Securities code: 3659
March 9, 2023
(Commencement date of electronic provision measures: March 2, 2023)

To Shareholders

1-4-5 Roppongi, Minato-ku, Tokyo
NEXON Co., Ltd.
President and Chief Executive Officer Owen Mahoney

Notice of the 21st Annual General Meeting of Shareholders

Dear Shareholders:
We are pleased to inform you that the 21st Annual General Meeting of Shareholders will be held as outlined below.
In convening the Annual General Meeting of Shareholders, we have taken measures for providing information in an electronic format, and matters regarding measures for providing information in an electronic format are posted on the websites shown below as "Notice of Annual General Meeting of Shareholders".

The Company's website（https://ir.nexon.co.jp/stock/meeting.html）

In addition to the above, the materials are also available on the websites shown below.
Website of Tokyo Stock Exchange
（https://www2.jpx.co.jp/tseHpFront/JJK010010Action.do?Show=Show）
Please enter the Company's name or security code on the above website to search the Company's data and select "Basic Information" and then "Documents Available for Public Inspection/PR Information" to see the material.

Guide for *Net de Shoshu (online convocation)*
Key contents of the Notice of Convocation may also be easily viewed on a computer, smartphone, etc.
Please access the website below or scan the QR code.
https://s.srdb.jp/3659/

In lieu of attending the meeting, you may exercise your voting rights in writing or by electronic means (e.g. the Internet). Please review the Annual General Meeting of Shareholders agenda provided in the matters regarding measures for providing information in an electronic format and exercise your voting rights by 7 p.m. on Thursday, March 23, 2023, in accordance with the "Instructions for Exercising Voting Rights."

Notice

1. Date &Time: 11:00 a.m., Friday, March 24, 2023 (Doors open at 10:30 a.m.)
2. Location: Meeting Room for Annual General Meeting of Shareholders of NEXON Co., Ltd.
   At Ark Hills South Tower on 5th Floor
   1-4-5 Roppongi, Minato-ku, Tokyo
3. Agenda:

Matters to be reported:

1) Business Report and Consolidated Financial Statements for the 21st fiscal year (from January 1, 2022 to December 31, 2022), and audit results on the Consolidated Financial Statements by the Independent Auditors and the Audit and Supervisory Committee.
2) Non-consolidated Financial Statements for the 21st fiscal year (from January 1, 2022 to December 31, 2022).

Proposals to be voted on:

Proposal No. 1: Election of five (5) directors (excluding those who are Audit and Supervisory Committee members)

Proposal No. 2: Determination of the remuneration, etc. of directors (excluding those who are Audit and Supervisory Committee members) (Grant of subscription rights to shares as 2023 equity-based stock options)

If attending the meeting in person, please submit the enclosed Voting Rights Exercise Form at the reception desk.

Please note that no gift bags will be handed out to attendees of the annual general meeting of shareholders.

Shareholders may exercise voting rights by proxy by assigning his or her voting rights to another shareholder with voting rights designated to act as his or her proxy, provided that the document certifying his or her power of attorney is submitted to the Company.

Pursuant to the relevant laws and regulations and provisions of Article 16 of the Company's Articles of Incorporation, the following items are not included in the documents to be issued to shareholders who have requested the issuance of such documents. Accordingly, such documents are part of the documents audited by independent auditors in preparing their audit report and by the Audit and Supervisory Committee in preparing their audit report.

- In the section of Current Status of Nexon Group, (2) Assets and profit/loss, (5) Principal business (6) Major offices, (7) Employees, (8) Major lenders and (9) Other material facts concerning the current status of Nexon Group
- Status of shares
- Status of subscription rights to shares
- In the section of Corporate Officers, (b) Summary of the limited liability agreement, (c) Summary of indemnification agreement, (d) Summary of directors and officers liability insurance, and in the section of (f) Matters concerning external officers, (ii) Major activities during the current fiscal year and (iii) Opinion of the external officers concerning the contents
- Independent auditors
- Systems and organization to ensure the execution of duties by directors is in compliance with laws and regulations and the articles of incorporation, other systems and organization to ensure proper business operation of the company and the summary of the operating status of such systems
- Basic Policy on Company Control
- Policy on determination of dividends of surplus, etc.
- Consolidated statement of financial position, consolidated statement of income, consolidated statement of changes in equity and Notes to consolidated financial statements
- Non-consolidated balance sheet, non-consolidated statement of income, non-consolidated statement of changes in net assets and Notes to non-consolidated financial statements
- Audit Report on Consolidated Financial Statements
- Audit Report on Non-Consolidated Financial Statements
- Audit Report of the Audit and Supervisory Committee

Should there be any amendments to the matters regarding measures for providing information in an electronic format, the amendments will be posted on the respective websites where the matters are posted.

Please refer to the next page for measures to prevent the COVID-19 infection.

Measures to Prevent the COVID-19 Infection

For the General Meeting of Shareholders to be held, we will be taking the following measures to prevent the spread of COVID-19.
We kindly ask for the understanding and cooperation of our shareholders regarding these efforts.

[Measures to be taken by the Company]

- The Company's directors and staff will be wearing face masks.
- Hand sanitizers will be prepared near the entrance to the venue .
- At the venue of the general meeting of shareholders, fewer seats will be placed with a safe space in between to prevent the spread of COVID-19, and accordingly, there may not be enough seats for all shareholders who come to the venue.

[Request to our shareholders]

- To shareholders who intend to attend the general meeting of shareholders: Please monitor your health condition up to the day of the meeting and make sure not to exert yourself.
- To shareholders who are elderly, have an underlying medical problems, or are pregnant: Please consider refraining from attending the general meeting of shareholders.
- There are alternative methods for exercising your voting rights at the general meeting of shareholders, such as in writing or by electronic means (e.g. the Internet). Please also consider using those methods. (Please refer to the next page for details.)

[Request to our shareholders who intend to attend the meeting]

- To shareholders who are coming to the venue: Please check your health condition and cooperate with our efforts to prevent infections.
- Please ensure to use hand sanitizers before entering the venue as they will be prepared near the entrance to the venue.
- Please ensure to wear a face mask at all times inside the venue to prevent infections.
- Shareholders will be asked to measure body temperature near the entrance, and those who have a fever or seem unwell may be asked to leave.

Please check the Company's website as we will update the above measures should the situation change.

Instructions for Exercising Voting Rights

If attending the meeting in person

Please submit the enclosed Voting Rights Exercise Form at the reception desk.

Date & Time	Friday, March 24, 2023 11:00 a.m. (Doors open at 10:30 a.m.)
Location	Ark Hills South Tower on 5th Floor Meeting Room for Annual General Meeting of Shareholders of NEXON Co., Ltd.

※Please bring the "Notice of the Annual General Meeting of Shareholders" that has been sent you.

※Shareholders may exercise voting rights by proxy by assigning his or her voting rights to another shareholder with voting rights designated to act as his or her proxy, provided that the document certifying his or her power of attorney is submitted to the Company.

If not attending the meeting in person

● Exercise of voting rights in writing (by mail)

Please indicate your vote for each proposal on the enclosed Voting Rights Exercise Form and return it to us.

● Any voting right exercised without indicating approval or disapproval for a particular proposal will be counted as a vote for approval of the proposal.

● To indicate different vote for certain candidate(s) in Proposal No. 1

⇒Please check the column of "Approval" or "Disapproval" and indicate the relevant candidate number.

Deadline: Must be received by 7 p.m. Thursday, March 23, 2023

● Exercise of voting rights by electronic means such as the Internet

Please read the "Guide to Exercising Voting Rights by Electronic Means" on the next page and enter your vote for each proposal.

Deadline: Must be processed by 7 p.m. Thursday, March 23, 2023

Guide to Exercising Voting Rights by Electronic Means

If you wish to exercise your voting rights by electronic means, please note the following matters.

1. PC or mobile phone users
Shareholders using PC or mobile phones may use the voting rights exercise website designated by the Company to exercise voting rights via the Internet.
Voting rights exercise website: https://www.web54.net

2. Smartphone users
Shareholders using smartphones may exercise voting rights via the voting rights exercise website for smartphone without entering "Voting Rights Exercise Code" and "Password" by scanning the "Login QR Code for Voting Rights Exercise Website for Smartphone" displayed on the enclosed Voting Rights Exercise Form.
To change your vote after exercising your voting rights, you must scan the QR code again and enter "Voting Rights Exercise Code" and "Password" indicated on the Voting Rights Exercise Form.

3. Electronic voting rights exercise platform (to institutional investors)
Institutional investors who participate in the electronic voting rights exercise platform operated by ICJ, Inc. may also use the platform to exercise voting rights at our shareholders' meeting by electronic means.

4. Handling of exercise of voting rights
(1) When exercising voting rights by electronic means, use the "Voting Rights Exercise Code" and "Password" indicated on the enclosed Voting Rights Exercise Form, and follow the on-screen guidance to enter your vote.
(2) As the voting rights exercise period ends at 7 p.m. on Thursday, March 23, 2023, please exercise your voting rights ahead of time.
(3) If voting rights are exercised both in writing and by electronic means, the vote by electronic means will supersede. In addition, if voting rights are exercised by electronic means in multiple occasions, the last vote will supersede.
(4) Any fees for internet provider or carrier incurred in accessing the voting rights exercise website and electronic voting rights exercise platform (e.g. connection fees) will be borne by shareholders.

5. Handling of password and voting rights exercise code
(1) Password is important information required to identify shareholders who cast their votes. Please handle it with care as is the case with your personal seal and passcode.
(2) Password will be disabled when input incorrectly a certain number of times. If you wish to request reissuance of your password, please follow the on-screen guidance.
(3) The voting rights exercise code indicated on the Voting Rights Exercise Form can be used only for this general meeting of shareholders.

6. System requirements
When exercising voting rights via the Internet, refer to the system requirements provided in the "Exercise of Voting Rights via the Internet" on the voting rights exercise website.

7. Contact for inquiries about computer, mobile phone, or smartphone operations, etc.
(1) If you have inquiries about computer, mobile phone, or smartphone operations regarding the exercise of voting rights through the voting rights exercise website, please contact the following:
Dedicated dial-in number for Stock Transfer Agency Web Support of Sumitomo Mitsui Trust Bank, Limited
Tel: 0120-652-031 (Operating hours: 9:00 to 21:00)
(2) For other inquiries, please contact the following
i. Shareholders who have accounts with securities companies
Shareholders who have accounts with securities companies are requested to contact your securities company.
ii. Shareholder who do not have accounts with securities companies (Shareholders with special accounts)
Stock Transfer Agency Department of Sumitomo Mitsui Trust Bank, Limited
Tel: 0120-782-031 (Operating hours: 9:00 to 17:00, excluding Saturdays, Sundays and holidays)

Reference Materials for Annual General Meeting of Shareholders

Proposal 1: Election of five (5) directors (excluding those who are Audit and Supervisory Committee members)

The term of office for all four (4) current directors (excluding those who are Audit and Supervisory Committee members) will expire at the conclusion of this Annual General Meeting of Shareholders. Accordingly, to expand business in the future, the Company seeks an approval for an increase in the number of directors (excluding those who are Audit and Supervisory Committee members) and the election of five (5) directors (excluding those who are Audit and Supervisory Committee members).

There were no objections to this proposal when it was considered at the Audit and Supervisory Committee.

Candidates for directors (excluding those who are Audit and Supervisory Committee members) are as follows:

Candidate #	Name (Date of birth)	Career summary, positions and areas of responsibility (Significant concurrent positions outside the Company)	Number of the Company's shares owned
1	Owen Mahoney (December 28, 1966) Reappointment	Nov. 2000 Chief vice-president of Electronic Arts Inc. Sept. 2009 Representative Director of Outspark Inc. Aug. 2010 Chief Financial Officer of NEXON Co., Ltd. Sept. 2010 Director of NEXON Co., Ltd. Nov. 2010 Chief Administrative Officer of NEXON Co., Ltd. Mar. 2012 Director of NEXON Korea Corporation July 2012 Director of inBlue.com Aug. 2012 Director of NEXON America, Inc. Jan. 2013 Director of gloops, Inc. Mar. 2014 President and Chief Executive Officer of NEXON Co., Ltd. (to present) June 2015 Director of transcosmos inc. (Significant concurrent positions) Not applicable	952,000 shares

Candidate #	Name (Date of birth)	Career summary, positions and areas of responsibility (Significant concurrent positions outside the Company)	Number of the Company's shares owned
2	Shiro Uemura (December 31, 1970) Reappointment	Dec. 2000 Joined Deloitte Touche Tohmatsu (current Deloitte Touche Tohmatsu LLC) Sept. 2003 Joined Pacific Golf Management K.K. Dec. 2004 Joined Pacific Golf Group International Holdings K.K July 2011 Joined NEXON Co., Ltd. Mar. 2014 Chief Financial and Chief Administrative Officer of NEXON Co., Ltd. Mar. 2014 Director of gloops, Inc. Mar. 2014 Director of inBlue.com Mar. 2015 Representative Director of NEXON Co., Ltd. (to present) Apr. 2016 Director of NEXON America, Inc. (to present) Apr. 2016 Director of NEXON M Inc. Apr. 2016 Director of Lexian Software Development (Shanghai) Co., Ltd. (to present) Sept. 2016 Director of NEXON Europe GmbH Jan. 2020 Representative Director of gloops, Inc. Oct. 2021 Chief Financial and Chief Administrative Officer of NEXON Co., Ltd. (to present) Oct. 2021 Director of Nexon Studios, Inc. (current Nexon Filmed Entertainment Inc.)(to present) (Significant concurrent positions) Director of NEXON America, Inc. Director of Lexian Software Development (Shanghai) Co., Ltd. Director of Nexon Filmed Entertainment Inc.	120,320 shares

