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Consolidated Financial Results
for the Three Months Ended March 31, 2022
[IFRS]

May 12, 2022

Company name: NEXON Co., Ltd.

Stock exchange listing: Tokyo Stock Exchange

Stock code: 3659

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Scheduled date for filing of quarterly securities report: May 13, 2022

Scheduled date of commencing dividend payments: -

Supplementary briefing material on quarterly financial results: Yes

Quarterly financial results briefing: No

(Amounts are rounded to nearest million yen)

1. Consolidated Financial Results for the Three Months Ended March 31, 2022 (from January 1, 2022 to March 31, 2022)

(1) Consolidated Operating Results (cumulative)

(% changes year-over-year)

(Millions of yen)

	Revenue		Operating income		Income before income taxes		Net income		Net income attributable to owners of the parent company		Total comprehensive income	
	Yen	% change	Yen	% change	Yen	% change	Yen	% change	Yen	% change	Yen	% change
Three months ended March 31, 2022	91,034	3.1%	38,520	(11.1)%	57,201	(10.0)%	40,119	(12.3)%	40,261	(12.5)%	61,561	1.0%
Three months ended March 31, 2021	88,313	6.7%	43,321	4.3%	63,575	2.6%	45,733	(8.1)%	46,034	(7.8)%	60,945	309.6%

	Basic earnings per share		Diluted earnings per share	
	Yen	Yen	Yen	Yen
Three months ended March 31, 2022	45.35	45.07	45.35	45.07
Three months ended March 31, 2021	51.86	50.78	51.86	50.78

(2) Consolidated Financial Position

(Millions of yen)

	Total assets	Total equity	Total equity attributable to owners of the parent company	Ratio of equity attributable to owners of the parent company
As of March 31, 2022	1,047,925	888,324	879,146	83.9%
As of December 31, 2021	986,632	845,893	836,668	84.8%

2. Dividends

(Yen)

	Annual Dividends				
	End of 1st Quarter	End of 2nd Quarter	End of 3rd Quarter	End of Year	Total
FY 2021	—	2.50	—	5.00	7.50
FY 2022	—				
FY 2022 (Forecast)		5.00	—	5.00	10.00

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

3. Consolidated Financial Results Forecast for the Six Months Ending June 30, 2022 (from January 1, 2022 to June 30, 2022)

(% changes year-over-year)

(Millions of yen)

	Revenue		Operating income		Income before income taxes		Net income		Net income attributable to owners of the parent company		Basic earnings per share
2nd Quarter (cumulative)	172,376	19.4%	61,187	4.2%	80,584	4.0%	55,817	2.9%	56,407	2.6%	Yen
	~	~	~	~	~	~	~	~	~	~	63.67
	178,334	23.6%	65,799	12.0%	85,197	10.0%	59,467	9.6%	59,950	9.0%	~
											67.67

(Note) As it is difficult to reasonably estimate financial results for the year ending December 31, 2022 at the moment, only the financial results forecast for the six months ending June 30, 2022 is disclosed. Also, as it is difficult to estimate specific figures, disclosure is made with a range. For details, please refer to "1. Qualitative Information on Consolidated Financial Results for the Period (3) Explanation on Future Forecast Information including Consolidated Financial Results Forecast" on page 4 of the Appendix.

*(Notes)

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

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

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

1) Changes in accounting policies required by IFRS: Yes

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

3) Changes in accounting estimates: No

(3) Number of Shares Issued (common stock)

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

As of March 31, 2022: 899,520,469 shares

As of December 31, 2021: 898,746,469 shares

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

As of March 31, 2022: 14,974,637 shares

As of December 31, 2021: 7,908,437 shares

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

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

Three months ended March 31, 2021: 887,753,495 shares

(Note) "Total number of treasury stock at the end of the period" includes Nexon's stock held by our consolidated subsidiary, Stiftelsen Embark Incentive ("Foundation") (as of March 31, 2022: 865,770 shares; as of December 31, 2021: 865,770 shares). The number of treasury stock deducted in the calculation of the average number of shares during the period includes Nexon's stock held by the Foundation (as of March 31, 2022: 865,770 shares; as of March 31, 2021: - share).

