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Consolidated Financial Results
for the Fiscal Year Ended December 31, 2023
[IFRS]

February 8, 2024

Company name: NEXON Co., Ltd.

Stock exchange listing: Tokyo Stock Exchange

Stock code: 3659

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

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Scheduled date of Ordinary General Meeting of Shareholders: March 27, 2024

Scheduled date of filing annual securities reports: March 28, 2024

Scheduled date of dividend payment commencement: March 28, 2024

Supplementary briefing material on financial results: Yes

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

(Amounts are rounded to nearest million yen)

1. Consolidated Financial Results for the Fiscal Year Ended December 31, 2023

(From January 1, 2023 to December 31, 2023)

(1) Consolidated Operating Results

(% changes from the previous fiscal year)

(Millions of yen)

	Revenue		Operating income		Income before income taxes		Net income		Net income attributable to owners of the parent company		Total comprehensive income	
		%		%		%		%		%		%
FY 2023	423,356	19.7%	134,745	29.9%	125,929	(10.4)%	71,084	(28.9)%	70,609	(29.6)%	110,249	(3.9)%
FY 2022	353,714	28.9%	103,696	13.3%	140,525	3.7%	99,990	(11.6)%	100,339	(12.7)%	114,732	(12.6)%

	Basic earnings per share	Diluted earnings per share	Ratio of net income to equity attributable to owners of the parent company	Ratio of income before income taxes to total assets	Ratio of operating income to revenue
	Yen	Yen	%	%	%
FY 2023	82.89	82.33	8.0	11.8	31.8
FY 2022	114.74	113.81	11.8	13.8	29.3

(Reference): Share of profit (loss) of investments accounted for using equity method

FY2023: ¥(3,510) million, FY2022: ¥(10,246) million

(2) Consolidated Financial Position

	Total assets	Total equity	Total equity attributable to owners of the parent company	Ratio of equity attributable to owners of the parent company	Equity attributable to owners of the parent company per share
	Millions of yen	Millions of yen	Millions of yen	%	Yen
As of December 31, 2023	1,098,103	906,575	896,267	81.6	1,064.90
As of December 31, 2022	1,042,849	867,546	858,193	82.3	996.95

(3) Consolidated Cash Flows

(Millions of yen)

	From operating activities	From investing activities	From financing activities	Cash and cash equivalents at end of year
FY 2023	128,712	(188,367)	(78,554)	280,515
FY 2022	130,144	(10,918)	(105,859)	409,368

2. Dividends

	Annual Dividends					Total amount of cash dividends (annual)	Dividends payout ratio (consolidated)	Ratio of total amount of dividends to equity attributable to owners of the parent company (consolidated)
	End of 1st Quarter	End of 2nd Quarter	End of 3rd Quarter	End of Year	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
FY 2022	—	5.00	—	5.00	10.00	8,635	8.7	1.0
FY 2023	—	5.00	—	5.00	10.00	8,485	12.1	1.0
FY 2024 (Forecast)	—	5.00	—	5.00	10.00		—	

3. Consolidated Financial Results Forecast for the First Quarter of Fiscal Year Ending December 31, 2024

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

(% changes from the previous corresponding period)

(Millions of yen)

	Revenue		Operating income		Income before income taxes		Net income		Net income attributable to owners of the parent company		Basic earnings per share
	Yen	%	Yen	%	Yen	%	Yen	%	Yen	%	
First Quarter	97,122	(21.7)%	15,158	(73.1)%	25,029	(65.2)%	16,319	(69.4)%	16,354	(69.0)%	19.47
	107,112	(13.7)%	23,360	(58.5)%	33,232	(53.8)%	22,896	(57.0)%	22,919	(56.6)%	27.29

(Note) For the forecasts of consolidated financial results for the fiscal year ending December 31, 2024, it is difficult to reasonably estimate financial results for the first six months ending June 30, 2024 and the fiscal year ending December 31, 2024 at the moment, and accordingly, only the financial results forecast for the first three months of the fiscal year ending December 31, 2024 is disclosed. Also, as it is difficult to estimate specific figures, disclosure is made with a range. For details, please refer to “1. Overview of Operating Results and Financial Position (3) Qualitative Information on Consolidated Financial Results Forecast” on page 6 of the Appendix.

*(Notes)

(1) Changes in Significant Subsidiaries during the Period : No
(Changes in specified subsidiaries accompanying changes in scope of consolidation)

(2) Changes in accounting policies and changes in accounting estimates

- | | |
|--|-----|
| 1) Changes in accounting policies required by IFRS: | Yes |
| 2) Changes in accounting policies other than 1) above: | No |
| 3) Changes in accounting estimates: | No |

(3) Number of shares issued and outstanding (common stock)

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

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

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

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

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

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

3) Average number of shares during the period:

For the fiscal year ended December 31, 2023: 851,841,232 shares

For the fiscal year ended December 31, 2022: 874,516,449 shares

(Note) “Total number of treasury stock at the end of the period” includes Nexon’s stock held by our consolidated subsidiaries, Stiftelsen Embark Incentive and NEXON Employee Benefit Trust (as of December 31, 2023: 1,088,506 shares; as of December 31, 2022: 787,023 share). The number of treasury stock deducted in the calculation of the average number of shares during the period includes Nexon’s stock held by the consolidated subsidiaries (as of December 31, 2023: 1,074,165 shares; as of December 31, 2022: 847,598 shares).

(Reference) Overview of Non-consolidated Financial Results

1. Non-consolidated Financial Results for the Fiscal Year Ended December 31, 2023

(From January 1, 2023 to December 31, 2023)

(1) Non-consolidated Operating Results (% changes from the previous fiscal year)
(Millions of yen)

	Revenue		Operating income		Ordinary income		Net income	
FY 2023	5,920	0.8%	(8,058)	—	97,565	34.0%	90,587	23.3%
FY 2022	5,872	(0.4)%	(10,378)	—	72,787	(13.5)%	73,481	(6.6)%

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
FY 2023	106.25	105.63
FY 2022	83.94	83.35

(2) Non-consolidated Financial Position

(Millions of yen)

	Total assets	Net assets	Equity ratio	Net assets per share
As of December 31, 2023	190,295	186,385	89.4%	201.93 yen
As of December 31, 2022	171,073	165,910	87.6%	174.00 yen

(Reference): Equity at December 31, 2023: ¥ 170,071 million, Equity at December 31, 2022: ¥149,916 million

(Notes) Non-consolidated financial data is based on Japanese GAAP.

*This financial report is outside the scope of audit procedures.

