granted to Directors (excluding those who are Audit and Supervisory Committee members), one third of these stock acquisition rights vest and become exercisable upon conclusion of each of the first, second and third annual general meeting of shareholders to be held after the grant, provided that the holder is a director at that time. With respect to those granted to Directors who are Audit and Supervisory Committee members, all units vest and become exercisable upon conclusion of the annual general meeting of shareholders to be held in the following year after the grant, provided that the holder is a director at that time.

vi. Exercise deadline of stock acquisition rights

The stock acquisition rights may be exercised after the stock acquisition rights vest upon conclusion of the relevant annual general meeting of shareholders until March 15 in the following year.

(iv) Equity-based stock options (performance-linked)

This type of stock options, similar to performance shares (PS), vests and becomes exercisable after a certain performance evaluation period after the grant based on relative comparison of stock price movement with the industry peers and the achievement level of the consolidated performance targets stated in the internal management plan covering multiple years, with the aim of contributing to Nexon Group's sustainable growth and enhancement of mid- to long-term corporate value.

The number of stock acquisition rights to be granted as equity-based stock options (performance-linked), i.e. base number of units, is calculated by first determining the base amount of equity-based stock options (performance-linked) (assuming approximately 200% achievement of KPI targets) for each Executive Director, in consideration of the base compensation determined in (i) above and the proportion set forth in "Composition of Compensation," and by dividing such base amount by the closing price of the Company's common stock in regular transactions on the Tokyo Stock Exchange on the day immediately preceding the date of the resolution of the grant (or the most recent trade date if such date is not a trade date) (rounded down to the nearest whole number).

Details of the stock acquisition rights to be granted as equity-based stock options (performance-linked) are as follows:

i. Class and number of underlying shares of stock acquisition rights

One share of the Company's common stock per unit of stock acquisition rights.

In the event that the Company splits its common stock (including gratis allocation) or consolidates its common stock, the number of underlying shares shall be adjusted according to the formula outlined below. However, such adjustment shall be made only to those subject to stock acquisition rights unexercised at the time of such adjustment.

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

In case of merger, company split, share exchange, share transfer, share issuance or other events that compel the number of shares to be adjusted, the number of shares shall be adjusted to the extent reasonable taking into consideration the terms and conditions of merger, company split, share exchange, share transfer or share issuance, etc.

ii. Cash payment for stock acquisition rights

¥0

iii. Value of assets to be contributed upon exercise of stock acquisition rights

¥0

iv. Exercise period of stock acquisition rights

From the date of allotment until the day on which ten years have elapsed.

v. Conditions for exercise of stock acquisition rights

As the stock acquisition rights are granted as directors' compensation, etc. pursuant to Article 361, Paragraph 1, Item 4 of the Companies Act, only directors (including former directors) subject to this policy may exercise them.

Holders of stock acquisition rights must be a director of the Company at the time of the exercise to be eligible, and those who are no longer a director may exercise the stock acquisition rights only if they lose their position as a director due to retirement, resignation or dismissal (excluding punitive dismissal or any other event similar thereto), or death or disability, or when there is any other due reason specifically provided by the Board of Directors.

For equity-based stock options (performance-linked), stock acquisition rights will be granted in advance promptly after the first annual general meeting of shareholders to be held during the performance evaluation period assuming approximately 200% achievement of KPI targets. The portion of compensation in the form of equity-based stock options (performance-linked) will fluctuate within the range of 0% to 200% based on the achievement level (100% at 100% achievement of KPI targets). However, the actual number of units to vest and become exercisable will be limited to the portion that is evaluated, fixed and determined based on the level of the achievement of KPI targets.

Specifically, as objective and transparent indices, (1) stock-price-based index (e.g. relative total shareholder returns (TSR) (Note 1)) and (2) financial index (e.g. consolidated operating income, and revenue, operating income, EBITDA, etc. of certain reportable segments (those selected as an appropriate KPI for each Executive Director based on their job position and associated business, and the same applies hereinafter) (Note 2)) will be selected, and the weight of 60% and 40% will be assigned for evaluation, respectively, as a general rule. The KPIs and weight will be revised as necessary in response to changes in each director's role and responsibility and the Company's business environment and review of management plan.

(Notes) 1. Comparable companies selected for the purpose of Relative TSR include Electronic Arts, Activision/Blizzard, Take-Two Interactive, Nintendo Co., Ltd., and Bandai Namco Holdings Inc. Assessment will be made by comparing the Company's TSR and the average TSR value of comparable companies (represented in percentages based on dividends and stock price movements) of the period from the date of a given annual general meeting of

shareholders of the Company to the date of an annual general meeting of shareholders three years later.
We use Relative TSR as a KPI because we believe it is important to consider not only the Company's sustainable growth but also market and competition environment in the performance evaluation.

2. Consolidated operating income, and revenue, operating income, EBITDA, etc. of certain reportable segments will be evaluated based on the achievement level of these KPIs of the third fiscal year stated in the internal management plan (two years after the year during which equity-based stock options (performance-linked) are granted).

<Remarks>

Depending on the achievement level of KPI targets, reversal or additional provision of expense for performance-linked compensation, an increase or decrease in consolidated operating income, respectively, will be recorded in the final year of the performance evaluation period. However, such amount of reversal or additional provision will not be included in calculating the achievement level of KPI targets.

The number of stock acquisition rights subject to the performance-linked compensation to vest during the three fiscal years from FY2021 to FY2023 will be calculated as follows:

Total number of units to vest = Number of units to vest (1) + Number of units to vest (2)

Base number of units (1) x Vesting ratio (1) = Number of units to vest (1) (any fraction in the product less than one unit will be rounded down)

Vesting ratio (1)
The sum of a and b below.

a. Performance-linked coefficient for consolidated operating income for FY2023 (Note 1) x 40%
b. Performance-linked coefficient for Relative TSR (Note 2) x 60%

(Notes) 1. Financial-base performance-linked coefficient is set as 40% of performance-linked coefficient for consolidated operating income.
Performance-linked coefficient for consolidated operating income
Target achievement level: (Consolidated operating income – Operating income target ("I")) / Operating income target x 100 (%)
Target achievement level of 50% or higher: Performance-linked coefficient = 100 (%)
Target achievement level of between (50)% and 50%: Performance-linked coefficient = (Target achievement level + 50)(%)
Target achievement level of lower than (50)%: Performance-linked coefficient = 0 (%)
I. Operating income target
Operating income target used to calculate performance-linked coefficient is consolidated operating income for FY2023. (The target is undisclosed as mid-to long-term business performance forecast has not been disclosed at present.)

2. The deviation rate between the Company's TSR ("II") and the average TSR ("II") of comparative companies ("III") during the evaluation period for Relative TSR
Deviation rate of 50% or higher: Performance-linked coefficient = 100 (%)
Deviation rate of between (50)% and 50%: Performance-linked coefficient = (The Company's TSR – Average TSR of comparative companies) + 50 (%)
Deviation rate of lower than (50)%: Performance-linked coefficient = 0 (%)
II. TSR (Total Shareholder Return) ＝ ((Stock price at the end of evaluation period – Stock price at the beginning of evaluation period) + Dividend per share during the evaluation period) / Stock price at the beginning of evaluation period
III. Comparative companies include Electronic Arts, Activision/Blizzard, Take-Two Interactive, Nintendo Co., Ltd. and Bandai Namco Holdings Inc.
The evaluation period for Relative TSR is from the date of the 19th Annual General Meeting of Shareholders (March 25, 2021) to the date of the annual general meeting of shareholders to be held in 2024.

Base number of units (2) x Vesting ratio (2) = Number of units to vest (2) (any fraction in the product less than one unit will be rounded down)

Vesting ratio (2)
The sum of a and b below.

a. Up to 40% depending on the achievement level of performance target on EBITDA in the European and U.S. market for FY2022 (Note)
b. Up to 60% depending on the achievement level of performance target on EBITDA in the European and U.S. market for FY2023 (Note)

(Note) As the performance-linked evaluation index of certain reportable segments for the period between January 1, 2021 and December 31, 2023, we use EBITDA in the European and U.S. market (Consolidated operating income under IFRS of the Company's consolidated subsidiaries headquartered in Europe and North America with certain adjustments as shown below, the same shall apply hereinafter).
EBITDA in the European and U.S. market is calculated as follows:
"EBITDA in the European and U.S. market = operating income + adjustments (depreciation and amortization + stock-based compensation expense – other income + other expenses)"
Depending on the achievement level of the relevant targets, up to 40% and 60% of stock acquisition rights linked to EBITDA in the European and U.S. market will vest in FY2022 (the second year of the three-year period from January 1, 2021 to December 31, 2023) and in FY2023 (the third year of the three-year period from January 1, 2021 to December 31, 2023), respectively. (The target is undisclosed as business performance forecast has not been disclosed at present.)

For stock acquisition rights as equity-based stock options (performance-linked) to vest, holders must continue to be Executive Director until the conclusion of the annual general meeting of shareholders to be held three years after the allotment (in 2024) (two years after the allotment (in 2023) for the portion described in "Vesting ratio (2) a" above), in addition to the performance conditions being achieved. If a director resigns from the position of director before the stock acquisition rights as equity-based stock options vest, his/her right to unvested portion will be forfeited, but such director may exercise the stock acquisition rights to the extent allowed in consideration of the term of office and the level of achievement of performance targets if he or she retires due to the expiration of his/her term of office or when there is any other reason specifically provided by the Board of Directors.

Actual results of the KPIs used as the basis for calculation of the total number of equity-based stock options (performance-based) to vest will be fixed after the evaluation period ends.

vi. Exercise deadline of stock acquisition rights
The stock acquisition rights may be exercised after the stock acquisition rights vest based on v. above until March 15 in the following year.

F. Resolution regarding officers' compensation, etc. at the annual general meeting of shareholders

The maximum amount of compensation to directors (excluding those who are Audit and Supervisory Committee members) was resolved at the 19th Annual General Meeting of Shareholders held on March 25, 2021 to be fixed compensation at or below ¥600 million per year (including those for external directors at or below ¥100 million) and performance-based bonus at or below ¥1,000 million per year (external directors are not eligible). These compensations for directors (excluding those who are Audit and Supervisory Committee members and external directors) do not include the compensation paid to those who serve the Company as director and employee simultaneously for the service rendered as employee. In addition, it was resolved at the 19th Annual General Meeting of Shareholders held on March 25, 2021 that compensation in the form of equity-based stock options (term-linked) (attributable to three fiscal years) will be at or below ¥800 million, with the number of stock acquisition rights to be issued within the next 12 months after the date of the Meeting to be up to 280,000 units (including those for external directors at or below ¥100 million/up to 40,000 units), and compensation in the form of equity-based stock options (performance-linked) (attributable to three fiscal years) will be at or below ¥6,500 million, with the number of stock acquisition rights to be issued within the next 12 months after the date of the Meeting to be up to 2,200,000 units (external directors are not eligible). At the conclusion of the 19th Annual General Meeting of Shareholders, the number of directors (excluding those who are Audit and Supervisory Committee members and external directors) was three and external directors (excluding directors who are Audit and Supervisory Committee members) was one.

The maximum amount of compensation to directors who are Audit and Supervisory Committee members was resolved at the 16th Annual General Meeting of Shareholders held on March 27, 2018 to be at or below ¥100 million per year (including those for external directors at or below ¥50 million). In addition, it was resolved at the 19th Annual General Meeting of Shareholders held on March 25, 2021 that compensation in the form of equity-based stock options (term-linked) will be at or below ¥100 million with the number of stock acquisition rights to be issued within the next 12 months after the date of the annual general meeting of shareholders in each year to be up to 40,000 units (including those for external directors at or below ¥50 million/up to 20,000 units). At the conclusion of the 16th and19th Annual General Meetings of Shareholders, the number of directors who are Audit and Supervisory Committee members was three.

(5) 【Information on shareholdings】

(a) Standard and way of thinking of the categorization of investment securities

As for the categorization of investment securities held for the purpose of pure investments and those held for purposes other than pure investments, the Company deems the shares held for the purpose of securing profits from changes in the stock price or receipt of dividends to be investment securities held for the purpose of pure investments and deems the shares held for the purpose of generating business opportunities and strengthening relationships with business partners to be investment securities held for purposes other than pure investments.

(b) Investment securities held for purposes other than pure investments

(i) Holding policy and the method for the verification of reasonableness of holding, as well as the details of the verification by the Board of Directors, etc. regarding the appropriateness of holding of individual stock

The Company intends to acquire and hold its business partners' stock, etc. when it judges that it would contribute to the maintenance and improvement of Nexon Group's corporate value by strengthening business cooperation with the investees after comprehensively taking into account such relationship and materiality in terms of management strategy. The appropriateness of holding of any stock for which we can no longer expect the synergy effect or business opportunities as initially expected will be individually verified by the Board of Directors. If the meaning and effect of continually holding such stock is found to be lacking, we will endeavor to gradually decrease such holding.

(ii) Number of stocks and the amount recorded in the balance sheet

	Number of stocks	Total amount recorded in the balance sheet (¥ million)
Non-listed stock	—	—
Stock other than non-listed stock	—	—

(Stocks for which the number of shares increased in the fiscal year ended December 31, 2022)

	Number of stocks	Total acquisition consideration for the increased number of shares (¥ million)	Reason for the increase in the number of shares
Non-listed stock	—	—	—
Stock other than non-listed stock	—	—	—

(Stocks for which the number of shares decreased in the fiscal year ended December 31, 2022)

	Number of stocks	Total sale value for the decreased number of shares (¥ million)
Non-listed stock	—	—
Stock other than non-listed stock	—	—

(iii) Information on the number of shares and the amount recorded in the balance sheet by stock for specific investment shares and deemed holding shares

Not applicable.

(c) Investment securities held for the purpose of pure investments
Not applicable.

(d) Investment securities for which the purpose of holding changed from pure investments to purposes other than pure investments in the fiscal year ended December 31, 2022
Not applicable.

(e) Investment securities for which the purpose of holding changed from purposes other than pure investments to pure investments in the fiscal year ended December 31, 2022
Not applicable.

V. 【Financial Information】

1. Preparation of consolidated financial statements and non-consolidated financial statements

(1) The consolidated financial statements of the Company are prepared in accordance with International Financial Reporting Standards pursuant to provisions of Article 93 of the "Regulation for Terminology, Forms and Preparation of Consolidated Financial Statements" (Ministry of Finance Ordinance No. 28, 1976).

In the consolidated financial statements in this report, amounts less than one million yen are rounded to the nearest million yen.

(2) The non-consolidated financial statements of the Company are prepared in accordance with the "Regulation for Terminology, Forms and Preparation of Financial Statements" (Ministry of Finance Ordinance No. 59, 1963, "Regulation for Non-Consolidated Financial Statements").

Also, the non-consolidated financial statements are prepared in accordance with provisions of Article 127 of the Regulation for Non-Consolidated Financial Statements as the Company falls under the category of company that may be allowed to prepare its financial statements in accordance with special provisions. In the non-consolidated financial statements in this report, amounts less than one million yen are rounded to the nearest million yen.

2. Audit certificate

The Company's consolidated financial statements for the consolidated fiscal year from January 1, 2022 to December 31, 2022 and the non-consolidated financial statements for the fiscal year from January 1, 2022 to December 31, 2022 were audited by PricewaterhouseCoopers Aarata LLC, in accordance with provisions of Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act.

3. Special measures to ensure appropriateness of the consolidated financial statements and a system to ensure that the consolidated financial statements are appropriately prepared in accordance with IFRS

(1) To establish a system that enables proper understanding of accounting standards, etc. and timely and appropriate response to changes in accounting standards, etc., the Company strives to accumulate technical knowledge by joining the Financial Accounting Standards Foundation of Japan, participating in seminars organized by bodies having technical knowledge and subscribing to accounting magazines.

(2) In applying IFRS, the Company has developed Group accounting policies in accordance with IFRS and conducted accounting treatments based on these policies. The Company also obtains press releases and standards released by the International Accounting Standards Board on a regular basis to understand the latest standards and assess their potential impact on the Company, and update the Group accounting policies in a timely manner.

1 【Consolidated Financial Statements, etc.】

(1) 【Consolidated financial statements】

(a) 【Consolidated statement of financial position】

(Millions of yen)

	Notes	As of December 31, 2021	As of December 31, 2022
Assets			
Current assets			
Cash and cash equivalents	6, 25, 26	365,239	409,368
Trade and other receivables	7, 25, 26	17,577	30,444
Other deposits	8, 26	169,689	162,490
Other financial assets	12, 25, 26	29,140	23,078
Other current assets	13, 30	12,072	16,649
Total current assets		593,717	642,029
Non-current assets			
Property, plant and equipment	9	24,448	26,885
Goodwill	10	38,938	40,136
Intangible assets	10	17,703	9,655
Right-of-use assets	19, 34	10,985	19,079
Investments accounted for using equity method	11,31, 37, 41	58,933	83,595
Other financial assets	12, 25, 26	202,588	162,514
Other non-current assets	13, 30	1,106	1,811
Deferred tax assets	14	38,214	57,145
Total non-current assets		392,915	400,820
Total assets		986,632	1,042,849

(Millions of yen)

	Notes	As of December 31, 2021	As of December 31, 2022
Liabilities and equity			
Liabilities			
Current liabilities			
Trade and other payables	15, 25, 26	9,354	14,705
Deferred income	16	11,030	18,942
Income taxes payable		16,599	23,697
Lease liabilities	19, 25, 35	3,045	4,045
Provisions	20	5,787	10,164
Other current liabilities	21	7,510	11,581
Total current liabilities		53,325	83,134
Non-current liabilities			
Deferred income	16	14,354	15,897
Lease liabilities	19, 25, 35	12,282	19,279
Other financial liabilities	18, 25, 26	1,803	1,447
Provisions	20	323	355
Other non-current liabilities	21	4,687	4,820
Deferred tax liabilities	14	53,965	50,371
Total non-current liabilities		87,414	92,169
Total liabilities		140,739	175,303
Equity			
Capital stock	22	34,255	38,972
Capital surplus	22, 36	14,961	18,331
Treasury stock	22	(17,863)	(16,464)
Other equity interest	22	92,747	114,012
Retained earnings	22	712,568	703,342
Total equity attributable to owners of the parent company	25	836,668	858,193
Non-controlling interests	22, 36	9,225	9,353
Total equity		845,893	867,546
Total liabilities and equity		986,632	1,042,849

(b) 【Consolidated statement of income】

(Millions of yen)

	Notes	Fiscal year ended December 31, 2021	Fiscal year ended December 31, 2022
Revenue	5, 16, 27	274,462	353,714
Cost of sales	10, 28	(72,121)	(105,778)
Gross profit		202,341	247,936
Selling, general and administrative expenses	10, 29	(108,490)	(139,297)
Other income	30	805	575
Other expenses	9, 10, 19, 30	(3,115)	(5,518)
Operating income		91,541	103,696
Finance income	5, 19, 26, 31	47,874	65,323
Finance costs	26, 31	(1,355)	(12,892)
Loss on revaluation	5, 10	(1,589)	(5,356)
Share of loss of investments accounted for using equity method	5, 11	(999)	(10,246)
Income before income taxes	25	135,472	140,525
Income taxes expense	14	(22,406)	(40,535)
Net income		113,066	99,990
Attributable to:			
Owners of the parent company		114,888	100,339
Non-controlling interests	36	(1,822)	(349)
Net income		113,066	99,990
Earnings per share (attributable to owners of the parent company)		(yen)	(yen)
Basic earnings per share	33	128.91	114.74
Diluted earnings per share	33	126.55	113.81

(c) 【Consolidated statement of comprehensive income】

(Millions of yen)

	Notes	Fiscal year ended December 31, 2021	Fiscal year ended December 31, 2022
Net income		113,066	99,990
Other comprehensive income			
Items that will not be reclassified to net income			
Financial assets measured at fair value through other comprehensive income	25, 26, 32	8,610	(56,299)
Remeasurement of defined benefit pension plans	32	(19)	4
Other comprehensive income under equity method	11, 32	–	46
Income taxes	32	(2,834)	15,378
Total items that will not be reclassified to net income	32	5,757	(40,871)
Items that may be reclassified subsequently to net income			
Exchange differences on translating foreign operations	32	12,445	55,609
Other comprehensive income under equity method	11, 32	12	4
Total items that may be reclassified subsequently to net income	32	12,457	55,613
Total other comprehensive income	32	18,214	14,742
Total comprehensive income		131,280	114,732
Attributable to:			
Owners of the parent company		132,985	114,208
Non-controlling interests		(1,705)	524
Total comprehensive income		131,280	114,732

(d) 【Consolidated statement of changes in equity】

Fiscal year ended December 31, 2021

(Millions of yen)

		Equity attributable to owners of the parent company							
	Notes	Capital stock	Capital surplus	Treasury stock	Other equity interest	Retained earnings	Total	Non-controlling interests	Total equity
Balance at January 1, 2021		22,679	17,421	(0)	69,975	599,807	709,882	10,563	720,445
Net income		—	—	—	—	114,888	114,888	(1,822)	113,066
Other comprehensive income		—	—	—	18,097	—	18,097	117	18,214
Total comprehensive income		—	—	—	18,097	114,888	132,985	(1,705)	131,280
Issue of shares	22	11,576	11,576	—	—	—	23,152	—	23,152
Stock issue cost		—	(83)	—	—	—	(83)	—	(83)
Payment of dividends	23	—	—	—	—	(4,441)	(4,441)	—	(4,441)
Share-based compensation	24	—	—	—	6,989	—	6,989	—	6,989
Changes in interests in subsidiaries	22, 36	—	(15,890)	—	—	—	(15,890)	367	(15,523)
Changes in scope of consolidation	22	—	1,939	(1,914)	—	—	25	—	25
Purchase of treasury stock	22	—	(2)	(16,032)	—	—	(16,034)	—	(16,034)
Disposal of treasury stock	22	—	—	83	—	—	83	—	83
Reclassification from other equity interest to retained earnings	12, 22	—	—	—	(2,314)	2,314	—	—	—
Total transactions with owners		11,576	(2,460)	(17,863)	4,675	(2,127)	(6,199)	367	(5,832)
Balance at December 31, 2021		34,255	14,961	(17,863)	92,747	712,568	836,668	9,225	845,893

Fiscal year ended December 31, 2022

(Millions of yen)

	Notes	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		—	—	—	—	100,339	100,339	(349)	99,990
Other comprehensive income		—	—	—	13,869	—	13,869	873	14,742
Total comprehensive income		—	—	—	13,869	100,339	114,208	524	114,732
Issue of shares	22	4,717	4,717	—	—	—	9,434	—	9,434
Stock issue cost		—	(33)	—	—	—	(33)	—	(33)
Payment of dividends	23	—	—	—	—	(8,785)	(8,785)	—	(8,785)
Share-based compensation	24	—	—	—	6,616	—	6,616	—	6,616
Forfeiture of stock acquisition rights	22, 24	—	—	—	(27)	27	—	—	—
Changes in interests in subsidiaries	36	—	(1,257)	—	—	—	(1,257)	(396)	(1,653)
Purchase of treasury stock	22	—	(57)	(98,767)	—	—	(98,824)	—	(98,824)
Disposal of treasury stock	22	—	—	166	—	—	166	—	166
Retirement of treasury stock	22	—	—	100,000	—	(100,000)	—	—	—
Reclassification from other equity interest to retained earnings	12, 22	—	—	—	807	(807)	—	—	—
Total transactions with owners		4,717	3,370	1,399	7,396	(109,565)	(92,683)	(396)	(93,079)
Balance at December 31, 2022		38,972	18,331	(16,464)	114,012	703,342	858,193	9,353	867,546

(e) 【Consolidated statement of cash flows】

(Millions of yen)

	Notes	Fiscal year ended December 31, 2021	Fiscal year ended December 31, 2022
Cash flows from operating activities			
Income before income taxes		135,472	140,525
Depreciation and amortization	5	8,468	6,767
Share-based compensation expenses	24	10,508	9,691
Interest and dividend income	31	(6,452)	(12,986)
Interest expense	31	415	588
Impairment loss	5, 30	2,941	5,337
Loss on revaluation	5, 10	1,589	5,356
Share of loss of investments accounted for using equity method	5, 11	999	10,246
Loss (gain) on sale of investments accounted for using equity method	31	10	(9,531)
Loss (gain) on valuation of securities	31	(703)	6,498
Loss (gain) on sale and redemption of securities	31	(3,734)	4,058
Foreign exchange gain		(10,022)	(17,241)
Decrease (increase) in trade and other receivables		4,816	(8,968)
Increase in other current assets		(3,136)	(1,429)
Increase (decrease) in trade and other payables		(1,466)	4,089
Increase (decrease) in deferred income		(1,954)	7,131
Increase (decrease) in provisions		(1,188)	4,216
Increase (decrease) in other current liabilities		(1,389)	2,370
Other		1,157	1,212
Subtotal		136,331	157,929
Interest and dividends received	37	7,587	12,442
Interest paid		(415)	(585)
Income taxes paid		(37,589)	(39,642)
Net cash provided by operating activities		105,914	130,144
Cash flows from investing activities			
Net decrease (increase) in restricted deposit		334	(410)
Net decrease in time deposit		110,550	21,925
Purchases of property, plant and equipment		(1,585)	(2,801)
Proceeds from sales of property, plant and equipment		68	120
Purchases of intangible assets	10	(12,541)	(3,101)
Payments associated with increase in long-term prepaid expenses		(3,210)	(2,613)
Purchases of securities by investment funds under consolidated subsidiaries		(37,167)	(17,539)
Proceeds from sale of securities by investment funds under consolidated subsidiaries		35,512	18,478
Purchases of investment securities		(26,492)	(1,245)
Proceeds from sale and redemption of investment securities		6,327	326
Purchases of investments accounted for using equity method	11, 37	(52,637)	(27,790)
Proceeds from sale of investments accounted for using equity method	5	0	9,610
Payments for acquisition of subsidiaries		—	(1,258)
Payments for short-term loans receivable	37	(16,630)	(163)
Collection of short-term loans receivable	37	16,620	178
Payments for long-term loans receivable		(1,397)	(4,309)
Collection of long-term loans receivable		32	27
Other		300	(353)
Net cash provided by (used in) investing activities		18,084	(10,918)

(Millions of yen)

	Notes	Fiscal year ended December 31, 2021	Fiscal year ended December 31, 2022
Cash flows from financing activities			
Net decrease in short-term borrowings	35	(2,094)	—
Proceeds from exercise of stock options	22	4,101	6,023
Purchases of treasury stock	22	(16,034)	(98,824)
Purchases of treasury stock by subsidiaries		—	(1,248)
Cash dividends paid	23	(4,441)	(8,785)
Repayment of lease liability	35	(2,585)	(3,025)
Net cash used in financing activities		(21,053)	(105,859)
Net increase in cash and cash equivalents		102,945	13,367
Cash and cash equivalents at the beginning of the year	6	252,570	365,239
Effects of exchange rate changes on cash and cash equivalents		9,724	30,762
Cash and cash equivalents at the end of the year	6	365,239	409,368

【Notes to consolidated financial statements】

1 Reporting entity

NEXON Co., Ltd. (the "Company") is a company incorporated in Japan. The accompanying consolidated financial statements comprise Nexon Group. Nexon Group is engaged mainly in the production, development and service of PC online and mobile games. Details of each business are described in "5 Segment information."