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

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

(Caution Concerning Forward-Looking Statements)

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

(Method of Obtaining Supplementary Briefing Material on Financial Results)

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

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1. Qualitative Information on Consolidated Financial Results for the Period

(1) Explanation on Operating Results

During the three months ended March 31, 2022, while a trend towards economic recovery was seen mainly in developed countries due to relaxation of restraints on human activity as vaccination programs advanced, the global economy remained uncertain primarily due to new surges of COVID-19 variants in some regions, Russian invasion of Ukraine in February 2022 and economic sanctions imposed on Russia by many countries. In Japan, while COVID-19 vaccination program has progressed, the economy has not returned to pre-epidemic level and recovery continued to be unpredictable.

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

For the three months ended March 31, 2022, revenue increased year-over-year. While *MapleStory's* revenue decreased in Korea, the performances of other major titles remained strong and *Dungeon&Fighter Mobile*, which launched in Korea on March 24, was off to a good start. In addition, the foreign exchange rates moved in our favor as the Japanese Yen depreciated against other major currencies.

In Korea, PC online revenue decreased year-over-year. While *EA SPORTS™ FIFA ONLINE 4* achieved record-breaking revenue and *Sudden Attack* grew year-over-year, *MapleStory's* and *Dungeon&Fighter's* revenues decreased due to challenging comparisons with their strong performances in Q1 2021. As for *MapleStory*, since last year, we have continued to focus on strengthening our relationship with the players over the mid- to long-term rather than short-term monetization. Consequently, Net Promoter Score, which is an indicator of player satisfaction, steadily improved and recovered to nearly pre-probability issue level when its performance was strong. Mobile revenue increased year-over-year driven by the record-breaking revenue of *EA SPORTS™ FIFA ONLINE 4 M* and contributions from *Dungeon&Fighter Mobile* and *Blue Archive*, which launched in Q4 2021. As a result, overall revenue in Korea decreased as the decrease in PC revenue more than offset the increase in mobile revenue.

In China, revenue increased year-over-year driven by an increase in revenue from *Dungeon&Fighter*, our key PC online game. *Dungeon&Fighter's* revenue increased driven by the well-received package offerings for the Lunar New Year update. Its user metrics remained stable as we continued to focus on increasing user engagement rather than short-term monetization.

In Japan, revenue decreased year-over-year due to declines in revenues from *TRAHA*, *V4* and *Blue Archive*, which more than offset a contribution from *CounterSide*.

In North America and Europe, revenue decreased year-over-year due to declines in revenues from *Choices: Stories You Play* and *MapleStory*, which more than offset a contribution from *Blue Archive* and *MapleStory M's* growth.

In the Rest of World, revenue significantly increased year-over-year primarily driven by growth of *MapleStory* and *MapleStory M*, and a contribution from *Blue Archive*.

In terms of expenses, cost of sales increased year-over-year due to increased royalty costs for *EA SPORTS™ FIFA ONLINE 4* and increased HR costs due to headcount increase and annual salary hike. Selling, general and administrative expenses increased year-over-year due to increased marketing costs and increased HR costs due to headcount increase, annual salary hike and an increase in stock option costs.

Finance income increased year-over-year due to a gain on sale of investments accounted for using equity method associated with the transfer of shares of Six Waves Inc., despite a year-over-year decrease in foreign exchange gain primarily on foreign currency-denominated cash deposits.

As a result, for the three months ended March 31, 2022, Nexon Group recorded revenues of ¥91,034 million (up 3.1% year-over-year), operating income of ¥38,520 million (down 11.1% year-over-year), income before income taxes of ¥57,201 million (down 10.0% year-over-year) and net income attributable to owners of the parent company of ¥40,261 million (down 12.5% year-over-year).

Business results by reportable segments for the three months ended March 31, 2022 are as follows:

(a) Japan

Revenues for the three months ended March 31, 2022 amounted to ¥1,270 million (down 5.2% year-over-year), and segment loss amounted to ¥3,075 million (segment loss of ¥2,285 million for the three months ended March 31, 2021).

(b) Korea

Revenues for the three months ended March 31, 2022 amounted to ¥85,375 million (up 4.8% year-over-year), and segment profit amounted to ¥43,044 million (down 5.6% year-over-year). Revenues in Korea include royalty income of NEOPLE INC. (a subsidiary of NEXON Korea Corporation, our consolidated subsidiary) attributable to license agreements in China.

(c) China

Revenues for the three months ended March 31, 2022 amounted to ¥899 million (down 14.4% year-over-year), and segment profit amounted to ¥506 million (down 31.2% year-over-year).