Candidate #	Name (Date of birth)	Career summary, positions and areas of responsibility (Significant concurrent positions outside the Company)	Number of the Company's shares owned
3	Junghun Lee (March 12, 1979) New appointment	May 2003 Joined NEXON Corporation (current NXC Corporation) Nov. 2006 Publishing QM Team Leader of NEXON Corporation (current NEXON Korea Corporation) Apr. 2010 Command Center Manager of NEOPLE INC. July 2012 FIFA Department Manager of NEXON Korea Corporation Apr. 2014 General Manager of Business Headquarters of NEXON Korea Corporation Nov. 2015 Vice President of Business of NEXON Korea Corporation Mar. 2018 Chief Executive Officer of NEXON Korea Corporation (to present) Mar. 2022 Director of NEXON Games Co., Ltd. (to present) (Significant concurrent position) Chief Executive Officer of NEXON Korea Corporation Director of NEXON Games Co., Ltd.	209,000 shares

Candidate #	Name (Date of birth)	Career summary, positions and areas of responsibility (Significant concurrent positions outside the Company)	Number of the Company's shares owned
4	Patrick Söderlund (September 27, 1973) Reappointment	Jan. 2000 Chief Executive Officer of Digital Illusions Creative Entertainment Oct. 2006 Vice President & General Manager of Electronic Arts, Inc. Sept. 2013 Executive Vice President of Electronic Arts, Inc., EA Worldwide Studios Apr. 2018 Chief Design Officer of Electronic Arts, Inc. Nov. 2018 Director of Sicalis AB (to present) Nov. 2018 Chief Executive Officer of Embark Studios AB (to present) Jan. 2019 Director of Fractal Gaming Group AB (to present) Mar. 2019 External Director of NEXON Co., Ltd. July 2019 Director of NEXON Co., Ltd. (to present) Nov. 2019 Director of Ortalis Group AB (to present) June 2020 Director of Hexagon Aktiebolag (to present) Aug. 2020 Director of Surmount Together AB (to present) Aug. 2021 Director of Ortalis Holding AB (to present) Nov. 2021 Director of CoFounded Kapital AB (to present) (Significant concurrent positions) Director of Sicalis AB Chief Executive Officer of Embark Studios AB Director of Fractal Gaming Group AB Director of Ortalis Group AB Director of Hexagon Aktiebolag Director of Surmount Together AB Director of Ortalis Holding AB Director of CoFounded Kapital AB	4,472,694 shares

Candidate #	Name (Date of birth)	Career summary, positions and areas of responsibility (Significant concurrent positions outside the Company)	Number of the Company's shares owned
5	Mitchell Lasky (January 18, 1962) New appointment External Director Independent Officer	Dec. 1988 Joined Irell & Manella LLP Aug. 1992 Senior Counsel of Walt Disney Company Jan. 1994 Chief Executive Officer of Serum entertainment Software Feb. 1995 Worldwide Studios Executive Vice-President of Activision, Inc. Nov. 2000 CEO & Chairman of the Board of JAMDAT Mobile Inc. Feb. 2006 Executive Mobile & Online Vice-President of Electronic Arts Inc. Apr. 2007 General Partner of Benchmark Capital May 2012 Director of thatgamecompany, Inc. (to present) Oct. 2013 Director of Discord Inc. (to present) May 2017 Director of Hound Labs, Inc. (to present) Nov. 2017 Director of Manticore Games Inc. (to present) Dec. 2018 Partner of Benchmark Capital (to present) Feb. 2020 Director of Los Angeles Football Club (to present) (Significant concurrent positions) Director of thatgamecompany, Inc. Director of Discord Inc. Director of Hound Labs, Inc. Director of Manticore Games Inc. Partner of Benchmark Capital Director of Los Angeles Football Club	― shares

(Reference)
Of the candidates for directors, Mr. Owen Mahoney, Mr. Shiro Uemura and Mr. Patrick Söderlund own subscription rights to shares disclosed in "2. Current Status of the Company, (2) Subscription rights to shares" in the Business Report.

(Notes)
1. There are no special conflicts of interest between each candidate and the Company.
2. Mr. Mitchell Lasky is a candidate for External Director. The Company will appoint Mr. Lasky as an independent officer under the regulations of Tokyo Stock Exchange and report such appointment to the Exchange.
3. (1) The Company nominates Mr. Owen Mahoney as a candidate for Director as we expect that he would contribute to Nexon Group's further expansion of business in Japan and overseas by utilizing his abundant knowledge and insight into corporate management, finance, accounting and strategy cultivated from his long years of experience in the game industry.
   (2) The Company nominates Mr. Shiro Uemura as a candidate for Director as we expect that he would endeavor to enhance the management system in Japan and overseas from the viewpoint of Chief Financial Officer based on his excellent knowledge, especially in finance, cultivated from his long years of experience.
   (3) The Company nominates Mr. Junghun Lee as a candidate for Director as we expect that he would contribute to Nexon Group's further expansion of business in Japan and overseas by utilizing his abundant knowledge and experience in the game industry, especially in the Korean game market which is Nexon Group's main operating base.
   (4) The Company nominates Mr. Patrick Söderlund as a candidate for Director as we expect that he would contribute to Nexon Group's further expansion of business in Japan and overseas by utilizing his knowledge and experience related to strategic activities in the game industry.
   (5) The Company nominates Mr. Mitchell Lasky as a candidate for External Director as we expect that he would contribute to Nexon Group's further expansion of business in Japan and overseas and also that he would supervise the Company's management by utilizing his wide range of experience as a U.S.-based venture capitalist mainly in the game industry.
4. If the election of Mr. Mitchell Lasky as Director is approved, he and the Company will enter into an agreement to limit liabilities for damages provided for in Article 423, Paragraph 1 of the Companies Act to ¥2.4 million or the minimum liability amount as provided in Article, Paragraph 1 of the Companies Act, whichever is higher, based on the provisions of Article 427, Paragraph 1 of the Companies Act and Article 28 of the Articles of Incorporation of the Company.
5. Mr. Owen Mahoney, Mr. Shiro Uemura and Mr. Patrick Söderlund and the Company have entered into indemnification agreements to indemnify expenses provided by Article 430-2, Paragraph 1, Clause 1 of the Companies Act and losses provided by Clause 2 of the Paragraph to the extent provided by relevant laws and regulations. The agreements will be renewed if reappointment of Mr. Owen Mahoney, Mr. Shiro Uemura and Mr. Patrick Söderlund is approved. If the election of Mr. Junghun Lee and Mr. Mitchell Lasky as Directors is approved, the Company will enter into the agreement with each of them.
6. The Company has taken out a directors and officers liability insurance covering all directors to indemnify for possible losses arising from monetary damages and legal costs in connection with claims against the insured. If Mr. Owen Mahoney, Mr. Shiro Uemura, Mr. Patrick Söderlund, Mr. Junghun Lee and Mr. Mitchell Lasky take office as Director, they will be insured under the insurance. The Company will renew the insurance during the term of office of the director candidates subject to this proposal.

Reference

Expertise and experience of candidates for directors (excluding those who are Audit and Supervisory Committee members) and directors who are Audit and Supervisory Committee members (skill matrix)

If the Proposal 1 is approved, the Company's Board of Directors will be comprised of members who have skills shown below.

Name	Corporate management	Finance/ Accounting	Legal/ Compliance	Game development	Brand marketing	New business development	Global business
Owen Mahoney	●	●				●	●
Shiro Uemura	●	●				●	●
Junghun Lee	●			●	●	●	●
Patrick Söderlund	●			●	●	●	●
Mitchell Lasky	●		●			●	●
Alexander Iosilevich (Audit and Supervisory Committee member)		●				●	●
Satoshi Honda (Audit and Supervisory Committee member)	●				●	●	●
Shiro Kuniya (Audit and Supervisory Committee member)			●				●

*The above table shows the fields they are most familiar with based on their experience and does not necessarily show all of their areas of expertise.

Diversity of members of the Board of Directors

The Company believes it is important to secure diversity of members of the Board of Directors to achieve the Company's sustainable growth and increase corporate value.

The real diversity, however, to achieve such goal is not based on traits such as sex, race and nationality (i.e., demographic diversity) but on various skills, techniques, experience, value and opinion of each personnel (i.e., task-related diversity). By securing high task-related diversity in the members of the Board of Directors, we believe we can avoid homogeneity in the members and so produce vigorous discussions and increase the potential to come up with new ideas, which is how board diversity should contribute to the company's sustainable growth and corporate value improvement. This concept applies not only to board members but also to other employees.

Although there is no female candidate in the proposal for election of directors for this Annual General Meeting of Shareholders, we will secure and spread the task-related diversity without setting specific numerical targets such as ratio of certain sex or nationality. In terms of demographic diversity, all director candidates are male, but non-Japanese candidates make up the majority, with two Americans, one Japanese, one Korean and one Swedish. Please also note that, during the process of selecting the candidates, we asked one excellent foreign female corporate manager who we were confident can contribute to the Company's management to join us as a director, but she declined our offer due to various reasons.

Please refer to "Chapter 20 Cognitive Bias Theory" of Management Theories of the Global Standard by Akie Iriyama for classification of demographic diversity and task-related diversity.

Proposal 2: Determination of the remuneration, etc. of directors (excluding those who are Audit and Supervisory Committee members) (Grant of subscription rights to shares as 2023 equity-based stock options)

1. Reason for proposal and reason why the remuneration, etc. is reasonable

This proposal seeks approval for the grant of subscription rights to shares issued as equity-based stock options as remuneration, etc. to the directors (excluding those who are Audit and Supervisory Committee members) to be elected at this Annual General Meeting of Shareholders.

Subscription rights to shares as 2023 equity-based stock options subject to this proposal consist of “subscription rights to shares as equity-based stock options (term-based)” and “subscription rights to shares as equity-based stock options (performance-based)” based on the “Directors’ Compensation Policy” of the Company.

To directors (excluding those who are Audit and Supervisory Committee members and external directors), “subscription rights to shares as equity-based stock options (term-based)” and “subscription rights to shares as equity-based stock options (performance-based)” attributable to three fiscal years will be granted in a lump sum. “Subscription rights to shares as equity-based stock options (term-based)” will vest over the next three years, with one third of the total subscription rights granted to vest and become exercisable upon serving a term up to the date of the annual general meeting of shareholders each year. “Subscription rights to shares as equity-based stock options (performance-based)” will vest and become exercisable based on the comparison of stock price with competitors and the achievement level of the internal profit/revenue target over the three fiscal years.

To external directors (excluding those who are Audit and Supervisory Committee members), only “subscription rights to shares as equity-based stock options (term-based)” attributable to three fiscal years will be granted in a lump sum, and one third of the total subscription rights granted will vest and become exercisable upon serving a term up to the date of the annual general meeting of shareholders each year in the same way as those granted to directors (excluding those who are Audit and Supervisory Committee members and external directors).

For all of these remuneration components, the number of units of subscription rights to shares to be granted will be set based on the remuneration amount to make the remuneration system competitive to secure excellent management-level personnel in the global environment, and “subscription rights to shares as equity-based stock options (performance-based)” aim to further raise awareness for improving the Company’s mid- and long-term performance and increasing the corporate value. The number of subscription rights to shares as equity-based stock options (performance-based) to be granted after this Annual General Meeting of Shareholders is based on the assumption that the level of the performance targets to be set for the three-year performance evaluation period will be extremely high even for the Nexon Group’s past performance and that a maximum level of 200% of KPI targets will be achieved. Accordingly, the number of grant and associated compensation amount may seem excessive, but the actual number to vest and become exercisable will be limited to the portion that is evaluated, fixed and determined based on the level of the achievement of the performance targets after the performance evaluation period. Also, if the high KPI targets are achieved, it should mean a significant improvement in Nexon Group’s performance, which should have a positive impact on the Company’s stock price.

Of the remuneration system subject to this proposal, the grant of "subscription rights to shares as equity-based stock options (term-based)" to directors (excluding those who are Audit and Supervisory Committee members and external directors) aims to improve directors' engagement to the Company by offering a certain portion of the remuneration without regard to performance. Also, "subscription rights to shares as equity-based stock options (term-based)" for external directors (excluding those who are Audit and Supervisory Committee members) are not-based to performance, in consideration of the expected role of external directors, in order to appropriately secure the supervisory function to judge the appropriateness of business execution from an objective point of view and also to discourage excessive risk taking regarding achievement of short-term performance targets while the grant of such subscription rights to shares aims to further raise awareness about sharing interest with shareholders and improving the Company's corporate value.

For reasons described above, we believe that the contents of the remuneration system proposed in this proposal are reasonable.

The resolution on this proposal shall be subject to the approval of the Proposal 1 "Election of five (5) directors (excluding those who are Audit and Supervisory Committee members) as proposed."