NXC Corporation is the Company's parent company and also the ultimate parent company of Nexon Group under IFRS.

2 Basis of preparation

(1) Compliance with IFRS

The consolidated financial statements of Nexon Group are prepared in accordance with IFRS pursuant to provisions of Article 93 of the "Regulation for Terminology, Forms and Preparation of Consolidated Financial Statements" (Ministry of Finance Ordinance No. 28, 1976) as Nexon Group satisfies all requirements for a "Specified Company Complying with Designated International Accounting Standards" defined in Article 1-2 of the Regulation.

The consolidated financial statements are approved by Owen Mahoney, Representative Director, President and Chief Executive Officer, and Shiro Uemura, Representative Director and Chief Financial Officer, on March 24, 2023.

(2) Basis of measurement

The consolidated financial statements are prepared on a historical cost basis, except for the following material items in the consolidated statement of financial position.

・ Investment in crypto-assets made through an exchange, which is included in intangible assets (measured at revalued amount)
・ Derivative financial assets and liabilities (measured at fair value)
・ Financial instruments measured at fair value with changes to be recognized in profit or loss
・ Financial instruments measured at fair value with changes to be recognized in other comprehensive income

(3) Presentation currency

The consolidated financial statements are presented in millions of Japanese yen which is the functional currency of the Company. Amounts less than one million yen are rounded to the nearest million yen.

(4) Application of new standards and interpretations

Nexon Group has applied the following standards from the fiscal year ended December 31, 2022, but the application of these standards did not have material impacts on the consolidated financial statements for the fiscal year ended December 31, 2022.

Standards	Title	Overview of New or Revised Standard
IFRS 3	Business Combinations	Updated the reference to the "Conceptual Framework for Financial Reporting"
IAS 16	Property, Plant and Equipment	Clarified that the deduction of proceeds from selling items produced before an item of PPE is available for use from the cost of that PPE is prohibited
IAS 37	Provisions, Contingent Liabilities and Contingent Assets	Clarified what costs an entity considers in assessing whether a contract is onerous
IFRS 9	Financial Instruments	Clarified the fees an entity includes in the test for derecognition of financial liabilities
IFRS 16	Leases	Extended the availability of the practical expedient provided in COVID-19-Related Rent Concessions released on May 28, 2020 by one year

(5) Early application of standards and interpretations

Not applicable.

(6) New standards and interpretation not yet applied

New and amended standards and new interpretations issued but not yet effective as of December 31, 2022 have not been applied in preparation of the consolidated financial statements.

Major amended standards, etc. not applied as of December 31, 2022 are as follows.

The impact of the standards not yet applied on the consolidated financial statements of Nexon Group is deemed insignificant.

Standard	Title	Mandatory effective date (year beginning on)	Application by the Company	Overview of new and amend standard
IAS 1	Presentation of Financial Statements	January 1, 2024	Year ending December 31, 2024	• Clarified how to classify debt and other liabilities as current or non-current • Improve information an entity provides about non-current liabilities with covenants
IAS 1 IAS 8	Presentation of Financial Statements; Accounting Policies, Changes in Accounting Estimates and Errors	January 1, 2023	Year ending December 31, 2023	• Improved accounting policy disclosures and clarified distinction between accounting policies and accounting estimates
IAS 12	Income Taxes	January 1, 2023	Year ending December 31, 2023	• Clarified the accounting for deferred tax on leases and decommissioning obligations
IFRS 16	Leases	January 1, 2024	Year ending December 31, 2024	• Added subsequent measurement requirements for sale and leaseback transactions

(7) Changes in presentation method

Consolidated statement of cash flows

“Loss (gain) on sale of investments accounted for using equity method” and “Loss (gain) on sale and redemption of securities” which were included in “Other” under “Cash flows from operating activities” in the fiscal year ended December 31, 2021 are separately presented from the fiscal year ended December 31, 2022 due to increases in their monetary significance.

Consequently, ¥(2,567) million presented as “Other” under “Cash flows from operating activities” in the consolidated statement of cash flows for the fiscal year ended December 31, 2021 have been reclassified as “Loss (gain) on sale of investments accounted for using equity method” of ¥10 million, “Loss (gain) on sale and redemption of securities” of ¥(3,734) million, and “Other” of ¥1,157 million.

In addition, “Payments for long-term loans receivable” and “Collection of long-term loans receivable” which were included in “Other” under “Cash flows from investing activities” in the fiscal year ended December 31, 2021 are separately presented from the fiscal year ended December 31, 2022 due to increases in their monetary significance.

Consequently, ¥(1,065) million presented as “Other” under “Cash flows from investing activities” in the consolidated statement of cash flows for the fiscal year ended December 31, 2021 have been reclassified as “Payments for long-term loans receivable” of ¥(1,397) million, “Collection of long-term loans receivable” of ¥32 million, and “Other” of ¥300 million.

3 Significant accounting policies

The accounting policies described below have been applied in preparation of the consolidated financial statements in a consistent manner for all periods presented, unless otherwise stated.

(1) Basis of consolidation

(a) Subsidiaries

A subsidiary is an entity controlled by Nexon Group. Nexon Group controls enterprises where it is exposed, or has rights, to variable returns arising from its involvement in those enterprises and is able to have an impact on the said variable returns through its power over those enterprises. A subsidiary's financial statements are incorporated into the Company's consolidated financial statements from the date on which Nexon Group obtains control until the date that Nexon Group loses control.

Comprehensive income of a subsidiary is attributed to owners of the parent company and non-controlling interests, even if it results in non-controlling interests having a deficit balance.

All intra-group balances and transactions within Nexon Group as well as unrealized gains and losses resulting from transactions within Nexon Group are eliminated in preparation of the consolidated financial statements.

(b) Changes in ownership interests in subsidiaries not resulting in a loss of control

Changes in ownership interests in subsidiaries not resulting in a loss of control are accounted for as equity transactions. The carrying amount of Nexon Group's equity and non-controlling interests is adjusted to reflect changes in ownership interests in subsidiaries. Any difference between the adjustment to non-controlling interests and the fair value of consideration paid or received is recognized directly in equity as equity attributable to owners of the parent.

(c) Disposal of subsidiaries

In the event that Nexon Group loses control over a subsidiary, any gain or loss on disposal is calculated as a difference between the total of the fair value of consideration received and the fair value of remaining interests and the previous carrying amount of assets including goodwill, liabilities and non-controlling interests of the said subsidiary, and recognized in profit or loss.

(d) Affiliates and joint ventures

Affiliates are entities which Nexon Group has significant influence over their financial and operating policies but which Nexon Group does not control or jointly control. If Nexon Group holds at least 20% but less than 50% of the voting rights of another entity, it is presumed that Nexon Group has a significant influence over the entity. Even if Nexon Group holds less than 20% of the voting rights of another entity, if it is explicitly demonstrated that Nexon Group has a significant influence over the entity, then it is presumed that Nexon Group has a significant influence over the entity.

A joint venture is defined as a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Joint control is defined as the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

Investments in affiliates and joint ventures are recognized at acquisition consideration at the time of acquisition and accounted for using the equity method. Under the equity method, investments in affiliates and joint ventures are initially recognized at acquisition consideration and adjusted by recognizing Nexon Group's interests in profit or loss and other comprehensive income (after adjustments to comply with Nexon Group's accounting policies) of affiliates and joint ventures from the date on which Nexon Group obtains a significant influence over them until the date on which Nexon Group loses such influence.

If Nexon Group's interests in loss of affiliates or joint ventures exceed investments in those affiliates or joint ventures (including long-term investments that are virtually part of net investments in those affiliates or joint ventures), Nexon Group does not recognize such excess amount unless it bears or pays the obligations (legal or constructive) on behalf of those affiliates or joint ventures.

Any excess of "acquisition consideration" over "Nexon Group's interests in the net fair value of identifiable assets and liabilities and contingent liabilities" of affiliates or joint ventures recognized on the acquisition date is recognized as goodwill and included in the carrying amount of investments in affiliates or joint ventures. Any excess of "Nexon Group's interests in the net fair value of identifiable assets and liabilities and contingent liabilities" of affiliates or joint ventures recognized on the acquisition date over "acquisition consideration" is recognized in profit or loss immediately.

Nexon Group does not recognize goodwill comprising part of the carrying amount of investments in affiliates or joint ventures separately and does not perform impairment test individually, but performs impairment test on investments in affiliates or joint ventures as a single asset if there is an objective evidence that investments in affiliates or joint ventures is impaired.

Unrealized gains arising from transactions with affiliates or joint ventures are deducted from investments to the extent of the amount of Nexon Group's interests in those affiliates or joint ventures. Unrealized losses are deducted in the same manner as unrealized gains unless there is objective evidence of impairment.

(2) Business combination

Nexon Group accounts for business combinations using the "acquisition method." The acquisition consideration includes the fair values of assets transferred from the Company to the previous owners of the acquiree, liabilities incurred, equity interests issued by the Company and liabilities resulting from contingent consideration arrangements.

Transaction costs incurred by Nexon Group in relation to business combination are expensed as incurred, except for those related to issuance of debt or equity securities.

Identifiable assets and liabilities and contingent liabilities of the acquiree that meet recognition criteria under IFRS 3 *Business Combinations* are measured at fair value at the acquisition date, except for:

・deferred tax assets and liabilities that are recognized and measured in accordance with IAS 12 *Income Taxes*, and liabilities (or assets) related to employee benefit contracts that are recognized and measured in accordance with IAS 19 *Employee Benefits*.

Nexon Group measures goodwill as the excess of the sum of acquisition-date fair value of acquisition consideration and non-controlling interests in the acquiree over the net of identifiable assets acquired and liabilities assumed on the date of acquisition. If the difference is negative, it is recognized in profit or loss.

On the date of acquisition, Nexon Group determines for each transaction whether to measure non-controlling interests at fair value or at proportionate share in the recognized amount of identifiable net asset.

Subsequently, goodwill is measured at cost less accumulated impairment losses. The carrying amount of investments accounted for using the equity method includes the carrying amount of goodwill.

Goodwill arising from acquisitions before the date of transition to IFRS is reported at the carrying amount as of the date of transition to IFRS under the previous generally accepted accounting principles after the impairment test under IFRS performed at the date of transition to IFRS.

(3) Foreign currencies

(a) Functional currency and presentation currency

In preparing the financial statements, each of Nexon Group companies translates transactions denominated in currencies other than its functional currency into the functional currency using the exchange rates at the dates of the transactions. The presentation currency of Nexon Group's consolidated financial statements is Japanese yen which is the Company's functional currency.

(b) Translation of items denominated in foreign currencies

Monetary assets and liabilities denominated in foreign currencies are retranslated into the functional currency using the exchange rates at the end of the reporting period. Non-monetary assets and liabilities denominated in foreign currencies measured at fair value are retranslated into the functional currency using the exchange rates at the date the fair value is determined. Foreign exchange differences arising from the retranslation are recognized in profit or loss, except for those arising from retranslation of financial instruments measured at fair value with changes in fair value recognized in other comprehensive income and those arising from cash flow hedge, which are recognized in other comprehensive income. Non-monetary items denominated in foreign currencies measured at cost are translated using the exchange rates at the dates of the transactions.

(c) Foreign operations

Group companies (mainly foreign operations) that have a functional currency different from the presentation currency translate their assets and liabilities, including goodwill arising from the acquisition of the foreign operations, identified assets and liabilities and related fair value adjustments, into the presentation currency using the exchange rate at the end of the reporting period. Income and expenses of foreign operations are translated into the presentation currency using the average exchange rates of the reporting period unless the exchange rates significantly fluctuated during that period.

Foreign exchange differences arising from translating the financial statements of foreign operations are recognized in other comprehensive income. On the disposal of the entire interest in a foreign operation and on the partial disposal of the interest resulting in loss of control or significant influence, the cumulative translation differences are reclassified into profit or loss as part of gains or losses on disposal.

(4) Cash and cash equivalent

Cash and cash equivalents comprise cash on hand, demand deposits, and short-term investments that are readily convertible to cash and subject to an insignificant risk of change in value with original maturities of three months or less from the date of acquisition.

(5) Financial instruments

(a) Financial assets

Financial assets are initially recognized on the date when Nexon Group becomes a party to the contractual terms of such financial assets.

Financial assets are classified as financial assets measured at amortized cost if both of the following conditions are met. If not, they are classified as financial assets measured at fair value.

・The assets are held within a business model whose objective is to hold assets in order to collect contractual cash flows

・The contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the outstanding principal amount

Financial assets measured at fair value are classified into financial assets measured at fair value through profit or loss (FVTPL) and measured at fair value through profit or loss.

Equity instruments, except for those held for trading purpose, which are designated as financial instruments measured at fair value through other comprehensive income (FVTOCI) at initial recognition are classified into financial assets measured at FVTOCI and measured at fair value through other comprehensive income. Such designation is made for individual equity instrument as an irrevocable election and applied consistently.

(Financial assets measured at amortized cost)

Financial assets measured at amortized cost are initially recognized at fair value plus directly attributable transaction costs.

Subsequently, the carrying amount of the financial assets measured at amortized cost is calculated using the effective interest method, less accumulated impairment loss, if any. Interest income calculated using the effective interest method is recognized in profit or loss.

(Financial assets measured at FVTPL)

Financial assets measured at FVTPL are initially recognized at fair value, and transaction costs are recognized in profit or loss when incurred. Subsequently, they are measured at fair value, with unrealized gains or losses arising from changes in fair value, interest income and dividend income recognized in profit or loss.

(Financial assets measured at FVTOCI)

Financial assets measured at FVTOCI are initially recognized at fair value plus directly attributable transaction costs. Subsequently, they are measured at fair value, with changes in fair value recognized in other comprehensive income. If they are derecognized or their fair value substantially declines, the accumulated gains or losses recognized through other comprehensive income are reclassified into retained earnings.

Dividends earned from these investments are recognized in profit or loss unless they clearly represent return of initial investment.

Nexon Group derecognizes financial assets when rights to receive cash flows from financial assets expire, or when Nexon Group transfers the rights as well as substantially all the risks and rewards of ownership of the asset.

(b) Impairment of financial assets measured at amortized cost

Nexon Group recognizes loss allowance to provide for expected credit loss for financial assets measured at amortized cost. In recognizing loss allowance, we assess whether there has been a significant increase in credit risk since initial recognition of financial assets or a group of similar financial assets measured at amortized cost at each reporting date and recognize expected credit loss. At the reporting date, if credit risk for financial instruments has not increased significantly since initial recognition, we recognize expected credit losses that result from default events that are possible within 12 months after the reporting date (12-month expected credit losses). On the other hand, at the reporting date, if the credit risk has increased significantly since initial recognition, we recognize expected credit losses that result from all possible default events over the expected life of the financial instruments (lifetime expected credit losses). For trade and other receivables, however, we recognize lifetime expected credit losses as a practical expedient based on historical credit loss rates.

The amount of expected credit loss is measured as the present value of cash shortfalls between the total contractual cash flows that are due to Nexon Group and estimated future cash flows Nexon Group expects to receive, and recognized in profit or loss.

When there is objective evidence that the financial assets are impaired such as significant deterioration in the financial condition of the debtor or violation of the contract terms by the debtor such as default or delinquency in payments, we measure interest income by applying the effective interest method to the net carrying amount adjusted for the loss allowance.

When there is no reasonable expectations of recovering all or part of the financial assets, the gross carrying amount of the financial assets are directly reduced.

(c) Financial liabilities

Financial liabilities are recognized at the transaction date on which Nexon Group becomes a party to the agreement of the said financial instrument.

Financial liabilities held by Nexon Group include accounts payable and other short-term liabilities and are initially recognized at fair value less transaction costs directly attributable to the financial liabilities. Subsequent to initial recognition, they are measured at amortized cost using the effective interest method.

Nexon Group derecognizes financial liabilities when they are extinguished, that is, when the obligation specified in the contract is either discharged or cancelled or expires.

(d) Derivative and hedge accounting

Derivative transactions of Nexon Group are executed and managed in accordance with the derivative transaction management rules by the Accounting & Finance Department of the Company based on the approval of authorized personnel. Use of derivatives are limited to transactions with high-rated financial institutions in order to mitigate credit risk.

At the inception of a hedge transaction, Nexon Group formally designates and documents the hedging relationship to which hedge accounting is applied and risk management objectives and strategies for undertaking the hedge. The documentation includes identification of hedging instruments, hedged items or transactions, the nature of the risks being hedged and the method to assess the effectiveness of hedging relationship.

Derivatives are initially recognized at fair value on the date a derivative contract is entered into, and subsequently measured at fair value with effective portion of changes in fair value recognized in other comprehensive income and ineffective portion recognized in profit or loss immediately. The cumulative amount of gains or losses recognized through other comprehensive income is reclassified into profit or loss in the consolidated statement of comprehensive income in the same period during which cash flows of the hedged item affect profit or loss.

Application of the hedge accounting is discontinued prospectively if the hedge no longer meets requirements for the hedge accounting, the hedging instrument expires or is sold, terminated, or exercised. If the hedge accounting is discontinued, Nexon Group continues to report any balance related to the discontinued cash flow hedge previously recognized in other comprehensive income until the forecasted transaction affects profit or loss. If the forecasted transaction is no longer considered probable, the balance related to the cash flow hedge is recognized in profit or loss immediately.

(e) Presentation of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount is presented in the consolidated statement of financial position when, and only when, there is a legally enforceable right to set off the recognized amounts and there is an intention either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

(f) Fair value of financial instruments

Fair values of financial instruments are determined based on quoted market prices if they are traded on active financial markets at the end of each reporting period.

If an active market does not exist, fair values of financial instruments are determined using appropriate valuation techniques (e.g. income approach, market approach).

See “26 Fair value of financial instruments” for calculation method of fair value.

(6) Property, plant and equipment

(a) Recognition and measurement

Property, plant and equipment are measured using the cost model and stated at cost less accumulated depreciation and accumulated impairment losses.

The cost includes costs directly attributable to the acquisition of the assets, costs of dismantling and removing the assets and restoring the site on which they are located and borrowing costs to be capitalized.

Items of property, plant and equipment that have different useful lives are recorded as separate items.

(b) Depreciation

Depreciation is calculated based on the depreciable amount, which is calculated as the cost of an asset less its residual value.

Each item of property, plant and equipment is depreciated using the straight-line method over the estimated useful life. Land is not depreciated.

The estimated useful lives of major items of property, plant and equipment are as follows:

・Buildings and structure: 3 to 45 years
・Tools, furniture and fixtures: 2 to 15 years

The depreciation methods, useful lives and residual values are reviewed at the end of each consolidated fiscal year and revised if necessary.

(7) Goodwill and intangible assets

(a) Intangible assets acquired through business combination (goodwill and other intangible assets)

See “(2) Business combination” for measurement of goodwill at initial recognition.

Intangible assets acquired through business combination and recognized separately from goodwill are initially recognized at fair value on the date of acquisition.

Intangible assets excluding goodwill are carried at cost less accumulated amortization and accumulated impairment losses in the same manner as intangible assets acquired individually.

(b) Software

Nexon Group incurs certain costs to purchase or develop software for internal use.

Expenditures arising from research activities to obtain new scientific or technical knowledge are recognized as expenses when incurred. Expenditures arising from development activities are capitalized as intangible assets, if, and only if, they are reliably measurable, developments are technically feasible, it is highly probable to generate future economic benefits, and Nexon Group has an intention and adequate resources to complete the development of the assets to use or sell them.

Capitalized software costs are carried at cost less accumulated amortization and accumulated impairment losses.

(c) Research and development costs

Expenditures arising from research activities to obtain new scientific or technical knowledge and understanding are recognized in profit or loss when incurred. Development costs that satisfy certain conditions are capitalized and carried at cost less accumulated amortization and accumulated impairment losses.

(d) Game copyrights and other intangible assets excluding investment in crypto-assets (individually acquired intangible assets)

Nexon Group purchases publishing rights for online games developed by other companies and recognizes them as intangible assets. Game copyrights and other intangible assets acquired by Nexon Group with finite useful lives are measured at cost less accumulated amortization and accumulated impairment losses. There are no intangible assets with indefinite useful lives.

(e) Investment in crypto-assets

Nexon Group recognizes investment in crypto-assets as an intangible asset under IAS 38 *Intangible Assets* ("IAS 38") and measures it initially at cost. Nexon Group has determined this to be an intangible asset with an indefinite useful life and has not conducted amortization because the intangible asset has an unlimited usage period and we deem it would exist as long as it is used as a means of an exchange. After the initial recognition, Nexon Group has elected to measure the intangible asset using the revaluation model.

Under the revaluation model, Nexon Group recognizes the intangible asset at a revalued amount which is its fair value at the date of the revaluation less any subsequent accumulated impairment losses. For the purpose of revaluations under IAS 38, fair value is measured by reference to an active market.

If an intangible asset's carrying amount is increased as a result of revaluation, Nexon Group recognizes the increase in other comprehensive income and it is accumulated in other equity interest as revaluation surplus. However, the increase is recognized in profit or loss to the extent that it reverses a revaluation decrease of the same intangible asset previously recognized in profit or loss.

If an intangible asset's carrying amount is decreased as a result of revaluation, Nexon Group recognizes the decrease as an expense. However, the decrease is recognized in other comprehensive income to the extent of any credit balance in the revaluation surplus in respect of that intangible asset. The decrease recognized in other comprehensive income reduces the amount accumulated in other equity interest as revaluation surplus.

Nexon Group directly transfers revaluation surplus to retained earnings if the surplus is realized due to the derecognition of the intangible asset.

(f) Amortization

Amortization is calculated based on the cost of an asset less its residual value. Amortization of intangible assets is computed using the straight-line method over their estimated useful lives from the date when the assets become available for use.

Estimated useful lives for major intangible assets are as follows:

・Game copyrights　3 to 10 years

The amortization methods, useful lives and residual values are reviewed at the end of each consolidated fiscal year and revised if necessary. Residual values are considered to be zero.

(8) Leases

Nexon Group assesses whether a contract is, or contains, a lease at inception of the contract. It is deemed that a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Nexon Group reviews the following matters in the assessment of whether or not a contract conveys the right to control the use of an identified asset:

- whether the use of an identified asset is included in the contract;
- whether Nexon Group has the right to receive almost all the economic benefits from the use of the asset over the entire period of usage; and
- whether Nexon Group has the right to give instructions on the use of the asset.