(d) North America

Revenues for the three months ended March 31, 2022 amounted to ¥3,077 million (down 24.5% year-over-year), and segment loss amounted to ¥615 million (segment profit of ¥262 million for the three months ended March 31, 2021).

(e) Other

Revenues for the three months ended March 31, 2022 amounted to ¥413 million (up 19.1% year-over-year), and segment loss amounted to ¥1,224 million (segment loss of ¥1,023 million for the three months ended March 31, 2021).

(2) Explanation on Financial Position

(a) Assets, liabilities and equity

(Assets)

Total assets as of March 31, 2022 amounted to ¥1,047,925 million, an increase of ¥61,293 million from December 31, 2021. Major components include an increase of ¥10,859 million in cash and cash equivalents, an increase of ¥30,309 million in trade and other receivables, an increase of ¥9,502 million in other deposits and an increase of ¥7,030 million in investments accounted for using equity method.

(Liabilities)

Total liabilities as of March 31, 2022 amounted to ¥159,601 million, an increase of ¥18,862 million from December 31, 2021. Major components include an increase of ¥9,834 million in income taxes payable and an increase of ¥7,490 million in other current liabilities.

(Equity)

Equity as of March 31, 2022 totaled ¥888,324 million, an increase of ¥42,431 million from December 31, 2021. Major components of changes in equity include an increase of ¥35,802 million in retained earnings primarily due to the recording of net income attributable to owners of the parent company.

As a result, ratio of equity attributable to owners of the parent company was 83.9% (84.8% as of December 31, 2021).

(b) Cash flows

Cash and cash equivalents (collectively, "Cash") as of March 31, 2022 was ¥376,098 million, an increase of ¥10,859 million from December 31, 2021. The increase includes ¥16,899 million in effects of exchange rate changes on cash.

Cash flows from each activity for the three months ended March 31, 2022 and their significant components are as follows:

(Cash flows from operating activities)

Net cash provided by operating activities was ¥18,048 million, compared to ¥17,933 million for the three months ended March 31, 2021. Major components of the increase include income before income taxes of ¥57,201 million. Major components of the decrease include an exchange gain of ¥12,209 million and an increase in trade and other receivables of ¥28,065 million.

Net cash provided by operating activities slightly increased year-over-year due to a decrease in exchange gain, a decrease in other current assets, an increase in trade and other payables, and a decrease in income taxes paid, despite a decrease in income before income taxes and an increase in trade and other receivables.

(Cash flows from investing activities)

Net cash used in investing activities was ¥1,477 million, compared to ¥32,829 million for the three months ended March 31, 2021. Major cash inflows include proceeds from sale of investments accounted for using equity method of ¥9,377 million and proceeds from sale of securities by investment funds under consolidated subsidiaries of ¥5,761 million. Major cash outflows include purchase of investments accounted for using equity method of ¥7,184 million, purchases of securities by investment funds under consolidated subsidiaries of ¥5,365 million, payments associated with increase in long-term prepaid expenses of ¥1,432 million, and payments for long-term loans receivable of ¥1,399 million.

Net cash used in investing activities decreased year-over-year due to a decrease in purchases of investment securities and a decrease in the amount of time deposit.

(Cash flows from financing activities)

Net cash used in financing activities was ¥22,611 million, compared to ¥2,846 million for the three months ended March 31, 2021. Major cash outflows include purchases of treasury stock of ¥17,230 million and cash dividends paid of ¥4,457 million.

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

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

The outlook on the business environment surrounding Nexon Group remains unclear, primarily due to surges of COVID-19 variants in countries all over the world, Russian invasion of Ukraine in February 2022 and economic sanctions imposed on Russia by many countries. However, we do not expect any event that could have material impact on our business to occur going forward.

In our consolidated business outlook, we disclose our expectations for the following quarter as a range to provide more accurate information to our shareholders and investors, since it is difficult to derive full-year consolidated forecasts due to uncertainties in projecting the speed of growth of PC online game and mobile game markets in which Nexon Group's main businesses operate, and because our revenue is largely dependent on such uncertain factors as users' preferences and whether or not we have any hit titles. "Consolidated Financial Results Forecast for the Six Months Ending June 30, 2022" is the sum of our actual consolidated financial results for the three months ended March 31, 2022 and our consolidated business outlook for the three months ending June 30, 2022. Please refer to the table below for our consolidated financial results forecast for the three months ending June 30, 2022.