Subscription rights to shares as 2023 equity-based stock options to be issued based on this proposal will not require cash payment in exchange for subscription rights. However, as they will be issued as compensation for execution of duties by the Company's directors as the remuneration, etc. of directors (excluding those who are Audit and Supervisory Committee members) prescribed by Article 361 of the Companies Act, not requiring cash payment will not be considered to be a particularly advantageous condition.

If Proposal 1 is approved as proposed, the number of directors (excluding those who are Audit and Supervisory Committee members) subject to the remuneration system proposed in this proposal will be five (5) (including one external director).

There were no objections to this proposal when it was considered at the Audit and Supervisory Committee.

2. Subscription rights to shares as 2023 equity-based stock options to be granted to directors (excluding those who are Audit and Supervisory Committee members) as directors' remuneration, etc.

(1) Directors eligible for allotment of the subscription rights to shares

Directors of the Company (excluding those who are Audit and Supervisory Committee members)

(2) The amount of remuneration, etc. and the maximum number of subscription rights to shares to be issued

In determining the number of "subscription rights to shares as equity-based stock options (term-based)" and "subscription rights to shares as equity-based stock options (performance-based)," the upper limit is set for the base amount as directors' remuneration, etc. as follows:

- Subscription rights to shares as equity-based stock options (term-based) (the units attributable to three fiscal years to be granted in a lump sum): At or below ¥535 million (including those for external directors at or below ¥36 million) for subscription rights to shares to be issued within one year from the date of this Annual General Meeting of Shareholders
- Subscription rights to shares as equity-based stock options (performance-based) (the units attributable to three fiscal years to be granted in a lump sum): At or below ¥1,015 million for subscription rights to shares to be issued within one year from the date of this Annual General Meeting of Shareholders (external directors are not eligible for the grant)

The amount of remuneration, etc. related to this subscription rights to shares will be calculated by multiplying the fair value of a subscription right to shares by the number of units of subscription rights to shares to be allotted to directors (excluding those who are Audit and Supervisory Committee members). Also, the amount of remuneration, etc. related to this subscription rights to shares will be established in addition to the annual base compensation of ¥600 million for directors (excluding those who are Audit and Supervisory Committee members) (including for external directors at or below ¥100 million) and performance-based annual bonus of ¥1,000 million which was approved at the 19th Annual General Meeting of Shareholders held on March 25, 2021. Decisions related to the allocation of the remuneration, etc. to directors (excluding those who are Audit and Supervisory Committee members) and other details will be based on resolution by the Board of Directors of the Company.

The maximum number of subscription rights to shares to be issued will be as follows:

- Subscription rights to shares as equity-based stock options (term-based) (the units attributable to three fiscal years to be granted in a lump sum): 214,000 units for subscription rights to shares to be issued within one year from the date of this Annual General Meeting of Shareholders (including 14,400 units for external directors)
- Subscription rights to shares as equity-based stock options (performance-based) (the units attributable to three fiscal years to be granted in a lump sum): 406,000 units for subscription rights to shares to be issued within one year from the date of this Annual General Meeting of Shareholders (external directors are not eligible for the grant)

(3) Class and number of underlying shares of subscription rights to shares

The number of underlying shares per unit of subscription rights to shares will be one share, and the maximum number of underlying shares will be as follows:

- Subscription rights to shares as equity-based stock options (term-based) (the units attributable to three fiscal years to be granted in a lump sum): 214,000 shares of the Company's common stock for subscription rights to shares to be issued within one year from the date of this Annual General Meeting of Shareholders (including 14,400 shares for external directors)
- Subscription rights to shares as equity-based stock options (performance-based) (the units attributable to three fiscal years to be granted in a lump sum): 406,000 shares of the Company's common stock for subscription rights to shares to be issued within one year from the date of this Annual General Meeting of Shareholders

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

Number of shares after adjustment = Number of shares before adjustment x Split/consolidation ratio

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

(4) Cash payment for subscription rights to shares
No cash payment is required in exchange for subscription rights to shares.

(5) Value of the assets to be contributed upon exercise of subscription rights to shares
No cash payment or contribution of assets is required upon exercise of subscription rights to shares as the subscription rights to shares will be issued as directors' remuneration, etc.

(6) Exercise period of subscription rights to shares
The exercise period will be within ten years from the date of allotment of subscription rights to shares. In the event that the last date of the exercise period is a non-business day of the Company, it will be the business day immediately preceding such date.

(7) Conditions for exercise of subscription rights to shares
As the subscription rights to shares are granted as directors' remuneration, etc. pursuant to Article 361, Paragraph 1, Item 4 of the Companies Act, only directors (including those who were directors) subject to this proposal may exercise them.

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

Subscription rights to shares as equity-based stock options (term-based) subject to this proposal will be granted based on the resolution by the Board of Directors promptly after this Annual General Meeting of Shareholders, one third of which will vest and become exercisable upon conclusion of each of the first, second and third annual general meeting of shareholders to be held after the grant.

Subscription rights to shares as equity-based stock options (performance-based) will be granted based on the resolution by the Board of Directors promptly after this Annual General Meeting of Shareholders and will vest and become exercisable after the three-year performance evaluation period based on relative comparison of stock price movement with the industry peers and the achievement level of the preselected indices of consolidated performance targets stated in the internal management plan covering multiple years in accordance with the Company's "Directors' Compensation Policy" with the aim of contributing to Nexon Group's sustainable growth and enhancement of mid- and- long-term corporate value.

As objective and transparent performance evaluation indices, (1) stock-price-based index (e.g. total shareholder returns (TSR)) and (2) financial index (e.g. consolidated operating income, and revenue, operating income, EBITDA, etc. of a certain reportable segment (those selected as an appropriate performance evaluation index for each director based on their job position and associated business, and the same applies hereinafter)) will be selected, and certain weight will be assigned to each of them for evaluation in consideration of the Nexon Group's business condition, business plan, issues for sustainable growth, and all other relevant factors.

Equity-based stock options (performance-based) will fluctuate within the range of 0% to 200% based on the achievement level (100% at 100% achievement of KPI targets).

(8) Treatment in case of retirement from the position of director before vesting
If a director resigns from the position of director before the subscription rights to shares as equity-based stock options vest, his/her right to unvested portion will be forfeited, but such director may exercise the subscription rights to shares to the extent allowed in consideration of the term of office and the level of achievement of performance targets if he or she retires due to the expiration of his/her term of office or when there is any other reason specifically provided by the Board of Directors.

(9) Treatment of a fraction less than one share resulting from the exercise of subscription rights to shares
Any fraction less than one share included in the number of shares to be issued to the holders of the subscription rights to shares who have exercised the rights will be rounded down.

(10) Restriction on transfer of subscription rights to shares
Any acquisition of subscription rights to shares through transfer will require an approval of the Board of Directors.

(11) Treatment of subscription rights to shares at the Company's restructuring and other activities
When approval is granted for proposals i), ii), iii), iv), or v) below at an annual general meeting of shareholders (or by a resolution of the Board of Directors of the Company if a resolution of the annual general meeting of shareholders is not required), the Company may acquire subscription rights to shares without charge on the date specifically stipulated by the Board of Directors:

i) Proposal for the approval of a merger agreement in which the Company will become the extinct company;
ii) Proposal for the approval of a split agreement or a split plan in which the Company will become a split company;
iii) Proposal for the approval of a share exchange agreement or a share transfer plan in which the Company will become a wholly owned subsidiary;
iv) Proposal for the approval of an amendment to the Articles of Incorporation to add provisions concerning all shares issued by the Company requiring the Company's approval for the acquisition of such shares through transfer; or
v) Proposal for the approval of an amendment to the Articles of Incorporation to add provisions concerning underlying shares of subscription rights to shares (i) requiring the Company's approval for the acquisition of such shares through transfer, or (ii) allowing the Company to acquire all shares of the relevant class based on a resolution of the annual general meeting of shareholders

(12) Summary of the conditions for the allotment of subscription rights to shares to directors (excluding those who are Audit and Supervisory Committee members)
The number of subscription rights to shares as equity-based stock options (term-based) and as equity-based stock options (performance-based) to be granted will be calculated by first determining the base amount for each of the equity-based stock options (term-based) and the equity-based stock options (performance-based) for each director, in consideration of the base compensation determined for each director as well as the proportion set forth in the "Directors' Compensation Policy 4. Composition of remuneration," and by dividing such base amount by the closing price of the Company's common stock in regular transactions on Tokyo Stock Exchange on the day immediately preceding the date of the resolution of the grant (or the most recent trade date if such date is not a trade date) (rounded down to the nearest integer).

(13) Other details, including allocation and timing of the grant, of the subscription rights to shares to be granted as equity-based stock option will be determined by resolution of the Board of Directors.

Business Report

(From January 1, 2022 to December 31, 2022)

1. Current Status of Nexon Group

(1) Business summary for the current consolidated fiscal year

(i) Outline and results of business operations

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

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

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

Performance results by reportable segment are as follows:

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

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

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

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

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

Revenue by region (revenue classified into country or region category based on the customers' location) was ¥212,900 million (up 37.6% year-over-year) in Korea, ¥86,391 million (up 17.4% year-over-year) in China, ¥10,523 million (up 0.5% year-over-year) in Japan, ¥20,051 million (up 7.4% year-over-year) in North America and Europe, and ¥23,849 million (up 39.9% year-over-year) in Other.

	Current consolidated fiscal year	
Region	Amount (¥ million)	Ratio (%)
Korea	212,900	60.2
China	86,391	24.4
Japan	10,523	3.0
North America and Europe	20,051	5.7
Other	23,849	6.7
Total	353,714	100.0

(ii) Capital expenditure

Total capital expenditure of Nexon Group during the current consolidated fiscal year amounted to ¥16,128 million.

The major components include long-term prepaid expenses related to game license fee of ¥1,682 million, PC online game and mobile game operation equipment (e.g. server equipment) of ¥2,585 million, software for internal use (game related) of ¥1,293 million, and right-of-use assets of ¥10,186 million mainly consisting of those related to leased building recognized by our consolidated subsidiary NEXON Korea Corporation of ¥7,148 million.

(iii) Financing

Not applicable.

(iv) Business transfers, absorption-type splits, or incorporation-type splits

Not applicable.

(v) Businesses transferred from other companies

Not applicable.

(vi) Rights and obligations related to other companies assumed as a result of absorption-type mergers or splits

Not applicable.

(vii) Acquisition or disposition of shares, other equity interests or subscription rights to shares of other companies

The Company transferred all of its shareholdings in Six Waves Inc. to Stillfront Group AB (publ) and excluded the company from the scope of equity method application.

(2) Assets and profit/loss

Accounts	18th Fiscal Year (Ended December 31, 2019)	19th Fiscal Year (Ended December 31, 2020)	20th Fiscal Year (Ended December 31, 2021)	21st Fiscal Year (Ended December 31, 2022)
Revenue (Millions of yen)	248,542	293,024	274,462	353,714
Operating income (Millions of yen)	94,525	111,450	91,541	103,696
Income before income taxes (Millions of yen)	121,968	108,171	135,472	140,525
Net income attributable to owners of the parent (Millions of yen)	115,664	56,220	114,888	100,339
Basic earnings per share (Yen)	129.34	63.57	128.91	114.74
Total assets (Millions of yen)	719,088	862,161	986,632	1,042,849
Total equity (Millions of yen)	631,131	720,445	845,893	867,546
Equity attributable to owners of the parent per share (Yen)	702.59	800.35	939.19	996.95

(Notes)1. The Company prepares the consolidated financial statements in accordance with the designated international accounting standards (IFRS).

2. Basic earnings per share is calculated as net income attributable to owners of the parent divided by the weighted average number of common stock issued and outstanding during the current fiscal year. The weighted average number of common stock does not include common stock held by Nexon Group as treasury stock.

3. Equity attributable to owners of the parent per share is calculated as equity attributable to owners of the parent, divided by the total number of common stock issued and outstanding at year-end. The total number of common stock issued and outstanding does not include common stock held by Nexon Group as treasury stock.

(3) Current status of the major parent company and subsidiaries

(a) Parent company

NXC Corporation owns 253,262 thousand shares, or voting rights ratio of 29.4%, of the Company as of December 31, 2022, and accordingly, the said company, even with its indirect shareholding, is no longer the parent company of the Company under the Companies Act and the Financial Instruments and Exchange Act.

As of December 31, 2022, NXC Corporation is the largest and major shareholder of the Company, and engages in investment businesses and other businesses that are not related to online game business which is the Company's primary business. With regard to a company name trademark "NEXON" in Japan owned by NXC Corporation, the Company has entered into a trademark licensing agreement with NXC Corporation and agreed to pay license fee to NXC, which is set as the amount calculated as a certain percentage of the Company's revenue. NXC Corporation has agreed that the Company has a right to extend the trademark licensing agreement regarding the company name trademark "NEXON." Certain subsidiaries of the Company, including NEXON Korea Corporation and Nexon America, Inc., have also entered into similar agreements with NXC Corporation.