When Nexon Group enters into or reviews a contract that contains lease components, the consideration in the contract is allocated to each component on the basis of the relative stand-alone prices of lease and non-lease components.

However, with regards to leases of a building or similar asset for which Nexon Group is the lessee, we have elected not to separate non-lease components from lease components, and instead account for lease and non-lease components as a single lease component.

Nexon Group determines the lease term as the non-cancellable period during which the lessee has the right to use the underlying asset, together with both:

- periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option; and
- periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option.

(Lease as a lessee)

Nexon Group recognizes a right-of-use asset and a lease liability at the commencement date.

A right-of-use asset is initially measured at cost. The cost of the right-of-use asset is derived by adjusting the amount of the initial measurement of the lease liability by any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to be incurred in dismantling and removing the underlying asset or restoring the underlying asset or the site on which it is located, less any lease incentives received.

After initial recognition, a right-of-use asset is depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful life of the right-of-use asset is determined in the same way as property, plant and equipment. In addition, the carrying amount of the right-of-use asset is reduced due to impairment losses and adjusted at remeasurement of the corresponding lease liability.

A lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the lessee’s incremental borrowing rate is used. The lessee’s incremental borrowing rate is calculated by, for example, adding credit risk to a risk-free rate of government bonds, etc., or using the most recent interest rate of borrowing from a financial institution.

The total lease payments included in the measurement of the lease liability comprise the following payments:

- fixed lease payments (including in-substance fixed lease payments), less any lease incentives receivable;
- variable lease payments that depend on an index or a rate (initial measurement uses an index or rate as at the commencement date);
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if Nexon Group is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent to the commencement date, the carrying amount of lease liability increases to reflect interest on the lease liability and decreases to reflect lease payments made. The lease liability will be remeasured if there is any change in future lease payments due to a change in an index or a rate, if there is any change in the amounts expected to be payable under residual value guarantees, or if there is any change in the certainty to exercise the purchase, extension, or termination option.

At remeasurement of the lease liability, the corresponding adjustment is made to the carrying amount of the right-of-use asset, or if the carrying amount of the right-of-use asset is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss.

In the consolidated statement of financial position, Nexon Group presents right-of-use assets that do not satisfy the definition of investment property under “right-of-use assets,” and lease liabilities under “lease liabilities (current)” and “lease liabilities (non-current).”

(Short-term and low-value leases)

Nexon Group has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases for which the underlying asset is of low-value.

Nexon Group recognizes lease payments for these leases as expenses over the lease term on a straight-line basis.

(Lease as a lessor)

In cases where Nexon Group is the lessor, each lease is classified as either a finance lease or an operating lease at the inception date of the lease. To classify each lease, we make an overall assessment as to whether or not it transfers substantially all of the risks and rewards incidental to ownership of an underlying asset. If it does, a lease is classified as a finance lease. If not, it is classified as an operating lease.

As a part of this assessment, we review certain indexes including whether or not the lease term is for a major part of the economic life of the underlying asset.

- In cases where Nexon Group is an intermediate lessor, the head lease and the sublease are accounted for separately.
- The classification of a sublease is determined upon referring, not to the underlying asset, but to the right-of-use asset that arise from the head lease.
- If the head lease is a short-term lease to be accounted for by applying the provision for exemption as above, the sublease is classified as an operating lease.
- If a contract contains lease and non-lease components, Nexon Group applies IFRS 16 and allocates the consideration in the contract to each component proportionately.

Nexon Group recognizes lease payments from operating leases as income on a straight-line basis over the lease term and presents them in “other income.”

For lease payments from finance leases, assets held under a finance lease are recognized in the statement of financial position at the commencement date and presented as receivables under “trade and other receivables” and “other financial assets (non-current)” at an amount equal to the net investment in the lease.

At the commencement date, the lease payments included in the measurement of the net investment in the lease comprise the following payments for the right to use the underlying asset during the lease term which are not received at the commencement date:

- fixed lease payments (including in-substance fixed lease payments), less any lease incentives payable;
- variable lease payments that depend on an index or a rate (initial measurement uses an index or rate as at the commencement date);
- any residual value guarantees provided to the lessor;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Nexon Group recognizes lease payments from finance leases as “finance income” over the lease term based on a pattern that reflects the rate of return from Nexon Group’s net investment in the lease over a certain period.

(9) Impairment loss of non-financial assets

The carrying amounts of Nexon Group’s non-financial assets, excluding inventories and deferred tax assets, are assessed on a quarterly basis as to whether there is any indication of impairment. If any such indication exists, the recoverable amount of the assets is estimated. Regarding goodwill and intangible assets with indeterminable useful lives or not yet available for use, the recoverable amount is estimated at the end of each consolidated fiscal year and when any indication of impairment is identified.

The recoverable amount of an asset or a cash-generating unit (CGU) is the higher of its value in use and its fair value less cost to sell. In calculating value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the time value of money and the risks specific to the asset. A CGU is the smallest group of assets which generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

The CGU of goodwill is determined based on the unit by which the goodwill is monitored for internal management purposes and does not exceed an operating segment.

Because corporate assets do not generate independent cash inflows, if there is an indication that corporate assets may be impaired, the recoverable amount is determined for the CGU to which the corporate assets belong.

If the carrying amount of an asset or a CGU exceeds its recoverable amount, an impairment loss is recognized through profit or loss. The impairment loss recognized related to a CGU is allocated to reduce the carrying amount of the goodwill allocated to the CGU and then to reduce the carrying amount of the other assets of the CGU on a prorated basis.

Nexon Group assesses on a quarterly basis as to whether there is any indication that an impairment loss recognized in prior years for an asset may have decreased or may no longer exist. An impairment loss is reversed if an indication of reversal exists and there has been a change in the estimates used to determine the asset’s recoverable amount. An impairment loss is reversed to the extent the carrying amount does not exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized. Impairment losses recognized for goodwill are not reversed.

(10) Employee benefits

(a) Defined contribution pension plan

The Company and certain subsidiaries have defined contribution pension plans. A defined contribution pension plan is a post-retirement benefit plan under which the employer pays fixed contributions into a separate entity and will have no legal or constructive obligations to pay further contributions. Contributions under the defined contribution pension plans are expensed during the period in which employees have rendered their services.

(b) Defined benefit pension plan

Certain subsidiaries have defined benefit pension plans. A defined benefit pension plan is any post-retirement benefit plan other than a defined contribution pension plan. These subsidiaries calculate obligations related to the defined benefit pension plans by estimating the ultimate cost to the company of the benefits that employees have earned in return for their services in the current and prior periods and discounting such amount to determine the present value.

(c) Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount and expensed when relevant services have been rendered.

Nexon Group recognizes the estimated cost of bonus payments based on the plan as a liability when it has a present legal or constructive obligation to make such payments as a result of services rendered by employees in the past and a reliable estimate of the expected obligation can be made.

(11) Share-based compensation

Nexon Group has stock option plans as incentives to its directors and employees. Stock option is estimated based on the fair value on the grant date and, in consideration of the number of stock options estimated to vest, recognized as expenses over the vesting period, with the corresponding amount recognized as an increase in other equity interest. The fair value of option granted is determined using the binomial model, etc. taking into consideration various conditions of the option. Nexon Group reviews these conditions regularly and revises the estimate of the number of rights expected to vest, as necessary.

When stock options are exercised, the Company will issue new shares and account for them in the manner described in "(13) Shareholders' equity."

(12) Provisions

Provisions are recognized when Nexon Group has a present legal or constructive obligation that can be reasonably estimated as a result of a past event, and it is probable that an outflow of economic resources will be required to settle the obligation. Provisions are calculated as the estimated future cash flows discounted using a pre-tax discount rate that reflects the time value of money and the risks specific to the liability. The unwinding of the discount due to the passage of time is recognized as finance cost.

Asset retirement obligations are recognized to provide for obligations to restore leased offices and other premises to their original conditions. The amount of the obligations is estimated, recognized and measured considering the conditions of each property individually and specifically, based on factors including Nexon Group's past experience of restoration and the expected period of use determined taking into account the useful lives of leasehold improvements.

(13) Shareholders' equity

(a) Common stock

The issue price of common stock issued by the Company is recorded in capital stock and capital surplus, and direct issue cost, net of taxes, is deducted from capital surplus.

(b) Treasury stock

Consideration paid to acquire treasury stock including direct transaction costs, net of taxes, is recognized as a deduction from equity. When treasury stock is sold, the difference between the carrying amount and the proceeds is recognized as capital surplus.

(14) Revenue

Nexon Group is engaged in PC online business, mobile business, consulting business related to PC online game services and internet advertisement business. Revenue is measured at the fair value of the consideration received for services rendered in the ordinary course of business less sales-related taxes.

Revenue from contracts with customers for transactions involving the rendering of services is recognized based on the following five-step approach:

Step 1: Identify contracts with customers
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations
Step 5: Recognize revenue when (or as) performance obligations are satisfied

Nexon Group has neither incremental cost for the acquisition of contracts with customers, nor any incidental part that is deemed recoverable, which we need to recognize under assets. "Deferred income" in consolidated statements of financial position falls under contract liability under IFRS 15.

Nexon Group identifies different assets or services included in contracts with customers and uses them as transactional units in the identification of our performance obligations. As we identify our performance obligations, we conduct a review as to whether we are a principal or agent. Revenue recognition criteria and basis for gross versus net presentation of revenue for major revenue categories are as follows.

(A) Revenue recognition criteria by major revenue category

Nexon Group generates revenue primarily from (a) sales of items used in PC online business and mobile business (revenue from item charging); (b) royalty income from granting publishing rights for PC online games developed and commercialized by Nexon Group; and (c) revenue from consulting business for PC online game services and in-game advertisement business.

(a) Revenue from sales of items used in PC online business and mobile business (revenue from item charging)

PC online business services PC online games developed by Nexon Group or other companies. Nexon Group's PC online games are basically free to play, but certain fees are charged to purchase necessary items or use certain services. In PC online game, revenue is recognized over the estimated usage period during which the game items purchased in exchange for game points are expected to be used.

Mobile business services mobile games developed by Nexon Group or other companies through mobile devices such as smartphones and tablets. Mobile games are basically free to play, but certain fees are charged to purchase necessary items or use certain services. In mobile game, revenue is recognized over the estimated usage period during which the game items purchased in exchange for game points are expected to be used.

In our PC online and mobiles businesses, we mostly provide services as a principal, but we also provide some services as an agent.

(b) Royalty income from granting publishing rights for PC online games developed and commercialized by Nexon Group

As the owner of the copyright, Nexon Group enters into a licensing agreement with third party publishers and grants publishing rights for PC online games developed and commercialized by Nexon Group.

We recognize the performance obligations for royalty income arising from granting publishing rights to third parties to be satisfied over the contract term of the relevant royalty agreement when it is probable that the economic benefits associated with the transaction will flow to Nexon Group and such income amount can be measured reliably.

For the granting of publishing rights through licensing agreements, we conduct transactions as a principal.

(c) Revenue from consulting business for PC online game services and in-game advertisement business

In consulting business, a subsidiary provides Chinese domestic publishers with consulting services for setting up and maintaining billing systems and membership systems, business strategy development, game operation, and marketing, and recognizes revenue for rendered services by reference to the stage of completion of the transaction. We provide services in our consulting business as a principal.

In in-game advertisement business, advertisements are directly exposed to users through their usage of functional items that are equipped with advertisement function in the game, and revenue is recognized over the advertisement period. For our in-game advertisement business, we decide whether we are a principal or an agent on a case-by-case basis.

(B) Revenue recognition based on satisfaction of performance obligations

Nexon Group recognizes revenue when, or as, we satisfy our performance obligations by transferring services to customers.

We recognize that performance obligations are satisfied over time in our PC online business, mobile business, consulting business for PC online game services, and internet advertisement business. In segment information, revenue from our consulting business for PC online game services is included in PC online, and revenue from our internet advertisement business is included in Other.

(a) Performance obligations satisfied at a point in time

Nexon Group recognizes revenue at a point in time as the transfer of control occurs upon delivery to customers.

(b) Performance obligations satisfied over time

If any one of the following criteria is met, control of a service is transferred over time, and therefore, performance obligations are satisfied and revenue is recognized over time.

(i) The customer simultaneously receives and consumes the benefit provided by Nexon Group's performance as Nexon Group performs.
(ii) Nexon Group's performance creates or enhances an asset (e.g. work in progress), and the customer controls it as the asset is created or enhanced.
(iii) Nexon Group's performance does not create an asset with an alternative use to Nexon Group and Nexon Group has an enforceable right to payment for performance completed to date.

We recognize performance obligations for revenue from item charging by estimating the service period of items sold for each game. We assume the period for satisfying performance obligations to be the same as the estimated service period, which is calculated by classifying the items sold into three types (i.e. consumable, temporary, permanent) according to their specifications.

For permanent items for which our performance obligations continue on a permanent basis, we have adopted a method of calculating users' weighted average service usage periods.

For royalty income, we recognize revenue assuming the contract term of copyrights, etc. owned by Nexon Group to be the period for satisfying performance obligations.

(C) Gross versus net presentation of revenue

In the ordinary course of business, there are cases where Nexon Group acts as an intermediary or agent. In reporting revenue arising from these transactions, Nexon Group determines whether to present revenue in the gross amount of the consideration received from customers or in the amount of consideration net of commissions and other fees payable to third parties. However, the decision as to whether revenue is presented in gross or net amount has no impact on net profit or loss.

Determination of whether to present revenue in the gross or net amount is based on whether the nature of our performance obligation under the relevant transaction requires us to provide particular goods or services ourselves (i.e. we are a "principal") or to arrange for another party to provide particular goods or services (i.e. we are an "agent"). For transactions in which Nexon Group acts as a "principal," we recognize revenue on a gross basis when or as the performance obligation is satisfied. For transactions in which Nexon Group acts as an "agent," we recognize as revenue the net amount it retains as consideration or commission which we expect to become entitled to receive in exchange for arranging for another party to provide particular goods or services when or as the performance obligation is satisfied. Whether Nexon Group acts as a principal or an agent is determined based on an assessment of terms and conditions of each arrangement with respect to exposure to the significant risks and rewards associated with sale of goods or provision of services.

In addition, we are a "principal" if we control the good or service before transferring it to the customer.

Factors to be considered as requirements for gross presentation of revenue arising from a transaction in which Nexon Group acts as a principal include:

(a) We have primary responsibility to provide a service to a customer or to fulfill an order.
(b) We have discretion to directly or indirectly establish pricing.
(c) We are exposed to credit risk for the amount receivable from the customer.

(15) Finance income and finance costs

Finance income mainly consists of interest income, dividend income, foreign exchange gain, and changes in fair value and gain on sale of financial assets measured at fair value through profit or loss. Interest income is recognized on an accrual basis using the effective interest rate method. Dividend income is recognized on the date when Nexon Group's right to dividend is fixed. Finance costs mainly consist of interest expense, foreign exchange loss and changes in fair value and loss on sale of financial assets measured at fair value through profit or loss. Interest expense is recognized on an accrual basis using the effective interest rate method.

(16) Income taxes

Income taxes comprise current and deferred taxes. They are recognized in profit or loss, except for those related to business combination and items recognized directly in equity or other comprehensive income.

Current taxes are measured at the amount expected to be paid to (or recovered from) taxation authorities on taxable income or loss for the current year, using the rates that have been enacted or substantively enacted on each reporting date.

Deferred tax assets and liabilities are recognized for temporary differences between the carrying amount of an asset or liability for accounting purposes and its tax base. Deferred tax assets are recognized to the extent that it is probable that future taxable income will be available against which deductible temporary differences can be utilized. Deferred tax assets and liabilities are not recognized for the following temporary differences:

- Future taxable temporary differences arising from the initial recognition of goodwill;
- Temporary differences arising from the initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit;
- Future taxable temporary differences associated with investments in subsidiaries, affiliates and joint ventures to the extent that it is possible to control the timing of the reversal of temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future; or
- Future deductible temporary differences associated with investments in subsidiaries, affiliates and joint ventures to the extent that it is not probable that the temporary differences will reverse in the foreseeable future.

Deferred tax assets and liabilities are offset if, and only if, the entity has a legally enforceable right to set off the current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on the same taxable entity.

(17) Earnings per share

Nexon Group discloses basic and diluted earnings (attributable to owners of the parent company) per share of common stock. Basic earnings per share is calculated by dividing net income attributable to owners of the parent company by the weighted average number of common stock outstanding during the period adjusted for treasury stock. Diluted earnings per share is calculated by adjusting net income attributable to owners of the parent company and the weighted average number of common stock outstanding adjusted for treasury stock for the effects of all dilutive potential common stock. All potential common stock of Nexon Group relates to our stock option plans.

(18) Dividends

Dividends to the Company's shareholders are recognized as a liability in the period in which the Board of Directors of the Company approves them.

(19) Segment information

Business segments are components of business activities that earn revenues and incur expenses including transactions with other business segments. Results of all business segments for which separate financial information is available are reviewed regularly by the Board of Directors of the Company in deciding how to allocate management resources and in assessing performance.

4 Critical accounting estimates and judgement

The preparation of the consolidated financial statements in accordance with IFRS requires management to make judgments, accounting estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses. Estimates and assumptions are based on past performance and the management's best judgment based on various factors deemed reasonable. However, the actual results may vary from those estimates and assumptions due to their nature, and future changes in uncertain economic conditions may have a material impact on the amounts to be recognized on the consolidated financial statements in the future periods. We review estimates and underlying assumptions on a continuing basis. Any effects from the review of these estimates are recognized in the period in which estimates are reviewed and in future periods.

The judgment made in the process of applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements is as follows:

・Determination of the scope of subsidiaries, affiliates and joint ventures (3 Significant accounting policies (1) Basis of consolidation)

Information on assumptions about the future that have a risk of resulting in material adjustments in the current and following fiscal years and other estimation uncertainty at the end of the current fiscal year is as follows:

(1) Method of measuring fair value of financial instruments (3 Significant accounting policies (5) Financial instruments and 26 Fair value of financial instruments)

Fair value of certain financial instruments is calculated based on valuation techniques that include significant unobservable inputs, which may be affected by future changes in uncertain economic conditions. The amount recognized for the fiscal year ended December 31, 2022 is included in "Other financial assets (non-current)" on the consolidated statement of financial position.

(2) Impairment loss on goodwill and intangible assets (3 Significant accounting policies (9) Impairment loss of non-financial assets and 10 Goodwill and intangible assets)

Nexon Group conducts impairment tests for goodwill and intangible assets in accordance with "3 Significant accounting policies, (9) Impairment loss of non-financial assets." The recoverable amount in the impairment test is the higher of its value in use and its fair value less cost of disposal. The value in use is calculated based on the assumption such as a growth rate and discount rate included in the future cash flow projections. These assumptions are determined by the management's best estimate and judgment but may be affected by future changes in uncertain economic conditions. The amount recognized for the fiscal year ended December 31, 2022 is included in "Goodwill" and "Intangible assets" on the consolidated statement of financial position.

(3) Recoverability of deferred tax assets (3 Significant accounting policies (16) Income taxes and 14 Deferred tax assets and deferred tax liabilities)

A deferred tax asset is calculated for deductible temporary differences and carryforwards of unused tax credits and tax losses based on the timing and amount of future taxable profits expected to be available against which the temporary differences and the unused tax credit and loss carryforward can be utilized. Such timing and amount is determined by the management's best estimate and judgment but may be affected by future changes in uncertain economic conditions. The amount recognized for the fiscal year ended December 31, 2022 is included in "Deferred tax assets" on the consolidated statement of financial position.

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 service of PC online games and mobile games, and the Company (in Japan) and its local consolidated subsidiaries (overseas) develop overall strategies for their respective products and services in each region and operate business activities as independent units. Accordingly, Nexon Group is comprised of geographical business segments based on production, development, and service 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.

Nexon Group applied IFRS 15 *Revenue from Contracts with Customers*. As a result, Nexon Group has divided revenue generated from contracts with customers into PC online, mobile and other based on such contracts with customers.

(2) Revenue, profit or loss by reportable segment

Information on the segments of Nexon Group is as follows:

Fiscal year ended December 31, 2021

(Millions of yen)

	Reportable Segments						Adjust-ments (Note 4)	Consoli-dated
	Japan	Korea	China	North America	Other	Total		
Revenue								
Revenue from external customers								
PC online	3,292	180,975	3,150	6,051	1,231	194,699	—	194,699
Mobile	1,729	67,497	—	8,844	8	78,078	—	78,078
Other	21	1,655	—	9	0	1,685	—	1,685
Total revenue from external customers	5,042	250,127	3,150	14,904	1,239	274,462	—	274,462
Intersegment revenue	1,003	2,753	—	890	549	5,195	(5,195)	—
Total	6,045	252,880	3,150	15,794	1,788	279,657	(5,195)	274,462
Segment profit or loss (Note 1)	(11,939)	109,191	1,680	(175)	(4,902)	93,855	(4)	93,851
Other income (expense), net	—	—	—	—	—	—	—	(2,310)
Operating income	—	—	—	—	—	—	—	91,541
Finance income (costs), net (Note 5)	—	—	—	—	—	—	—	46,519
Loss on revaluation (Note 7)	—	—	—	—	—	—	—	(1,589)
Share of loss of investments accounted for using equity method	—	—	—	—	—	—	—	(999)
Income before income taxes	—	—	—	—	—	—	—	135,472
(Other items)								
Depreciation and amortization (Note 6)	5	7,203	116	192	952	8,468	—	8,468
Impairment loss	80	2,815	—	46	—	2,941	—	2,941
Capital expenditures (Note 3)	37	3,713	42	1,190	203	5,185	—	5,185

(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. Capital expenditures include investments in property, plant and equipment, right-of-use assets and intangible assets, but investment in crypto-assets made through an exchange is excluded from the investment in intangible assets.
4. Adjustments in segment profit or loss of ¥(4) million represent elimination of intersegment transactions.
5. A major component of finance income is foreign exchange gain of ¥36,432 million.
6. In addition to property, plant and equipment and intangible assets, depreciation arising from right-of-use assets is included.
7. Loss on revaluation recognized in profit or loss due to the revaluation of an intangible asset (investment in crypto-assets made through an exchange).
8. For PC online and mobile, performance obligations are satisfied and revenue is recognized over a certain period of time mainly because control over services is transferred over a certain period of time.

Fiscal year ended December 31, 2022

(Millions of yen)

	Reportable Segments						Adjust-ments (Note 4)	Consoli-dated
	Japan	Korea	China	North America	Other	Total		
Revenue								
Revenue from external customers								
PC online	3,455	227,757	3,341	6,310	1,367	242,230	—	242,230
Mobile	1,223	101,813	—	6,766	—	109,802	—	109,802
Other	24	1,648	—	9	1	1,682	—	1,682
Total revenue from external customers	4,702	331,218	3,341	13,085	1,368	353,714	—	353,714
Intersegment revenue	1,253	3,099	—	938	792	6,082	(6,082)	—
Total	5,955	334,317	3,341	14,023	2,160	359,796	(6,082)	353,714
Segment profit or loss (Note 1)	(10,643)	129,255	1,556	(6,217)	(5,311)	108,640	(1)	108,639
Other income (expense), net	—	—	—	—	—	—	—	(4,943)
Operating income	—	—	—	—	—	—	—	103,696
Finance income (costs), net (Note 5)	—	—	—	—	—	—	—	52,431
Loss on revaluation (Note 7)	—	—	—	—	—	—	—	(5,356)
Share of loss of investments accounted for using equity method	—	—	—	—	—	—	—	(10,246)
Income before income taxes	—	—	—	—	—	—	—	140,525
(Other items)								
Depreciation and amortization (Note 6)	1	5,477	123	330	836	6,767	—	6,767
Impairment loss	42	2,787	—	329	2,179	5,337	—	5,337
Capital expenditures (Note 3)	9	14,521	114	630	854	16,128	—	16,128

(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. Capital expenditures include investments in property, plant and equipment, right-of-use assets and intangible assets, but investment in crypto-assets made through an exchange is excluded from the investment in intangible assets.
4. Adjustments in segment profit or loss of ¥(1) million represent elimination of intersegment transactions.
5. Major components of finance income are foreign exchange gain of ¥41,708 million and gain on sale of investments accounted for using equity method of ¥9,531 million in connection with the transfer of shares of Six Waves Inc.
The gain on sale was recognized as a result of the transfer of all shares of Six Waves Inc. owned by the Company 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 in the three months ended March 31, 2022.
6. In addition to property, plant and equipment and intangible assets, depreciation arising from right-of-use assets is included.
7. Loss on revaluation recognized in profit or loss due to the revaluation of an intangible asset (investment in crypto-assets made through an exchange).
8. For PC online and mobile, performance obligations are satisfied and revenue is recognized over a certain period of time mainly because control over services is transferred over a certain period of time.