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

(Caution Concerning Forward-Looking Statements)

The forward-looking statements including the financial results forecast herein are based on the information available to the Company and certain assumptions that can be deemed reasonable at time of publication of this document, and are not intended as the Company's commitment to achieve such forecasts. Actual results may differ significantly from these forecasts due to various factors. For conditions prerequisite to the financial results forecast and the points to be noted in the use thereof, please refer to "1. Overview of Operating Results and Financial Position (3) Qualitative Information on Consolidated Financial Results Forecast" on page 6 of the Appendix.

(Method of Obtaining Supplementary Briefing Material on Financial Results)

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

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1. Overview of Operating Results and Financial Position

(1) Overview of Operating Results

As for the global economy during the fiscal year ended December 31, 2023, the outlook remained uncertain primarily due to soaring resource prices attributable to the prolonged Russia-Ukraine conflict, financial instability triggered by bank failures in the U.S. and the relief merger of a major financial institution in Switzerland, global monetary tightening, and the slowdown in China's economic recovery after the relaxation of its zero-COVID policy. In Japan, while the economy was affected by foreign exchange volatility, inflation, and other factors against the backdrop of the uncertain global situation, it was on a gradual recovery trend as social and economic activities further normalized primarily due to the legal status of COVID-19 being downgraded to Class 5 infectious disease in May 2023.

Under these circumstances, Nexon Group has operated its PC online and mobile businesses, endeavoring to provide users with an enjoyable game experience by developing high-quality games, acquiring more content, servicing new titles, and updating existing titles. Specifically, we have established the following as Nexon's Focus Strategy: (i) focusing on massively multiplayer online games, (ii) enabling our service to be played across multiple platforms including PC, console, and mobile, (iii) leveraging Nexon's IPs, and (iv) investing in new IPs that we think are really special. We have also worked on initiatives for the growth of our global business.

For the fiscal year ended December 31, 2023, Nexon 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 addition, revenue based on customer location grew double-digit year-over-year in all regions due in part to favorable foreign exchange rates.

In Korea, PC online business significantly grew year-over-year, while mobile business slightly decreased year-over-year. For PC online, we achieved record-breaking full-year revenue driven by successful large updates and events introduced in FY2023 for *MapleStory*, which celebrated its 20th anniversary in April 2023. *EA SPORTS FC™ ONLINE*, which was newly rebranded in September 2023, sustained the good trend from the World Cup held in 2022 and achieved record-breaking full-year revenue for the fifth consecutive year. *Wars of Prasia* launched across mobile and PC platforms in March 2023 and significantly contributed to revenue. For mobile, revenue slightly decreased year-over-year due to the growth of *Blue Archive* and *EA SPORTS FC™ MOBILE*, which was newly rebranded in September 2023, and a contribution from *Wars of Prasia* being offset by decreases in *Dungeon&Fighter Mobile* and *HIT2*. As a result, overall revenue in Korea increased year-over-year and we achieved record-breaking full-year revenue in Korea.

In China, revenue increased year-over-year driven by the solid growth in revenue from *Dungeon&Fighter*, our key PC online game, and a contribution from *MapleStory: The Legends of Maple*, which launched in August 2023. *Dungeon&Fighter* had strong packaged item sales for the Lunar New Year update introduced in January 2023.

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

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

In other regions ("Rest of World"), revenue increased year-over-year driven by the growth of *Blue Archive* and a contribution from *HIT2*, which launched in Taiwan, Hong Kong and Macau in May 2023. This was partially offset by revenue decreases in *MapleStory* and older mobile titles.

In terms of expenses, the cost of sales increased year-over-year due to increased HR costs due to headcount increase, annual salary hikes and performance-linked bonuses, and increased royalty costs for *EA SPORTS FC™ ONLINE* and *EA SPORTS FC™ MOBILE*. Selling, general and administrative expenses increased year-over-year primarily due to increased marketing expenses for promotions of new games.

Finance income decreased year-over-year as the foreign exchange gain primarily on foreign currency-denominated cash deposits was significantly smaller than that recorded in FY2022. In addition, an impairment test was conducted due to a sign of impairment found with regard to an investment accounted for by the equity method. As a result, we recorded an impairment loss in FY2023 as the profitability initially expected was no longer feasible.

Income taxes expense increased due to a reversal of deferred tax assets for unused foreign tax credits at our overseas subsidiary and year-over-year increase in income before income taxes excluding the impairment loss during the fiscal year ended December 31, 2023.

As a result, for the fiscal year ended December 31, 2023, Nexon Group recorded revenue of ¥423,356 million (up 19.7% year-over-year), operating income of ¥134,745 million (up 29.9% year-over-year), income before income taxes of ¥125,929 million (down 10.4% year-over-year) and net income attributable to owners of the parent company of ¥70,609 million (down 29.6% year-over-year).

Performance results by reportable segments are as follows:

(a) Japan

Revenue for the fiscal year ended December 31, 2023 amounted to ¥4,968 million (up 5.6% year-over-year) and segment loss amounted to ¥4,553 million (segment loss of ¥10,643 million for the fiscal year ended December 31, 2022).

(b) Korea

Revenue for the fiscal year ended December 31, 2023 amounted to ¥397,782 million (up 20.1% year-over-year) and segment profit amounted to ¥158,856 million (up 22.9% year-over-year). Revenue in Korea includes the royalty income of NEOPLE INC. (a subsidiary of NEXON Korea Corporation, our consolidated subsidiary) attributable to license agreements in China.

(c) China

Revenue for the fiscal year ended December 31, 2023 amounted to ¥3,188 million (down 4.6% year-over-year), and segment profit amounted to ¥1,300 million (down 16.4% year-over-year).

(d) North America

Revenue for the fiscal year ended December 31, 2023 amounted to ¥14,946 million (up 14.2% year-over-year) and segment loss amounted to ¥8,363 million (segment loss of ¥6,217 million for the fiscal year ended December 31, 2022).

(e) Other

Revenue for the fiscal year ended December 31, 2023 amounted to ¥2,472 million (up 80.8% year-over-year) and segment loss amounted to ¥9,796 million (segment loss of ¥5,311 million for the fiscal year ended December 31, 2022).

(2) Overview of Financial Position

(a) Assets, liabilities and equity

(Assets)

Total assets as of December 31, 2023 amounted to ¥1,098,103 million, an increase of ¥55,254 million from December 31, 2022. Major components include an increase of ¥153,753 million in other deposits, an increase of ¥35,189 million in other financial assets and a decrease of ¥128,853 million in cash and cash equivalents.