For the six months ending June 30, 2022, Nexon Group expects consolidated revenue in the range of ¥172,376~178,334 million (up 19.4%~23.6% year-over-year), operating income in the range of ¥61,187~65,799 million (up 4.2%~12.0% year-over-year), income before income taxes in the range of ¥80,584~85,197 million (up 4.0%~10.0% year-over-year), net income in the range of ¥55,817~59,467 million (up 2.9%~9.6% year-over-year), net income attributable to owners of the parent company in the range of ¥56,407~59,950 million (up 2.6%~9.0% year-over-year), and basic earnings per share in the range of ¥63.67~67.67. Nexon Group operates its businesses around the world, in Japan, South Korea, China, the United States and other countries. Major exchange rates for Q2 2022 are expected to be 1 U.S. dollar=¥126.58, 100 South Korean Won=¥10.22 and 1 Chinese Yuan=¥19.69. In general, the exchange rates of the Korean Won and the Chinese Yuan to Japanese Yen are assumed to be linked to the exchange rate of U.S. Dollar to Japanese Yen. Based on this assumption, we expect that every one Japanese Yen move against the U.S. Dollar will have an impact of approximately ¥661 million on revenue and approximately ¥221 million on operating income for the three months ending June 30, 2022.

As for revenue based on customer location for the three months ending June 30, 2022, our expectations are as

follows.

In Korea, while we expect *Sudden Attack*'s revenue to decrease year-over-year, we anticipate significant year-over-year growth from *EA SPORTS™ FIFA ONLINE 4*. We also expect year-over-year growth in *Dungeon&Fighter*'s revenue as its active users have increased driven by a synergy effect following the mobile launch. As for *MapleStory*, we expect its revenue to increase in Q2 as we had planned. Consequently, we expect overall PC revenue in Korea to increase year-over-year.

For mobile, we expect revenue to approximately double year-over-year. We anticipate a contribution from *Blue Archive* and year-over-year growth in *EA SPORTS™ FIFA ONLINE 4 M* in addition to a significant contribution from *Dungeon&Fighter Mobile*, which launched on March 24th. We expect these to be partially offset by year-over-year revenue decreases in *V4*, *The Kingdom of the Winds: Yeon*, and *KartRider Rush+*.

In China, we introduced the Labor Day update for *Dungeon&Fighter*, our major PC title, in April, which includes avatar package offerings. Since the Labor Day update was well-received by players, paying users and ARPPU increased year-over-year in April. Therefore, we expect its revenue to increase year-over-year. We also hope to increase active users and paying users following the Level cap release scheduled in Q2 and to operate the game to achieve mid- to long-term healthy growth.

In Japan, we expect revenue to increase year-over-year as we anticipate contributions from *CounterSide* to be partially offset by decreases from *TRAHA* and *V4*.

In North America and Europe, we expect revenue to increase year-over-year as we anticipate contributions from *DNF Duel*, which is scheduled to launch on June 28th, and *Blue Archive*, as well as growth in *MapleStory M*. These are expected to be partially offset by decreases from *Choices: Stories You Play* and *MapleStory*.

In Rest of World, we expect revenue to increase year-over-year as we anticipate growth in *MapleStory* and *MapleStory M*.

On the cost side, in the three months ending June 30, 2022, we expect increased variable costs due to a revenue increase, and increased HR costs due to headcount increase, annual salary hike, and an increase in bonuses. In addition, we expect increased marketing expenses primarily associated with promotions for *Dungeon&Fighter Mobile*. As a result, we expect costs to increase year-over-year in the three months ending June 30, 2022.

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

(Reference)

Consolidated financial results forecast for the three months ending June 30, 2022 (from April 1, 2022 to June 30, 2022)

(% changes from the previous fiscal year)

(Millions of yen)

	Revenue		Operating income		Income before income taxes		Net income		Net income attributable to owners of the parent company		Basic earnings per share
											Yen
2nd Quarter	81,342	45.2%	22,666	47.1%	23,382	68.3%	15,698	83.9%	16,146	80.3%	18.27
	~	~	~	~	~	~	~	~	~	~	~
	87,300	55.9%	27,278	77.0%	27,995	101.5%	19,348	126.7%	19,689	119.8%	22.28

2. Matters Related to Summary Information (Notes)

(1) Changes in Significant Subsidiaries during the Period

Not applicable.