(3) Revenue from major products and services

Revenue from major products and services is as follows:

(Millions of yen)

	Fiscal year ended December 31, 2021	Fiscal year ended December 31, 2022
In-game microtransactions	190,345	253,415
Royalty	79,285	95,279
Other	4,832	5,020
Total	274,462	353,714

(4) Information by region

The carrying amounts of non-current assets (excluding financial assets, deferred tax assets and investment in crypto-assets) are as follows:

(Millions of yen)

	As of December 31, 2021	As of December 31, 2022
Japan	5	2
Korea	50,014	62,745
China	205	227
North America	1,175	1,001
Other	32,302	29,828
Total	83,701	93,803

(Notes) 1. Non-current assets are classified into country or region category based on the location.
2. Categorization by country or region is based on geographic proximity.
3. Main countries or regions in each category:
(1) North America: USA
(2) Other: Europe and Asian countries

Revenue from external customers is as follows.

Fiscal year ended December 31, 2021

(Millions of yen)

	Revenue by major business			Total
	PC online	Mobile	Other	
Main regional market				
Japan	3,291	7,152	26	10,469
Korea	102,934	50,270	1,479	154,683
China	73,006	589	—	73,595
North America and Europe	5,463	13,108	97	18,668
Rest of World	10,005	6,959	83	17,047
Total	194,699	78,078	1,685	274,462

(Notes) 1. Revenue is classified to country or region based on customer location.
2. Categorization by country or region is based on geographic proximity.
3. Major 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

Fiscal year ended December 31, 2022

(Millions of yen)

	Revenue by major business			Total
	PC online	Mobile	Other	
Main regional market				
Japan	3,592	6,916	15	10,523
Korea	134,087	77,249	1,564	212,900
China	85,787	593	11	86,391
North America and Europe	6,469	13,570	12	20,051
Rest of World	12,295	11,474	80	23,849
Total	242,230	109,802	1,682	353,714

(Notes) 1. Revenue is classified to country or region based on customer location.
2. Categorization by country or region is based on geographic proximity.
3. Major 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

(5) Information on major customers

For the fiscal years ended December 31, 2021 and 2022, one customer accounted for more than 10% of Nexon Group’s consolidated revenue, and revenue earned from the customer was ¥63,743 million (Korea segment) and ¥75,070 million (Korea segment), respectively.

6 Cash and cash equivalents

Cash and cash equivalents consisted of the following:

(Millions of yen)

	As of December 31, 2021	As of December 31, 2022
Cash	3	4
Demand deposit	365,236	409,364
Total	365,239	409,368

7 Trade and other receivables

Trade and other receivables consisted of the following:

(Millions of yen)

	As of December 31, 2021	As of December 31, 2022
Accounts receivable	16,990	29,567
Other receivables	1,148	1,205
Lease receivables	490	651
Loss allowance	(1,065)	(982)
Other	14	3
Total	17,577	30,444

The following table shows aging analysis and loss allowance for trade and other receivables.

(Millions of yen)

	As of December 31, 2021		As of December 31, 2022	
	Trade and other receivables	Loss allowance	Trade and other receivables	Loss allowance
Before due date	17,478	(119)	30,159	—
3 months or less	195	(0)	386	(118)
Over 3 months up to 6 months	174	(151)	33	(16)
Over 6 months up to 1 year	3	(3)	2	(2)
Over 1 year	792	(792)	846	(846)
Total	18,642	(1,065)	31,426	(982)

Refer to “25 Financial risk management” for credit risk management policy. Changes in loss allowance for impairment of trade and other receivables are as follows:

(Millions of yen)

	Fiscal year ended December 31, 2021	Fiscal year ended December 31, 2022
Beginning balance	1,076	1,065
Increase in loss allowance recognized in profit or loss	26	19
Unrecoverable receivables directly written off	(14)	(142)
Reversal of unused amount	(48)	(45)
Exchange differences on translating foreign operations	25	85
Ending balance	1,065	982

(Notes) 1. For trade and other receivables, Nexon Group recognizes lifetime expected credit losses as a practical expedient based on historical credit loss rates.

2. There was no significant change in the carrying amount in aggregate which affected the changes in loss allowance during the fiscal years ended December 31, 2021 and 2022.

8 Other deposits

Other deposits consist only of term deposits with maturity of over three months.

9 Property, plant and equipment

Changes in costs, accumulated depreciation and accumulated impairment loss, and the carrying amounts of property, plant and equipment are as follows:

(Millions of yen)

Cost	Buildings and structures	Vehicles	Tools, furniture and fixtures	Land	Construction in progress	Total
January 1, 2021	19,958	31	11,187	6,927	31	38,134
Decrease due to change in scope of consolidation	(20)	—	(17)	—	—	(37)
Additions	316	14	1,285	—	—	1,615
Retirement	(6)	—	(59)	—	—	(65)
Sales or disposals	—	(9)	(359)	—	—	(368)
Transfers between accounts	1	0	(29)	—	(32)	(60)
Other	—	—	126	—	—	126
Exchange differences on translating foreign operations	459	1	414	153	1	1,028
December 31, 2021	20,708	37	12,548	7,080	—	40,373
Acquisition of new subsidiaries	—	—	0	—	—	0
Additions	172	17	2,585	—	61	2,835
Retirement	(99)	—	(156)	—	—	(255)
Sales or disposals	(16)	(9)	(697)	(2)	—	(724)
Transfers between accounts	74	—	25	—	(61)	38
Other	7	—	—	—	—	7
Exchange differences on translating foreign operations	1,717	3	1,038	596	(0)	3,354
December 31, 2022	22,563	48	15,343	7,674	—	45,628

(Millions of yen)

Accumulated depreciation and accumulated impairment loss	Buildings and structures	Vehicles	Tools, furniture and fixtures	Land	Construc-tion in progress	Total
January 1, 2021	(4,723)	(23)	(9,197)	—	—	(13,943)
Decrease due to change in scope of consolidation	12	—	9	—	—	21
Depreciation	(687)	(8)	(1,196)	—	—	(1,891)
Impairment loss (Note)	(9)	—	(39)	—	—	(48)
Retirement	6	—	59	—	—	65
Sales or disposals	—	9	339	—	—	348
Transfers between accounts	(2)	—	6	—	—	4
Exchange differences on translating foreign operations	(127)	0	(354)	—	—	(481)
December 31, 2021	(5,530)	(22)	(10,373)	—	—	(15,925)
Acquisition of new subsidiaries	—	—	(0)	—	—	(0)
Depreciation	(795)	(9)	(1,513)	—	—	(2,317)
Impairment loss (Note)	(1)	—	(37)	—	—	(38)
Retirement	82	—	156	—	—	238
Sales or disposals	4	5	667	—	—	676
Transfers between accounts	(7)	—	(38)	—	—	(45)
Exchange differences on translating foreign operations	(469)	(2)	(861)	—	—	(1,332)
December 31, 2022	(6,716)	(28)	(11,999)	—	—	(18,743)

(Note) Nexon Group recognized impairment losses for the fiscal years ended December 31, 2021 and 2022 as realization of profits originally expected was no longer probable. Those impairment losses are included in “Other expenses” in the consolidated statement of income.

(Millions of yen)

Carrying amount	Buildings and structures	Vehicles	Tools, furniture and fixtures	Land	Construc-tion in progress	Total
January 1, 2021	15,235	8	1,990	6,927	31	24,191
December 31, 2021	15,178	15	2,175	7,080	—	24,448
December 31, 2022	15,847	20	3,344	7,674	—	26,885

10 Goodwill and intangible assets

Changes in costs, accumulated amortization and accumulated impairment loss, and the carrying amounts of goodwill and intangible assets are as follows:

(Millions of yen)

Cost	Goodwill	Intangible assets				
		Game copyrights (Note 3)	Software	Investment in crypto-assets (Note 5)	Other (Note 4)	Total
January 1, 2021	70,439	101,016	8,245	—	7,502	116,763
Decrease due to change in scope of consolidation	—	—	(0)	—	—	(0)
Additions	—	7	503	11,068	202	11,780
Changes due to revaluation (profit or loss)	—	—	—	(1,589)	—	(1,589)
Retirement	—	(2)	(18)	—	—	(20)
Sales or disposals	—	(3)	—	—	(3)	(6)
Transfers between accounts	—	44	(336)	—	(463)	(755)
Exchange differences on translating foreign operations	1,883	3,070	189	—	185	3,444
Other changes	—	3	2	—	—	5
December 31, 2021	72,322	104,135	8,585	9,479	7,423	129,622
Acquisition of new subsidiaries	1,498	—	—	—	—	—
Additions	—	15	1,293	—	1,793	3,101
Changes due to revaluation (profit or loss)	—	—	—	(5,356)	—	(5,356)
Retirement	—	—	(126)	—	(146)	(272)
Transfers between accounts	—	85	(13)	—	(194)	(122)
Exchange differences on translating foreign operations	4,454	9,214	740	(360)	650	10,244
December 31, 2022	78,274	113,449	10,479	3,763	9,526	137,217

(Millions of yen)

Accumulated amortization and accumulated impairment loss	Goodwill	Intangible assets				
		Game copyrights (Note 3)	Software	Investment in crypto-assets (Note 5)	Other (Note 4)	Total
January 1, 2021	(32,014)	(89,063)	(7,255)	—	(5,510)	(101,828)
Decrease due to change in scope of consolidation	—	—	0	—	—	0
Amortization	—	(3,380)	(135)	—	(902)	(4,417)
Impairment loss	—	(2,251)	(21)	—	(117)	(2,389)
Retirement	—	2	18	—	—	20
Sales or disposals	—	2	—	—	—	2
Transfers between accounts	—	(2)	(61)	—	—	(63)
Exchange differences on translating foreign operations	(1,370)	(2,925)	(170)	—	(149)	(3,244)
December 31, 2021	(33,384)	(97,617)	(7,624)	—	(6,678)	(111,919)
Amortization	—	(1,207)	(188)	—	(420)	(1,815)
Impairment loss	(1,372)	(3,760)	(1)	—	(123)	(3,884)
Retirement	—	—	126	—	146	272
Transfers between accounts	—	—	12	—	—	12
Exchange differences on translating foreign operations	(3,382)	(9,028)	(637)	—	(563)	(10,228)
December 31, 2022	(38,138)	(111,612)	(8,312)	—	(7,638)	(127,562)

(Millions of yen)

Carrying amount	Goodwill	Intangible assets				
		Game copyrights (Note 3)	Software	Investment in crypto-assets (Note 5)	Other (Note 4)	Total
January 1, 2021	38,425	11,953	990	—	1,992	14,935
December 31, 2021	38,938	6,518	961	9,479	745	17,703
December 31, 2022	40,136	1,837	2,167	3,763	1,888	9,655

(Notes) 1. Amortization of intangible assets is included in "Cost of sales" and "Selling, general and administrative expenses" in the consolidated statement of income.

2. There are no material internally-generated intangible assets as of December 31, 2021 and 2022.
3. Certain game copyrights include related brands.
4. Game publishing right is included in Other.
5. 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 JST or PST of each quarter end date). Following the transfer of the investment in crypto-assets from the Company to its consolidated subsidiary Nexon US Holding Inc. during the three months ended December 31, 2022, the timing of revaluation was changed from 23:59 JST to 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 revalued intangible assets (fair value before deducting transaction cost) as of December 31, 2021 and 2022 were ¥9,479 million and ¥3,763 million, respectively, 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) as of December 31, 2021 and 2022 were ¥9,461 million and ¥3,755 million, respectively. There was no revaluation surplus with respect to intangible assets as of December 31, 2021 and 2022.
6. The carrying amount and the remaining amortization period as of December 31, 2022 of major game copyrights of Nexon Group are as follows:

Reportable segment	Company	As of December 31, 2021	As of December 31, 2022	Remaining amortization period
		(¥ million)	(¥ million)	(Years)
Korea	NEXON Games Co., Ltd. (Note)	2,616	—	—
Other	Embark Studios AB	3,765	1,651	5

(Note) The company name was changed from "NAT GAMES Co., Ltd." to "NEXON Games Co., Ltd." in March 2022.

Nexon Group conducts an impairment test on goodwill at least annually. In addition, Nexon Group conducts an impairment test each time when there is an indication that goodwill and intangible assets are impaired. The recoverable amount in the impairment test for goodwill and intangible assets is calculated based on the value in use, but those for NEXON Games Co., Ltd. are calculated based on higher of the value in use and the fair value less disposal cost. The fair value after deducting disposal cost is calculated based on quoted price in the active market.

The value in use is calculated by discounting estimated future cash flows expected to be generated by a cash generating unit to the present value.

The estimated future cash flows are based on cash flow projections included in the latest business plan approved by the management with the projection period of less than five years unless there is a justifiable reason to choose otherwise. After the fifth year, a certain growth rate that takes into account the long-term average growth rate of the market is used, and the growth rate used to measure the value in use was up to 1% as of December 31, 2021 and 2022, respectively. This growth rate is lower than the long-term average growth rate of the market.

The pre-tax discount rate used to measure the value in use was between 15.6% and 18.5% and between 14.3% and 19.6% as of December 31, 2021 and 2022, respectively. The management believes that it is unlikely that a change within a reasonable range of the growth rate and the discount rate used for the impairment test will result in material impairment loss in the relevant cash generating units. However, in certain subsidiaries where the balance of goodwill is immaterial, the recoverable amount exceeds the carrying amount only slightly and a decrease in the estimated future cash flows may result in impairment loss.

The results of the major impairment tests performed during the fiscal years ended December 31, 2021 and 2022 were as follows.

(Result of the impairment test of goodwill and game copyrights of Embark Studios AB)

Embark Studios AB is mainly engaged in development of multiple game titles as a main location in Europe, and because all game titles are currently in the development phase, determining the status of milestone achievement of each development and estimating revenue to be generated from servicing these game titles after the release involve judgment of the management. Also, we have not started amortization of game titles of Embark Studios AB because they are still in the development phase and we determined that their game copyrights are not yet available.

We perform an impairment test of goodwill and game copyrights of Embark Studios AB at least annually. In performing the impairment test, the recoverable amount of goodwill and game copyrights are calculated based on the value in use. The value in use is calculated by discounting the estimated future cash flows expected to be generated from a cash-generating unit to the present value. The estimated future cash flows are based on cash flow projections included in the latest business plan approved by the management with the projection period of less than five years unless there is a justifiable reason to choose otherwise. The pre-tax discount rates used to measure the value in use in the fiscal years ended December 31, 2021 and 2022 were 15.6% and 19.6%, respectively, and Nexon Group obtained the valuation report from an independent third-party calculation agent in determining the discount rate used to calculate the value in use.

Key assumptions in estimation of value in use include the number of monthly active users, average monthly sales per paying user, operating expenses and a discount rate, which are used in estimating future cash flows.

For the fiscal year ended December 31, 2022, Nexon Group recognized the signs of impairment for goodwill and game copyrights as it determined to change the development policy for one of its game titles under development, *ARC Raiders*, and postpone its release during the three months ended June 30, 2022. As a result of the impairment test of goodwill and game copyrights of Embark Studios AB, Nexon Group recognized an impairment loss of ¥2,179 million on game copyrights for the fiscal year ended December 31, 2022 as it can no longer expect profits originally expected.

For the fiscal year ended December 31, 2021, Nexon Group performed an impairment test of goodwill and game copyrights of Embark Studios AB but did not recognize impairment loss as it determined that the value in use exceeded the carrying amount.

Goodwill arising from business combination is allocated on the acquisition date to cash generating units that are expected to benefit from the business combination. The carrying amounts of goodwill by reportable segment are as follows:

(Millions of yen)

Reportable segment	As of December 31, 2021	As of December 31, 2022
Japan	—	—
Korea	13,646	14,871
China	—	—
North America	—	92
Other	25,292	25,173
Total	38,938	40,136

Of those, major goodwill by reportable segment of Nexon Group is as follows:

(Millions of yen)

Reportable segment	Company	As of December 31, 2021	As of December 31, 2022
Korea	NEXON GT Co., Ltd. (Note)	2,487	—
	NEXON Games Co., Ltd. (Note)	8,315	11,713
Other	Embark Studios AB	25,292	25,173

(Note) On March 31, 2022, our consolidated subsidiary NEXON GT Co., Ltd. was absorbed in an absorption-type merger, with our consolidated subsidiary NAT GAMES Co., Ltd. as the surviving company and NEXON GT Co., Ltd. as the absorbed company. Following the merger, the name of the surviving company was changed from "NAT GAMES Co., Ltd." to "NEXON Games Co., Ltd."

Nexon Group recognized impairment losses as realization of profits originally expected was no longer probable. Those impairment losses are included in "Other expenses" in the consolidated statement of income. The major components of impairment losses are as follows:

Fiscal year ended December 31, 2021

Item	Reportable segment	Company	Impairment loss (¥ million)
Game copyright	Korea	NEXON Games Co., Ltd. (Note)	2,251

(Note) The company name was changed from "NAT GAMES Co., Ltd." to "NEXON Games Co., Ltd." in March 2022.

Fiscal year ended December 31, 2022

Item	Reportable segment	Company	Impairment loss (¥ million)
Game copyright	Other	Embark Studios AB	2,179
Game copyright	Korea	NEXON Games Co., Ltd.	1,581
Goodwill	Korea	methinks Co., Ltd.	1,076

11 Investments accounted for using the equity method

(1) Investments in affiliates

The following table shows information on the Company's affiliates. There are no material affiliates for the Company.

Certain affiliates in which the Company holds less than 20% of the voting rights are included in the Company's affiliates as the Company has significant influence over their financial and management policies through the right to appoint their officers and material business agreements entered into between these affiliates and Nexon Group.

Regarding Alignment Growth Fund I, LP ("Fund"), which became an affiliate from the fiscal year ended December 31, 2021, while Nexon Group's investment in the Fund accounts for a majority of the total investment, there is an agreement that Nexon Group shall follow the policy of NXC Corporation, which is the Company's ultimate parent company and another investor of the Fund, and may not exercise its rights to the Fund at its own discretion; and therefore, Nexon Group determined it does not control the Fund. On the other hand, because Nexon Group has significant influence over the Fund through a majority ownership, the Fund is determined to be its affiliate.

(Millions of yen)

	Fiscal year ended December 31, 2021	Fiscal year ended December 31, 2022
Carrying amount of investments accounted for using equity method (Notes 1, 2)	58,933	83,595
Nexon Group's share in profit or loss	550	(8,200)
Nexon Group's share in other comprehensive income	25	203
Nexon Group's share in total comprehensive income	575	(7,997)

(Notes) 1. A significant increase in investments accounted for using equity method in the fiscal year ended December 31, 2021 is mostly because we acquired 38.1% of equity interest in Brothers International, LLC for ¥46,056 million and made the company our affiliate accounted for using the equity method.

2. A significant increase in investments accounted for using equity method in the fiscal year ended December 31, 2022 is mostly because we acquired 49.9% of equity interest in Smash Capital Fund I L.P. for ¥4,825 million and made the company our affiliate accounted for using the equity method and fulfilled our commitments to make additional investment in equity method affiliates. Refer to "37 Related party transactions (2) Material commitment" for details of such commitments.

Nexon Group did not recognize certain share in loss of investees accounted for using the equity method as the cumulative loss of such investees exceeded their carrying amount. Unrecognized share in such loss was ¥18 million and ¥11 million for the fiscal years ended December 31, 2022 and 2021, respectively. Accumulated unrecognized share in loss was ¥54 million and ¥36 million as of December 31, 2022 and 2021, respectively.

(2) Investments in joint ventures

The following table shows information on the Company's joint ventures. There are no material joint ventures for the Company.

(Millions of yen)

	Fiscal year ended December 31, 2021	Fiscal year ended December 31, 2022
Carrying amount of investments accounted for using equity method (Note)	–	–
Nexon Group's share in profit or loss	(1,549)	(2,046)
Nexon Group's share in other comprehensive income	(13)	(153)
Nexon Group's share in total comprehensive income	(1,562)	(2,199)

(Note) As Nexon Group's share in loss of a joint venture exceeded the carrying amount of the investment accounted for using the equity method by ¥1,245 million and ¥3,444 million, respectively, in the fiscal years ended December 31, 2021 and 2022, the excess amount was directly deducted from long-term loans receivable from the joint venture.

(3) Share of profit (loss) of investments accounted for using equity method

Share of loss of investments accounted for using equity method for the fiscal year ended December 31, 2022 includes loss on change in equity of ¥2,569 million in connection with a decrease in Nexon Group's ownership interest in equity method affiliates.

(4) Commitment regarding new equity method affiliates

On December 16, 2022, Nexon Group concluded an agreement with The Korean Teachers' Credit Union to acquire 50% of the trust beneficiary certificates for real estate for KRW190,585 million (approx. ¥20,107 million).

This agreement was settled on January 10, 2023 and the trust beneficiary certificates will be accounted for using the equity method in the fiscal year ending December 31, 2023. Refer to "41 Subsequent events" for details.

12 Other financial assets

Other financial assets consisted of the following:

(Millions of yen)

	As of December 31, 2021	As of December 31, 2022
Financial assets measured at FVTPL		
Securities	28,629	20,316
Financial assets measured at FVTOCI		
Securities	183,774	140,275
Financial assets measured at amortized cost		
Security deposits and guarantees	6,822	7,338
Restricted deposit	6,985	7,995
Loans receivable	388	2,792
Accrued interest	539	2,029
Securities (Note)	1,059	1,199
Other	862	956
Lease receivables	2,670	2,692
Total	231,728	185,592
Current assets	29,140	23,078
Non-current assets	202,588	162,514
Total	231,728	185,592

(Note) Securities are debt securities measured at amortized cost.

Nexon Group designates investments held for maintaining and reinforcing business relationship with investees and investments not held for trading as financial assets measured at FVTOCI.

The following table presents the fair value and dividend income of financial assets measured at FVTOCI that are recorded in other financial assets in the consolidated statement of financial position.

(Millions of yen)

	As of December 31, 2021	As of December 31, 2022
Fair value		
Listed	162,503	129,774
Unlisted	21,271	10,501
Total	183,774	140,275

(Millions of yen)

	As of December 31, 2021	As of December 31, 2022
Dividend income		
Listed	3,073	3,753
Unlisted	2	1,207
Total	3,075	4,960

The following table presents the fair value of major issues of financial assets measured at FVTOCI that are recorded in other financial assets in the consolidated statement of financial position.

(Millions of yen)

	As of December 31, 2021	As of December 31, 2022
Hasbro, Inc.	65,191	45,084
Bandai Namco Holdings Inc.	30,087	27,812
KONAMI HOLDINGS CORPORATION	19,532	21,124
CD PROJEKT S.A.	15,699	11,272
SEGA SAMMY HOLDINGS INC.	10,194	11,266

Wonder Holdings Co., Ltd. and Wonder Games Co., Ltd., which were included in the table until the fiscal year ended December 31, 2021, are omitted from the table for the fiscal year ended December 31, 2022 as they became immaterial. Their fair values as of December 31, 2021 were ¥13,178 million and ¥7,845 million, respectively.

Financial assets measured at FVTOCI disposed of during the year are as follows:

(Millions of yen)

Fiscal year ended December 31, 2021			Fiscal year ended December 31, 2022		
Fair value at the date of sale	Accumulated gain (loss)	Dividend income	Fair value at the date of sale	Accumulated gain (loss)	Dividend income
3,535	1,459	—	—	(208)	—

Nexon Group sells or derecognizes financial assets measured at FVTOCI for streamlining and effective use of assets held. For the fiscal years ended December 31, 2021 and 2022, accumulated gains (losses) (net of tax) reclassified from other equity interest to retained earnings were ¥2,314 million and ¥(807) million, respectively.

13 Other assets

Other assets consisted of the following:

(Millions of yen)

	As of December 31, 2021	As of December 31, 2022
Prepaid expenses	11,220	15,752
Long-term prepaid expenses	1,025	1,755
Advance payment	425	362
Other	508	591
Total	13,178	18,460
Current assets	12,072	16,649
Non-current assets	1,106	1,811
Total	13,178	18,460

14 Deferred tax assets and deferred tax liabilities

(1) Deferred tax

The following table presents major components of and changes in deferred tax assets and liabilities:

Fiscal year ended December 31, 2021

(Millions of yen)

	January 1, 2021	Recognized in profit or loss	Recognized in other comprehensive income	Other (Note 3)	December 31, 2021
Deferred tax assets					
Securities at FVTPL (Note 1)	568	(127)	—	8	449
Securities at FVTOCI (Note 1)	2,465	—	2,968	—	5,433
Deferred income	5,904	(14)	—	130	6,020
Depreciation and amortization	484	(425)	—	3	62
Provisions	1,193	(103)	—	27	1,117
Carryforward of unused tax losses	379	379	—	5	763
Unused tax credits (Note 2)	13,078	14,915	—	459	28,452
Other payables and accrued expenses	—	1,182	—	23	1,205
Other	1,053	(24)	—	50	1,079
Total	25,124	15,783	2,968	705	44,580
Deferred tax liabilities					
Securities at FVTPL (Note 1)	400	(133)	—	2	269
Securities at FVTOCI (Note 1)	7,964	—	5,521	—	13,485
Valuation difference on intangible assets of subsidiaries	2,548	(1,228)	—	31	1,351
Undistributed profits of overseas subsidiaries	42,695	964	—	(3)	43,656
Depreciation and amortization	26	743	—	5	774
Other	652	90	—	54	796
Total	54,285	436	5,521	89	60,331

(Notes) 1. In light of an increase in materiality of deferred tax for valuation difference on securities, deferred tax for securities measured at FVTPL and FVTOCI is separately presented from the fiscal year ended December 31, 2021.