(Liabilities)

Total liabilities as of December 31, 2023 amounted to ¥191,528 million, an increase of ¥16,225 million from December 31, 2022. Major components include an increase of ¥6,400 million in lease liabilities, an increase of ¥4,991 million in other current liabilities, an increase of ¥4,891 million in other non-current liabilities and a decrease of ¥5,765 million in income taxes payable.

(Equity)

Equity as of December 31, 2023 totaled ¥906,575 million, an increase of ¥39,029 million from December 31, 2022. Major components of changes in equity include an increase of ¥70,609 million in retained earnings due to recording of net income attributable to owners of the parent company, an increase of ¥45,845 million in other equity interest primarily due to recording of exchange differences on translating foreign operations and a decrease of ¥78,980 million in purchases of treasury stock.

(b) Cash flows

Cash and cash equivalents (collectively, “cash”) as of December 31, 2023 were ¥280,515 million, a decrease of ¥128,853 million from December 31, 2022. The decrease includes ¥9,356 million in effects of an increase due to exchange rate changes on cash.

Cash flows from each activity for the fiscal year ended December 31, 2023 and their significant components are as follows:

(Cash flows from operating activities)

Net cash provided by operating activities was ¥128,712 million, compared to ¥130,144 million for the fiscal year ended December 31, 2022. Major components of the increase include income before income taxes of ¥125,929 million and an impairment loss on equity method investments of ¥44,425 million. Major components of the decrease include income taxes paid of ¥54,170 million.

Net cash provided by operating activities slightly decreased year-over-year due to increases in income such as interest and dividends received being more than offset by increases in spendings such as income taxes paid.

(Cash flows from investing activities)

Net cash used in investing activities was ¥188,367 million, compared to ¥10,918 million for the fiscal year ended December 31, 2022. Major cash outflows include a net increase in time deposit of ¥138,101 million and purchases of investments accounted for using equity method of ¥26,627 million.

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

(Cash flows from financing activities)

Net cash used in financing activities was ¥78,554 million, compared to ¥105,859 million for the fiscal year ended December 31, 2022. Major cash outflows include purchases of treasury stock of ¥79,023 million.

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

(Reference) The changes in cash flow indicators are as follows:

	FY2022	FY2023
Ratio of equity attributable to owners of the parent company (%)	82.3	81.6
Ratio of equity attributable to owners of the parent company at fair value (%)	244.5	196.9
Interest-bearing liabilities to cash flow ratio (years)	0.2	0.2
Interest coverage ratio (times)	222.3	91.6

Ratio of equity attributable to owners of the parent company:

Equity attributable to owners of the parent company (end of year) / total assets (end of year)

Ratio of equity attributable to owners of the parent company at fair value:

Market capitalization / total assets (end of year)

Interest-bearing liabilities to cash flow ratio:

Interest-bearing liabilities / cash flows

Interest coverage ratio:

Cash flows / interest paid

(Note 1) All ratios are calculated based on the financial data on a consolidated basis.

(Note 2) Market capitalization is calculated based on the number of shares issued and outstanding, excluding treasury stock.

(Note 3) Cash flows are derived from operating cash flows.

(Note 4) Interest-bearing liabilities cover all liabilities recorded in the consolidated statement of financial position that are subject to interest payment.

(3) Qualitative Information on Consolidated Financial Results Forecast

As for the business environment surrounding Nexon Group, the outlook remains unclear primarily due to global monetary tightening, sluggish real estate market in China, and soaring prices of resources and raw materials attributable to the prolonged Russian invasion of Ukraine and the escalation of the Israeli-Palestinian conflict. However, we do not expect these factors to cause any event that could have a material impact on Nexon Group's businesses going forward.

In our consolidated business outlook, we disclose our expectations for the following quarter as a range to provide more accurate information to our shareholders and investors, since it is difficult to derive full-year consolidated forecasts due to uncertainties in projecting the speed of growth of PC online game and mobile game markets in which Nexon Group's main businesses operate, and because our revenue is largely dependent on such uncertain factors as users' preferences and whether or not we have any hit titles.

For the three months ending March 31, 2024, Nexon Group expects consolidated revenue in the range of ¥97,122~107,112 million (down 21.7%~13.7% year-over-year), operating income in the range of ¥15,158~23,360 million (down 73.1%~58.5% year-over-year), income before income taxes in the range of ¥25,029~33,232 million (down 65.2%~53.8% year-over-year), net income in the range of ¥16,319~22,896 million (down 69.4%~57.0% year-over-year), net income attributable to owners of the parent company in the range of ¥16,354~22,919 million (down 69.0%~56.6% year-over-year), and basic earnings per share in the range of ¥19.47~27.29. Nexon Group operates its businesses around the world, in Japan, South Korea, China, the United States and other countries. Major exchange rates for Q1 2024 are expected to be 1 U.S. Dollar = ¥147.06, 100 Korean Won = ¥11.06 and 1 Chinese Yuan = ¥20.49. In general, the exchange rates of the Korean Won and the Chinese Yuan to Japanese Yen are assumed to be linked to the exchange rate of the U.S. Dollar to Japanese Yen. Based on this assumption, we expect that every one Japanese Yen move against the U.S. Dollar will have an impact of approximately ¥689 million on revenue and approximately ¥189 million on operating income for the three months ending March 31, 2024.

As for revenue based on customer location for the three months ending March 31, 2024, our expectations are as follows.

In Korea, we expect overall PC online revenue to decrease year-over-year. While we anticipate a revenue increase from *Wars of Prasia*, which launched across mobile and PC platforms in March 2023, we expect this to be more than offset by a year-over-year decrease in revenue from *EA SPORTS FC™ ONLINE* due to a tough comparison with Q1 2023 when it marked record-breaking quarterly revenue, as well as a decrease in revenue from *MapleStory*. In January 2024, the Korean Fair Trade Commission imposed sanctions alleging that Nexon engaged in an unfair trade practice in *MapleStory* in the past. This news negatively impacted the *MapleStory* community. To create a more enjoyable experience in *MapleStory*, Nexon discontinued sales of a major probability-based item and transitioned to a business model that offers the same experience, paid for with in-game currency rather than a cash transaction. We anticipate this transition will have a short-term negative impact on revenue but believe it will result in a long-term improvement in player satisfaction and engagement.

For mobile in Korea, we expect Q1 revenue to decrease year-over-year due to decreases in *EA SPORTS FC™ ONLINE M* and *HIT2*.