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

(Changes in accounting policies required by IFRS)

The accounting policies used to prepare these condensed consolidated financial statements are consistent with those applied in the consolidated financial statements for the year ended December 31, 2021 unless otherwise noted, except for the new standards applied as listed below. Nexon Group calculated income taxes for the three months ended March 31, 2022, based on the estimated average annual effective tax rate.

Nexon Group has applied the following standards since Q1 2022, but the application of these standards did not have material impacts on the three months ended March 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.

3. Condensed Consolidated Financial Statements and Major Notes

(1) Condensed Consolidated Statement of Financial Position

(Millions of yen)

	As of December 31, 2021	As of March 31, 2022
Assets		
Current assets		
Cash and cash equivalents	365,239	376,098
Trade and other receivables	17,577	47,886
Other deposits	169,689	179,191
Other financial assets	29,140	27,808
Other current assets	12,072	12,570
Total current assets	593,717	643,553
Non-current assets		
Property, plant and equipment	24,448	25,261
Goodwill	38,938	40,472
Intangible assets	17,703	17,495
Right-of-use assets	10,985	11,294
Investments accounted for using equity method	58,933	65,963
Other financial assets	202,588	202,159
Other non-current assets	1,106	1,615
Deferred tax assets	38,214	40,113
Total non-current assets	392,915	404,372
Total assets	986,632	1,047,925

	(Millions of yen)	
	As of December 31, 2021	As of March 31, 2022
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	9,354	11,838
Deferred income	11,030	12,491
Income taxes payable	16,599	26,433
Lease liabilities	3,045	3,194
Provisions	5,787	1,728
Other current liabilities	7,510	15,000
Total current liabilities	53,325	70,684
Non-current liabilities		
Deferred income	14,354	15,245
Lease liabilities	12,282	12,443
Other financial liabilities	1,803	1,931
Provisions	323	334
Other non-current liabilities	4,687	4,070
Deferred tax liabilities	53,965	54,894
Total non-current liabilities	87,414	88,917
Total liabilities	140,739	159,601
Equity		
Capital stock	34,255	34,932
Capital surplus	14,961	14,914
Treasury stock	(17,863)	(35,078)
Other equity interest	92,747	116,008
Retained earnings	712,568	748,370
Total equity attributable to owners of the parent company	836,668	879,146
Non-controlling interests	9,225	9,178
Total equity	845,893	888,324
Total liabilities and equity	986,632	1,047,925

(2) Condensed Consolidated Income Statement

(Millions of yen)

	Three months ended March 31	
	2021	2022
	(From January 1, 2021 to March 31, 2021)	(From January 1, 2022 to March 31, 2022)
Revenue	88,313	91,034
Cost of sales	(18,699)	(21,924)
Gross profit	69,614	69,110
Selling, general and administrative expenses	(26,317)	(30,475)
Other income	124	160
Other expenses	(100)	(275)
Operating income	43,321	38,520
Finance income	20,995	23,308
Finance costs	(650)	(3,695)
Reversal of loss on revaluation	—	339
Share of loss of investments accounted for using equity method	(91)	(1,271)
Income before income taxes	63,575	57,201
Income taxes expense	(17,842)	(17,082)
Net income	45,733	40,119
Attributable to:		
Owners of the parent company	46,034	40,261
Non-controlling interests	(301)	(142)
Net income	45,733	40,119
Earnings per share	(Yen)	(Yen)
(attributable to owners of the parent company)		
Basic earnings per share	51.86	45.35
Diluted earnings per share	50.78	45.07

(3) Condensed Consolidated Statement of Comprehensive Income
For the three months ended March 31, 2021 and 2022

	(Millions of yen)	
	Three months ended March 31	
	2021	2022
	(From January 1, 2021 to March 31, 2021)	(From January 1, 2022 to March 31, 2022)
Net income	45,733	40,119
Other comprehensive income		
Items that will not be reclassified to net income		
Financial assets measured at fair value through other comprehensive income	(324)	(7,666)
Re-measurement of defined benefit pension plans	(1)	(3)
Other comprehensive income under equity method	—	(0)
Income taxes	81	2,026
Total items that will not be reclassified to net income	(244)	(5,643)
Items that may be reclassified subsequently to net income		
Exchange differences on translating foreign operations	15,449	27,081
Other comprehensive income under equity method	7	4
Total items that may be reclassified subsequently to net income	15,456	27,085
Total other comprehensive income	15,212	21,442
Total comprehensive income	60,945	61,561
Attributable to:		
Owners of the parent company	60,969	61,205
Non-controlling interests	(24)	356
Total comprehensive income	60,945	61,561