2. It consists mostly of deferred tax assets for carryforward of foreign tax credits of NEOPLE INC. The increase in the fiscal year ended December 31, 2021 is mostly due to additional recognition of deferred tax assets for carryforward of foreign tax credits of NEOPLE INC.

3. Other includes the effects of exchange differences on translating foreign operations.

Fiscal year ended December 31, 2022

(Millions of yen)

	January 1, 2022	Recognized in profit or loss	Recognized in other comprehensive income	Other (Note 3)	December 31, 2022
Deferred tax assets					
Securities at FVTPL	449	(1)	–	28	476
Securities at FVTOCI	5,433	–	5,471	(406)	10,498
Deferred income	6,020	1,740	–	530	8,290
Depreciation and amortization	62	7	–	5	74
Provisions	1,117	368	–	98	1,583
Carryforward of unused tax losses	763	4	–	24	791
Unused tax credits (Note 1)	28,452	7,197	–	2,488	38,137
Other payables and accrued expenses	1,205	378	–	106	1,689
Other	1,079	271	–	94	1,444
Total	44,580	9,964	5,471	2,967	62,982
Deferred tax liabilities					
Securities at FVTPL	269	190	–	9	468
Securities at FVTOCI (Note 2)	13,485	–	(10,042)	–	3,443
Valuation difference on intangible assets of subsidiaries	1,351	(1,048)	–	37	340
Undistributed profits of overseas subsidiaries	43,656	6,172	–	5	49,833
Depreciation and amortization	774	213	–	68	1,055
Other	796	203	–	70	1,069
Total	60,331	5,730	(10,042)	189	56,208

(Notes) 1. It consists mostly of deferred tax assets for carryforward of foreign tax credits of NEOPLE INC.
2. The decrease in the fiscal year ended December 31, 2022 is mostly due to a decline in fair values of securities at FVTOCI as a result of a decline in market prices of marketable equity securities.
3. Other includes the effects of exchange differences on translating foreign operations.

Deferred tax assets and deferred tax liabilities in the consolidated statement of financial position are as follows:

(Millions of yen)

	As of December 31, 2021	As of December 31, 2022
Deferred tax assets		
Within 1 year	15,246	18,897
Over 1 year	22,968	38,248
Total	38,214	57,145
Deferred tax liabilities		
Within 1 year	–	0
Over 1 year	53,965	50,371
Total	53,965	50,371

Nexon Group recognizes deferred tax assets taking into consideration the possibility that part or all of future deductible temporary differences or carryforward of unused tax losses can be utilized against future taxable profits. Nexon Group assesses recoverability of deferred tax assets taking into consideration scheduled reversal of deferred tax liabilities, projected future taxable profits and tax planning. Nexon Group determined that it is highly likely that tax benefit will be realized for recognized deferred tax assets based on the level of taxable profits in the past and the projected future taxable profits for the periods during which deferred tax assets can be recognized.

The amounts of future deductible temporary differences and the carryforwards of unused tax losses and unused tax credits for which no deferred tax asset is recognized are as follows:

(Millions of yen)

	As of December 31, 2021	As of December 31, 2022
Future deductible temporary differences	24,204	29,919
Carryforward of unused tax losses	106,142	121,166
Carryforward of unused tax credits	16,541	2,897
Total	146,887	153,982

The following table summarizes the amount and expiry date of the carryforward of unused tax losses for which no deferred tax asset is recognized:

(Millions of yen)

	As of December 31, 2021	As of December 31, 2022
1st year	923	774
2nd year	975	1,238
3rd year	1,235	1,703
4th year	1,772	1,482
5th year and thereafter	101,237	115,969
Total	106,142	121,166

The following table summarizes the amount and expiry date of the carryforward of unused tax credits for which no deferred tax asset is recognized:

(Millions of yen)

	As of December 31, 2021	As of December 31, 2022
1st year	—	—
2nd year	—	—
3rd year	—	9
4th year	—	7
5th year and thereafter	16,541	2,881
Total	16,541	2,897

(Note) The major factor for the decrease in carryforward of unused tax credits for which no deferred tax asset is recognized in the fiscal years ended December 31, 2021 and 2022 is additional recognition of deferred tax assets for carryforward of unused foreign tax credits of NEOPLE INC.

Nexon Group recognized deferred tax assets in excess of deferred tax liabilities of ¥685 million and ¥1,463 million for the fiscal years ended December 31, 2021 and 2022, respectively, relating to certain subsidiaries which recorded losses for the fiscal years ended December 31, 2021 and 2022, where the recoverability of their deferred tax assets are dependent on future taxable profits. This is based on the management assessment that it is highly likely that these subsidiaries will generate taxable profits against which the carryforwards of unused tax losses and unused tax credits and future deductible temporary differences can be utilized.

As of December 31, 2021 and 2022, future taxable temporary differences associated with investments of subsidiaries and affiliates for which no deferred tax liability is recognized were ¥7,295 million and ¥1,393 million, respectively.

(2) Income tax expense

Income tax expense consisted of the following:

(Millions of yen)

	Fiscal year ended December 31, 2021	Fiscal year ended December 31, 2022
Income tax expense - current	37,753	44,769
Income tax expense - deferred	(15,347)	(4,234)
Total	22,406	40,535

The Company is subject mainly to corporate tax, inhabitant tax and enterprise tax, and the statutory effective tax rate calculated based on these taxes was 30.6% for the fiscal years ended December 31, 2021 and 2022. Overseas subsidiaries are subject to local corporate tax, etc. in countries where they are located.

The reconciliation of the statutory effective tax rate to the average actual rate of tax burden in the consolidated statement of income is as follows:

	Fiscal year ended December 31, 2021	Fiscal year ended December 31, 2022
	%	%
Statutory effective tax rate	30.6	30.6
Permanent differences	2.8	1.7
Difference in tax rates of overseas subsidiaries	(5.2)	(2.7)
Tax relief associated with tax incentives for overseas subsidiaries (Note 1)	(5.1)	—
Changes in temporary differences for which deferred tax assets are not recognized (Note 2)	(10.2)	(5.7)
Foreign taxes	8.6	8.4
Unused tax credits (Note 3)	(6.7)	(11.0)
Effects of companies accounted for using equity method	0.2	1.7
Impairment loss of goodwill	—	0.3
Accumulated earnings tax	1.2	0.3
Undistributed profits of overseas subsidiaries	0.7	4.2
Corporate taxes for prior years	0.4	(0.1)
Effects of tax rates changes	(0.5)	0.3
Effects of consolidated tax return	(0.3)	0.1
Other	0.0	0.7
Average actual rate of tax burden	16.5	28.8

(Notes) 1. Tax relief associated with tax incentives for overseas subsidiaries represents corporate tax incentives received by our Korean subsidiary NEOPLE INC. upon its relocation to Jeju in Korea. Such tax incentives ended in FY2021.

2. The decrease for the fiscal years ended December 31, 2021 and 2022 is mainly due to additional recognition of deferred tax assets for carryforward of unused foreign tax credits of NEOPLE INC.

3. The decrease for the fiscal year ended December 31, 2022 is mainly due to unused foreign tax credits of NEOPLE INC.

15 Trade and other payables

Trade and other payables consisted of the following:

(Millions of yen)

	As of December 31, 2021	As of December 31, 2022
Accounts payable	4,031	7,895
Other payables	5,323	6,810
Total	9,354	14,705

16 Deferred income

(1) Contractual liabilities

(Millions of yen)

	As of December 31, 2021		As of December 31, 2022	
	Current	Non-current	Current	Non-current
In-game microtransactions (Note 1)	9,510	615	17,319	1,462
Royalty (Note 2)	1,483	13,736	1,606	14,433
Other	37	3	17	2
Total	11,030	14,354	18,942	15,897

(Notes) 1. Nexon Group defers revenue from item sales and other sales in PC online business and mobile business in order to recognize it over the estimated usage period of game items. See “3 Significant accounting policies (14) Revenue” for the method of estimating the usage period.

2. Royalty includes royalty income related to licensing out *Dungeon&Fighter* in China and unearned royalty related to development.
Unearned royalty related to development is expected to be recognized as revenue over a certain period after the game is launched.

(2) Contractual liabilities as of January 1 and revenue recognized from performance obligations satisfied in previous periods.

The amount of recognized revenue which was included in contractual liabilities as of January 1 was as follows.

There was no revenue recognized from performance obligations satisfied in previous periods.

(Millions of yen)

	As of December 31, 2021		As of December 31, 2022	
	Current	Non-current	Current	Non-current
Amount included in contractual liabilities as of January 1	9,861	350	9,870	9

(3) Total transaction price allocated to unsatisfied performance obligations

(Millions of yen)

	As of December 31, 2021	As of December 31, 2022
Total transaction price allocated	25,384	34,839
Expected timing of revenue recognition		
1st year	11,030	18,942
2nd year	1,404	2,545
3rd year	823	1,003
4th year	791	357
5th year	330	—
6th year and thereafter	11,006	11,992

(Note) Unearned royalty related to development is included in 6th year and thereafter.

17 Borrowings

Not applicable.

18 Other financial liabilities

Other financial liabilities consisted of the following:

(Millions of yen)

	As of December 31, 2021	As of December 31, 2022
Financial liabilities measured at FVTPL		
Derivative liabilities	477	9
Financial liabilities measured at amortized cost		
Other	1,326	1,438
Total	1,803	1,447
Non-current liabilities	1,803	1,447
Total	1,803	1,447

19 Lease transactions

(1) Lease as a lessee

Nexon Group has been leasing assets including buildings and structures, vehicles, tools, furniture and fixtures for its business activities. Many of these lease contracts include extension and cancellation options. The terms and conditions of lease contracts are negotiated individually and those terms and conditions included are wide-ranging and diverse. The extension option (or the term after the cancellation option) is included in the lease term to the extent it is reasonably certain that the lease term will be extended (or will not be cancelled).

The carrying amount of right-of-use assets consisted of the following:

(Millions of yen)

	As of December 31, 2021	As of December 31, 2022
Buildings and structures	10,805	18,480
Vehicles	48	42
Tools, furniture and fixtures	132	557
Total	10,985	19,079

(Note) Nexon Group recognized impairment losses on right-of-use assets of ¥2 million and ¥6 million for the fiscal years ended December 31, 2021 and 2022, respectively, as realization of profits originally expected was no longer probable. This impairment loss is included in “Other expenses” in the consolidated statements of income.

During the fiscal years ended December 31, 2021 and 2022, right-of-use assets increased by ¥3,140 million and ¥10,186 million, respectively, and the total amount of cash outflows related to leases was ¥3,048 million and ¥3,687 million, respectively.

Nexon Group has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases for which the underlying asset is of low-value. Nexon Group recognizes lease payments for these leases as expenses over the lease term on a straight-line basis.

Profits or losses recognized in connection with leases are as follows:

(Millions of yen)

	Fiscal year ended December 31, 2021	Fiscal year ended December 31, 2022
Depreciation of right-of-use assets		
Buildings and structures	1,949	2,401
Vehicles	18	28
Tools, furniture and fixtures	193	206
Total	2,160	2,635
Interest expense on lease liabilities	409	587
Cost of short-term leases (excluding the cost of leases with a lease term of one month or less)	2	18
Cost of leases of low-value assets (excluding the cost of short-term leases of low-value assets)	52	56

Refer to “25 Financial Risk Management, (4) Liquidity risk” for details on the maturity analyses of Nexon Group’s lease liabilities.

(2) Lease as a lessor

Nexon Group rents out the unused portion of its real estates, including the buildings and structures leased for its business activities, through finance leases. Nexon Group accepts security deposits to secure the collection of lease payments from the lease and costs for the restoration of the real estate.

Maturity analyses of lease payments receivable from finance leases are as follows:

Fiscal year ended December 31, 2021

(Millions of yen)

	Within 1 year	Over 1 year up to 2 years	Over 2 years up to 3 years	Over 3 years up to 4 years	Over 4 years up to 5 years	Over 5 years	Total
Undiscounted lease payments	499	494	506	508	506	1,106	3,619
Unearned finance income	—	—	—	—	—	—	(458)
Net investment in the lease	—	—	—	—	—	—	3,161

During the fiscal year ended December 31, 2021, finance income recognized for net investment in the lease was ¥113 million.

Fiscal year ended December 31, 2022

(Millions of yen)

	Within 1 year	Over 1 year up to 2 years	Over 2 years up to 3 years	Over 3 years up to 4 years	Over 4 years up to 5 years	Over 5 years	Total
Undiscounted lease payments	664	683	638	564	318	882	3,749
Unearned finance income	—	—	—	—	—	—	(406)
Net investment in the lease	—	—	—	—	—	—	3,343

During the fiscal year ended December 31, 2022, finance income recognized for net investment in the lease was ¥114 million.

20 Provisions

The components and changes in provisions are as follows:

(Millions of yen)

	Asset retirement obligations	Provisions for employee benefits	Total
January 1, 2021	310	6,875	7,185
Decrease due to change in scope of consolidation	(3)	(11)	(14)
Additions	17	6,176	6,193
Utilized for intended purpose	(6)	(6,968)	(6,974)
Reversal	—	(390)	(390)
Increase due to passage of time	1	—	1
Other	0	—	0
Exchange differences on translating foreign operations	4	105	109
December 31, 2021	323	5,787	6,110
Additions	21	12,712	12,733
Utilized for intended purpose	(5)	(7,721)	(7,726)
Reversal	—	(769)	(769)
Increase due to passage of time	2	—	2
Exchange differences on translating foreign operations	14	155	169
December 31, 2022	355	10,164	10,519
Current liabilities	—	10,164	10,164
Non-current liabilities	355	—	355
Total	355	10,164	10,519

Asset retirement obligations are provided for the obligations to restore property that Nexon Group leases, including offices and buildings, to its original state for the amount of estimated future expenditures based on past experience. These expenditures are expected to be paid after the expected period of use determined taking into account the useful lives of the leasehold improvements but will be affected by future business plans.

Provisions for employee benefits consist of provisions for bonuses and are mostly expected to be paid within a year.

21 Other liabilities

Other liabilities consisted of the following:

(Millions of yen)

	As of December 31, 2021	As of December 31, 2022
Deposits received	1,153	2,279
Consumption taxes payable	1,752	3,637
Accrued expenses	1,731	1,785
Accrued vacation pay	2,142	2,794
Other	5,419	5,906
Total	12,197	16,401
Current liabilities	7,510	11,581
Non-current liabilities	4,687	4,820
Total	12,197	16,401

22 Equity and other equity interest

(1) Capital stock and treasury stock

Total number of authorized shares and outstanding shares of the Company is as follows:

	Fiscal year ended December 31, 2021	Fiscal year ended December 31, 2022
	Shares	Shares
Total number of authorized shares		
Common stock (Note 1)	1,400,000,000	1,400,000,000
Total number of outstanding shares		
January 1	886,961,539	898,746,469
Increase	11,784,930 (Notes 2, 3)	4,598,559 (Notes 4, 5)
Decrease	—	(36,571,300)(Note 6)
December 31	898,746,469	866,773,728

(Notes) 1. All shares issued by the Company are no-par value common stock with no restrictions on rights, and outstanding shares are fully paid.

2. Total number of outstanding shares increased by 4,396,000 shares due to exercise of stock acquisition rights.

3. 7,388,930 shares were issued by third-party allotment as the consideration for making Embark Studios AB a wholly-owned subsidiary and in-kind contribution (176,469,789 shares of common stock of Embark Studios AB; ¥15,628 million) was received from the shareholders of Embark Studios AB who are the allottees. Refer to (5) below for details of the third-party allotment.

4. Total number of outstanding shares increased by 4,145,042 shares due to exercise of stock acquisition rights.

5. 453,517 shares were issued by third-party allotment to the employees of Embark Studios AB and in-kind contribution (14,580,684 shares of common stock of Embark Studios AB; ¥1,370 million) was received from the employees who are the allottees.

6. A decrease due to retirement of treasury stock based on the resolution at the Board of Directors meeting held on August 9, 2022.

The number of shares of treasury stock included in the total number of outstanding shares above is as follows:

	Fiscal year ended December 31, 2021	Fiscal year ended December 31, 2022
	Shares	Shares
Number of shares of treasury stock		
January 1	44	7,908,437
Increase	7,947,767 (Notes 1, 2, 3)	34,697,010 (Notes 6, 7, 8, 9)
Decrease	(39,374)(Note 4)	(36,650,047)(Notes 10, 11)
December 31	7,908,437 (Note 5)	5,955,400 (Note 12)

(Notes) 1. An increase of 23 shares due to purchase demand of shares less than one trading unit.

2. An increase of 7,042,600 shares due to share buyback based on the resolution at the Board of Directors on November 19, 2021.

3. Stiftelsen Embark Incentive (“Foundation”) acquired 905,144 shares of the Company’s shares through a third-party allotment as consideration to make Embark Studios AB our wholly-owned

subsidiary. As the Foundation has been included in the consolidated financial statements as our consolidated subsidiary since the three months ended September 30, 2021, treasury stock includes the Company's shares owned by the Foundation. Refer to (5) below for details of the third-party allotment.
At the Company's Board of Directors meeting on August 6, 2021, it was resolved to grant the Company's common stock owned by the Foundation to employees of Embark Studios AB under an incentive program for them. Specifically, upon receipt of the notice in writing from Embark Studios AB to the Foundation, the Foundation will transfer the number of the Company's common stock requested by Embark Studios AB to the employees eligible for the program through Embark Studios AB based on the notice. This program is accounted for as an equity-settled share-based compensation transaction, with expenses recognized based on the grant-date fair value over the vesting period. The grant-date fair value of one share of the Company's common stock is measured at ¥2,115, which is the closing price of the Company's common stock on the Tokyo Stock Exchange on August 23, 2021.

4. A decrease due to disposal of the Company's shares held by the Foundation.
5. Including 865,770 shares of the Company's shares owned by the Foundation.
6. The Company acquired 9,340,200 shares of treasury stock through market purchase on the Tokyo Stock Exchange based on the resolution at the Board of Directors meeting on November 19, 2021.
7. The Company acquired 20,188,400 shares of treasury stock on June 15, 2022 through off-auction own share repurchase trading (ToSTNeT-3) on the Tokyo Stock Exchange based on the resolution at the Board of Directors meeting on June 14, 2022.
8. The Company acquired 5,168,300 shares of treasury stock through market purchase on the Tokyo Stock Exchange based on the resolution at the Board of Directors meeting held on November 9, 2022.
9. An increase of 110 shares due to purchase demand of shares less than one trading unit.
10. A decrease of 36,571,300 shares due to retirement of treasury stock based on the resolution at the Board of Directors meeting held on August 9, 2022.
11. A decrease of 78,747 shares due to disposal of the Company's shares held by the Foundation.
12. Including 787,023 shares of the Company's shares owned by the Foundation.
13. The Company resolved at the Board of Directors meeting held on November 9, 2022 on share buyback as follows:
    (a) Reason for share buyback
    To improve capital efficiency and ensure flexibility of capital policy
    (b) Details of share buyback

(i) Class of shares to be acquired:	Common stock of NEXON Co., Ltd.
(ii) Total number of shares to be acquired:	25 million shares (maximum)
(iii) Total acquisition cost:	¥50 billion (maximum)
(iv) Period of acquisition	From November 10, 2022 to April 19, 2023
(v) Method of acquisition:	Market purchase on the Tokyo Stock Exchange

(2) Capital surplus

The Companies Act of Japan provides that at least 50% of the amount paid or contributed upon issuance of shares shall be included in capital stock with the remainder to be included in capital reserve which is a component of capital surplus. The Companies Act also provides that capital reserve may be reclassified to capital stock based on a resolution at the general meeting of shareholders.

(3) Retained earnings

The Companies Act of Japan provides that an amount equal to 10% of a decrease in surplus due to distribution of surplus shall be appropriated and set aside as capital reserve or retained earnings reserve until the sum of capital reserve and retained earnings reserve equals 25% of capital stock. The accumulated retained earnings reserve may be used to offset losses. Also, retained earnings reserve may be reversed based on a resolution at the general meeting of shareholders.

(4) Other equity interest

Changes in other equity interest are as follows:

(Millions of yen)

	Other equity interest				
	Exchange differences on translating foreign operations	Financial assets measured at FVTOCI	Stock acquisition rights	Other	Total
January 1, 2021	40,567	19,160	10,295	(47)	69,975
Changes during the year	12,340	5,776	6,989	(19)	25,086
Reclassification to retained earnings	—	(2,314)	—	—	(2,314)
December 31, 2021	52,907	22,622	17,284	(66)	92,747
Changes during the year	54,740	(40,876)	6,616	5	20,485
Reclassification to retained earnings	—	807	(27)	—	780
December 31, 2022	107,647	(17,447)	23,873	(61)	114,012

(5) Additional acquisition of non-controlling interest

During the three months ended September 30, 2021, for the purpose of acquiring all outstanding shares of its consolidated subsidiary Embark Studios AB owned by shareholders other than the Company and its subsidiaries (i.e., to make Embark Studios AB its wholly-owned subsidiary), the Company executed a third-party allotment and issued 7,388,930 shares of its common stock to shareholders of Embark Studios AB (excluding the Company and its subsidiaries) in exchange for their shareholdings in Embark Studios AB (176,469,789 shares of common stock) to be tendered as in-kind contribution ("Third-Party Allotment"). The Company had a scheme to acquire the shares of Embark Studios AB using the stock acquisition rights to make it a wholly owned subsidiary based on the approval obtained at the extraordinary general meeting of shareholders of the Company held on September 25, 2019, but the Third-Party Allotment will completely replace the stock acquisition rights and abolish the said scheme established in 2019.

The fair value per share of the Company's common stock issued to the allottees on the payment date for the Third-Party Allotment is measured at ¥2,115, which is the closing price of the Company's common stock on the Tokyo Stock Exchange on August 23, 2021. The Foundation, one of the allottees of the Third-Party Allotment, is a foundation established under the Swedish law for the purpose of financing compensation and other incentive programs for key persons and management personnel of Embark Studios AB. As the founder of the Foundation, Mr. Patrick Söderlund, Director of the Company, transferred cash and common stock of Embark Studios AB to the Foundation without consideration at the time of its establishment.

As a result of the Third-Party Allotment, capital stock and capital surplus increased by ¥7,814 million, respectively, and non-controlling interest and exchange differences on translating foreign operations increased by ¥204 million and ¥95 million, respectively, while capital surplus decreased by ¥15,927 million. As a result of the increase in non-controlling interest, there are no longer non-controlling interests related to Embark Studios AB.

As the allottees of the Third-Party Allotment include Mr. Patrick Söderlund, Director of the Company, the Third-Party Allotment falls under a related-party transaction. Refer to "37 Related party transactions" for details of the Third-Party Allotment between the Company and Mr. Patrick Söderlund.

23 Dividends

The amount of dividends paid during the fiscal years ended December 31, 2021 and 2022 is as follows.

Fiscal year ended December 31, 2021

	Class of stock	Total dividend amount	Dividend per share	Record date	Effective date
		(¥ million)	(¥)		
Resolution by the Board of Directors on February 17, 2021	Common stock	2,217	2.5	December 31, 2020	March 26, 2021
Resolution by the Board of Directors on August 11, 2021	Common stock	2,224	2.5	June 30, 2021	September 27, 2021

Fiscal year ended December 31, 2022

	Class of stock	Total dividend amount	Dividend per share	Record date	Effective date
		(¥ million)	(¥)		
Resolution by the Board of Directors on February 17, 2022 (Note 1)	Common stock	4,459	5.0	December 31, 2021	March 28, 2022
Resolution by the Board of Directors on August 9, 2022 (Note 2)	Common stock	4,327	5.0	June 30, 2022	September 26, 2022

(Notes) 1. Total dividend amount includes a dividend of ¥4 million attributable to the Company's shares owned by the Foundation.