In China, we expect revenue to decrease year-over-year due to a decrease in revenue from *Dungeon&Fighter*, our major PC online title. For *Dungeon&Fighter*, the imbalance issues that affected the game's economy in late December carried over into Q1 2024. While we introduced the Lunar New Year update on January 11, 2024, the packaged-item sales have not performed as expected due to these issues. In 2024, we will not only double the amount of new content added in 2023 but also accelerate the update process. Specifically, we will improve player engagement and in-game economy primarily by the renewal of the existing characters, the introduction of new characters, a renovation of the existing item system, collaboration with popular IP, plus more raids, battles, and other high-end content to stimulate player engagement and balance the in-game economy.

In Japan, we expect revenue to decrease year-over-year. While we expect growth of *MapleStory*, we expect this to be more than offset by revenue decreases in *Blue Archive* and mobile titles for which service was terminated.

In North America and Europe, we expect revenue to significantly increase year-over-year driven by a significant contribution from *THE FINALS* and the growth of *MapleStory*. We expect to generate revenues from *THE FINALS* steadily with the introduction of Season 2 in March 2024.

In Rest of World, we expect revenue to increase year-over-year driven by contributions from *HIT2*, which launched in Taiwan, Hong Kong, and Macau in May 2023, and *THE FINALS*.

On the cost side, we expect a year-over-year increase in costs for the three months ending March 31, 2024. We expect increased HR costs related to additional recruitment of staff required for the development and operation of multiple new titles, and other costs including the cloud service costs. In the three months ending March 31, 2024, we also expect to record an impairment loss on goodwill due to the consolidation of an equity method investee with negative net worth, as well as a loss on sales of shares of subsidiaries due to the sale of a consolidated subsidiary, under other expenses.

As for the consolidation of an equity method investee, we expect its impact on our business results to be immaterial because a gain on reversal of loss allowance for the loan to that company will also be recorded.

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

(4) Basic Policy on the Distribution of Profits and Dividends for the Current and Next Fiscal Year

Nexon 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 out year-end dividends of 5.0 yen per share for the fiscal year ended December 31, 2023. Furthermore, interim and year-end dividends of 5.0 yen per share are also scheduled for the fiscal year ending December 31, 2024.

At Nexon, dividends of surplus are decided by a resolution of the Board of Directors. Furthermore, Nexon'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 (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."

2. Current Status of the Corporate Group

As of December 31, 2023, Nexon Group consists of NEXON Co., Ltd. (“Nexon”), Nexon’s 44 consolidated subsidiaries and 15 equity-method affiliates and equity-method joint ventures, and is engaged in the production, development and service of PC online and mobile games. In Japan, Nexon 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 “Others.” Europe and Asian countries are included in “Others.”

(Major consolidated subsidiaries as of December 31, 2023)

Korea:	NEXON Korea Corporation; NEOPLE INC.; NEXON Games Co., Ltd.; VIP Global Super Growth Hedge Fund
China:	Lexian Software Development (Shanghai) Co., Ltd.
North America:	Nexon America Inc.; Nexon US Holding Inc.; Pixelberry Studios
Others:	Embark Studios AB

Nexon Group classifies its lines of business 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 titles serviced by Nexon Group include *MapleStory*, *Dungeon&Fighter* and *EA SPORTS FC™ ONLINE*. 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 Nexon, Nexon America Inc., or NEXON TAIWAN LIMITED. 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 revenue 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 (please 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 games. N Media Platform Co., LTD. provides net-café 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.

(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, Nexon is engaged in mobile game service. In Korea, mobile game development and service are conducted primarily through NEXON Korea Corporation, NEOPLE INC. and NEXON Games Co., Ltd.

(2) Business models for PC online and mobile games

Nexon's PC online game 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 entity such as NEXON Korea Corporation or NEOPLE INC. is directly serviced (including the setup of a network environment, marketing and user support) by themselves or by Nexon or another Nexon Group entity including Nexon America Inc. and NEXON TAIWAN LIMITED.

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 entity holding the copyright will provide support for such activities to enable the publisher to generate greater revenue.

Nexon Group entities engaged in the development of PC online games, including NEXON Korea Corporation and NEOPLE INC., have licensed 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 entity 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 launches, receive a predetermined rate as royalty in accordance with the 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 or mobile games to acquire exclusive publishing rights to a game within a specified region. Nexon Group will set up the network environment for such service, conduct marketing and user support, as well as 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 or mobile game developer.

Nexon Group's deal with Valve Corporation related to *Counter-Strike Online* and our deals with Electronic Arts Inc. related to *EA SPORTS FC™ ONLINE*, *EA SPORTS FC™ ONLINE M* and *EA SPORTS FC™ 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 revenue 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 as fee 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 revenue.

(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 revenue generated by a game could be impacted by how appealing the in-game items offered for purchase are. Microtransaction model is the mainstream in the mobile game market.

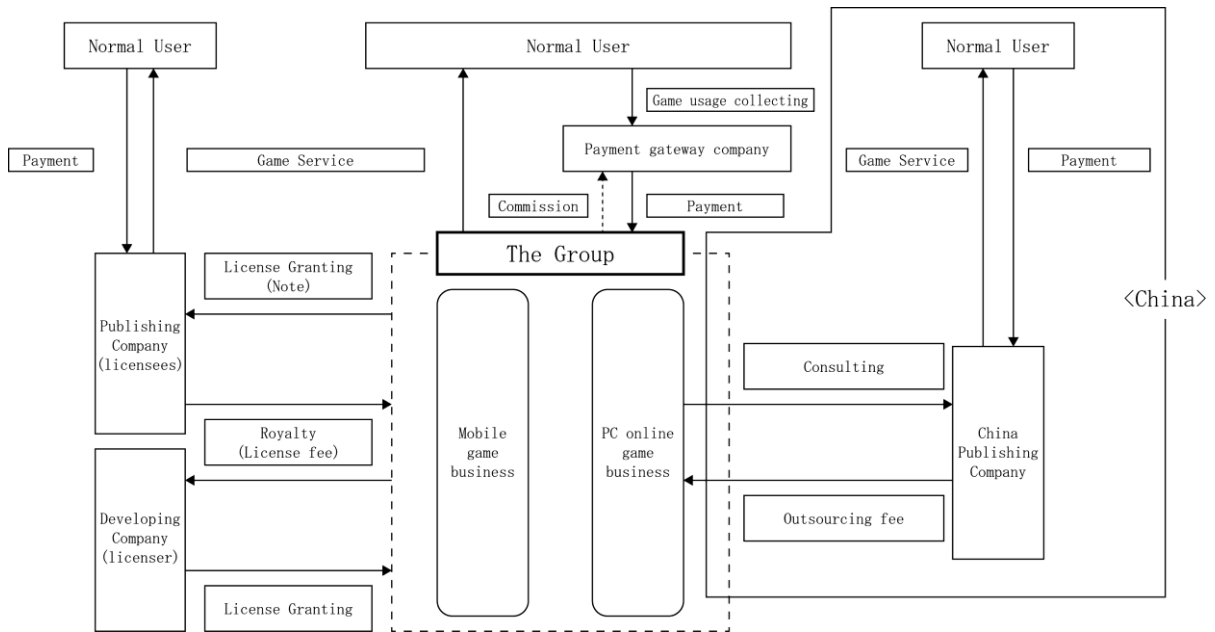
(b) Advertisement revenue model

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.