(4) Condensed Consolidated Statement of Changes in Equity

For the three months ended March 31, 2021 (From January 1, 2021 to March 31, 2021)

(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, 2021	22,679	17,421	(0)	69,975	599,807	709,882	10,563	720,445
Net income for the period	—	—	—	—	46,034	46,034	(301)	45,733
Other comprehensive income	—	—	—	14,935	—	14,935	277	15,212
Total comprehensive income	—	—	—	14,935	46,034	60,969	(24)	60,945
Issue of shares	1,462	1,462	—	—	—	2,924	—	2,924
Stock issue cost	—	(11)	—	—	—	(11)	—	(11)
Payment of dividends	—	—	—	—	(2,217)	(2,217)	—	(2,217)
Share-based compensation	—	—	—	1,184	—	1,184	—	1,184
Changes in interests in subsidiaries	—	36	—	—	—	36	64	100
Total transactions with the owners	1,462	1,487	—	1,184	(2,217)	1,916	64	1,980
Balance at March 31, 2021	24,141	18,908	(0)	86,094	643,624	772,767	10,603	783,370

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

(Millions of yen)

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

(5) Condensed Consolidated Statement of Cash Flows

(Millions of yen)

	Three months ended March 31	
	2021	2022
	(From January 1, 2021 to March 31, 2021)	(From January 1, 2022 to March 31, 2022)
Cash flows from operating activities		
Income before income taxes	63,575	57,201
Depreciation and amortization	2,264	1,779
Share-based compensation expenses	2,109	2,718
Interest and dividend income	(1,526)	(1,200)
Interest expense	102	105
Impairment loss	19	241
Reversal of loss on revaluation	—	(339)
Share of loss (profit) of investments accounted for using equity method	91	1,271
Loss (gain) on sale of investments accounted for using equity method	—	(9,298)
(Gain) loss on valuation of securities	381	2,050
Exchange (gain) loss	(17,288)	(12,209)
(Increase) decrease in trade and other receivables	(17,180)	(28,065)
(Increase) decrease in other current assets	(4,469)	1,024
(Decrease) increase in trade and other payables	(2,134)	1,961
(Decrease) increase in deferred income	267	1,278
(Decrease) increase in provisions	(5,328)	(4,104)
(Decrease) increase in other current liabilities	3,356	4,483
Other	(1,276)	677
Subtotal	22,963	19,573
Interest and dividends received	2,145	1,907
Interest paid	(101)	(105)
Income taxes paid	(7,074)	(3,327)
Net cash provided by operating activities	17,933	18,048
Cash flows from investing activities		
Net decrease (increase) in restricted deposit	2,075	88
Net decrease (increase) in time deposit	(12,853)	(460)
Purchases of property, plant and equipment	(374)	(415)
Proceeds from sales of property, plant and equipment	9	10
Purchases of intangible assets	(121)	(178)
Payments associated with increase in long-term prepaid expenses	(595)	(1,432)
Purchases of securities by investment funds under consolidated subsidiaries	(10,666)	(5,365)
Proceeds from sale of securities by investment funds under consolidated subsidiaries	10,085	5,761
Purchases of investment securities	(21,563)	(447)
Proceeds from sale and redemption of investment securities	1,192	75
Purchase of investments accounted for using equity method	—	(7,184)
Proceeds from sale of investments accounted for using equity method	—	9,377
Payments for long-term loans receivable	(2)	(1,399)
Collection of long-term loans receivable	6	6
Other	(22)	86
Net cash used in investing activities	(32,829)	(1,477)

(Millions of yen)

	Three months ended March 31	
	2021	2022
	(From January 1, 2021 to March 31, 2021)	(From January 1, 2022 to March 31, 2022)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(2,094)	—
Proceeds from exercise of stock options	2,081	1,005
Purchases of treasury stock	—	(17,230)
Purchases of treasury stock of subsidiaries	—	(1,206)
Cash dividends paid	(2,217)	(4,457)
Repayment of lease liability	(616)	(723)
Net cash used in financing activities	(2,846)	(22,611)
Net (decrease) increase in cash and cash equivalents	(17,742)	(6,040)
Cash and cash equivalents at the beginning of the period	252,570	365,239
Effects of exchange rate changes on cash and cash equivalents	8,819	16,899
Cash and cash equivalents at the end of the period	243,647	376,098

(6) Notes on Going Concern Assumption

Not applicable.