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

(b) Major subsidiaries

Company name	Capital	Voting rights owned by the Company	Main business
NEXON Korea Corporation	KRW 32,000 million	100%	PC online and mobile game development, and PC online and mobile game distribution and publication licensing service mainly in Korea
Lexian Software Development (Shanghai) Co., Ltd.	US$4,100 thousand	100%	Provision of necessary infrastructure to distributors and consulting services for game distribution in China
Nexon America, Inc.	US$210	100%	PC online game distribution mainly in the North America region
NEOPLE INC.	KRW 181 million	100% (100%)	PC online game and mobile game development and distribution
NEXON Games Co., Ltd.	KRW 32,881 million	62.0% (62.0%)	PC online game and mobile game development
Pixelberry Studios	US$ 0.1	100% (100%)	Mobile game development and distribution mainly in the North America region
Embark Studios AB	SEK 67 thousand	100.0% (32.6%)	Game development

(Notes) 1. Figures in parenthesis in "Voting rights owned by the Company" represent the percentage indirectly owned by the Company.

2. On March 31, 2022, NEXON GT Co., Ltd. which was our consolidated subsidiary was absorbed in an absorption-type merger, with our consolidated subsidiary NAT GAMES Co., Ltd. as the surviving company and NEXON GT Co., Ltd. as the absorbed company. Following the merger, the name of the surviving company was changed from "NAT GAMES Co., Ltd." to "NEXON Games Co., Ltd."

(c) Status of specified wholly-owned subsidiaries during the current consolidated fiscal year

Not applicable.

(4) Issues to be addressed

Nexon Group recognizes the following matters as issues to be addressed in order to achieve our future growth:

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

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

(i) Focus on virtual worlds

As a pioneer in the industry, Nexon Group has been one of the world's best companies to create and operate large-scale virtual worlds offering deeply immersive game experience over the last two decades. Players around the world are now showing a growing preference for games in this field, but because there are few companies that can create and grow exciting games in this field, we are placing our focus on this field as one of our biggest opportunities.

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

Mobile devices now have nearly the same functions as PCs. And while the market size of PCs used for gameplay was hundreds of millions, billions of people are carrying mobile devices with high-end features today. Furthermore, thanks to the companies in the platform business making huge investments in the game business, highly sophisticated gaming platforms are about to be introduced to the enormous market which has grown incomparably bigger from the time when PC was the main device for gameplay. The potential market for Nexon Group has become significantly bigger, allowing us to reach incomparably larger group of users and offer virtual worlds in which we have a strong advantage. We will offer service in multiple platforms and take advantage of these opportunities more aggressively than ever before.

(iii) Leverage our own IPs

Nexon Group has hundreds of millions of fans around the world and owns multiple game IPs that are as big as, or even bigger than, international blockbuster movies and game series. As our game IPs are familiar to hundreds of millions of users who have spent so many exciting hours playing the games, new or extended version of games using such IPs will already have millions of fans at their launch who are eager to experience that world again. We will create virtual worlds that will generate stable revenues over a long period of time by leveraging our strong IPs.

(iv) Invest in especially valuable new IPs

Nexon Group is currently at the growth stage. In order to accelerate the growth of our global business, we will proactively invest in new IPs that we believe that it has a special value. One of the examples of such investment is the acquisition of Embark Studios AB.

(b) Strengthening information security

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

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

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

(5) Principal business (as of December 31, 2022)

PC online game business and mobile game business

(6) Major offices (as of December 31, 2022)

Company name	Office	Location
The Company	Head office	Minato-ku, Tokyo
NEXON Korea Corporation	Head office	Seongnam, Gyeonggi, Korea
Lexian Software Development (Shanghai) Co., Ltd.	Head office	Shanghai, People’s Republic of China
Nexon America, Inc.	Head office	California, U.S.A.
NEOPLE INC.	Head office	Jeju Special Administrative Region, Korea
NEXON Games Co., Ltd.	Head office	Seoul, Korea
Pixelberry Studios	Head office	California, U.S.A.
Embark Studios AB	Head office	Stockholm, Sweden

(7) Employees (as of December 31, 2022)

(a) Employees of Nexon Group

Number of employees	Changes from the previous consolidated fiscal year-end
7,467 (357)	Increase by 784 (219)

(Notes) 1. Number of employees above represent full-time employees, and figures in parenthesis represent average number of temporary workers (e.g. contract employees) during the year.
2. The number of employees increased mainly due to an increase in the number of new recruits associated with the business expansion in the Korea segment.

(b) Employees of the Company

Number of employees	Changes from the previous year-end	Average age	Average service years
266 (3)	Decrease by 4 (increase by 1)	37.5 years old	6.4 years

(Note) Number of employees above represent full-time employees, and figures in parenthesis represent average number of temporary workers (e.g. contract employees) during the year.

(8) Major lenders (as of December 31, 2022)

Not applicable.

(9) Other material facts concerning the current status of Nexon Group

Not applicable.

2. Current Status of the Company

(1) Shares (as of December 31, 2022)

(a) Total number of authorized shares: 1,400,000,000 shares

(b) Number of shares issued: 866,773,728 shares (including 5,168,377 shares of treasury stock)

(c) Number of shareholders: 3,742

(d) Major shareholders (Top 10)

Name of shareholders	Number of shares owned (Thousand shares)	Ratio (%)
NXC Corporation	253,262	29.4
NXMH BV	145,111	16.8
The Master Trust Bank of Japan, Ltd. (trust account)	103,154	12.0
JP MORGAN CHASE BANK 380815	88,548	10.3
HSBC-FUND SERVICES CLIENTS A/C 006	38,428	4.5
Custody Bank of Japan, Ltd. (trust account)	37,703	4.4
KOREA SECURITIES DEPOSITORY- SAMSUNG	10,163	1.2
Min Seo	9,715	1.1
STATE STREET BANK WEST CLIENT - TREATY 505234	8,077	0.9
J.P. MORGAN SECURITIES PLC	7,755	0.9

(Notes)1. Ratio is calculated using the number of shares issued excluding treasury stock (5,168,377 shares).

2. The Amendment Report to the Large Shareholding Report made available for public inspection as of April 13, 2022, shows that Public Investment Fund holds 82,226 thousand shares (9.14% of ownership ratio) as of April 8, 2022, but it is not included in major shareholders listed above as the Company was not able to confirm the actual number of shares held by the company as of December 31, 2022.

(2) Subscription rights to shares

(a) Subscription rights to shares granted to officers of the Company as consideration for services provided (as of December 31, 2022)

<table>
<tr><th colspan="2"></th><th colspan="2">Subscription Rights (6)</th><th colspan="2">Subscription Rights (10)</th></tr>
<tr><td colspan="2">Date of resolution to issue</td><td colspan="2">April 22, 2013</td><td colspan="2">July 17, 2015</td></tr>
<tr><td colspan="2">Number of subscription rights to shares</td><td colspan="2">75 units</td><td colspan="2">50 units</td></tr>
<tr><td colspan="2">Class and number of underlying shares</td><td colspan="2">Common stock 150,000 shares
(2,000 shares per unit)</td><td colspan="2">Common stock 100,000 shares
(2,000 shares per unit)</td></tr>
<tr><td colspan="2">Cash paid for subscription rights</td><td colspan="2">¥944,000 per unit</td><td colspan="2">¥1,558,000 per unit</td></tr>
<tr><td colspan="2">Exercise price</td><td colspan="2">¥2,000 per unit
(¥1 per share)</td><td colspan="2">¥2,000 per unit
(¥1 per share)</td></tr>
<tr><td colspan="2">Exercise period</td><td colspan="2">From: May 7, 2013
To: May 6, 2043</td><td colspan="2">From: August 3, 2015
To: August 2, 2045</td></tr>
<tr><td colspan="2">Conditions on exercise</td><td colspan="2">Notes 1, 2 and 3</td><td colspan="2">Notes 1, 2, and 3</td></tr>
<tr><td rowspan="6">Status of holding by officers</td><td rowspan="3">Directors (excluding Audit & Supervisory Committee members and external directors)</td><td>Number of subscription rights</td><td>75 units</td><td>Number of subscription rights</td><td>50 units</td></tr>
<tr><td>Number of underlying shares</td><td>150,000 shares</td><td>Number of underlying shares</td><td>100,000 shares</td></tr>
<tr><td>Number of holders</td><td>1 person</td><td>Number of holders</td><td>1 person</td></tr>
<tr><td rowspan="3">Directors
(Audit & Supervisory Committee members)</td><td>Number of subscription rights</td><td>－unit</td><td>Number of subscription rights</td><td>－unit</td></tr>
<tr><td>Number of underlying shares</td><td>－share</td><td>Number of underlying shares</td><td>－share</td></tr>
<tr><td>Number of holders</td><td>－person</td><td>Number of holders</td><td>－person</td></tr>
</table>

(Notes) 1. Partial exercise of subscription rights to shares is not allowed.

2. Subscription rights may be exercised within ten days from the following day of retirement from directorship during the exercise period (or during the calendar year in which the eligible person retires in case the holder resides in the U.S.)

3. All units granted will be forfeited in case the holder is dismissed from directorship.

			Subscription Rights (19)	Subscription Rights (19-2)
Date of resolution to issue			March 25, 2021	May 12, 2021
Number of subscription rights to shares			1,666,722 units	17,830 units
Class and number of underlying shares			Common stock 1,666,722 shares (1 share per unit)	Common stock 17,830 shares (1 share per unit)
Cash paid for subscription rights			No payment is required in exchange for subscription rights	No payment is required in exchange for subscription rights
Exercise price			¥0 per unit (¥0 per share)	¥0 per unit (¥0 per share)
Exercise period			From: April 12, 2021 To: March 15, 2025	From: May 27, 2021 To: March 15, 2025
Conditions on exercise			Notes 1, 2, 3 and 4	Notes 1, 2, 3 and 4
Status of holding by officers	Directors (excluding Audit & Supervisory Committee members and external directors)	Number of subscription rights	1,656,378 units	17,830 units
		Number of underlying shares	1,656,378 shares	17,830 shares
		Number of holders	2 persons	1 person
	Directors (Audit & Supervisory Committee members)	Number of subscription rights	—unit	—unit
		Number of underlying shares	—share	—share
		Number of holders	—person	—person
	External Directors (excluding Audit & Supervisory Committee members)	Number of subscription rights	10,344 units	—unit
		Number of underlying shares	10,344 shares	—share
		Number of holders	1 person	—person

(Notes) 1. Partial exercise of subscription rights to shares is not allowed.

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

3. With respect to the subscription rights to shares granted as equity-based stock options (term-based) to directors (excluding those who are Audit and Supervisory Committee members), one third of them vest and become exercisable upon conclusion of each of the first, second and third annual general meeting of shareholders to be held after the grant, provided that the holder is a director at that time.

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

   Specifically, (1) stock-price-based index (e.g. relative total shareholder returns (TSR) (Note 1)) and (2) financial index (e.g. consolidated operating income (Note 2)) will be selected as objective and transparent indices, with the weight of 60% and 40% to be assigned in evaluation, respectively.

   (Note 1) Comparable companies selected for the purpose of Relative TSR include Electronic Arts, Activision/Blizzard, Take-Two Interactive, Nintendo Co., Ltd., and BANDAI NAMCO Holdings. Assessment will be made by comparing the Company’s TSR and the average TSR value of comparable companies and the Company (represented in percentages based on dividends and stock price movements) of the period from the date of a given annual general meeting of shareholders to the date of an annual general meeting of shareholders three years later.

   We use Relative TSR as a KPI because we believe it is important to consider not only the Company’s sustainable growth but also market and competition environment in the performance evaluation.

   (Note 2) Consolidated operating income for the third year stated in the internal management plan (two years after the year during which equity-based stock options (performance-based) are granted) will be used to evaluate the level of achievement of its target value.

<table>
<tr><td colspan="2"></td><td colspan="2">Subscription Rights (21)</td></tr>
<tr><td colspan="2">Date of resolution to issue</td><td colspan="2">March 25, 2022</td></tr>
<tr><td colspan="2">Number of subscription rights to shares</td><td colspan="2">8,290 units</td></tr>
<tr><td colspan="2">Class and number of underlying shares</td><td colspan="2">Common stock 8,290 shares
(1 share per unit)</td></tr>
<tr><td colspan="2">Cash paid for subscription rights</td><td colspan="2">No payment is required in exchange for subscription rights</td></tr>
<tr><td colspan="2">Exercise price</td><td colspan="2">¥0 per unit
(¥0 per share)</td></tr>
<tr><td colspan="2">Exercise period</td><td colspan="2">From: April 12, 2022 To: March 15, 2024</td></tr>
<tr><td colspan="2">Conditions on exercise</td><td colspan="2">Notes 1, 2 and 3</td></tr>
<tr><td rowspan="9">Status of holding by officers</td><td rowspan="3">Directors (excluding Audit & Supervisory Committee members and external directors)</td><td>Number of subscription rights</td><td>－unit</td></tr>
<tr><td>Number of underlying shares</td><td>－share</td></tr>
<tr><td>Number of holders</td><td>－person</td></tr>
<tr><td rowspan="3">Directors
(Audit & Supervisory Committee members)</td><td>Number of subscription rights</td><td>8,290 units</td></tr>
<tr><td>Number of underlying shares</td><td>8,290 shares</td></tr>
<tr><td>Number of holders</td><td>2 persons</td></tr>
<tr><td rowspan="3">External Directors (excluding Audit & Supervisory Committee members)</td><td>Number of subscription rights</td><td>－unit</td></tr>
<tr><td>Number of underlying shares</td><td>－share</td></tr>
<tr><td>Number of holders</td><td>－person</td></tr>
</table>

(Notes) 1. Partial exercise of subscription rights to shares is not allowed.