[Business system chart]

Chart 1 shows the above described matters.

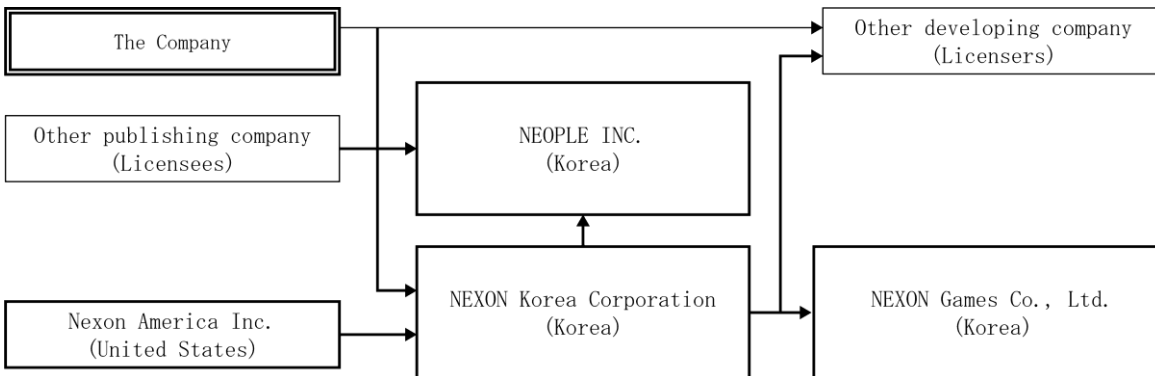
<Chart 1>



(Note) In general, only one license is granted for a game in each country, providing the local company with an exclusive right for distribution.

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

<Chart 2>



3. Basic Concept for Selection of the Accounting Standards

Nexon Group has applied International Accounting Standards since the fiscal year ended December 31, 2013, with the aim to enhance the global comparability and convenience of financial information in the capital market.

4. Consolidated Financial Statements and Major Notes

(1) Consolidated Statement of Financial Position

	(Millions of yen)	
	As of December 31, 2022	As of December 31, 2023
Assets		
Current assets		
Cash and cash equivalents	409,368	280,515
Trade and other receivables	30,444	37,873
Other deposits	162,490	316,243
Other financial assets	23,078	41,582
Other current assets	16,649	13,293
Total current assets	<u>642,029</u>	<u>689,506</u>
Non-current assets		
Property, plant and equipment	26,885	28,854
Goodwill	40,136	43,924
Intangible assets	9,655	17,847
Right-of-use assets	19,079	24,000
Investments accounted for using equity method	83,595	58,120
Other financial assets	162,514	179,199
Other non-current assets	1,811	754
Deferred tax assets	57,145	55,899
Total non-current assets	<u>400,820</u>	<u>408,597</u>
Total assets	<u><u>1,042,849</u></u>	<u><u>1,098,103</u></u>

	(Millions of yen)	
	As of December 31, 2022	As of December 31, 2023
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	14,705	16,332
Deferred income	18,942	21,065
Income taxes payable	23,697	17,932
Lease liabilities	4,045	5,634
Provisions	10,164	11,839
Other current liabilities	11,581	16,572
Total current liabilities	83,134	89,374
Non-current liabilities		
Deferred income	15,897	15,207
Lease liabilities	19,279	24,090
Other financial liabilities	1,447	1,072
Provisions	355	325
Other non-current liabilities	4,820	9,711
Deferred tax liabilities	50,371	51,749
Total non-current liabilities	92,169	102,154
Total liabilities	175,303	191,528
Equity		
Capital stock	38,972	47,510
Capital surplus	18,331	26,719
Treasury Stock	(16,464)	(45,046)
Other equity interest	114,012	159,857
Retained earnings	703,342	707,227
Total equity attributable to owners of the parent company	858,193	896,267
Non-controlling interests	9,353	10,308
Total equity	867,546	906,575
Total liabilities and equity	1,042,849	1,098,103

(2) Consolidated Income Statement

	(Millions of yen)	
	Fiscal Year ended December 31, 2022	Fiscal Year ended December 31, 2023
Revenue	353,714	423,356
Cost of sales	(105,778)	(137,938)
Gross profit	247,936	285,418
Selling, general and administrative expenses	(139,297)	(147,740)
Other income	575	1,733
Other expenses	(5,518)	(4,666)
Operating income	103,696	134,745
Finance income	65,323	40,145
Finance costs	(12,892)	(7,279)
Gain (loss) on revaluation	(5,356)	6,253
Share of loss of investments accounted for using equity method	(10,246)	(3,510)
Impairment loss on equity method investments	—	(44,425)
Income before income taxes	140,525	125,929
Income taxes expense	(40,535)	(54,845)
Net income	99,990	71,084
Attributable to:		
Owners of the parent company	100,339	70,609
Non-controlling interests	(349)	475
Net income	99,990	71,084
Earnings per share (attributable to owners of the parent company)	(Yen)	(Yen)
Basic earnings per share	114.74	82.89
Diluted earnings per share	113.81	82.33

(3) Consolidated Statement of Comprehensive Income

(Millions of yen)

	Fiscal Year ended December 31, 2022	Fiscal Year ended December 31, 2023
Net income	99,990	71,084
Other comprehensive income		
Items that will not be reclassified to net income		
Financial assets measured at fair value through other comprehensive income	(56,299)	(13,636)
Re-measurement of defined benefit pension plans	4	(29)
Other comprehensive income under equity method	46	(292)
Income taxes	15,378	5,652
Total items that will not be reclassified to net income	(40,871)	(8,305)
Items that may be reclassified subsequently to net income		
Exchange differences on translating foreign operations	55,609	47,470
Other comprehensive income under equity method	4	—
Total items that may be reclassified subsequently to net income	55,613	47,470
Total other comprehensive income	14,742	39,165
Total comprehensive income	114,732	110,249
Attributable to:		
Owners of the parent company	114,208	109,293
Non-controlling interests	524	956
Total comprehensive income	114,732	110,249