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

(a) Amount of dividends paid

For the three months ended March 31, 2021 (From January 1, 2021 to March 31, 2021)

	Class of stock	Total dividends	Dividend per share	Record date	Effective date
		(million yen)	(yen)		
Resolution of the Board of Directors on February 17, 2021	Common stock	2,217	2.5	December 31, 2020	March 26, 2021

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

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

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

(b) Purchases of treasury stock

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

(8) Segment Information

(a) Outline of reportable segments

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

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

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

(b) Revenue, profit or loss by reportable segment

Information on the segments of Nexon Group is as follows:

For the three months ended March 31, 2021 (From January 1, 2021 to March 31, 2021)

(Millions of yen)

	Reportable Segments					Total	Adjustments (Note 3)	Consolidated
	Japan	Korea	China	North America	Other			
Revenue								
Revenue from external customers								
PC online	816	61,663	1,049	1,500	339	65,367	—	65,367
Mobile	504	19,459	—	2,574	8	22,545	—	22,545
Other	20	380	—	1	—	401	—	401
Total revenue from external customers	1,340	81,502	1,049	4,075	347	88,313	—	88,313
Intersegment revenue	181	692	—	206	120	1,199	(1,199)	—
Total	1,521	82,194	1,049	4,281	467	89,512	(1,199)	88,313
Segment profit or loss (Note 1)	(2,285)	45,606	736	262	(1,023)	43,296	1	43,297
Other income (expense), net								24
Operating income								43,321
Finance income (costs), net (Note 4)								20,345
Share of loss of investments accounted for using equity method								(91)
Income before income taxes								63,575

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

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

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

4. A major component of finance income is foreign exchange gain of ¥18,119 million.

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

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

(Millions of yen)

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

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

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

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

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

The gain on the sale occurred due to the transfer of all shares of Six Waves Inc. owned by Nexon to Stillfront Group AB (publ) during the three months ended March 31, 2022. Consequently, Six Waves Inc. was excluded from the scope of the application of equity method for the three months ended March 31, 2022. The amount of proceeds from the sale is subject to change going forward primarily due to adjustments in the transfer price based on the share transfer agreement.

5. Reversal of loss on revaluation recognized in profit or loss due to the revaluation of an intangible asset (investment in crypto-assets made through an exchange).

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

(c) Information on each region

Revenue from external customers are as follows:

For the three months ended March 31, 2021 (From January 1, 2021 to March 31, 2021)

(Millions of yen)

	Revenue by major business			Total
	PC online	Mobile	Other	
Main regional market				
Japan	816	2,546	20	3,382
Korea	34,933	14,882	352	50,167
China	25,623	175	—	25,798
North America and Europe	1,387	3,415	12	4,814
Rest of World	2,608	1,527	17	4,152
Total	65,367	22,545	401	88,313

(Notes) 1. Revenue is classified into country or region category based on the customers' location.

2. The category of country or region is based on geographic proximity.

3. Main countries or regions in each category:

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

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

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

(Millions of yen)

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

(Notes) 1. Revenue is classified into country or region category based on the customers' location.

2. The category of country or region is based on geographic proximity.

3. Main countries or regions in each category:

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

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

(9) Subsequent Events

(Additional investments in equity method affiliates)

After March 31, 2022, Nexon Group received requests for additional investment based on investment contracts with our equity method affiliates and decided to make additional investments, as follows, with regards to a portion or all of the amount of remaining commitment.

Equity method affiliate	Additional investment	Payment due date	Amount of remaining commitment (after additional investment)
Smash Capital Fund I L.P.	USD 29.7 million (about ¥3,634 million)	April 26, 2022	USD 180.4 million (About ¥22,077 million)
Brothers International, LLC	USD 100.0 million (about ¥12,239 million)	May 18, 2022	—

Of the above, we have fulfilled the payment obligation for the additional investment in Smash Capital Fund I L.P. by the payment due date.