2. Total dividend amount includes a dividend of ¥4 million attributable to the Company's shares owned by the Foundation.

Dividends with the record date belonging to the fiscal year ended December 31, 2022 and the effective date being in the following fiscal year are as follows:

	Class of stock	Total dividend amount	Dividend per share	Record date	Effective date
		(¥ million)	(¥)		
Resolution by the Board of Directors on February 16, 2023	Common stock	4,308	5.0	December 31, 2022	March 27, 2023

(Note) Total dividend amount includes a dividend of ¥4 million attributable to the Company's shares owned by the Foundation.

24 Share-based compensation

(1) Description of share-based compensation plan

Nexon Group has a stock option plan with an aim to raise its directors' and employees' motivation and morale to improve Nexon Group's performance and corporate value as well as to secure talented people.

Options are granted to eligible persons approved by the Board of Directors of the Company and its subsidiaries without consideration based on the plan details approved at the general meeting of shareholders of the Company and its subsidiaries. The exercise period is provided by the allotment agreement, and options not exercised during such exercise period will lapse. If eligible persons leave Nexon Group during the vesting period, their options will lapse.

Stock option plan No. 14 includes stock options that link vesting of stock acquisition rights to the term of office and equity-based stock options (performance-linked) that link vesting of stock acquisition rights to consolidated operating income for the fiscal year ended December 31, 2020 (referred to as "No. 14 (Performance-linked)" in the table below) and to relative total shareholder return for the three years from the date of the Annual General Meeting of Shareholders in 2018 to the date of the Annual General Meeting of Shareholders in 2021 (referred to as "No. 14 (Relative TSR)" in the table below). Details are as follows.

The number of stock acquisition rights to vest shall be calculated as "base number of unit x vesting ratio."

The "vesting ratio" shall be the sum of a and b described below.

a. Performance-linked coefficient for consolidated operating income for the fiscal year ended December 31, 2020 (Note 1) x 40%

b. Performance-linked coefficient for relative total shareholder return ("TSR") (Note 2) x 60%

(Notes) 1. Target achievement level: (Consolidated operating income – Operating income target ("I")) / Operating income target x 100 (%)
Target achievement level of 50% or higher: Performance-linked coefficient = 100 (%)
Target achievement level of between (50)% and 50%: Performance-linked coefficient = (Target achievement level + 50)(%)
Target achievement level of lower than (50)%: Performance-linked coefficient = 0 (%)

2. Deviation rate between the Company's TSR ("II") during the evaluation period for Relative TSR and the average TSR of comparative companies ("III") and the Company
Deviation rate of 50% or higher: Performance-linked coefficient = 100 (%)
Deviation rate of between (50)% and 50%: Performance-linked coefficient = (The Company's TSR – Average TSR) + 50 (%)
Deviation rate of lower than (50)%: Performance-linked coefficient = 0 (%)

I. Operating income target
Operating income target used to calculate performance-linked coefficient shall be consolidated operating income for the fiscal year ended December 31, 2020.

II. TSR = ((Stock price at the end of evaluation period – Stock price at the beginning of evaluation period) + Dividend per share during the evaluation period) / Stock price at the beginning of evaluation period

III. Comparative companies include Electronic Arts, Activision/Blizzard, Take-Two Interactive, Nintendo Co., Ltd. and Bandai Namco Holdings Inc.

The number of stock acquisition rights granted as equity-based stock options (performance-linked) (base number of unit) is calculated by first determining the base amount of equity-based stock options (performance-linked) (assuming approximately 200% achievement of KPI targets) for each eligible director, and by dividing such base amount by the closing price of the Company's common stock in regular transactions on the Tokyo Stock Exchange on the date of the resolution of the grant and then by 1,000 (rounded up to the nearest whole number).

The targets and actual results of the KPIs for equity-based stock options (performance-linked) are as follows:

a. Performance-linked coefficient for consolidated operating income for the fiscal year ended December 31, 2020

Assessment ratio	Range of performance-linked coefficient	Consolidated operating income (target)	Consolidated operating income (actual results)	Performance-linked coefficient	Vesting ratio
40%	0% - 100%	¥101,790 million	¥111,450 million	59.5%	23.8%

b. Performance-linked coefficient for Relative TSR

Assessment ratio	Range of performance-linked coefficient	Average TSR (target)	Average TSR (actual results)	Performance-linked coefficient	Vesting ratio
60%	0% - 100%	64.0%	91.5%	77.5%	46.5%

Stock option plan No. 19-1 and No. 19-2 also include stock options that link vesting of stock acquisition rights to the term of office and equity-based stock options (performance-linked) that link vesting of stock acquisition rights to consolidated operating income for the fiscal year ended December 31, 2023 (referred to as “No. 19-1 (Consolidated operating income)” and “No. 19-2 (Consolidated operating income),” respectively, in the table below), to relative TSR for the three years from the date of the Annual General Meeting of Shareholders in 2021 to the date of the Annual General Meeting of Shareholders in 2024 (referred to as “No. 19-1 (Relative TSR)” and “No. 19-2 (Relative TSR),” respectively, in the table below), and to EBITDA in the European and U.S. market for the fiscal years ended December 31, 2022 and 2023 (referred to as “No. 19-1 (EBITDA in European and U.S. market)” in the table below). Details are as follows.

The number of units of stock acquisition rights to vest will be calculated as follows:

Total number of units to vest = Number of units to vest (1) + Number of units to vest (2)

Base number of units (1) x Vesting ratio (1) = Number of units to vest (1) (any fraction in the product less than one unit will be rounded down)

Vesting ratio (1)
The sum of a and b below.
a. Performance-linked coefficient for consolidated operating income for FY2023 (Note 1) x 40%
b. Performance-linked coefficient for Relative TSR (Note 2) x 60%

(Notes) 1. Financial-base performance-linked coefficient is set as 40% of performance-linked coefficient for consolidated operating income.
Performance-linked coefficient for consolidated operating income
Target achievement level: (Consolidated operating income – Operating income target (“I”)) / Operating income target x 100 (%)
Target achievement level of 50% or higher: Performance-linked coefficient = 100 (%)
Target achievement level of between (50)% and 50%: Performance-linked coefficient = (Target achievement level + 50)(%)
Target achievement level of lower than (50)%: Performance-linked coefficient = 0 (%)
I. Operating income target
Operating income target used to calculate performance-linked coefficient is consolidated operating income for FY2023. (The target is undisclosed as mid- to long-term business performance forecast has not been disclosed at present.)

2. The deviation rate between the Company’s TSR (“II”) and the average TSR (“II”) of comparative companies (“III”) during the evaluation period for Relative TSR
Deviation rate of 50% or higher: Performance-linked coefficient = 100 (%)
Deviation rate of between (50)% and 50%: Performance-linked coefficient = (The Company’s TSR – Average TSR of comparative companies) + 50 (%)
Deviation rate of lower than (50)%: Performance-linked coefficient = 0 (%)

II. TSR = ((Stock price at the end of evaluation period – Stock price at the beginning of evaluation period) + Dividend per share during the evaluation period) / Stock price at the beginning of evaluation period

III. Comparative companies include Electronic Arts, Activision/Blizzard, Take-Two Interactive, Nintendo Co., Ltd. and Bandai Namco Holdings Inc.

The evaluation period for Relative TSR is from the date of the 19th Annual General Meeting of Shareholders (March 25, 2021) to the date of the annual general meeting of shareholders to be held in 2024.

Base number of units (2) x Vesting ratio (2) = Number of units to vest (2) (any fraction in the product less than one unit will be rounded down)

Vesting ratio (2)

The sum of a and b below.

a. Up to 40% depending on the achievement level of performance target on EBITDA in the European and U.S. market for FY2022 (Note)
b. Up to 60% depending on the achievement level of performance target on EBITDA in the European and U.S. market for FY2023 (Note)

(Note) As the performance-linked evaluation index of certain reportable segments for the period between January 1, 2021 and December 31, 2023, we use EBITDA in the European and U.S. market (Consolidated operating income under IFRS of the Company's consolidated subsidiaries headquartered in Europe and North America with certain adjustments in profit or loss included in the operating income as shown below, the same shall apply hereinafter).
EBITDA in the European and U.S. market is calculated as follows:
"EBITDA in the European and U.S. market = operating income + adjustments (depreciation and amortization + stock-based compensation expense – other income + other expenses)"
Depending on the achievement level of the relevant targets, up to 40% and 60% of stock acquisition rights linked to EBITDA in the European and U.S. market will vest in FY2022 (the second year of the three-year period from January 1, 2021 to December 31, 2023) and in FY2023 (the third year of the three-year period from January 1, 2021 to December 31, 2023), respectively. (The target is undisclosed as business performance forecast has not been disclosed at present.)

The number of stock acquisition rights granted as equity-based stock options (performance-linked) (base number of units) is calculated by first determining the base amount of equity-based stock options (performance -linked) (assuming approximately 200% achievement of KPI targets) for each eligible director, and by dividing such base amount by the closing price of the Company's common stock in regular transactions on the Tokyo Stock Exchange on the day immediately preceding the date of the resolution of the grant (or the most recent trade date if such date is not a trade date) (rounded down to the nearest whole number).

Stock options granted to eligible persons are accounted for as equity-settled share-based compensation, and expenses relating to equity-settled share-based compensation transactions for the fiscal years ended December 31, 2021 and 2022 were ¥10,508 million and ¥9,691 million, respectively.

Details of Nexon Group's stock option plan in effect during the fiscal years ended December 31, 2022 and 2021 are as follows:

	Number granted	Grant date	Exercise deadline	Exercise price	Fair value on grant date (Note 1)
	Shares			Yen	Yen
No. 6	500,000	May 7, 2013	May 6, 2043	1	472
No. 10	100,000	August 3, 2015	August 2, 2045	1	779
No. 12-1	10,526,000	May 20, 2016	May 19, 2022	932	317
No. 13-1	1,560,000	September 29, 2017	September 28, 2023	1,468	466
No. 13-2	11,818,000	November 9, 2017	November 8, 2023	1,640	514
No. 13-3	296,000	February 8, 2018	February 7, 2024	1,685	522
No. 14	568,000	March 27, 2018	March 15, 2022	0.0005	1,843
No. 14 (Performance-linked)	835,200	March 27, 2018	March 15, 2022	0.0005	1,843
No. 14 (Relative TSR)	1,252,800	March 27, 2018	March 15, 2022	0.0005	1,125
No. 15-1	246,000	July 26, 2018	July 25, 2024	1,699	532
No. 15-2	300,000	November 2, 2018	November 1, 2024	1,377	429
No. 18-1	500,000	April 3, 2020	April 2, 2026	1,787	543
No. 18-2	1,480,000	May 14, 2020	May 13, 2026	2,072	635
No. 18-3	10,020,000	November 9, 2020	November 8, 2026	3,055	1,180
No. 19-1	165,416	April 12, 2021	March 15, 2025	0	3,555
No. 19-1 (Consolidated operating income)	226,601	April 12, 2021	March 15, 2025	0	3,550
No. 19-1 (Relative TSR)	339,901	April 12, 2021	March 15, 2025	0	2,303
No. 19-1 (EBITDA in European and U.S. market)	940,948	April 12, 2021	March 15, 2025	0	3,550
No. 19-2	3,566	May 27, 2021	March 15, 2025	0	2,572
No. 19-2 (Consolidated operating income)	5,706	May 27, 2021	March 15, 2025	0	2,567
No. 19-2 (Relative TSR)	8,558	May 27, 2021	March 15, 2025	0	2,303
No. 20-1	1,010,000	July 12, 2021	July 11, 2027	2,325	921
No. 20-2	10,607,000	October 1, 2021	September 30, 2027	1,759	680
No. 20-3	115,000	November 17, 2021	November 16, 2027	2,498	984
No. 21	8,290	April 12, 2022	March 15, 2024	0	2,976
No. 22	265,000	May 13, 2022	May 12, 2028	3,065	1,195

(Notes) 1. Stock options of No. 12-1, No. 13-1, No. 13-2, No. 13-3 and No. 14 (excluding Performance-linked and Relative TSR), No. 15-1, No. 15-2, No. 18-1, No. 18-2 and No. 19-1 (excluding Consolidated operating income, Relative TSR, and EBITDA in European and U.S. market), No. 19-2 (excluding Consolidated operating income and Relative TSR), and No. 20-1, No. 20-2, No. 20-3 and No. 22 become exercisable in multiple installments in a phased manner over time, and therefore their fair unit value on grant date vary for each start date of the exercise period. The fair value on grant date of these options represents the weighted average of the fair unit value on grant date for each start date of the exercise period calculated using the number of shares that become exercisable on such date.

2. A two-for-one stock split was executed as of April 1, 2018. As a result, Number granted, Exercise price, and Fair value on grant date presented above have been adjusted to correspond to the number of shares after the stock split.

(2) Option pricing

The weighted average fair value of stock options granted during the fiscal years ended December 31, 2021 and 2022 was ¥1,029 and ¥1,249, respectively.

The Monte-Carlo Simulation is used for No. 14 (Relative TSR), No. 19-1 (Relative TSR) and No. 19-2 (Relative TSR), the binomial model is used for stock options other than Relative TSR after No. 18-3 and the Black-Scholes model is used for all the other stock options to evaluate options in calculating share-based compensation expenses.

The assumptions used in the binomial model and the Monte-Carlo Simulation for stock options granted during the fiscal years ended December 31, 2021 and 2022 are as follows. Expected volatility is calculated based on the historical stock prices for the latest period corresponding to the expected life of options from the grant date, with stock information collected on a daily basis.

	Share price on grant date	Exercise price	Expected volatility	Expected life	Expected dividend rate	Risk-free rate
	Yen	Yen	%	Years	%	%
No. 19-1	3,565	0	42.1～46.2	2～4	0.1	(0.1)
No. 19-1 (Consolidated operating income)	3,565	0	42.1	4	0.1	(0.1)
No. 19-1 (Relative TSR)	3,565	0	29.5～44.8	4	0.0～2.2	(0.1)～0.4
No. 19-1 (EBITDA in European and U.S. market)	3,565	0	42.1～44.8	3～4	0.1	(0.1)
No. 19-2	2,581	0	43.5～47.0	2～4	0.2	(0.1)
No. 19-2 (Consolidated operating income)	2,581	0	43.5	4	0.2	(0.1)
No. 19-2 (Relative TSR)	2,581	0	29.5～44.8	4	0.0～2.2	(0.1)～0.4
No. 20-1	2,325	2,325	43.5	6	0.2	(0.1)
No. 20-2	1,759	1,759	42.6	6	0.3	(0.1)
No. 20-3	2,498	2,498	43.1	6	0.2	(0.1)
No. 21	2,986	0	43.1	1	0.3	(0.1)
No. 22	3,065	3,065	42.8	6	0.3	0.1

(3) Total number of exercisable shares and average exercise price

	Fiscal year ended December 31, 2021		Fiscal year ended December 31, 2022	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
	Shares	Yen	Shares	Yen
Balance at January 1	25,668,000	2,014	33,672,696	1,997
Granted	13,422,696	1,586	273,290	2,972
Forfeited	(1,022,000)	1,538	(1,376,668)	2,487
Exercised	(4,396,000)	948	(4,145,042)	1,454
Expired	—	—	(30,000)	932
Balance at December 31	33,672,696	1,997	28,394,276	2,063
Exercisable at end of year	12,642,000	1,927	16,479,461	2,200

The weighted average remaining contractual lives for the fiscal years ended December 31, 2021 and 2022 were 4.4 years and 3.7 years, respectively.

The weighted average stock prices at the time of exercise of stock options exercised during the fiscal years ended December 31, 2021 and 2022 were ¥2,751and ¥2,842, respectively.

25 Financial risk management

(1) Capital management

Nexon Group has a basic policy of maintaining adequate level of capital and liabilities/capital composition corresponding to its business risk, with the aim of maintaining financial soundness and efficiencies as well as achieving sustainable growth. Nexon Group focuses on the balance between cash and cash equivalents, interest-bearing liabilities and shareholders' equity, and their balances and the equity ratio are as follows:

(Millions of yen)

	As of December 31, 2021	As of December 31, 2022
Cash and cash equivalents	365,239	409,368
Interest-bearing liabilities (Note 1)	15,327	23,324
Shareholders' equity (Note 2)	836,668	858,193
Equity ratio (%) (Note 3)	84.8	82.3

(Notes) 1. Interest-bearing liabilities include "Lease liabilities (current)" and "Lease liabilities (non-current)."
2. Shareholders' equity represents "Total equity attributable to owners of the parent company."
3. Equity ratio is calculated as "Shareholders' equity at December 31/Total assets at December 31 x 100 (%)."

Nexon Group promotes cash flow-oriented management and maintained cash and cash equivalents in excess of interest-bearing liabilities as of December 31, 2021 and 2022. Nexon Group is not subject to any material capital control.

(2) Financial risk management policy

Nexon Group is exposed to financial risks during the course of its business operations. The Company developed the risk management rules to prevent risks from arising and mitigate risks. Nexon Group also has a policy to use derivative contracts only for the purpose of mitigating financial risks and prohibit the use of derivative contracts for speculative purposes.

(3) Credit risk

Receivables arising from Nexon Group's operating activities are exposed to credit risk of customers.

Trade and other receivables are exposed to credit risk of customers. With regard to the credit risk, the Company and its consolidated subsidiaries, based on the respective receivables management rules, regularly conduct credit reviews of their customers to obtain their credit information and manage due dates and outstanding credit balances by customer, in order to detect signs of deteriorating financial conditions of customers at an early stage and mitigate potential risks regarding collectability.

For trade receivables, we measure lifetime expected credit losses as a practical expedient based on historical credit loss, qualitative factors available to us at this point as well as overall macroeconomic trends. However, delinquent receivables which are overdue and considered to have solvency issues based on the understanding and consideration of financial condition of the debtors are treated as impaired trade receivables. When there is no reasonable expectations of recovering receivables, for example when the legal proceedings of the debtors are completed or if it becomes clear that all of the outstanding balance cannot be recovered based on the debtor's payment ability, the carrying amount of the receivables are directly reduced.

As of December 31, 2021 and 2022, trade and other receivables of Nexon Group from one particular corporate group (Korea segment) amounted to ¥5,551 million (31.6% of trade and other receivables as of December 31, 2021) and ¥13,997 million (46.0% of trade and other receivables as of December 31, 2022), respectively, resulting in concentration of credit risk.

The carrying amounts of financial assets, net of impairment loss, presented in the consolidated financial statements are the maximum exposure to credit risk associated with financial assets of Nexon Group without considering the value of related collaterals.

(4) Liquidity risk

Nexon Group monitors liquidity risk by preparing a funding plan based on the business plan and assessing the positions of cash in hand and interest-bearing liabilities on a regular basis.

The following table summarizes Nexon Group's financial liabilities by maturity dates:

Fiscal year ended December 31, 2021

(Millions of yen)

	Carrying amount	Contrac-tual cash flows	Within 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years
Trade and other payables	9,354	9,354	9,354	—	—	—	—	—
Lease liabilities (current)	3,045	3,198	3,198	—	—	—	—	—
Lease liabilities (non-current)	12,282	14,127	—	2,907	2,640	2,359	1,978	4,243
Other financial liabilities (non-current)	1,803	1,803	—	146	115	157	115	1,270

Fiscal year ended December 31, 2022

(Millions of yen)

	Carrying amount	Contrac-tual cash flows	Within 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years
Trade and other payables	14,705	14,705	14,705	—	—	—	—	—
Lease liabilities (current)	4,045	4,156	4,156	—	—	—	—	—
Lease liabilities (non-current)	19,279	24,332	—	4,008	3,815	3,612	3,206	9,691
Other financial liabilities (non-current)	1,447	1,562	—	251	133	287	133	758

(5) Foreign exchange risk

Nexon Group operates global business and is exposed to foreign exchange fluctuation risk related mainly to the Korean won, U.S. dollar and Chinese yuan.

Assuming a 1% rise in all foreign currencies against the functional currency for financial instruments held by Nexon Group that are denominated in foreign currencies, income before income taxes in the consolidated statement of income would increase by ¥6,759 million and ¥6,744 million for the fiscal years ended December 31, 2021 and 2022, respectively.

(6) Interest rate risk

The disclosure is omitted as the amount is immaterial.

(7) Market price fluctuation risk

Nexon Group is exposed to price fluctuation risk associated with securities recognized in the consolidated statement of financial position.

Assuming a 1% increase in the fair value of marketable securities held by Nexon Group, other comprehensive income before income taxes in the consolidated statement of comprehensive income for the fiscal years ended December 31, 2021 and 2022 would increase by ¥1,625 million and ¥1,298 million, respectively, and income before income taxes in the consolidated statement of income for the fiscal years ended December 31, 2021 and 2022 would increase by ¥225 million and ¥122 million, respectively.

(8) Derivatives and hedge accounting

The disclosure is omitted as the amount is immaterial.

26 Fair value of financial instruments

(1) Calculation method of fair value

(Millions of yen)

As of December 31, 2021

	Carrying amount				Fair value
	Financial assets/liabilities measured at FVTPL	Financial assets/ liabilities measured at FVTOCI	Financial assets/ liabilities measured at amortized cost	Total	
Cash and cash equivalents	—	—	365,239	365,239	365,239
Trade and other receivables	—	—	17,577	17,577	17,577
Other deposits	—	—	169,689	169,689	169,689
Other financial assets (current)	22,462	—	6,678	29,140	29,140
Other financial assets (non-current)	6,167	183,774	12,647	202,588	202,581
Trade and other payables	—	—	9,354	9,354	9,354
Other financial liabilities (non-current)	477	—	1,326	1,803	1,803

(Millions of yen)

As of December 31, 2022

	Carrying amount				Fair value
	Financial assets/liabilities measured at FVTPL	Financial assets/ liabilities measured at FVTOCI	Financial assets/ liabilities measured at amortized cost	Total	
Cash and cash equivalents	—	—	409,368	409,368	409,368
Trade and other receivables	—	—	30,444	30,444	30,444
Other deposits	—	—	162,490	162,490	162,490
Other financial assets (current)	12,209	—	10,869	23,078	23,069
Other financial assets (non-current)	8,107	140,275	14,132	162,514	162,514
Trade and other payables	—	—	14,705	14,705	14,705
Other financial liabilities (non-current)	9	—	1,438	1,447	1,447

The fair value of financial assets and liabilities is determined as follows. The fair value of financial instruments is estimated using their market price or discounting future cash flows, etc. when the market price is 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 the 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)

Marketable equity 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 reporting period. Fair values are estimated primarily by discounting future cash flows.

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 securities are classified as financial assets 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.

Other financial liabilities (non-current)

Items presented in this category are mainly classified as financial liabilities measured at FVTPL and measured at fair value at the end of the reporting period.

(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 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 in the consolidated statement of financial position on a recurring basis by fair value hierarchy level.

(Millions of yen)

	As of December 31, 2021			
	Level 1	Level 2	Level 3	Total
Other financial assets (current)				
Financial assets measured at FVTPL				
Securities	22,462	—	—	22,462
Other financial assets (non-current)				
Financial assets measured at FVTPL				
Securities	—	—	6,167	6,167
Financial assets measured at FVTOCI				
Securities	162,503	—	21,271	183,774
Total financial assets	184,965	—	27,438	212,403
Other financial liabilities (non-current)				
Financial liabilities measured at FVTPL				
Derivative liabilities without hedge accounting application	—	—	477	477
Total financial liabilities	—	—	477	477

(Millions of yen)

	As of December 31, 2022			
	Level 1	Level 2	Level 3	Total
Other financial assets (current)				
Financial assets measured at FVTPL				
Securities	12,209	—	—	12,209
Other financial assets (non-current)				
Financial assets measured at FVTPL				
Securities	—	—	8,107	8,107
Financial assets measured at FVTOCI				
Securities	129,774	—	10,501	140,275
Total financial assets	141,983	—	18,608	160,591
Other financial liabilities (non-current)				
Financial liabilities measured at FVTPL				
Derivative liabilities without hedge accounting application	—	—	9	9
Total financial liabilities	—	—	9	9

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

(Millions of yen)

	Fiscal year ended December 31, 2021		Fiscal year ended December 31, 2022	
	Other financial assets	Other financial liabilities	Other financial assets	Other financial liabilities
Balance at January 1	29,171	615	27,438	477
Gains or losses				
Profit or loss (Note 1)	326	(149)	218	(513)
Other comprehensive income (Note 2)	(4,971)	—	(12,402)	—
Purchases	3,326	—	1,245	—
Sales	(800)	—	—	—
Distribution	(238)	—	(190)	—
Exchange differences on translating foreign operations	624	11	2,299	45
Balance at December 31	27,438	477	18,608	9
Unrealized gains (losses) recognized in profit or loss relating to assets and liabilities held at the end of the reporting period (Note 1)	326	(149)	218	(513)

(Note) 1. Gains or losses recognized in profit or loss are presented in finance income or expenses.
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 Department of the Company 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 valuation of fair values.