(4) Consolidated Statement of Changes in Equity

Fiscal Year ended December 31, 2022

(Millions of yen)

	Equity attributable to owners of the parent company						Non-controlling interests	Total equity
	Capital stock	Capital surplus	Treasury stock	Other equity interest	Retained earnings	Total		
Balance at January 1, 2022	34,255	14,961	(17,863)	92,747	712,568	836,668	9,225	845,893
Net income	—	—	—	—	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	4,717	4,717	—	—	—	9,434	—	9,434
Stock issue cost	—	(33)	—	—	—	(33)	—	(33)
Payment of dividends	—	—	—	—	(8,785)	(8,785)	—	(8,785)
Share-based compensation	—	—	—	6,616	—	6,616	—	6,616
Forfeiture of share acquisition rights	—	—	—	(27)	27	—	—	—
Changes in interests in subsidiaries	—	(1,257)	—	—	—	(1,257)	(396)	(1,653)
Purchase of treasury stock	—	(57)	(98,767)	—	—	(98,824)	—	(98,824)
Disposal of treasury stock	—	—	166	—	—	166	—	166
Retirement of treasury stock	—	—	100,000	—	(100,000)	—	—	—
Reclassification from other equity interest to retained earnings	—	—	—	807	(807)	—	—	—
Total transactions with the owners, etc.	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

Fiscal Year ended December 31, 2023

(Millions of yen)

	Equity attributable to owners of the parent company						Non-controlling interests	Total equity
	Capital stock	Capital surplus	Treasury stock	Other equity interest	Retained earnings	Total		
Balance at January 1, 2023	38,972	18,331	(16,464)	114,012	703,342	858,193	9,353	867,546
Net income	—	—	—	—	70,609	70,609	475	71,084
Other comprehensive income	—	—	—	38,684	—	38,684	481	39,165
Total comprehensive income	—	—	—	38,684	70,609	109,293	956	110,249
Issue of shares	8,538	8,538	—	—	—	17,076	—	17,076
Stock issue cost	—	(59)	—	—	—	(59)	—	(59)
Payment of dividends	—	—	—	—	(8,579)	(8,579)	—	(8,579)
Share-based compensation	—	—	—	(598)	—	(598)	—	(598)
Forfeiture of share acquisition rights	—	—	—	(406)	405	(1)	1	—
Changes in interests in subsidiaries	—	(47)	—	—	—	(47)	(2)	(49)
Purchase of treasury stock	—	(43)	(78,980)	—	—	(79,023)	—	(79,023)
Disposal of treasury stock	—	3	398	(385)	—	16	—	16
Retirement of treasury stock	—	—	50,000	—	(50,000)	—	—	—
Reclassification from other equity interest to retained earnings	—	—	—	8,550	(8,550)	—	—	—
Other	—	(4)	—	—	—	(4)	—	(4)
Total transactions with the owners, etc.	8,538	8,388	(28,582)	7,161	(66,724)	(71,219)	(1)	(71,220)
Balance at December 31, 2023	47,510	26,719	(45,046)	159,857	707,227	896,267	10,308	906,575

(5) Consolidated Statement of Cash Flows

	(Millions of yen)	
	Fiscal Year ended December 31, 2022	Fiscal Year ended December 31, 2023
Cash flows from operating activities		
Income before income taxes	140,525	125,929
Depreciation and amortization	6,767	8,598
Share-based compensation expenses	9,691	4,388
Interest and dividend income	(12,986)	(24,621)
Interest expense	588	1,410
Impairment loss	5,337	3,040
Loss (gain) on revaluation	5,356	(6,253)
Share of loss of investments accounted for using equity method	10,246	3,510
Impairment loss on equity method investments	—	44,425
Gain on sale of investments accounted for using equity method	(9,531)	(126)
Loss (gain) on valuation of securities	6,498	(2,606)
Loss (gain) on sale and redemption of securities	4,058	(1,981)
Foreign exchange gain	(17,241)	(6,632)
Increase in trade and other receivables	(8,968)	(4,516)
Decrease (increase) in other current assets	(1,429)	3,170
Increase in trade and other payables	4,089	946
Increase (decrease) in deferred income	7,131	(299)
Increase in provisions	4,216	1,478
Increase in other current liabilities	2,370	3,312
Increase (decrease) in loss allowances	(44)	5,484
Other	1,256	4,693
Subtotal	<u>157,929</u>	<u>163,349</u>
Interest and dividends received	12,442	20,938
Interest paid	(585)	(1,405)
Income taxes paid	(39,642)	(54,170)
Net cash provided by operating activities	<u>130,144</u>	<u>128,712</u>
Cash flows from investing activities		
Net increase in restricted deposit	(410)	(4,792)
Net decrease (increase) in time deposit	21,925	(138,101)
Purchases of property, plant and equipment	(2,801)	(3,407)
Proceeds from sales of property, plant and equipment	120	41
Purchases of intangible assets	(3,101)	(2,306)
Payments associated with increase in long-term prepaid expenses	(2,613)	(353)
Purchases of securities by investment funds under consolidated subsidiaries	(17,539)	(17,488)
Proceeds from sale of securities by investment funds under consolidated subsidiaries	18,478	19,681
Purchases of investment securities	(1,245)	(10,392)
Proceeds from sale and redemption of investment securities	326	2,324
Purchases of investments accounted for using equity method	(27,790)	(26,627)
Proceeds from sale of investments accounted for using equity method	9,610	126
Payments for acquisition of subsidiaries	(1,258)	—
Payments for short-term loans receivable	(163)	—
Collection of short-term loans receivable	178	10
Payments for long-term loans receivable	(4,309)	(6,157)

	(Millions of yen)	
	Fiscal Year ended December 31, 2022	Fiscal Year ended December 31, 2023
Collection of long-term loans receivable	27	17
Other	(353)	(943)
Net cash used in investing activities	(10,918)	(188,367)
Cash flows from financing activities		
Proceeds from exercise of stock options	6,023	12,481
Purchases of treasury stock	(98,824)	(79,023)
Purchases of treasury stock of subsidiaries	(1,248)	—
Cash dividends paid	(8,785)	(8,579)
Repayment of lease liability	(3,025)	(3,445)
Other	—	12
Net cash used in financing activities	(105,859)	(78,554)
Net increase (decrease) in cash and cash equivalents	13,367	(138,209)
Cash and cash equivalents at the beginning of the period	365,239	409,368
Effects of exchange rate changes on cash and cash equivalents	30,762	9,356
Cash and cash equivalents at the end of the period	409,368	280,515

(6) Notes to Consolidated Financial Statements

(Notes on Going Concern Assumption)

Not applicable.