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

3. With respect to subscription rights to shares granted to directors who are Audit and Supervisory Committee members, all units vest and become exercisable upon conclusion of the annual general meeting of shareholders to be held in the following year after the grant, provided that the holder is a director at that time.

(b) Subscription rights to shares granted to employees, etc. as consideration for services provided during the current fiscal year

<table>
<tr><td colspan="2"></td><td colspan="2">Subscription Rights (22)</td></tr>
<tr><td colspan="2">Date of resolution to issue</td><td colspan="2">May 12, 2022</td></tr>
<tr><td colspan="2">Number of subscription rights to shares</td><td colspan="2">265,000 units</td></tr>
<tr><td colspan="2">Class and number of underlying shares</td><td colspan="2">Common stock 265,000 shares
(1 share per unit)</td></tr>
<tr><td colspan="2">Cash paid for subscription rights</td><td colspan="2">No payment is required in exchange for subscription rights</td></tr>
<tr><td colspan="2">Exercise price</td><td colspan="2">¥3,065 per unit
(¥3,065 per share)</td></tr>
<tr><td colspan="2">Exercise period</td><td colspan="2">From: May 13, 2022
To: May 12, 2028</td></tr>
<tr><td colspan="2">Conditions on exercise</td><td colspan="2">Notes 1 and 2</td></tr>
<tr><td rowspan="6">Status of grant to employees</td><td rowspan="3">Employees of the Company</td><td>Number of subscription rights</td><td>— units</td></tr>
<tr><td>Number of underlying shares</td><td>— shares</td></tr>
<tr><td>Number of grantees</td><td>— person</td></tr>
<tr><td rowspan="3">Officers and employees of subsidiaries</td><td>Number of subscription rights</td><td>265,000 units</td></tr>
<tr><td>Number of underlying shares</td><td>265,000 shares</td></tr>
<tr><td>Number of grantees</td><td>4 persons</td></tr>
</table>

(Notes) 1. Partial exercise of subscription rights to shares is not allowed.
2. In principle, holders of subscription rights to shares must continue to be a director or employee of the Company or its subsidiary from the date of allotment up to the date of exercise to be eligible to exercise the right.

(c) Other material facts concerning subscription rights to shares

Not applicable.

(3) Corporate officers

(a) Directors (as of December 31, 2022)

Post	Name	Responsibility and Material Posts Concurrently Held
President and CEO	Owen Mahoney	—
Representative Director	Shiro Uemura	Chief Financial and Chief Administrative Officer Director of Nexon America, Inc. Director of Lexian Software Development (Shanghai) Co., Ltd. Director of Nexon Filmed Entertainment, Inc.
Director	Patrick Söderlund	Director of Sicalis AB Chief Executive Officer of Embark Studios AB Director of Fractal Gaming Group AB Director of Ortalis Group AB Director of Hexagon Aktiebolag Director of Surmount Together AB Director of Ortalis Holding AB Director CoFounded Kapital AB
Director	Kevin Mayer	Venture Partner/Partner of Smash Ventures Chairman of DAZN Group Limited Co-CEO, Co-Chairman of Board of Directors of Forest Road Acquisition Corp. II Director of Tinuiti, Inc. Director of Beachbody, LLC. Co-CEO, Director of Candle Media (former Aventine, LLC)
Director (Audit & Supervisory Committee member)	Alexander Iosilevich	Global President and Chief Investment Officer of NXC Corporation Partner of Alignment Growth Management, LLC Director of Crunchbase, Inc.
Director (Audit & Supervisory Committee member)	Satoshi Honda	—
Director (Audit & Supervisory Committee member)	Shiro Kuniya	Managing Partner of Oh-Ebashi LPC & Partners Auditor of Kitano Hospital, The Tazuke Kofukai Medical Research Institute Board member of the Japan Commercial Arbitration Association Board member of Japan Century Symphony Orchestra Auditor of CiRA Foundation External Director of TOA Corporation

(Notes)
1. Mr. Kevin Mayer, Director, and Mr. Alexander Iosilevich, Mr. Satoshi Honda and Mr. Shiro Kuniya, Directors (Audit & Supervisory Committee members), are external directors.
2. Mr. Alexander Iosilevich, Director (Audit & Supervisory Committee member) has experience in the international investment banking business and has substantial knowledge about finance and accounting.
3. The Company has appointed Mr. Kevin Mayer, Director, and Mr. Satoshi Honda and Mr. Shiro Kuniya, Directors (Audit & Supervisory Committee members), as independent officer under the regulations of Tokyo Stock Exchange and reported such appointment to the Exchange.
4. The Company has not appointed full-time Audit & Supervisory Committee members as the Company ensures the audit effectiveness by enhancing effectiveness of design and operation of the internal control system in coordination with the Internal Audit Office, the Legal Department and the Accounting/Finance Department and performing organizational audit through the internal control system.
5. Mr. Shiro Kuniya, Director (Audit & Supervisory Committee member), retired as Managing Partner of Oh-Ebashi LPC & Partners in February 2023.

(b) Summary of the limited liability agreement
Pursuant to provisions of Article 427, Paragraph 1 of the Companies Act and Article 28 of the Company's Articles of Incorporation, the Company and each of the directors (excluding those who are executive directors) have entered into an agreement to limit the liability for damages provided for in Article 423, Paragraph 1 of the Companies Act.

The limit of liability for damages under the agreement described above is ¥2.4 million or the minimum liability amount provided for in Article 425, Paragraph 1 of the Companies Act, whichever is higher.

(c) Summary of indemnification agreement
Mr. Owen Mahoney, Mr. Shiro Uemura, Mr. Patrick Söderlund, Mr. Kevin Mayer, Mr. Alexander Iosilevich, Mr. Satoshi Honda and Mr. Shiro Kuniya and the Company have entered into indemnification agreements to indemnify for expenses provided by Article 430-2, Paragraph 1, Clause 1 of the Companies Act and losses provided by Clause 2 of the Paragraph to the extent provided by relevant laws and regulations.

(d) Summary of directors and officers liability insurance
The Company has taken out a directors and officers liability insurance covering all officers, executive officers and employees in management position to indemnify for possible losses arising from monetary damages and legal costs in connection with claims against the insured. The Company pays all insurance premiums. However, there are some exclusions not covered by the insurance such as losses arising from illegal actions taken for personal profit or provision of favors, criminal actions, and actions taken with knowledge of the illegality.

(e) Compensation, etc. for directors

(i) Determination policy for the details of each director's compensation, etc.

The basic policy of directors' compensation in the "Directors' Compensation Policy" is to:

(a) contribute to the sustainable growth of Nexon Group and mid- and long-term improvement of corporate value;
(b) be competitive on the global HR market enough to acquire incredibly talented personnel for the management team from a global perspective and to maintain such a relationship;
(c) link directors' compensation with the company's business performance and corporate value to align their interests with those of shareholders and increase the management's focus on shareholders; and
(d) have a highly transparent and objective process for determining compensation.

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

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

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

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

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

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

(Composition of Compensation)

A. Executive Directors (directors who are not Audit and Supervisory Committee members or external directors, "Executive Directors")

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

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

(a) Base amount of the portion whose amount or value is linked to performance or stock price ((ii) + (iii) + (iv)) is greater than the fixed portion (i). [(i) < ((ii) + (iii) + (iv))]
(b) Base amount of equity-based stock options ((iii) + (iv)) is greater than base amount of performance-based annual bonus (ii). [(ii) < ((iii) + (iv))]
(c) Base amount of equity-based stock options (performance-based) (iv) is greater than base amount of equity-based stock options (term-based) (iii). [(iii) < (iv)]

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

(i) Base compensation	(ii) Performance-based annual bonus	(iii) Equity-based stock options (term-based)	(iv) Equity-based stock options (performance-based)

Cash compensation	Stock-based compensation (Equity-based substitute stock options)

Fixed compensation	Compensation linked to performance / stock price

Each component of compensation will be paid as follows:

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

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

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

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

B. Directors who are not Executive Directors (including external directors but excluding directors who are Audit and Supervisory Committee members, "Non-Executive Directors")

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

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

(i) Base compensation	(iii) Equity-based stock options (term-based)

Cash compensation	Stock-based compensation (Equity-based substitute stock options)

Fixed compensation	Compensation linked to stock price

Each component of compensation will be paid as follows:

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

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

C. Directors who are Audit and Supervisory Committee members (including external directors, "Directors who are Audit and Supervisory Committee members")

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

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

(i) Base compensation	(iii) Equity-based stock options (term-based)

Cash compensation	Stock-based compensation (Equity-based substitute stock options)

Fixed compensation	Compensation linked to stock price

Each component of compensation will be paid as follows:

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

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

(Details of Each Component of Compensation)

A. Fixed compensation

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

(i) Base compensation

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

B. Compensation linked to performance/stock price

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

(ii) Performance-based annual bonus

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

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

The targets and actual results of the KPIs for performance-based bonus for the current fiscal year are as follows:

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

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

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

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

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

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

i. Class and number of underlying shares of subscription rights to shares

One share of the Company's common stock per unit of subscription rights to shares.

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

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

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

ii. Cash payment for subscription rights to shares
¥0

iii. Value of assets to be contributed upon exercise of subscription rights to shares
¥0

iv. Exercise period of subscription rights to shares
From the date of allotment until the day on which ten years have elapsed.

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

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

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

vi. Exercise deadline of subscription rights to shares
The subscription rights to shares may be exercised after they vest upon conclusion of the relevant annual general meeting of shareholders until March 15 in the following year.

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

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

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

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

i. Class and number of underlying shares of subscription rights to shares
One share of the Company's common stock per unit of subscription rights to shares.

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

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

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

ii. Cash payment for subscription rights to shares
¥0
iii. Value of assets to be contributed upon exercise of subscription rights to shares
¥0
iv. Exercise period of subscription rights to shares
From the date of allotment until the day on which ten years have elapsed.
v. Conditions for exercise of subscription rights to shares
As the subscription rights to shares are granted as directors' compensation, etc. pursuant to Article 361, Paragraph 1, Item 4 of the Companies Act, only directors (including former directors) subject to this policy may exercise them.

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

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

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

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

We use Relative TSR as a KPI because we believe it is important to consider not only the Company's sustainable growth but also market and competition environment in the performance evaluation.

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

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

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

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

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

Vesting ratio (1)
The sum of a and b below.
a. Performance-linked coefficient for consolidated operating income for FY2023 (Note 1) x 40%
b. Performance-linked coefficient for Relative TSR (Note 2) x 60%

(Notes) 1. Financial-base performance-linked coefficient is set as 40% of performance-linked coefficient for consolidated operating income.
Performance-linked coefficient for consolidated operating income
Target achievement level: (Consolidated operating income – Operating income target (“I” below)) / Operating income target x 100 (%)
Target achievement level of 50% or higher: Performance-linked coefficient = 100 (%)
Target achievement level of between (50)% and 50%: Performance-linked coefficient = (Target achievement level + 50)(%)
Target achievement level of (50)% or lower: Performance-linked coefficient = 0 (%)
I. Operating income target
Operating income target used to calculate performance-linked coefficient is consolidated operating income for FY2023. (The target is undisclosed as mid- to long-term business performance forecast has not been disclosed at present.)
2. The deviation rate between the Company’s TSR (“II” below) and the average TSR (“II” below) of comparative companies (“III” below) during the evaluation period for Relative TSR
Deviation rate of 50% or higher: Performance-linked coefficient = 100 (%)
Deviation rate of between (50)% and 50%: Performance-linked coefficient = (The Company’s TSR – Average TSR of comparative companies) + 50 (%)
Deviation rate exceeding (50)%: Performance-linked coefficient = 0 (%)
II. TSR (Total Shareholder Return) ＝ ((Stock price at the end of evaluation period – Stock price at the beginning of evaluation period) + Dividend per share during the evaluation period) / Stock price at the beginning of evaluation period
III. Comparative companies include Electronic Arts, Activision/Blizzard, Take-Two Interactive, Nintendo Co., Ltd. and BANDAI NAMCO Holdings Inc.
The evaluation period for Relative TSR is from the date of the 19th Annual General Meeting of Shareholders (March 25, 2021) to the date of the annual general meeting of shareholders to be held in 2024.

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

Vesting ratio (2)
The sum of a and b below.
a. Up to 40% depending on the achievement level of performance target on EBITDA in the European and U.S. market for FY2022 (Note)
b. Up to 60% depending on the achievement level of performance target on EBITDA in the European and U.S. market for FY2023 (Note)

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

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

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

vi. Exercise deadline of subscription rights to shares
The subscription rights to shares may be exercised after they vest based on v. above until March 15 in the following year.