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 fiscal years ended December 31, 2021 and 2022 is from 12.7% to 19.3% and 12.5% to 18.0%, 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) Financial assets and liabilities which are not measured at fair value in the consolidated statement of financial position but whose fair value is disclosed

Classification by hierarchy of financial assets and liabilities which are not measured at fair value in the consolidated statement of financial position but whose fair value is disclosed is as follows. Financial assets and liabilities whose carrying amounts approximate their fair values are excluded.

The valuation technique used to measure fair value of financial assets and liabilities which are not measured at fair value in the consolidated statement of financial position but whose fair value is disclosed as Level 3 is mostly the discounted cash flow method and a significant unobservable input is mostly discount rates.

(Millions of yen)

	As of December 31, 2021				
	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Other financial assets (non-current)					
Term deposits	854	—	854	—	854
Security deposits and guarantees	6,822	—	—	6,822	6,822
Lease receivables	2,670	—	—	2,670	2,670
Securities (Note)	1,059	—	1,052	—	1,052
Other	1,242	—	—	1,242	1,242
Total other financial assets (non-current)	12,647	—	1,906	10,734	12,640
Other financial liabilities (non-current)					
Other	1,326	—	—	1,326	1,326
Total other financial liabilities (non-current)	1,326	—	—	1,326	1,326

(Note) Securities are debt securities measured at amortized cost.

(Millions of yen)

	As of December 31, 2022				
	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Other financial assets (current)					
Securities (Note)	1,199	—	1,190	—	1,190
Total other financial assets (current)	1,199	—	1,190	—	1,190
Other financial assets (non-current)					
Term deposits	381	—	381	—	381
Security deposits and guarantees	7,338	—	—	7,338	7,338
Lease receivables	2,692	—	—	2,692	2,692
Other	3,721	—	—	3,721	3,721
Total other financial assets (non-current)	14,132	—	381	13,751	14,132
Other financial liabilities (non-current)					
Other	1,438	—	—	1,438	1,438
Total other financial liabilities (non-current)	1,438	—	—	1,438	1,438

(Note) Securities are debt securities measured at amortized cost.

27 Revenue

Revenue is generated mostly by provision of services and royalty. See “5 Segment Information” for details of revenue.

28 Cost of sales

Cost of sales consisted of the following:

(Millions of yen)

	Fiscal year ended December 31, 2021	Fiscal year ended December 31, 2022
Outsourcing cost	2,186	3,593
HR costs	30,899	45,041
Data center usage fee	6,106	10,329
Royalty	27,291	40,020
Depreciation and amortization	2,300	2,280
Rent	16	36
Other costs	3,323	4,479
Total	72,121	105,778

HR costs consisted of the following:

(Millions of yen)

	Fiscal year ended December 31, 2021	Fiscal year ended December 31, 2022
Salary and bonus	24,843	36,463
Share-based compensation expense	299	282
Retirement benefit expense	1,567	2,136
Employee benefit expense	1,846	2,841
Statutory welfare expense	2,338	3,295
Other	6	24
Total	30,899	45,041

29 Selling, general and administrative expenses

Selling, general and administrative expenses consisted of the following:

(Millions of yen)

	Fiscal year ended December 31, 2021	Fiscal year ended December 31, 2022
HR costs	28,552	33,056
PG fees	5,749	7,071
Marketing costs	17,386	25,717
Depreciation and amortization	5,444	3,747
Research and development expense	20,996	25,930
Platform usage fee	22,408	33,026
Other	7,955	10,750
Total	108,490	139,297

HR costs consisted of the following:

(Millions of yen)

	Fiscal year ended December 31, 2021	Fiscal year ended December 31, 2022
Officers' compensation (Note)	2,839	4,483
Salary and bonus	12,875	15,851
Share-based compensation expense	8,891	7,412
Retirement benefit expense	703	836
Employee benefit expense	1,837	2,748
Statutory welfare expense	1,407	1,726
Total	28,552	33,056

(Note) Officers' compensation includes officers' share-based compensation.

30 Other income and other expenses

(1) Other income

Other income consisted of the following:

(Millions of yen)

	Fiscal year ended December 31, 2021	Fiscal year ended December 31, 2022
Gain on cancellation of points	85	113
Gain on sale of subsidiaries' stock	205	—
Other	515	462
Total	805	575

(2) Other expenses

Other expenses consisted of the following:

(Millions of yen)

	Fiscal year ended December 31, 2021	Fiscal year ended December 31, 2022
Impairment loss (Note)	2,941	5,337
Loss on sales or disposals of fixed assets	5	32
Other	169	149
Total	3,115	5,518

(Note) Includes impairment loss on prepaid expenses (prepaid royalty) and long-term prepaid expenses recorded in other current assets and other non-current assets of ¥502 million and ¥37 million for the fiscal years ended December 31, 2021 and 2022, respectively.

31 Finance income and finance costs

(1) Finance income

Finance income consisted of the following:

(Millions of yen)

	Fiscal year ended December 31, 2021	Fiscal year ended December 31, 2022
Interest income		
Financial assets measured at amortized cost	3,222	7,861
Financial income related to sublease	113	114
Dividend income		
Financial assets measured at FVTPL	42	51
Financial assets measured at FVTOCI	3,075	4,960
Gain on valuation of securities		
Financial assets measured at FVTPL	703	—
Gain on sale of securities		
Financial assets measured at FVTPL	1,181	—
Gain on redemption of securities		
Financial assets measured at FVTPL	2,554	—
Gain on sale of investments accounted for equity method	—	9,531
Foreign exchange gain	36,432	41,708
Other	552	1,098
Total	47,874	65,323

(2) Finance costs

Finance costs consisted of the following:

(Millions of yen)

	Fiscal year ended December 31, 2021	Fiscal year ended December 31, 2022
Interest expense		
Financial liabilities measured at amortized cost	6	1
Lease liabilities	409	587
Impairment loss on investment in affiliates (Note)	—	1,306
Commission fees	419	266
Loss on valuation of securities		
Financial assets measured at FVTPL	—	6,498
Loss on sale and redemption of securities		
Financial assets measured at FVTPL	—	4,058
Other	521	176
Total	1,355	12,892

(Note) Impairment loss was recognized on investments in certain affiliates as their recoverable amount fell below their carrying amount.

32 Other comprehensive income

The amounts recorded during the year and reclassified to profit or loss and income tax effect by other comprehensive income item are as follows:

Fiscal year ended December 31, 2021

(Millions of yen)

	Recorded	Reclassified	Before tax	Income tax	After tax
Items that will not be reclassified to profit or loss					
Financial assets measured at FVTOCI	8,610	—	8,610	(2,834)	5,776
Remeasurement of defined benefit pension plans	(19)	—	(19)	—	(19)
Total items that will not be reclassified to profit or loss	8,591	—	8,591	(2,834)	5,757
Items that may be reclassified subsequently to profit or loss					
Exchange differences on translating foreign operations	12,558	(113)	12,445	—	12,445
Other comprehensive income under equity method	12	—	12	—	12
Total items that may be reclassified subsequently to profit or loss	12,570	(113)	12,457	—	12,457
Total other comprehensive income	21,161	(113)	21,048	(2,834)	18,214

Fiscal year ended December 31, 2022

(Millions of yen)

	Recorded	Reclassified	Before tax	Income tax	After tax
Items that will not be reclassified to profit or loss					
Financial assets measured at FVTOCI	(56,299)	—	(56,299)	15,378	(40,921)
Remeasurement of defined benefit pension plans	4	—	4	—	4
Other comprehensive income under equity method	46	—	46	—	46
Total items that will not be reclassified to profit or loss	(56,249)	—	(56,249)	15,378	(40,871)
Items that may be reclassified subsequently to profit or loss					
Exchange differences on translating foreign operations	58,117	(2,508)	55,609	—	55,609
Other comprehensive income under equity method	0	4	4	—	4
Total items that may be reclassified subsequently to profit or loss	58,117	(2,504)	55,613	—	55,613
Total other comprehensive income	1,868	(2,504)	(636)	15,378	14,742

33 Earnings per share

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

	Fiscal year ended December 31, 2021	Fiscal year ended December 31, 2022
Net income attributable to owners of the parent company (millions of yen)	114,888	100,339
Adjustments to net income used to calculate diluted earnings per share		
Adjustment due to dilutive shares of consolidated subsidiaries (millions of yen)	(647)	–
Diluted net income attributable to owners of the parent company (millions of yen)	114,241	100,339
Number of weighted-average common stock applicable to basic EPS (shares) (Note 1)	891,231,822	874,516,449
Dilution: Stock options (shares)	11,486,933	7,093,751
Number of adjusted weighted-average common stock applicable to diluted EPS (shares)	902,718,755	881,610,200
Earnings per share (attributable to owners of the parent company)		
Basic (yen)	128.91	114.74
Diluted (yen) (Note 2)	126.55	113.81

(Notes) 1. The Company’s common stock owned by its consolidated subsidiary Stiftelsen Embark Incentive is included in treasury stock which is deducted in the calculation of the number of weighted-average common stock applicable to basic EPS. The number of weighted-average treasury stock deducted was 336,017 shares and 847,598 shares for the fiscal years ended December 31, 2021 and 2022, respectively.

2. Some of the stock acquisition rights issued by the Company were not included in the calculation of diluted earnings per share because they were anti-dilutive.

34 Non-cash transactions

Material non-cash transactions (investments and financing transactions not needing the use of cash and cash equivalents) executed during the fiscal years ended December 31, 2021 and 2022 were increases in right-of-use assets associated with leases and third-party allotment in exchange for in-kind contribution.

Refer to “19 Lease transactions (1) Lease as a lessee” for increases in right-of-use assets associated with leases and “22 Equity and other equity interest (5) Additional acquisition of non-controlling interest” for the third-party allotment in exchange for in-kind contribution.

35 Changes in liabilities arising from financing activities

Changes in liabilities arising from financing activities are as follows:

Fiscal year ended December 31, 2021

(Millions of yen)

	Borrowings (current)	Lease liabilities (current)	Lease liabilities (non-current)	Total liabilities arising from financing activities
January 1, 2021	2,094	2,657	11,842	16,593
Cash flows				
Repayment	(2,094)	(2,585)	(0)	(4,679)
Non-cash activities				
Decrease due to change in scope of consolidation	—	(16)	(105)	(121)
New lease	—	197	2,215	2,412
Impact of remeasurement of lease liabilities	—	44	675	719
Transfers between accounts	—	2,669	(2,669)	—
Termination of lease contracts	—	(22)	(90)	(112)
Exchange differences on translating foreign operations	—	101	414	515
December 31, 2021	—	3,045	12,282	15,327

Fiscal year ended December 31, 2022

(Millions of yen)

	Lease liabilities (current)	Lease liabilities (non-current)	Total liabilities arising from financing activities
January 1, 2022	3,045	12,282	15,327
Cash flows			
Repayment	(3,025)	—	(3,025)
Non-cash activities			
New lease	285	2,636	2,921
Impact of remeasurement of lease liabilities	195	7,048	7,243
Transfers between accounts	3,390	(3,390)	—
Termination of lease contracts	(92)	(354)	(446)
Exchange differences on translating foreign operations	247	1,057	1,304
December 31, 2022	4,045	19,279	23,324

36 Subsidiaries

(1) Composition of the corporate group

Composition of Nexon Group is as follows:

Reportable segment	As of December 31, 2021 Wholly-owned subsidiaries	As of December 31, 2021 Subsidiaries with non-controlling interests	As of December 31, 2022 Wholly-owned subsidiaries	As of December 31, 2022 Subsidiaries with non-controlling interests
	Number of companies	Number of companies	Number of companies	Number of companies
Japan	—	—	—	—
Korea	13	3	13	2
China	1	—	1	—
North America	6	—	8	—
Other	16	—	17	—
Total	36	3	39	2

(2) Major subsidiaries

Major subsidiaries as of December 31, 2022 are as follows:

Company	Reportable segment	Location	Capital stock	Ownership ratio (%) FY2021	Ownership ratio (%) FY2022
NEXON Korea Corporation	Korea	Seongnam, Gyeonggi-do, South Korea	KRW 32,000 million	100.0	100.0
Lexian Software Development (Shanghai) Co., Ltd.	China	Shanghai, PRC	USD 4,100 thousand	100.0	100.0
Nexon America, Inc.	North America	California, USA	USD 210	100.0	100.0
NEOPLE INC.	Korea	Jeju Self-Governing Province, South Korea	KRW 181 million	100.0	100.0
NEXON Games Co., Ltd.	Korea	Seoul, South Korea	KRW 32,881 million	56.8	62.0
Pixelberry Studios	North America	California, USA	USD 0.1	100.0	100.0
Embark Studios AB	Other	Stockholm, Sweden	SEK 67 thousand	100.0	100.0

(Note) On March 31, 2022, our consolidated subsidiary NEXON GT Co., Ltd. was absorbed in an absorption-type merger, with our consolidated subsidiary NAT GAMES Co., Ltd. as the surviving company and NEXON GT Co., Ltd. as the absorbed company. Following the merger, the name of the surviving company was changed from “NAT GAMES Co., Ltd.” to “NEXON Games Co., Ltd.”

(3) Subsidiaries with non-controlling interests

The Company's subsidiaries with material non-controlling interests are as follows:

(Millions of yen)

Company name	Location of subsidiaries	Ratio of non-controlling interests		Net income/loss allocated to non-controlling interests		Cumulative amount of non-controlling interests	
		FY2021	FY2022	FY2021	FY2022	FY2021	FY2022
NEXON GT Co., Ltd.	Korea	34.9%	—	953	155	5,836	—
NEXON Games Co., Ltd.	Korea	43.2%	38.0%	(2,127)	(516)	3,356	9,302

(Note) On March 31, 2022, our consolidated subsidiary NEXON GT Co., Ltd. was absorbed in an absorption-type merger, with our consolidated subsidiary NAT GAMES Co., Ltd. as the surviving company and NEXON GT Co., Ltd. as the absorbed company. Following the merger, the name of the surviving company was changed from "NAT GAMES Co., Ltd." to "NEXON Games Co., Ltd."

The condensed financial statements of NEXON GT Co., Ltd. are as follows. The company was absorbed in an absorption-type merger during the fiscal year ended December 31, 2022 and there is no non-controlling interest as of December 31, 2022, and accordingly, the condensed financial statements for the fiscal year ended December 31, 2022 are not presented.

(Millions of yen)

Statement of financial position	As of December 31, 2021
Total assets	14,811
Total liabilities	1,239
Total equity	13,572

(Millions of yen)

Statement of comprehensive income	Fiscal year ended December 31, 2021
Revenue	5,256
Net income	2,606
Comprehensive income	2,606

(Millions of yen)

Statement of cash flows	Fiscal year ended December 31, 2021
Cash flows from operating activities	2,213
Cash flows from investing activities	(2,195)
Cash flows from financing activities	(57)
Net decrease in cash and cash equivalents	(39)
Cash and cash equivalents at the beginning of the year	863
Effects of exchange rate changes on cash and cash equivalents	20
Cash and cash equivalents at the end of the year	844

The condensed financial statements of NEXON Games Co., Ltd. are as follows. As described above, the company absorbed NEXON GT Co., Ltd. on March 31, 2022 and changed its company name from "NAT GAMES Co., Ltd." to "NEXON Games Co., Ltd." following the merger.

(Millions of yen)

Statement of financial position	As of December 31, 2021	As of December 31, 2022
Total assets	12,335	33,752
Total liabilities	6,340	8,821
Total equity	5,995	24,931

(Millions of yen)

Statement of comprehensive income	Fiscal year ended December 31, 2021	Fiscal year ended December 31, 2022
Revenue	6,056	13,470
Net income (loss)	(766)	604
Comprehensive income	(766)	604

(Millions of yen)

Statement of cash flows	Fiscal year ended December 31, 2021	Fiscal year ended December 31, 2022
Cash flows from operating activities	2,746	2,818
Cash flows from investing activities	1,219	3,748
Cash flows from financing activities	(148)	(805)
Net increase in cash and cash equivalents	3,817	5,761
Cash and cash equivalents at the beginning of the year	1,800	5,713
Effects of exchange rate changes on cash and cash equivalents	96	346
Cash and cash equivalents at the end of the year	5,713	11,820

(4) Outcome of changes in parent company's ownership interest in subsidiaries that do not result in a loss of control

The impact on capital surplus of changes in parent company's ownership interest in subsidiaries that do not result in a loss of control is as follows:

(Millions of yen)

	Fiscal year ended December 31, 2021	Fiscal year ended December 31, 2022
Amount of impact of capital transaction with non-controlling interest	(15,890)	(1,257)

(Note) The impact on capital surplus for the fiscal year ended December 31, 2021 includes ¥(15,927) million related to the third-party allotment associated with making Embark Studios AB our wholly-owned subsidiary. Refer to "22 Equity and other equity interest (5) Additional acquisition of non-controlling interest" for details of the third-party allotment.

37 Related party transactions

(1) Transactions with related parties

Nexon Group conducts transactions with the following related parties:

Fiscal year ended December 31, 2021

(Millions of yen)

Attribute	Name	Description of transactions	Transaction amount	Outstanding balance
Company with the same parent company	NXMH BV	Loan made (Note 1)	16,587 (USD 150 million)	—
		Collection of loan (Note 2)	16,467 (USD 150 million)	—
		Interest received	49	—
Officer	Patrick Söderlund	Tender of common stock of Embark Studios AB as in-kind contribution in relation to issuance of shares for subscription by means of third-party allotment and issuance of the Company's common stock (Note 3, 4)	10,848	—

(Notes) 1. Key terms and conditions of the loan are as follows:

(1)	Interest rate	2.2% p.a. (the interest rate is reasonably determined in consideration of market rates)
(2)	Drawdown date	July 1, 2021
(3)	Repayment date	June 30, 2022
(4)	Collateral	30,000,000 shares of the Company's common stock

2. The Company had accepted 30,000,000 shares of the Company's common stock from NXMH BV as collateral for principal and interest of the loan when the loan was made, but the security interest was entirely released during the three months ended September 30, 2021 as the principal and interest were fully paid.
3. The value per share of common stock of Embark Studios AB and the terms and conditions of the third-party allotment were determined by taking into account the business valuation report prepared by a third party with no special interest in Nexon Group and the business plan, etc. of Embark Studios AB.
4. Refer to "22 Equity and other equity interest" for details of the transactions with the Foundation.

Fiscal year ended December 31, 2022

The disclosure is omitted as the amount is immaterial.

(2) Material commitment

Fiscal year ended December 31, 2021

As of December 31, 2021, Nexon Group had commitments to make additional investment in its equity method affiliates as follows.

Equity method affiliates	Uncalled commitments for additional investment (As of December 31, 2021)
Alignment Growth Fund I, LP	USD149.2 million (¥17,161 million)
Brothers International, LLC	USD100.0 million (¥11,502 million)

Fiscal year ended December 31, 2022

During the fiscal year ended December 31, 2022, Nexon Group made additional investment in response to capital calls based on the investment agreements with equity method affiliates and also received refund of investment as follows. Nexon Group had commitments to make additional investment in its equity method affiliates as of December 31, 2022.

Equity method affiliates	Additional investment	Refund of investment	Uncalled commitments for additional investment (As of December 31, 2022)
Alignment Growth Fund I, LP	USD15.4 million (¥2,108 million)	—	USD133.8 million (¥17,752 million)
Brothers International, LLC	USD100.0 million (¥12,239 million)	—	—
Smash Capital Fund I L.P.	USD53.5 million (¥6,762 million)	USD14.0 million (¥1,909 million)	USD221.1 million (¥29,339 million)

(3) Compensation to key management personnel

Compensation to key management personnel of Nexon Group is as follows:

(Millions of yen)

	Fiscal year ended December 31, 2021	Fiscal year ended December 31, 2022
Compensation and bonus	423	584
Share-based compensation	1,045	1,092
Total	1,468	1,676

(4) Information on the parent company

The parent company of the Company is NXC Corporation, which is the ultimate controlling party of Nexon Group.

38 Business combination

(1) Fiscal year ended December 31, 2021

The disclosure is omitted as the amount is immaterial.

(2) Fiscal year ended December 31, 2022

The disclosure is omitted as the amount is immaterial.

39 Sale of subsidiaries

(1) Fiscal year ended December 31, 2021

The disclosure is omitted as the amount is immaterial.

(2) Fiscal year ended December 31, 2022

Not applicable.

40 Contingent liabilities

The disclosure is omitted as the amount is immaterial.

41 Subsequent events

Acquisition of trust beneficiary certificates

On January 10, 2023, Nexon Group acquired the trust beneficiary certificates for real estate based on the resolution at the Board of Directors meeting on December 13, 2022.

(1) Detail of the real estate pertaining to the trust beneficiary certificates

Name of the building	Autoway Tower
Location	948 Daechi-dong, Gangnam-gu, Seoul, Korea
Land area	8,267.10m^2
Total floor area of the building	47,721.19m^2 (9 floors above ground/5 floors underground)

(2) Reason and description of the acquisition

In order to secure office space in Gangnam-gu, Seoul, our consolidated subsidiary NEXON Korea Corporation acquired 50% of the trust beneficiary certificates from The Korean Teachers' Credit Union for KRW190,585 million (approx. ¥20,107 million). As a priority right to lease, etc. is included in the trust beneficiary certificates, NEXON Korea Corporation and its affiliates may lease the building pertaining to the certificates on a preferential basis in accordance with predefined conditions. The trust beneficiary certificates will be accounted for using the equity method.

(2) 【Other】

(a) Quarterly information for the fiscal year ended December 31, 2022

(Cumulative)	First three months	First six months	First nine months	Full-year
Revenue (millions of yen)	91,034	175,156	272,619	353,714
Income before income taxes (millions of yen)	57,201	98,899	156,865	140,525
Net income attributable to owners of the parent company (millions of yen)	40,261	64,968	108,271	100,339
Basic earnings per share attributable to owners of the parent company (yen)	45.35	73.54	123.33	114.74

(Accounting period)	First quarter	Second quarter	Third quarter	Fourth quarter
Basic earnings (loss) per share attributable to owners of the parent company (yen)	45.35	28.10	50.07	(9.18)

(b) Conditions subsequent to the fiscal year-end

There are no special matters that need to be reported.

(c) Legal proceedings

Not applicable.