(Changes in Significant Subsidiaries during the Period)

Not applicable.

(Changes in Accounting Policies and Changes in Accounting Estimates)

Changes in accounting policies required by IFRS

The accounting policies used to prepare these consolidated financial statements are consistent with those applied in the consolidated financial statements for the year ended December 31, 2022 unless otherwise noted, except for the new standards applied as listed below.

Nexon Group has applied the following standards since Q1 2023 (from January 1, 2023 to March 31, 2023), but the application of these standards did not have material impacts on the fiscal year ended December 31, 2023.

Standards	Title	Overview of New or Revised Standard
IAS 1	Presentation of financial statements	Revised to require disclosure of material accounting policies rather than significant accounting policies
IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	Clarified the distinction between accounting policies and accounting estimates
IAS 12	Income Taxes	Clarified the accounting for deferred tax on leases and decommissioning obligations

Nexon Group has also applied the following standards since Q2 2023 (from April 1, 2023 to June 30, 2023). The application of these standards did not have material impacts on Nexon Group's consolidated financial statements.

Standards	Title	Overview of New or Revised Standard
IAS 12	Income Taxes	A temporary exception to the recognition and information disclosure of deferred tax assets and liabilities related to the "International Tax Reform – Pillar Two Model Rules"

This amendment clarified that IAS 12 is applicable to the income tax arising from the tax legislation enacted or substantively enacted for the introduction of the GloBE (Global Anti-Base Erosion) Rules as the second pillar of BEPS (Base Erosion and Profit Shifting) by OECD (Organization for Economic Co-operation and Development). However, a temporary exception is provided which requires companies to not recognize and disclose information about deferred tax assets and liabilities related to income taxes that arise from the GloBE Rules.

Nexon Group has retroactively applied the exception provided by IAS 12. Therefore, we have not recognized and disclosed information about deferred tax assets and liabilities related to income taxes that arise from the GloBE Rules.

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

(a) For the fiscal year ended December 31, 2022 (From January 1, 2022 through December 31, 2022)

(i) Amount of dividends paid

	Class of stock	Total dividends	Dividend per share	Record date	Effective date
		(million yen)	(yen)		
Resolution of the Board of Directors on February 17, 2022 (Note 1)	Common stock	4,459	5.0	December 31, 2021	March 28, 2022
Resolution of 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 dividends include dividends of ¥4 million for Nexon's stock owned by our consolidated subsidiary, Stiftelsen Embark Incentive (the "Foundation").

2. Total dividends include dividends of ¥4 million for Nexon's stock owned by the Foundation, our consolidated subsidiary.

(ii) Purchases of treasury stock

Nexon's treasury stock increased by ¥38,767 million as a result of a purchase of 14,508,500 shares of treasury stock at market on the Tokyo Stock Exchange during the fiscal year ended December 31, 2022 based on resolutions of the Board of Directors on November 19, 2021 and of the Board of Directors meeting held on November 9, 2022.

In addition, Nexon's treasury stock increased by ¥60,000 million as a result of a purchase of 20,188,400 shares of treasury stock through off-auction own share repurchase trading (ToSTNeT-3) on the Tokyo Stock Exchange on June 15, 2022 based on a resolution of the Board of Directors on June 14, 2022.

(iii) Retirement of treasury stock

During the three months ended September 30, 2022, Nexon retired 36,571,300 shares of its treasury stock based on a resolution of the Board of Directors' meeting held on August 9, 2022. As a result, treasury stock and retained earnings each decreased by ¥100,000 million.

(b) For the fiscal year ended December 31, 2023 (From January 1, 2023 through December 31, 2023)

(i) Amount of dividends paid

	Class of stock	Total dividends	Dividend per share	Record date	Effective date
		(million yen)	(yen)		
Resolution of the Board of Directors on February 16, 2023 (Note 1)	Common stock	4,308	5.0	December 31, 2022	March 27, 2023
Resolution of the Board of Directors on August 9, 2023 (Note 2)	Common stock	4,271	5.0	June 30, 2023	September 25, 2023

(Notes) 1. Total dividends include dividends of ¥4 million for Nexon's shares owned by the Foundation, our consolidated subsidiary.

2. Total dividends include dividends of ¥4 million and ¥2 million, respectively, for Nexon's stock owned by the Foundation, our consolidated subsidiary, and by our consolidated subsidiary, NEXON Employee Benefit Trust (the "Trust"), which was established in the three months ended March 31, 2023 for the introduction of a restricted stock unit plan.

(ii) Purchases of treasury stock

Nexon's treasury stock increased by ¥77,447 million as a result of a purchase of 26,304,900 shares of treasury stock during the fiscal year ended December 31, 2023 based on resolutions of the Board of Directors' meetings held on November 9, 2022, August 9, 2023 and November 9, 2023.

In addition, Nexon's treasury stock increased by ¥1,533 million as a result of a purchase of 489,398 shares of Nexon's stock during the three months ended June 30, 2023 by the Trust, our consolidated subsidiary.

(iii) Retirement of treasury stock

During the three months ended June 30, 2023, Nexon retired 16,752,326 shares of its treasury stock based on a resolution of the Board of Directors' meeting held on May 11, 2023. As a result, treasury stock and retained earnings each decreased by ¥50,000 million.

(Segment Information)

(1) Outline of reportable segments

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

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

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

(2) Revenue, profit or loss by reportable segment

Information on the segments of Nexon Group is as follows:

Fiscal year ended December 31, 2022 (From January 1, 2022 to December 31, 2022)

(Millions of yen)

	Reportable Segments						Adjustments (Note 4)	Consolidated
	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.

- Price for intersegment transactions is based on the general market price.
- Capital expenditures include investments in property, plant and equipment, right-of-use assets and intangible assets. However, investment in crypto-assets made through an exchange is excluded from the investment in intangible assets.
- Adjustments in segment profit or loss of ¥(1) million represent elimination of intersegment transactions.
- 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 the sale occurred due to the transfer of all shares of Six Waves Inc. owned by Nexon to Stillfront Group AB (publ) during the three months ended March 31, 2022. Consequently, Six Waves Inc. was excluded from the scope of the application of equity method for the three months ended March 31, 2022.

- In addition to property, plant and equipment and intangible assets, depreciation arising from right-of-use assets is included.
- Loss on revaluation recognized in profit or loss due to the revaluation of an intangible asset (investment in crypto-assets made through an exchange).
- For PC online and mobile, performance obligations are fulfilled and revenues are recognized over a certain period of time mainly because control over services is transferred over a certain period of time.