(The reason why the Board of Directors determined that details of compensation of each director (excluding those who are Audit and Supervisory Committee members) for the fiscal year ended December 31, 2021 are consistent with the determination policy)

The Compensation Committee has deliberated on details of compensation of each director (excluding those who are Audit and Supervisory Committee members) for the current fiscal year as follows:

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

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

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

(ii) Total amount of directors' compensation

<table>
<tr><th rowspan="4">Officer category</th><th rowspan="4">Total amount of compensation, etc. (¥ million)</th><th colspan="4">Total amount of compensation, etc. by type (¥ million)</th><th rowspan="4">Number of eligible officers (persons)</th></tr>
<tr><th colspan="2">Monetary</th><th colspan="2">Non-monetary</th></tr>
<tr><th>Fixed</th><th colspan="2">Performance-linked, etc.</th><th>Stock price-linked</th></tr>
<tr><th>Base compensation</th><th>Annual performance-based bonus</th><th>Equity-based stock options (performance-based)</th><th>Equity-based stock options (term-based)</th></tr>
<tr><td>Directors (excluding those who are Audit and Supervisory Committee members) (of which external directors)</td><td>1,437
(24)</td><td>144
(12)</td><td>238
(−)</td><td>858
(−)</td><td>197
(12)</td><td>4
(1)</td></tr>
<tr><td>Directors (Audit and Supervisory Committee members) (of which external directors)</td><td>49
(49)</td><td>29
(29)</td><td>−
(−)</td><td>−
(−)</td><td>20
(20)</td><td>2
(2)</td></tr>
<tr><td>Total (of which external officers)</td><td>1,486
(73)</td><td>173
(41)</td><td>238
(−)</td><td>858
(−)</td><td>217
(32)</td><td>6
(3)</td></tr>
</table>

(Notes) 1. As of December 31, 2022, the Company has four directors (excluding those who are Audit and Supervisory Committee members) (including 1 external director) and three directors who are Audit and Supervisory Committee members (including three external directors). The difference from the number shown above is because one person who retired from his position as external director who was Audit and Supervisory Committee member and one person who assumed the position of external director who is Audit and Supervisory Committee member at the 20th Annual General Meeting of Shareholders held on March 25, 2022 are not included in the table above as no compensation is paid.

2. The amount of compensation to directors does not include employee compensation paid to those who serve the Company as directors and employees simultaneously.

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

4. The maximum amount of compensation to directors who are Audit and Supervisory Committee members was resolved at the 16th Annual General Meeting of Shareholders held on March 27, 2018 to be at or below ¥100 million per year (including those for external directors at or below ¥50 million). In addition, it was resolved at the 19th Annual General Meeting of Shareholders held on March 25, 2021 that compensation in the form of equity-based stock options (term-based) will be at or below ¥100 million with the number of subscription rights to shares to be issued within the next 12 months after the date of the annual general meeting of shareholders in each year to be up to 40,000 units (including those for external directors at or below ¥50 million/up to 20,000 units). At the conclusion of the 16th and 19th Annual General Meetings of Shareholders, the number of directors who are Audit and Supervisory Committee members was three.
5. The amount of compensation to directors (excluding those who are Audit and Supervisory Committee members) includes the following:
    - ¥1,055 million worth of compensation in the form of stock options

(iii) Retirement allowance for officers paid during the current fiscal year

Not applicable.

(iv) Total amount of officers’ compensation paid to external officers by subsidiaries

Not applicable.

(f) Matters concerning external officers

(i) Material concurrent positions of other companies and the relationship between such companies and the Company

<table>
<tr><th>Post</th><th>Name</th><th>Material Posts Concurrently Held</th></tr>
<tr><td>Director</td><td>Kevin Mayer</td><td>Venture Partner/Partner of Smash Ventures
Chairman of DAZN Group Limited
Co-CEO, Co-Chairman of Board of Directors of Forest Road Acquisition Corp. II
Director of Tinuiti, Inc.
Director of BeachBody LLC.
Co-CEO, Director of Candle Media (former Aventine, LLC)</td></tr>
<tr><td rowspan="3">Director
(Audit and Supervisory Committee member)</td><td>Alexander Iosilevich</td><td>Global President and Chief Investment Officer of NXC Corporation
Partner of Alignment Growth Management, LLC
Director of Crunchbase, Inc.</td></tr>
<tr><td>Satoshi Honda</td><td>—</td></tr>
<tr><td>Shiro Kuniya</td><td>Managing partner of Oh-Ebashi LPC & Partners
Auditor of Kitano Hospital, The Tazuke Kofukai Medical Research Institute
Board member of the Japan Commercial Arbitration Association
Board member of Japan Century Symphony Orchestra
Auditor of CiRA Foundation
External Director of TOA Corporation</td></tr>
</table>

(Notes) 1. There exists no special relationship between the above companies and the Company.
2. Mr. Kevin Mayer, Mr. Alexander Iosilevich, Mr. Satoshi Honda and Mr. Shiro Kuniya do not have a spouse, any family member within the third degree or those equivalent thereto who is a business executing person or officer of the Company's parent company, etc., the Company, or any entity that has a special relationship with the Company
3. Mr. Shiro Kuniya, Director (Audit & Supervisory Committee member), retired as Managing Partner of Oh-Ebashi LPC & Partners in February 2023.

(ii) Major activities during the current fiscal year

	Attendance and Participation
Kevin Mayer Director	Mr. Mayer attended 6 out of 9 meetings of the Board of Directors that were held during the current fiscal year. He participates in discussions, as necessary, concerning items on agenda as well as general deliberations with abundant experience and insights as a leader in the strategic and management planning field in the entertainment industry. He also contributes to the Company's business expansion and supervises the Company's management. Although he attended fewer board meetings due to his schedule, he has vigorous discussion with President and Chief Executive Officer and offers experienced advice on the Company's management.
Alexander Iosilevich Director (Audit and Supervisory Committee member)	Mr. Iosilevich attended all 7 meetings of the Board of Directors and all 4 meetings of the Audit and Supervisory Committee that were held after he took office in March 2022. He participates in discussions, as necessary, concerning items on agenda as well as general deliberations with experience in the international investment banking business and analytical skills and experience on corporate management. He also supervises and audits the Company's management.
Satoshi Honda Director (Audit and Supervisory Committee member)	Mr. Honda attended all 9 meetings of the Board of Directors and all 5 meetings of the Audit and Supervisory Committee that were held during the current fiscal year. He participates in discussions, as necessary, concerning items on agenda as well as general deliberations with insights and extensive experience as manager in the game industry. He also supervises and audits the Company's management.
Shiro Kuniya Director (Audit and Supervisory Committee member)	Mr. Kuniya attended all 9 meetings of the Board of Directors and all 5 meetings of the Audit and Supervisory Committee that were held during the current fiscal year. He participates in discussions, as necessary, concerning establishment and maintenance of the Company's compliance system and legal aspect of items on agenda mainly from the viewpoint of legal counsel. He also contributes to enhancement of corporate governance and compliance.

(iii) Opinion of the external officers concerning the contents

Not applicable.

(4) Independent auditors

(a) Name: PricewaterhouseCoopers Aarata LLC

(b) Amount of compensation

	Amount of compensation
Amount of compensation paid to the independent auditors for the current fiscal year	¥ 68 million
Total amount of cash and other financial benefits to be paid by the Company and its subsidiaries to the independent auditors	¥ 239 million

(Notes)

1. The amount of compensation paid to the independent auditors for the current fiscal year represents the sum of the professional audit fees for the services under the Companies Act and those under the Financial Instruments and Exchange Act as the audit service agreement between the Company and the independent auditors does not clearly divide them and it is impracticable to do so.
2. The Audit and Supervisory Committee agreed on the amount of compensation paid to the independent auditors based on the necessary examination of the contents of the independent auditors' audit plan, the performance status of their duties concerning financial audit, and the appropriateness of the calculation basis for estimated compensation.
3. NEXON Korea Corporation and 9 other companies, all of which are consolidated subsidiaries of the Company, receive audit and non-audit services from PricewaterhouseCoopers LLP, member firms of the same global network of the Company's independent auditor, and the total amount of cash and other financial benefits to be paid by the Company and its subsidiaries to the independent auditors include those audit fees, etc.

(c) Non-audit services

The Company's consolidated subsidiaries, NEXON Korea Corporation, Nexon U.S. Holding Inc. and Nexon America Inc., pay professional fees mainly for tax-related services.

(d) Policies to determine dismissal or non-reappointment of the auditor

When the independent auditors receive disciplinary actions or administrative sanctions from the regulatory agencies for violation of laws including the Companies Act and the Certified Public Accountants Act, or when the independent auditors are determined to be unsuitable for performing the audit from the viewpoint of audit quality, quality management, independence and comprehensive capability, the Audit and Supervisory Committee will decide to place the matter to dismiss or not to reappoint the current independent auditor on the agenda of a general meeting of shareholders.

When it is acknowledged that the independent auditors fall under any of the items in Article 340, Paragraph 1 of the Companies Act, and when it is deemed appropriate, the Audit and Supervisory Committee will dismiss the independent auditors with the unanimous consent of all Audit and Supervisory Committee members. In this case, the Audit and Supervisory Committee members appointed by the Audit and Supervisory Committee will report the dismissal of the independent auditor and the reason of dismissal at the first general meeting of shareholders to be convened after the dismissal.

(5) Systems and organization to ensure the execution of duties by directors is in compliance with laws and regulations and the articles of incorporation, other systems and organization to ensure proper business operation of the company and the summary of the operating status of such systems

The summary of decisions regarding a system to ensure the execution of duties by directors is in compliance with laws and regulations and the articles of incorporation and other systems to ensure proper operations of the company as well as the summary of these systems and their operating status during the current fiscal year are as follows:

1. System to ensure that the execution of duties by directors and employees complies with laws and regulations and the articles of incorporation

(i) Board of directors

The meeting of the Board of Directors shall be held at least every three months in order to ensure the effective monitoring functions for directors' performance.

(ii) Audit and Supervisory Committee

The Audit and Supervisory Committee shall enhance the design and operating effectiveness of internal control system in coordination with the Internal Audit Office, the Legal Department and the Accounting/Finance Department, to ensure the effective audit functions for directors' performance. In addition, the Audit and Supervisory Committee shall enhance their expertise in their audit functions by appointing external professionals as external Audit and Supervisory Committee members.

(iii)Internal Audit Office

The Internal Audit Office shall be responsible for carrying out continuous internal audits of the business operations. The Internal Audit Office shall report directly to President/CEO and maintain independence of internal audit.

(iv)Legal Department

The Legal Department shall serve as the responsible department/contact point for matters concerning compliance of business operations ("compliance") to ensure compliance within the Company.

(Operating status)

During the current fiscal year, the meetings of the Board of Directors and the Audit and Supervisory Committee were held 9 times and 5 times, respectively, to ensure supervision over directors' performance. In addition, three external directors with professional insight were elected as Audit and Supervisory Committee members in order to ensure the effective supervising functions.

The Internal Audit Office, which reports directly to President/CEO, has performed audits of departments within the Company. The Legal Department has served as the contact point for compliance matters and promoted activities to raise employees' awareness for compliance as the responsible department. It has also developed and operated relevant internal regulations.

2. System to store and control information on the directors' execution of their duties

Information on the directors' execution of their duties including minutes of the meetings of the Board of Directors and requests for approval shall be recorded and stored in a document format or electromagnetic devices in accordance with the documentation control regulations. Directors and Audit and Supervisory Committee shall be allowed to access any of these records at any time.

(Operating status)

In accordance with the documentation control regulations, information on the directors' execution of their duties including minutes of the meetings of the Board of Directors and requests for approval was recorded and stored in a document format or electromagnetic devices, and directors and Audit and Supervisory Committee are allowed to access any of these records at any time.

3. System to ensure the reliability of financial reporting
   The Company shall establish systems to prepare proper financial reporting and to review the effectiveness of the system on a regular or as needed basis.

   (Operating status)
   The Company has appointed personnel in charge of finance and information disclosure and set up an internal process to collect accurate financial information. If any facts subject to timely disclosure are identified, it shall be notified to the personnel in charge of information disclosure who shall then discuss the response measures with prescribed consultative departments and disclose information.

4. Regulations and other systems to manage potential risks of losses
   The Company shall develop risk management regulations to minimize the potential exposure to risk of incurring losses. In addition, the Company shall prepare for serious incidents by developing a risk management manual and establishing a system enabling timely response.

   (Operating status)
   Based on risk management regulations, the Company has formed a risk management project consisting of managers of each department, developed a risk map by identifying potential risks in each department in order to take prevention and mitigation measures for risks. In addition, the Company has developed a risk management manual and has in place a communication and response system in the event of serious incidents.

5. System to ensure efficient execution of duties by directors
   (i) Directors shall report the status of executing their respective duties on a monthly basis at a meeting of the Board of Directors, etc. Obstructive factors in the execution of duties, if any, shall be addressed to improve the situation in a timely manner.
   (ii) Directors shall facilitate the process of decision making and information sharing by taking advantage of the IT infrastructure.

   (Operating status)
   At the meetings of the Board of Directors, etc., the status of executing their respective duties is reported in an appropriate and timely manner, and improvement measures are discussed as needed. In addition, the Company has introduced an electromagnetic system for internal application and approval of decision-making request in order to accelerate process for decision making and information sharing.

6. System to ensure proper operations of Nexon Group composed of the Company and its subsidiaries
   (i) System for reporting matters regarding execution of duties by subsidiaries' directors to the Company
   The Company shall request subsidiaries' directors to report necessary matters regularly based on the related companies' management regulations.
   (ii) Regulations and other systems to manage potential risks of losses in subsidiaries
   According to the Company's risk management regulations, the Company shall request subsidiaries to minimize potential exposure to risk of incurring losses and establish a system enabling timely response in cooperation with the Company in the event of serious incidents.
   (iii) System to ensure efficient execution of duties by subsidiaries' directors
   The Company shall request subsidiaries' directors to report the status of executing their respective duties on a monthly basis and to improve obstructive factors in the execution of duties in a timely manner, if any.
   (iv) System to ensure that the execution of duties by directors and employees of subsidiaries complies with laws and regulations and the articles of incorporation
   The Company shall review the compliance status by collecting and obtaining relevant information through methods including audit and investigation by directors, Audit and Supervisory Committee, the Internal Audit Office and the Legal Department. In addition, the Company shall request subsidiaries to take necessary measures including preventive measures.