2 【Non-Consolidated Financial Statements, etc.】

(1) 【Non-consolidated financial statements】

(a) 【Non-consolidated balance sheet】

(Millions of yen)

	As of December 31, 2021	As of December 31, 2022
Assets		
Current assets		
Cash and deposits	143,334	131,959
Accounts receivable-trade	※1 806	※1 810
Securities	—	1,199
Prepaid expenses	80	182
Other receivables	※1 456	※1 708
Consumption taxes refund receivable	—	61
Other	※1 98	※1 306
Total current assets	144,774	135,225
Non-current assets		
Tangible fixed assets		
Buildings	163	163
Leasehold improvements	84	84
Tools, furniture and fixtures	86	74
Accumulated impairment loss	(305)	(296)
Accumulated depreciation	(23)	(24)
Total tangible fixed assets	5	1
Investments and other assets		
Investment securities	1,142	744
Stocks of subsidiaries and affiliates	33,451	34,081
Long-term loans receivable from subsidiaries and affiliates	26,287	30,222
Other	※1 10,509	※1 1,242
Allowance for doubtful accounts	(26,491)	(30,442)
Total investments and other assets	44,898	35,847
Total non-current assets	44,903	35,848
Total assets	189,677	171,073

(Millions of yen)

	As of December 31, 2021	As of December 31, 2022
Liabilities		
Current liabilities		
Accounts payable-trade	※1 324	※1 315
Other payables	※1 745	※1 778
Accrued expenses	283	247
Income taxes payable	2,107	2,325
Provision for bonuses	177	169
Unearned revenue	399	381
Consumption taxes payable	150	—
Deposits received	18	70
Other	173	238
Total current liabilities	4,376	4,523
Non-current liabilities		
Long-term unearned revenue	125	102
Provision for retirement benefits	176	168
Asset retirement obligations	167	167
Deferred tax liabilities	—	203
Total non-current liabilities	468	640
Total liabilities	4,844	5,163
Net assets		
Shareholders' equity		
Capital stock	34,167	38,881
Capital surplus		
Capital reserve	33,417	38,131
Total capital surplus	33,417	38,131
Retained earnings		
Retained earnings reserve	217	217
Other retained earnings		
Retained earnings brought forward	122,330	87,026
Total retained earnings	122,547	87,243
Treasury stock	(16,032)	(14,799)
Total shareholders' equity	174,099	149,456
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	(15)	460
Total valuation and translation adjustments	(15)	460
Stock acquisition rights	10,749	15,994
Total net assets	184,833	165,910
Total liabilities and net assets	189,677	171,073

(b) 【Non-consolidated statement of income】

(Millions of yen)

	Fiscal year ended December 31, 2021	Fiscal year ended December 31, 2022
Net sales	※1 5,898	※1 5,872
Cost of sales	※1 3,040	※1 3,092
Gross profit	2,858	2,780
Selling, general and administrative expenses	※1, ※2 11,269	※1, ※2 13,158
Operating loss	(8,411)	(10,378)
Non-operating income		
Interest income	※1 238	358
Dividend income	※1 87,397	※1 76,891
Foreign exchange gains	6,565	10,648
Other	74	15
Total non-operating income	94,274	87,912
Non-operating expenses		
Loss on revaluation of crypto-assets	1,589	—
Loss on sale of crypto-assets	—	※1, ※3 4,632
Stock issue cost	83	33
Treasury stock purchase cost	2	57
Other	26	25
Total non-operating expenses	1,700	4,747
Ordinary income	84,163	72,787
Extraordinary gain		
Gain on reversal of stock acquisition rights	30	406
Gain on sale of investment securities	977	—
Gain on sale of stocks of subsidiaries and affiliates	—	※4 8,011
Total extraordinary gain	1,007	8,417
Extraordinary loss		
Loss on revaluation of stocks of subsidiaries and affiliates	—	1,087
Impairment loss	78	36
Total extraordinary loss	78	1,123
Income before income taxes	85,092	80,081
Income taxes	6,425	6,600
Total taxes	6,425	6,600
Net income	78,667	73,481

【Details of cost of sales】

Category	Note	Fiscal year ended December 31, 2021 Amount (¥ million)	Fiscal year ended December 31, 2021 Ratio (%)	Fiscal year ended December 31, 2022 Amount (¥ million)	Fiscal year ended December 31, 2022 Ratio (%)
I Outsourcing cost		145	4.8	143	4.6
II Labor cost		1,006	33.1	1,093	35.4
III Other costs	*1	1,889	62.1	1,856	60.0
Cost of sales		3,040	100.0	3,092	100.0

(Note) *1. Major components are as follows:

Item	Fiscal year ended December 31, 2021	Fiscal year ended December 31, 2022
Royalty (millions of yen)	1,473	1,372
AWS usage fee (millions of yen)	157	205
Rental fee (millions of yen)	141	147

(c) 【Non-consolidated statement of changes in net assets】

Fiscal year ended December 31, 2021

(Millions of yen)

	Shareholders' equity						
		Capital surplus			Retained earnings		
	Capital stock	Capital reserve	Other capital surplus	Total capital surplus	Retained earnings reserve	Other retained earnings Retained earnings brought forward	Total retained earnings
Balance at January 1	22,470	21,720	—	21,720	217	48,103	48,320
Changes during the year							
Issue of new stock	11,697	11,697	—	11,697	—	—	—
Payment of dividends	—	—	—	—	—	(4,440)	(4,440)
Net income	—	—	—	—	—	78,667	78,667
Purchase of treasury stock	—	—	—	—	—	—	—
Net changes of items other than shareholders' equity	—	—	—	—	—	—	—
Total changes during the year	11,697	11,697	—	11,697	—	74,227	74,227
Balance at December 31	34,167	33,417	—	33,417	217	122,330	122,547

	Shareholders' equity		Valuation and translation adjustments		Stock acquisition rights	Total net assets
	Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments		
Balance at January 1	(0)	92,510	(21)	(21)	8,270	100,759
Changes during the year						
Issue of new stock	—	23,394	—	—	—	23,394
Payment of dividends	—	(4,440)	—	—	—	(4,440)
Net income	—	78,667	—	—	—	78,667
Purchase of treasury stock	(16,032)	(16,032)	—	—	—	(16,032)
Net changes of items other than shareholders' equity	—	—	6	6	2,479	2,485
Total changes during the year	(16,032)	81,589	6	6	2,479	84,074
Balance at December 31	(16,032)	174,099	(15)	(15)	10,749	184,833

Fiscal year ended December 31, 2022

(Millions of yen)

	Shareholders' equity						
		Capital surplus			Retained earnings		
						Other retained earnings	
	Capital stock	Capital reserve	Other capital surplus	Total capital surplus	Retained earnings reserve	Retained earnings brought forward	Total retained earnings
Balance at January 1	34,167	33,417	—	33,417	217	122,330	122,547
Changes during the year							
Issue of new stock	4,714	4,714	—	4,714	—	—	—
Payment of dividends	—	—	—	—	—	(8,785)	(8,785)
Net income	—	—	—	—	—	73,481	73,481
Purchase of treasury stock	—	—	—	—	—	—	—
Retirement of treasury stock	—	—	—	—	—	(100,000)	(100,000)
Net changes of items other than shareholders' equity	—	—	—	—	—	—	—
Total changes during the year	4,714	4,714	—	4,714	—	(35,304)	(35,304)
Balance at December 31	38,881	38,131	—	38,131	217	87,026	87,243

	Shareholders' equity		Valuation and translation adjustments		Stock acquisition rights	Total net assets
	Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments		
Balance at January 1	(16,032)	174,099	(15)	(15)	10,749	184,833
Changes during the year						
Issue of new stock	—	9,428	—	—	—	9,428
Payment of dividends	—	(8,785)	—	—	—	(8,785)
Net income	—	73,481	—	—	—	73,481
Purchase of treasury stock	(98,767)	(98,767)	—	—	—	(98,767)
Retirement of treasury stock	100,000	—	—	—	—	—
Net changes of items other than shareholders' equity	—	—	475	475	5,245	5,720
Total changes during the year	1,233	(24,643)	475	475	5,245	(18,923)
Balance at December 31	(14,799)	149,456	460	460	15,994	165,910

【Notes to non-consolidated financial statements】

(Notes on going concern assumption)

Not applicable.

(Significant accounting policies)

1. Valuation basis and method for securities

(1) Stocks of subsidiaries and affiliates

Stocks of subsidiaries and affiliates are stated at cost based on the moving-average method.

(2) Available-for-sale securities

(a) Securities other than stocks without fair value

Stated at fair market value (Unrealized gains and losses, net of applicable taxes, are directly recorded in net assets and cost of securities sold is calculated using the moving-average method)

(b) Stocks without fair value

Stated at cost based on the moving-average method.

2. Depreciation method for non-current assets

(1) Tangible fixed assets, excluding lease assets

Straight-line method

Useful lives of major assets are as follows:

Buildings:	5 to 50 years
Leasehold improvements:	10 to 15 years
Tools, furniture and fixtures:	4 to 5 years

(2) Intangible fixed assets, excluding lease assets

Software for internal use is amortized using the straight-line method over the expected useful life (five years).

(3) Lease assets

Finance lease transactions that do not transfer ownership

Finance lease assets without ownership transfer are depreciated using the straight-line method over the lease period, assuming no residual value.

3. Accounting for allowance

(1) Allowance for doubtful accounts

Allowance for performing receivables is provided based on the actual credit loss ratio. Allowance for specific receivables such as those with doubtful collectibility is provided for the expected uncollectible amount based on the individual assessment for collectibility.

(2) Provision for bonuses

Provision for bonuses is provided for the estimated bonus amount to be paid to employees attributable to the current fiscal year.

(3) Provision for retirement benefits

Provision for employees' retirement benefits is provided for the amount of obligation expected to have been incurred at year-end based on the estimated retirement benefit obligation as of year-end.

4. Revenue recognition

The Company has applied "Accounting Standard for Revenue Recognition" (Accounting Standards Board of Japan (ASBJ) Statement No. 29) and "Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No. 30) and recognizes revenue from contracts with customers for transactions involving provision of services based on the following five-step approach.

Step 1: Identify contracts with customers

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations

Step 5: Recognize revenue when (or as) performance obligations are satisfied

The Company is engaged in PC online business, mobile business, and online game service support for subsidiaries in Japan (“Support Business”). The Company identifies different assets or services included in contracts with customers and uses them as transactional units in the identification of our performance obligations. As we identify our performance obligations, we conduct a review as to whether we are a principal or an agent. Revenue recognition criteria and basis for gross versus net presentation of revenue for major revenue categories are as follows.

(A) Revenue recognition criteria by major revenue category

The Company generates revenue primarily from (a) sales of items used in PC online business and mobile business (revenue from microtransactions) and (b) sales from contract services provided in the Support Business.

(a) Revenue from sales of items used in PC online business and mobile business (revenue from microtransactions)

PC online business services PC online games developed by our subsidiaries. The Company’s PC online games are basically free to play, but certain fees are charged to purchase necessary items or use certain services. In PC online games, revenue is recognized over the estimated usage period during which the game items purchased in exchange for game points are expected to be used.

Mobile business services mobile games developed by our subsidiaries or other companies through mobile devices such as smartphones and tablets. Mobile games are basically free to play, but certain fees are charged to purchase necessary items or use certain services. In mobile games, revenue is recognized over the estimated usage period during which the game items purchased in exchange for game points are expected to be used.

In our PC online and mobiles businesses, we mostly provide services as a principal, but we also provide some services as an agent.

(b) Revenue from contract services provided in the Support Business

The Company recognizes revenue for considerations received by undertaking services including QA and marketing when our subsidiaries directly service, in Japan, games developed by our subsidiaries or other companies.

Consideration for the Support Business is determined by multiplying man-hours of employees who have rendered services in the Support Business by a certain amount.

(B) Revenue recognition based on satisfaction of performance obligations

The Company recognizes revenue when, or as, we satisfy our performance obligations by transferring services to customers.

We recognize that performance obligations are satisfied over a period of time in our PC online business and mobile business and at a point in time in the Support Business.

We recognize performance obligations for revenue from microtransactions by estimating the service period of items sold for each game. We assume the period for satisfying performance obligations to be the same as the estimated service period, which is calculated by classifying the items sold into three types (i.e. consumable, temporary, permanent) according to their specifications.

For permanent items for which our performance obligations continue on a permanent basis, we have adopted a method of calculating users’ weighted average service usage periods.

5. Basis for translation of assets and liabilities denominated in foreign currencies to Japanese yen

Monetary receivables and payables denominated in foreign currencies are translated into Japanese yen using spot foreign exchange rates at year-end, with resulting gains and losses included in profit or loss.

6. Hedge accounting

The Company hedges risks arising from fluctuations in interest rates and foreign exchange rates, in accordance with the Company’s internal regulation “Derivative Transaction Management Rules.”

(Changes in accounting policies)

1. Application of "Accounting Standard for Revenue Recognition," etc.

The Company has applied "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and "Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No. 30, March 26, 2021) from January 1, 2022.

The Company applied the Accounting Standard for Revenue Recognition pursuant to the transitional treatment provided for in the proviso of Paragraph 84 of the Standard, with any cumulative effects of the application recognized on the date of the application, but there was no impact on the balance of retained earnings as of January 1, 2022.

There was no impact of the change on the financial statements.

2. Application of "Accounting Standard for Fair Value Measurement," etc.

The Company has applied "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019), etc. from January 1, 2022 and adopted the transitional treatment provided for in Paragraph 19 of the Standard and Paragraph 44-2 of "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019).

There was no impact of the change on the financial statements.

(Significant accounting estimates)

(Valuation of stocks of subsidiaries and affiliates)

(1) Amount recognized on the financial statements for the fiscal year ended December 31, 2022

	As of December 31, 2021	As of December 31, 2022
Stocks of subsidiaries and affiliates:	¥33,451 million	¥34,081 million
Loss on revaluation of stocks of subsidiaries and affiliates:	¥— million	¥1,087 million

Stocks of subsidiaries and affiliates recognized on the financial statements for the fiscal year ended December 31, 2022 mostly consist of stock of Embark Studios AB amounting to ¥29,829 million. Although a loss on revaluation of stocks of subsidiaries and affiliates was not recognized with respect to this stock for the fiscal year ended December 31, 2022, this information has been identified as a disclosure item in light of the possible impact on the fiscal year ending December 31, 2023.

(2) Other information that enables users of the financial statements to understand the valuation of stock of subsidiaries and affiliates

(a) Calculation method

Stocks of subsidiaries and affiliates without a market price are presented at cost on the non-consolidated balance sheet, but when their net asset value significantly declines due to deterioration of financial position, their carrying amounts are reduced accordingly.

We assess whether there has been a significant decline in net asset value of Embark Studios AB's stock by comparing the net asset value reflecting the excess earnings power expected at the time of acquisition and the carrying amount.

(b) Key assumptions

Key assumptions in assessing whether there has been a decline in excess earnings power include the number of monthly active users, average monthly sales per paying user, operating expenses and a discount rate, that are used in estimating future cash flows and are the same as those used in the impairment test of goodwill and game copyrights in preparing the consolidated financial statements.

(c) Impact on the financial statements for the fiscal year ending December 31, 2023

The above key assumptions are determined taking into account sales results and market trends of similar titles with respect to each major title and based on the most recent business plan approved by the management, but there is uncertainty over these estimates because they are affected by demand or market conditions at the time of release. Future changes in uncertain economic conditions may have a material impact on the valuation of stock of subsidiaries and affiliates in the future periods.

(Notes to non-consolidated balance sheet)

*1 Assets and liabilities related to subsidiaries and affiliates (excluding those presented separately)

(Millions of yen)

	As of December 31, 2021	As of December 31, 2022
Short-term monetary claims	677	999
Long-term monetary claims	191	220
Short-term monetary debts	294	459

2 Contingent liabilities

Debt guarantee

The Company provides guarantee for the following subsidiaries as follows:

(Millions of yen)

As of December 31, 2021		As of December 31, 2022	
Nexon America Inc. Joint and several guarantee for rent agreement	1,278	Nexon America Inc. Joint and several guarantee for rent agreement	1,262
Nexon US Holding Inc. Guarantee for licensing agreement	1,035	Nexon US Holding Inc. Guarantee for licensing agreement	1,062

(Notes to non-consolidated statement of income)

*1 Transactions with subsidiaries and affiliates

(Millions of yen)

	Fiscal year ended December 31, 2021	Fiscal year ended December 31, 2022
Operating transactions		
Net sales	852	1,180
Purchases	1,127	1,234
Selling, general and administrative expenses	385	332
Non-operating transactions	87,459	80,752

*2 The ratio of selling expenses and general and administrative expenses is approximately 28.8% and 71.2%, respectively, for the fiscal year ended December 31, 2021 and 24.6% and 75.4%, respectively, for the fiscal year ended December 31, 2022.

Major components and amounts are as follows:

(Millions of yen)

	Fiscal year ended December 31, 2021	Fiscal year ended December 31, 2022
Sales commission	630	435
Marketing expenses	946	1,031
PG fees	245	240
Salary and bonus	1,219	1,274
Provision for bonuses	89	81
Share-based compensation expense	4,843	6,438
Officers' share-based compensation expense	1,131	1,076

*3 Loss on sale of crypto-assets consisted of the following:

(Millions of yen)

	Fiscal year ended December 31, 2021	Fiscal year ended December 31, 2022
Investments in crypto-assets made through an exchange	—	4,632
Total	—	4,632

*4 Gain on sale of stocks of subsidiaries and affiliates consisted of the following:

(Millions of yen)

	Fiscal year ended December 31, 2021	Fiscal year ended December 31, 2022
Six Waves Inc.	—	8,011
Total	—	8,011

(Securities)

Fiscal year ended December 31, 2021

The fair values of stocks of subsidiaries and affiliates (the carrying amount on the balance sheet of subsidiaries' stocks and affiliates' stocks was ¥31,852 million and ¥1,599 million, respectively, as of December 31, 2021) are not disclosed as their market prices are not available and it is extremely difficult to determine their fair values.

Fiscal year ended December 31, 2022

The fair values of stocks of subsidiaries (the carrying amount on the balance sheet was ¥34,081 million as of December 31, 2022) are not disclosed as they are stocks without fair value.

(Deferred tax accounting)

1. Major components of deferred tax assets and liabilities are as follows:

(Millions of yen)

	As of December 31, 2021	As of December 31, 2022
Deferred tax assets		
Loss on valuation of stocks of subsidiaries and affiliates	1,162	520
Unearned revenue	161	148
Stock acquisition rights	128	199
Impairment loss	168	145
Allowance for doubtful accounts	8,112	9,321
Carryforward of unused tax losses	16,577	13,879
Other	1,264	1,690
Deferred tax assets – subtotal	27,572	25,902
Valuation allowance for carryforward of unused tax losses	(16,577)	(13,879)
Valuation allowance for future deductible temporary differences	(10,995)	(12,023)
Valuation allowances – subtotal	(27,572)	(25,902)
Total deferred tax assets	—	—
Deferred tax liabilities		
Valuation difference on available-for-sale securities	—	(203)
Total deferred tax liabilities	—	(203)
Deferred tax assets (liabilities), net	—	(203)

2. Major components of significant differences between the statutory effective tax rate and the corporate tax burden rate after adoption of tax effect accounting

	As of December 31, 2021	As of December 31, 2022
Statutory effective tax rate	30.62 %	30.62 %
(Adjustments)		
Permanent differences arising from nondeductible expenses such as entertainment expenses	2.29 %	2.92 %
Permanent differences arising from nontaxable income such as dividend income	(29.88)%	(27.94)%
Valuation allowances	(0.95)%	(2.09)%
Foreign taxes	5.47 %	4.74 %
Per capita inhabitant tax	0.00 %	0.00 %
Other	－ %	(0.00)%
Corporate tax burden ratio after adopting tax effect accounting	7.55 %	8.25 %

(Revenue recognition)

Information that serves as the basis for understanding revenue

Refer to “4. Revenue recognition” in (Significant accounting policies).

(Material subsequent events)

Dividends of surplus from consolidated subsidiaries

At the Board of Directors meeting of the Company’s consolidated subsidiary NEXON Korea Corporation held on February 9, 2023, it was decided to propose the dividends of surplus at its annual general meeting of shareholders scheduled on March 30, 2023. In response to this decision, at the Company’s Board of Directors meeting held on February 9, 2023, it was resolved to give approval for the decision regarding NEXON Korea Corporation’s dividends of surplus. Since NEXON Korea Corporation is a wholly-owned subsidiary of the Company, this matter will be resolved at the annual general meeting of shareholders scheduled on March 30, 2023.

As a result, the Company will record the following dividend income as non-operating income in the non-consolidated financial statements for the fiscal year ending December 31, 2023.

Overview of dividends

Dividend amount: ¥40,742 million

Date of scheduled resolution at the general meeting of shareholders: March 30, 2023

(d) 【Supplementary schedules】

【Details of tangible fixed assets】

(Millions of yen)

Category	Asset type	Beginning balance	Increase	Decrease	Depreciation	Ending balance	Accumulated depreciation /impairment loss
Tangible fixed assets	Buildings	163	—	—	— (—)	163	163
	Leasehold improvements	84	—	—	— (—)	84	84
	Tools, furniture and fixtures	86	3	15	6 (5)	74	73
	Total	333	3	15	6 (5)	321	320
Intangible fixed assets	Software	92	1	—	1 (1)	93	93
	Total	92	1	—	1 (1)	93	93

(Notes) 1 Beginning and ending balances are based on cost.
2 Figures in parentheses in "Depreciation" represent impairment loss.

【Details of allowance】

(Millions of yen)

Account	Beginning balance	Increase	Decrease	Ending balance
Allowance for doubtful accounts	26,491	4,056	105	30,442
Provision for bonuses	177	169	177	169

(2) 【Major assets and liabilities】

The disclosure is omitted as the Company prepares the consolidated financial statements.

(3) 【Other】

Not applicable.

VI. 【Stock-Related Administrative Information of the Company】

Fiscal year	From January 1 to December 31 of each year
Annual General Meeting of Shareholders	March of each year
Record date	December 31
Record date of distribution of surplus	June 30 December 31
Number of shares per trading unit	100 shares
Purchase of shares less than one unit	
Place of business	Stock Transfer Agency Business Planning Department of Sumitomo Mitsui Trust Bank, Limited 1-4-1 Marunouchi, Chiyoda-ku, Tokyo
Administrator of shareholder registry	Sumitomo Mitsui Trust Bank, Limited 1-4-1 Marunouchi, Chiyoda-ku, Tokyo
Contact place	—
Purchase fee	None
Method of public notice	By way of electronic public notice. However, in cases where electronic public notice is not available due to accidents or any other unavoidable circumstances, public notice will be given in the Nihon Keizai Shimbun. URL for public notice: http://ir.nexon.co.jp/ir/kokoku.html
Privileges to shareholders	Not applicable

(Note) It is stipulated in the Articles of Incorporation that shareholders of the Company may not exercise any rights other than those listed below with regard to their shares less than one trading unit.

(1) Right under each item of Article 189, Paragraph 2 of the Companies Act

(2) Rights to demand under provisions of Article 166, Paragraph 1 of the Companies Act

(3) Rights to receive an allotment of shares to be offered and stock acquisition rights according to the number of shares held by shareholders

(4) Rights to demand sale of shares less than one unit

VII. 【Reference Information on the Company】

1 【Information on the Company's Parent Company, etc.】

The Company does not have a parent company, etc. as defined in Article 24-7, Paragraph 1 of the Financial Instruments and Exchange Act.

2 【Other Reference Information】

The Company has filed the following documents during the period from the beginning of the current fiscal year to the filing date of the annual securities report.

(1) Annual Securities Report and its accompanying document and Confirmation Letter

Fiscal year (The 20th FY) (From January 1, 2021 to December 31, 2021): Filed with the Director of the Kanto Local Finance Bureau on March 28, 2022

(2) Internal Control Report and its accompanying document

Filed with the Director of the Kanto Local Finance Bureau on March 28, 2022

(3) Quarterly Report and Confirmation Letter

(First quarter of the 21st FY) (From January 1, 2022 to March 31, 2022): Filed with the Director of the Kanto Local Finance Bureau on May 13, 2022

(Second quarter of the 21st FY) (From April 1, 2022 to June 30, 2022): Filed with the Director of the Kanto Local Finance Bureau on August 10, 2022

(Third quarter of the 21st FY) (From July 1, 2022 to September 30, 2022): Filed with the Director of the Kanto Local Finance Bureau on November 10, 2022

(4) Extraordinary Report

Filed with the Director of the Kanto Local Finance Bureau on March 29, 2022.

This is an Extraordinary Report based on provisions of Article 24-5, Paragraph 4 of the Financial Instruments and Exchange Act and Article 19, Paragraph 2, Item 9-2 of the Cabinet Office Ordinance on Disclosure of Corporate Information, etc.

Filed with the Director of the Kanto Local Finance Bureau on May 12, 2022.

This is an Extraordinary Report based on provisions of Article 24-5, Paragraph 4 of the Financial Instruments and Exchange Act and Article 19, Paragraph 2, Item 2-2 of the Cabinet Office Ordinance on Disclosure of Corporate Information, etc.

Filed with the Director of the Kanto Local Finance Bureau on August 9, 2022.

This is an Extraordinary Report based on provisions of Article 24-5, Paragraph 4 of the Financial Instruments and Exchange Act and Article 19, Paragraph 2, Items 12 and 19 of the Cabinet Office Ordinance on Disclosure of Corporate Information, etc.

Filed with the Director of the Kanto Local Finance Bureau on September 27, 2022.

This is an Extraordinary Report based on provisions of Article 24-5, Paragraph 4 of the Financial Instruments and Exchange Act and Article 19, Paragraph 2, Item 12 of the Cabinet Office Ordinance on Disclosure of Corporate Information, etc.

Filed with the Director of the Kanto Local Finance Bureau on November 9, 2022.

This is an Extraordinary Report based on provisions of Article 24-5, Paragraph 4 of the Financial Instruments and Exchange Act and Article 19, Paragraph 2, Item 19 of the Cabinet Office Ordinance on Disclosure of Corporate Information, etc.

Filed with the Director of the Kanto Local Finance Bureau on February 9, 2023.

This is an Extraordinary Report based on provisions of Article 24-5, Paragraph 4 of the Financial Instruments and Exchange Act and Article 19, Paragraph 2, Item 12 of the Cabinet Office Ordinance on Disclosure of Corporate Information, etc.

(5) Amendments to the Extraordinary Report

Filed with the Director of the Kanto Local Finance Bureau on May 13, 2022.

This is an Amendment to the Extraordinary Report filed on May 12, 2022 based on provisions of Article 24-5, Paragraph 4 of the Financial Instruments and Exchange Act and Article 19, Paragraph 2, Item 2-2 of the Cabinet Office Ordinance on Disclosure of Corporate Information, etc.

(6) Status Report on Share Buyback Program

Filed with the Director of the Kanto Local Finance Bureau on April 13, 2022, May 13, 2022, July 4, 2022, December 6, 2022, January 10, 2023, February 10, 2023 and March 10, 2023.

Part II 【Information on Guarantors, etc. for the Company】

Not applicable.