Fiscal year ended December 31, 2023 (From January 1, 2023 to December 31, 2023)

(Millions of yen)

	Reportable Segments						Adjustments (Note 4)	Consolidated
	Japan	Korea	China	North America	Other	Total		
Revenue								
Revenue from external customers								
PC online	3,899	283,893	3,188	8,846	2,447	302,273	—	302,273
Mobile	1,015	112,073	—	6,090	—	119,178	—	119,178
Other	54	1,816	—	10	25	1,905	—	1,905
Total revenue from external customers	4,968	397,782	3,188	14,946	2,472	423,356	—	423,356
Intersegment revenue	815	6,543	—	1,229	1,352	9,939	(9,939)	—
Total	5,783	404,325	3,188	16,175	3,824	433,295	(9,939)	423,356
Segment profit or loss (Note 1)	(4,553)	158,856	1,300	(8,363)	(9,796)	137,444	234	137,678
Other income (expense), net	—	—	—	—	—	—	—	(2,933)
Operating income	—	—	—	—	—	—	—	134,745
Finance income (costs), net (Note 5)	—	—	—	—	—	—	—	32,866
Reversal of loss on revaluation (Note 7)	—	—	—	—	—	—	—	6,253
Share of loss of investments accounted for using equity method	—	—	—	—	—	—	—	(3,510)
Impairment loss on equity method investments (Note 8)	—	—	—	—	—	—	—	(44,425)
Income before income taxes	—	—	—	—	—	—	—	125,929
(Other items)								
Depreciation and amortization (Note 6)	4	7,303	116	260	915	8,598	—	8,598
Impairment loss	1,048	1,969	—	23	—	3,040	—	3,040
Capital expenditures (Note 3)	929	13,864	138	88	809	15,828	—	15,828

- (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. However, investment in crypto-assets made through an exchange is excluded from the investment in intangible assets.
4. Adjustments in segment profit or loss of ¥234 million represent elimination of intersegment transactions.
5. Major components of finance income are foreign exchange gain of ¥10,436 million and interest and dividend income of ¥24,621 million.
6. In addition to property, plant and equipment and intangible assets, depreciation arising from right-of-use assets is included.
7. Reversal of loss on revaluation recognized in profit or loss due to the revaluation of an intangible asset (investment in crypto-assets made through an exchange).
8. Impairment loss on equity method investments is an impairment loss of ¥44,425 million on investments accounted for using equity method pertaining to Brothers International, LLC.
9. For PC online and mobile, performance obligations are fulfilled and revenues are recognized over a certain period of time mainly because control over services is transferred over a certain period of time.

(3) Revenue from major products and services

Revenue from major products and services are as follows:

	(Millions of yen)	
	Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023
Item charging	253,415	307,949
Royalty	95,279	110,487
Other	5,020	4,920
Total	<u>353,714</u>	<u>423,356</u>

(4) Information by region

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, 2022	As of December 31, 2023
Japan	2	25
Korea	62,745	70,345
China	227	249
North America	1,001	869
Other	29,828	33,499
Total	<u>93,803</u>	<u>104,987</u>

(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. Major countries or regions contained in each regional category:

(1) North America: USA

(2) Other: Europe and Asian countries

Revenue from external customers are as follows:

For the fiscal year ended December 31, 2022 (From January 1, 2022 to December 31, 2022)

	Revenue by major business			(Millions of yen)
	PC online	Mobile	Other	Total
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	<u>242,230</u>	<u>109,802</u>	<u>1,682</u>	<u>353,714</u>

(Notes) 1. Revenue is broken down by country or region based on customer location.

2. Categorization by country or region is based on geographic proximity.

3. Major countries or regions contained in each regional category:

(1) North America and Europe: USA, Canada and Europe

(2) Rest of World: Central and South America and Asian countries

For the fiscal year ended December 31, 2023 (From January 1, 2023 to December 31, 2023)

	Revenue by major business			(Millions of yen)
	PC online	Mobile	Other	Total
Main regional market				
Japan	4,249	7,601	83	11,933
Korea	178,802	74,807	1,721	255,330
China	94,347	6,141	0	100,488
North America and Europe	11,710	15,950	44	27,704
Rest of World	13,165	14,679	57	27,901
Total	302,273	119,178	1,905	423,356

(Notes) 1. Revenue is broken down by country or region based on customer location.

2. Categorization by country or region is based on geographic proximity.

3. Major countries or regions contained in each regional 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

One customer contributed more than 10% of Nexon Group's consolidated revenue for the fiscal years ended December 31, 2022 and 2023, and revenue earned from the customer were ¥75,070 million (Korea segment) and ¥80,189 million (Korea segment), respectively.

(Per Share Information)

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

(Millions of yen)

	Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023
Net income attributable to owners of the parent company	100,339	70,609
Adjustments of net income used for the calculation of diluted earnings per share		
Adjustments due to dilutive shares of consolidated subsidiaries	—	(12)
Diluted net income attributable to owners of the parent company	100,339	70,597
Number of basic weighted-average common stock (Note 1)	874,516,449 shares	851,841,232 shares
Dilution: Stock option	7,093,751 shares	5,601,460 shares
Number of dilutive weighted-average common stock	881,610,200 shares	857,442,692 shares
Earnings per share (attributable to owners of the parent company)	(Yen)	(Yen)
Basic earnings per share	114.74	82.89
Diluted earnings per share (Note 2)	113.81	82.33

- (Notes) 1. Nexon's common stock held by our consolidated subsidiaries, the Foundation and the Trust, is included in the treasury stock deducted in the calculation of the number of basic weighted-average common stock. As for the deducted treasury stock, the average number of shares during the period was 847,598 shares and – shares, respectively, for the fiscal year ended December 31, 2022 and 735,351 shares and 338,814 shares, respectively, for the fiscal year ended December 31, 2023.
2. Some of the subscription rights to shares issued by Nexon do not have any dilutive effect and thus are not included in the calculation of diluted earnings per share.

(Significant Subsequent Event)

(Retirement of treasury stock)

Nexon's Board of Directors has approved, on February 8, 2024, the retirement of treasury stock pursuant to the provisions of Article 178 of the Companies Act.

(a) Reasons for the retirement of treasury stock

To improve capital efficiency and return profits to shareholders

(b) Details of matters related to the retirement

- (i) Method of retirement: To be reduced from the amount of other retained earnings
- (ii) Class of stock to be retired: Common shares of Nexon
- (iii) Number of shares to be retired: 17,539,739 shares
(2.0% of the total number of shares outstanding as of January 31, 2024)
- (iv) Date of scheduled retirement: February 29, 2024