(v) Other systems to ensure proper operations of Nexon Group composed of the Company and its subsidiaries

While respecting the independence of each entity due to unique local circumstances, the Company shall request subsidiaries to take necessary measures according to the system to ensure proper operations of the Company.

(Operating status)

The Company ensures proper operations of the corporate group through supervision by requesting timely and appropriate reporting to the Company in accordance with the related companies' management regulations.

7. Matters concerning employees assigned to assist the duties of the Audit and Supervisory Committee, matters concerning the independence of these employees from directors (excluding those who are Audit and Supervisory Committee members), and matters concerning securement of effective instructions by the Audit and Supervisory Committee to the employees

If the Audit and Supervisory Committee requests to assign assistants to assist their duties, the Company shall assign the necessary number of full-time assistants. If no full-time assistants are assigned, the Audit and Supervisory Committee may assign employees in the Internal Audit Office to assist its audit work, as necessary.

Regardless of whether employees are full-time assistant or not, the assigned employees shall not be subjected to instructions of executive officers including directors with respect to the instructions from the Audit and Supervisory Committee.

Regardless of whether employees are full-time assistant or not, the assigned employees shall follow the instructions of the Audit and Supervisory Committee. If full-time assistants are assigned, the Audit and Supervisory Committee shall be consulted when determining or changing personnel affairs and treatment such as salary of the assigned employees.

(Operating status)

Internal regulations stipulate that the Audit and Supervisory Committee may assign employees in the Internal Audit Office to assist its audit work and that the assigned employees shall not be subjected to instructions of executive officers such as directors to maintain independence of their assignment.

8. System to report to the Company's Audit and Supervisory Committee

(i) System for the Company's directors and/or employees to report to the Audit and Supervisory Committee and other systems concerning reports to Audit and Supervisory Committee members

Directors or employees shall immediately report to the Audit and Supervisory Committee any facts that may cause substantial damages to the Company or Nexon Group and any facts that execution of duties by directors is in violation of laws and regulations or the articles of incorporation.

(ii) System for reporting to the Company's Audit and Supervisory Committee from directors, statutory auditors, business executing persons and employees of subsidiaries or persons who have received report from them, and other systems concerning reports to Audit and Supervisory Committee members

Directors, statutory auditors, business executing persons and employees of subsidiaries or persons who have received report from them shall immediately report to the Company's Audit and Supervisory Committee any facts that may cause substantial damages to Nexon Group and any facts that execution of duties by subsidiaries' directors is in violation of laws and regulations or the articles of incorporation.

(Operating status)

The internal regulations applicable to the Company and Nexon Group companies provide for a system in which any facts that may cause substantial damages to the Company or Nexon Group and any facts that execution of duties by directors is in violation of laws and regulations or the articles of incorporation shall be reported to members of the Company's Audit and Supervisory Committee.

9. System to ensure that persons who have made a report prescribed in the preceding item shall receive no unfair treatment because of such report
   Regardless of whether or not it is reported under the whistle-blower system, persons who have reported to the Company's Audit and Supervisory Committee shall receive no unfair treatment because of such report.

   (Operating status)
   The internal regulations applicable to the Company and Nexon Group companies provide that the identity of the employees who have made a report prescribed in the preceding item shall remain confidential as much as possible and that any retaliatory sanctions and unfair treatment to such employees shall be prohibited.

10. Matters concerning policy for treatment of expenses or liabilities arising from execution of duties by the Company's Audit and Supervisory Committee members
   When Audit and Supervisory Committee members or the Audit and Supervisory Committee claim expenses required to engage lawyers, certified public accountants and other external professionals for their advice, to consign investigation, appraisal or other work or to make a business trip to subsidiaries, etc., in order to execute their duties, the Company shall pay these expenses as the Company's expense, unless such expenses are considered unnecessary for execution of duties by the Audit and Supervisory Committee.

   (Operating status)
   Internal regulations provide that expenses arising from execution of duties by the Audit and Supervisory Committee shall be paid as the Company's expense.

11. Other systems to ensure effective performance of audit by the Audit and Supervisory Committee
   The Audit and Supervisory Committee shall hold periodic meetings to exchange opinions with each of President/CEO, other directors and the independent auditors. In addition, the head of the Internal Audit Office shall report to the Audit and Supervisory Committee on the status of internal audit on a regular basis and the head of the Legal Department shall report to the Audit and Supervisory Committee on the compliance status on a regular basis.

   (Operating status)
   The Audit and Supervisory Committee have held periodic meetings to exchange opinions with President/CEO and the independent auditors, and the heads of the Internal Audit Office and Legal Department have reported to Audit and Supervisory Committee members on the status of internal audit and compliance, respectively, on a regular basis, in order to ensure the effectiveness of the audit.

12. Basic policy and relevant system to eliminate anti-social forces
   (i) Basic policy to eliminate the threats posed by anti-social forces
   The Company shall maintain a firm attitude toward anti-social forces that may pose threats to the order and security of the society and block any relationships including ordinary commercial transactions.
   (ii) System to eliminate anti-social forces
   The Company shall exercise its best efforts to block any relationships with anti-social forces by assigning the Legal Department to be in charge of dealing with anti-social forces and conducting customer reviews. In case the Company is approached by anti-social forces, a systematic response shall be taken jointly with external special agencies.

   (Operating status)
   The Company has in place a system to deal with anti-social forces by including elimination of anti-social forces in "NEXON Group Code of Conduct and Business Ethics (Code of Conduct)" and preparing an anti-social forces manual. In addition, the Company conducts preliminary review for new customers to examine whether they fall under the category of anti-social forces.

(6) Basic Policy on Control of the Company

Not applicable.

(7) Policy to Determine Distributions of Surplus

The Company provides in its Articles of Incorporation that distributions of surplus will be decided by resolutions of the Board of Directors pursuant to Article 459, Paragraph 1 of the Companies Act.

The Company recognizes that the return of profits to shareholders is an important management issue. Our policy is to return profits to shareholders through dividend payments, share repurchases and other means depending on the results of operations and upon full consideration of factors including the state of shareholder equity, performance 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.

With regards to the year-end dividends for the fiscal year ended December 31, 2022, the Board of Directors resolved at the meeting held on February 16, 2023 to pay dividends of 5.0 yen per share, in comprehensive consideration of consolidated performance and financial condition for the fiscal year ended December 31, 2022.

Consolidated Statement of Financial Position

(As of December 31, 2022)

(Millions of Yen)

Account	Amount	Account	Amount
(Assets)		(Liabilities)	
Current assets	642,029	Current liabilities	83,134
Cash and cash equivalents	409,368	Trade and other payables	14,705
Trade and other receivables	30,444	Deferred income	18,942
Other deposits	162,490	Income taxes payable	23,697
Other financial assets	23,078	Lease liabilities	4,045
Other currents assets	16,649	Provisions	10,164
Non-current assets	400,820	Other current liabilities	11,581
Property, plant and equipment	26,885	Non-current liabilities	92,169
Goodwill	40,136	Deferred income	15,897
Intangible assets	9,655	Lease liabilities	19,279
Right-of-use assets	19,079	Other financial liabilities	1,447
Investments accounted for using equity method	83,595	Provisions	355
Other financial assets	162,514	Other non-current liabilities	4,820
Other non-currents assets	1,811	Deferred tax liabilities	50,371
Deferred tax assets	57,145	Total liabilities	175,303
		(Equity)	
		Total equity attributable to owners of the parent	858,193
		Capital stock	38,972
		Capital surplus	18,331
		Treasury stock	(16,464)
		Other equity interest	114,012
		Retained earnings	703,342
		Non-controlling interests	9,353
		Total equity	867,546
Total assets	1,042,849	Total liabilities and equity	1,042,849

<u>Consolidated Statement of Income</u>

(From January 1, 2022 to December 31, 2022)

(Millions of Yen)

Account	Amount
Revenue	353,714
Cost of sales	(105,778)
Gross profit	247,936
Selling, general and administrative expenses	(139,297)
Other income	575
Other expenses	(5,518)
Operating income	103,696
Finance income	65,323
Finance costs	(12,892)
Loss on revaluation	(5,356)
Equity in loss of affiliates	(10,246)
Income before income taxes	140,525
Income taxes expense	(40,535)
Net income	99,990
(Attributable to)	
Owners of the parent	100,339
Non-controlling interests	(349)
Net income	99,990

Consolidated Statement of Changes in Equity

(From January 1, 2022 to December 31, 2022)

(Millions of Yen)

	Equity attributable to owners of the parent						Non-controlling interests	Total equity
	Capital stock	Capital surplus	Treasury stock	Other equity interest	Retained earnings	Total		
Balance as of 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 new stock	4,717	4,717	−	−	−	9,434	−	9,434
Stock issue cost	−	(33)	−	−	−	(33)	−	(33)
Dividend	−	−	−	−	(8,785)	(8,785)	−	(8,785)
Share-based payments	−	−	−	6,616	−	6,616	−	6,616
Expiration of subscription rights to shares	−	−	−	(27)	27	−	−	−
Changes in interests in controlling subsidiaries	−	(1,257)	−	−	−	(1,257)	(396)	(1,653)
Acquisition 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)	−	−	−
Transfer from other equity interest to retained earnings	−	−	−	807	(807)	−	−	−
Total transaction with owners	4,717	3,370	1,399	7,396	(109,565)	(92,683)	(396)	(93,079)
Balance as of December 31, 2022	38,972	18,331	(16,464)	114,012	703,342	858,193	9,353	867,546

Notes to Consolidated Financial Statements

1. Significant basis for preparation of the consolidated financial statements

(1) Basis of preparation of consolidated financial statements

The consolidated financial statements are prepared in accordance with the designated international accounting standards (IFRS) pursuant to provisions of Article 120, Paragraph 1 of the Regulation on Corporate Accounting. Certain disclosure items required by IFRS are omitted in the consolidated financial statements as permitted by the second sentence of the above-mentioned paragraph.

(2) Scope of consolidation

Status of consolidated subsidiaries

Number of consolidated subsidiaries: 41

Name of major consolidated subsidiaries

NEXON Korea Corporation (Korea)
NEOPLE Inc. (Korea)
NEXON Games Co., Ltd. (Korea)
Nexon America Inc. (United States)
Pixelberry Studios (United States)
Lexian Software Development (Shanghai) Co., Ltd. (China)
Embark Studios AB (Sweden)

(3) Application of the equity method

Status of affiliates and jointly controlled entities accounted for using the equity method

Number of affiliates and jointly controlled entities accounted for using the equity method: 15

Name of the major companies accounted for using the equity method

Brothers International, LLC (United States)
Alignment Growth Fund I, LP (United States)
Smash Capital Fund I L.P. (United States)

(4) Changes in the scope of consolidation and application of the equity method

1) Changes in the scope of consolidation

The following companies are included in the scope of consolidation from the current fiscal year: NEXON DEV VINA LIMITED COMPANY (Vietnam), Toben Studio Inc. (United States) and Nexon Block Corporation (Korea) as they were newly established and became consolidated subsidiaries; and methinks Co., Ltd. (Korea) and methinks technologies, Inc. (United States) as they became consolidated subsidiaries through share acquisition.

NEXON GT Co., Ltd. (Korea) was excluded from the scope of consolidation during the current fiscal year as a result of an absorption-type merger, with the company as the absorbed company and NAT GAMES Co., Ltd. (Korea) as the surviving company. Following the merger, the name of the surviving company was changed to "NEXON Games Co., Ltd.".

Thingsoft Inc. (Korea) was excluded from the scope of consolidation during the current fiscal year as a result of an absorption-type merger, with the company as the absorbed company and NEXON Korea Corporation (Korea) as the surviving company.

2) Changes in the scope of the equity method application

Smash Capital Fund I, LP (United States) was included in the scope of the equity method application from the current fiscal year as it became an affiliate through new acquisition of equity interests.

Six Waves Inc. (Hong Kong) was excluded from the scope of the equity method application during the current fiscal year due to sale of shares.

(5) Matters related to fiscal year of consolidated subsidiaries

All consolidated subsidiaries have the same fiscal year-end as the consolidated fiscal year-end.

(6) Accounting policies

1) Valuation basis and method for financial assets

(a) Financial assets

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

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

- The assets are held within a business model whose objective is to hold assets in order to collect contractual cash flows
- The contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

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

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

(Financial assets measured at amortized cost)

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

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

(Financial assets measured at FVTPL)

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

(Financial assets at FVTOCI)

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

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

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

(b) Impairment of financial assets measured at amortized cost

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

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

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

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

(c) Fair value of financial assets

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

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

See “4. Financial instrument” for calculation method of fair value.

2) Valuation basis and method and depreciation or amortization method for property, plant and equipment and intangible assets (excluding goodwill)

(a) Property, plant and equipment

(Recognition and measurement)

Property, plant and equipment are measured at cost less any accumulated depreciation and accumulated impairment losses.

The cost of an item of property, plant and equipment includes costs directly attributable to the acquisition, costs of dismantling and removing the item and restoring the site on which it is located, and borrowing costs to be capitalized.

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

(Depreciation)
Depreciation is calculated based on the depreciable amount. Depreciable amount is calculated as the cost of an asset less its residual value.

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

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

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

The depreciation methods, useful lives and residual values are reviewed at the end of each consolidated fiscal year and revised if necessary.

(b) Intangible assets

(Intangible assets acquired through business combination)
Intangible assets acquired through business combination and recognized separately from goodwill are initially recognized at fair value on the acquisition date.

Subsequently, those intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses.

(Software)
Nexon Group incurs certain costs to purchase or develop software for internal use.

Expenditures arising from research activities to obtain new scientific or technical knowledge are recognized as expenses when incurred. Expenditures arising from development activities are capitalized as intangible assets, if, and only if, they are reliably measurable, developments are technically feasible, it is highly probable to generate future economic benefits, and Nexon Group has an intention and adequate resources to complete the development of the assets to use or sell them.

Capitalized software costs are carried at cost less any accumulated amortization and any accumulated impairment losses.

(Research and development costs)
Expenditures arising from research activities to obtain new scientific or technical knowledge and understanding are recognized as expenses when incurred. Development costs that satisfy certain conditions are capitalized and carried at cost less any accumulated amortization and any accumulated impairment losses.

(Game copyrights and other intangible assets than investments in crypto-assets (individually acquired intangible assets))
Nexon Group purchases distribution rights for online games developed by other companies and recognizes them as intangible assets. Game copyrights and other intangible assets acquired by Nexon Group with finite useful lives are measured at cost less accumulated amortization and accumulated impairment losses. There are no intangible assets with indefinite useful lives.

(Investments in crypto-assets)
Nexon Group recognizes the investment in crypto-assets as an intangible asset under IAS 38 Intangible Assets ("IAS 38") and measures it initially at cost.

Nexon Group has determined it to be an intangible asset with an indefinite useful life and has not conducted amortization because the intangible asset has an unlimited usage period and we deem it would exist as long as it is used as a means of an exchange. After the initial recognition, Nexon Group has elected to measure the intangible asset using the revaluation model.

Under the revaluation model, Nexon Group recognizes the intangible asset at a revalued amount which is its fair value at the date of the revaluation less any subsequent accumulated impairment losses. For the purpose of revaluations under IAS 38, fair value is measured by reference to an active market.

If an intangible asset's carrying amount increases as a result of revaluation, Nexon Group recognizes the increase in other comprehensive income and it is accumulated in other equity interest as revaluation surplus. However, the increase is recognized in profit or loss to the extent that it reverses a revaluation decrease of the same intangible asset previously recognized in profit or loss.

If an intangible asset's carrying amount decreases as a result of revaluation, Nexon Group recognizes the decrease as an expense. However, the decrease is recognized in other comprehensive income to the extent of any credit balance in the revaluation surplus in respect of that intangible asset. The decrease recognized in other comprehensive income reduces the amount accumulated in other equity interest as revaluation surplus.

Nexon Group directly reclassifies revaluation surplus to retained earnings if the surplus is realized due to derecognition of the intangible asset.

(Amortization)

Amortization is calculated based on the cost of an asset less its residual value. Amortization of intangible assets is computed using the straight-line method over their estimated useful lives from the date when the assets become available for use.

Estimated useful lives for major intangible assets are as follows:

- Game copyrights 3 to 10 years

The amortization methods, useful lives and residual values are reviewed at the end of each consolidated fiscal year and revised if necessary. Residual values are considered to be zero.

(Impairment loss of non-financial assets)

The carrying amounts of Nexon Group's non-financial assets, excluding inventory and deferred tax assets, are assessed on a quarterly basis as to whether there is any indication of impairment. If any such indication exists, the recoverable amount of the assets is estimated. Regarding goodwill, intangible assets with indefinite useful lives, and intangible assets not yet available for use, the recoverable amount is estimated at the end of each consolidated fiscal year and when any indication of impairment is identified.

The recoverable amount of an asset or a cash-generating unit (CGU) is the higher of its value in use and its fair value less costs of disposal. In calculating value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the time value of money and the risks specific to the asset. A CGU is the smallest group of assets which generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

The CGU of goodwill is determined based on the unit by which the goodwill is monitored for internal management purposes and does not exceed an operating segment.

Because corporate assets do not generate independent cash inflows, if there is an indication that corporate assets may be impaired, the recoverable amount is determined for the CGU to which the corporate assets belong.

If the carrying amount of an asset or a CGU exceeds its recoverable amount, an impairment loss is recognized through profit or loss. The impairment loss recognized related to a CGU is allocated to reduce the carrying amount of the goodwill allocated to the CGU and then to reduce the carrying amount of the other assets of the CGU on a prorated basis.

Nexon Group assesses on a quarterly basis as to whether there is any indication that an impairment loss recognized in prior years for an asset may have decreased or may no longer exist. An impairment loss is reversed if an indication of reversal exists and there has been a change in the estimates used to determine the asset's recoverable amount. An impairment loss is reversed to the extent the carrying amount does not exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized. Impairment losses recognized for goodwill are not reversed.

3) Leases

At Nexon Group, we assess whether the contract is, or contains, a lease at inception of a contract. We deem that a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. We review the following matters in our assessment of whether or not a contract conveys the right to control the use of an identified asset:

- whether the use of an identified asset is included in the contract;
- whether Nexon Group has the right to receive almost all economic benefits from the use of the asset over the entire period of usage; and
- whether Nexon Group has the right to give instructions on the use of the asset.

When Nexon Group enters into or reviews a contract that contains lease components, we allocate the consideration in the contract to each component on the basis of the relative stand-alone prices of lease and non-lease components.

However, with regards to leases of a building or similar assets for which Nexon Group is the lessee, we have elected not to separate non-lease components from lease components, and instead account for lease and non-lease components as a single lease component.

Nexon Group determines the lease term as the non-cancellable period during which the lessee has the right to use the underlying asset, together with both:

- Periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option; and
- Periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option.

(Lease as a lessee)

Nexon Group recognizes a right-of-use asset and a lease liability at the commencement date.

The right-of-use asset is initially measured at cost. The cost of the right-of-use asset is derived by adjusting the amount of the initial measurement of the lease liability by any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to be incurred in dismantling and removing the underlying asset or restoring the underlying asset or the site on which it is located, less any lease incentives received.

After initial recognition, the right-of-use asset is depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful life of the right-of-use asset is determined in the same way as property, plant and equipment. In addition, the carrying amount of the right-of-use asset is reduced due to impairment losses and adjusted at remeasurement of the corresponding lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the lessee's incremental borrowing rate is used. The lessee's incremental borrowing rate is determined primarily by using the risk free rate, such as that of government bonds, adjusted for credit risks, or the most recent borrowing rate from a financial institution.

The total lease payments included in the measurement of the lease liability comprise the following payments:

- fixed lease payments (including in-substance fixed lease payments), less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if Nexon Group is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease if the lease term reflects the exercise of an option to terminate the lease by the lessee.

Subsequent to initial recognition, the carrying amount of lease liability is increased by the amount of interest expense on the lease liability and reduced by the amount of lease payments made. The lease liability will be remeasured if there is any change in future lease payments due to a change in an index or a rate, in the amounts expected to be payable under residual value guarantees, or in the certainty to exercise the purchase option, the extension option, or the option to terminate the lease.

At remeasurement of the lease liability, corresponding adjustment is made to the carrying amount of the right-of-use asset, or if the carrying amount of the right-of-use asset is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss.

In the consolidated statement of financial position, Nexon Group presents right-of-use assets that do not satisfy the definition of investment property under "right-of-use assets," and lease liabilities under "lease liabilities (current)" and "lease liabilities (non-current)."

(Short-term and low-value leases)

Nexon Group has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases for which the underlying assets is of low-value.

Nexon Group recognizes lease payments for these leases as expenses over the lease term on a straight-line basis.

(Lease as a lessor)

In cases where Nexon group is the lessor, we classify each of our leases as either a finance lease or an operating lease at the inception date of the lease. To classify each lease, we make an overall assessment as to whether or not it transfers substantially all of the risks and rewards incidental to ownership of an underlying asset. If it does, a lease is classified as a finance lease. If not, it is classified as an operating lease.

As a part of this assessment, we review certain indexes including whether or not the lease term is for a major part of the economic life of the underlying asset.

- In cases where Nexon Group is an intermediate lessor, the head lease and the sublease are accounted for separately.
- The classification of a sublease is determined upon referring, not to the underlying asset, but to the right-of-use asset that arise from the head lease.
- If the head lease is a short-term lease to be accounted for by applying the provision for exemption as above, the sublease is classified as an operating lease.
- If a contract contains lease and non-lease components, Nexon Group applies IFRS 16 and allocates the consideration in the contract to each component proportionately.

Nexon Group recognizes lease payments from operating leases as income on a straight-line basis over the lease term and presents them by including them in "other revenue."

For lease payments from finance leases, at the commencement date, we recognize assets held under a finance lease in our statement of financial position and present them as a receivable under "trade and other receivables" and "other financial assets (non-current)" at an amount equal to the net investment in the lease.

At the commencement date, the lease payments included in the measurement of the net investment in the lease comprise the following payments for the right to use the underlying asset during the lease term which are not received at the commencement date:

- fixed lease payments (including in-substance fixed lease payments), less any lease incentives payable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- any residual value guarantees provided to the lessor by the lessee;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease if the lease term reflects the exercise of an option to terminate the lease by the lessee.

Nexon Group recognizes lease payments from finance leases as "finance income" over the lease term based on a pattern that reflects a certain rate of return on Nexon Group's net investment in the lease.

4) Major provisions

Provisions are recognized when Nexon Group has a present legal or constructive obligation that can be reliably estimated as a result of past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. Provisions are calculated as the estimated future cash flows discounted to their present value using a pre-tax discount rate that reflects the time value of money and the risks specific to the liabilities. The unwinding of the discount is recognized as finance costs.

Asset retirement obligations are recognized to provide for obligations to restore leased offices and other premises to their original conditions. The amount of the obligations is estimated, recognized and measured considering the conditions of each property individually and specifically, based on factors including Nexon Group's past experience of restoration and the estimated periods of use determined taking into account the useful lives of leasehold improvements.

5) Revenue recognition

Nexon Group is engaged in PC online business, mobile business, consulting business for PC online game distribution and internet advertisement business. Revenue is measured at the fair value of the consideration received for services rendered in the ordinary course of business less sales-related taxes.

Revenue from contracts with customers for transactions involving provision of services is recognized based on the following five-step approach:

Step 1: Identify contracts with customers
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations
Step 5: Recognize revenue when (or as) performance obligations are satisfied

Nexon Group has neither incremental cost for the acquisition of contracts with customers, nor any incidental part that is deemed recoverable and needs to be recognized as an asset. "Deferred income" in the consolidated statement of financial position falls under contract liability under IFRS 15.

Nexon Group identifies different assets or services included in contracts with customers and uses them as transactional units in the identification of our performance obligations. As we identify our performance obligations, we conduct a review as to whether we are a principal or agent. Revenue recognition criteria and basis for gross versus net presentation of revenue for major revenue categories are as follows.

(A) Revenue recognition criteria by major revenue category

Nexon Group generates revenue primarily from (a) sales of items used in PC online business and mobile business (revenue from item charging); (b) royalty income from granting distribution rights for PC online games developed and commercialized by Nexon Group; and (c) revenue from consulting business for PC online game distribution and in-game advertisement business.

(a) Revenue from sales of items used in PC online business and mobile business (revenue from item charging)

PC online business distributes PC online games developed by Nexon Group or other companies. To play Nexon Group's PC online games, there is no basic usage fee, but certain fees are charged to purchase necessary items or use certain services. In PC online game, revenue is recognized over the estimated usage period during which the game items purchased in exchange for game points are expected to be used.

Mobile business distributes mobile games developed by Nexon Group or other companies through terminals including smartphones and tablets. To play mobile games, there is no basic usage fee, but certain fees are charged to purchase necessary items or use certain services. In mobile game, revenue is recognized over the estimated usage period during which the game items purchased in exchange for game points are expected to be used.

In our PC online and mobiles businesses, we mostly provide services as a principal, but we also provide some services as an agent.

(b) Royalty income from granting distribution rights for PC online games developed and commercialized by Nexon Group

As the owner of the copyright, Nexon Group enters into a license agreement with third party distribution companies and grant distribution rights for PC online games developed and commercialized by Nexon Group.

We deem the performance obligations for royalty income arising from granting distribution rights to third parties to be satisfied over the contract term of the relevant royalty agreement when it is probable that the economic benefits associated with the transaction will flow to Nexon Group and such income amount can be measured reliably.

For the granting of publishing rights through licensing agreements, we conduct transactions as a principal.

(c) Revenue from consulting business for PC online game distribution and in-game advertisement business

In consulting business, a subsidiary provides Chinese domestic distribution companies with consulting services for setting up and maintaining billing systems and membership systems, business strategy development, game business management, and marketing, and recognize revenue for rendered services by reference to the stage of completion of the transaction. We provide services in our consulting business as a principal.

In in-game advertisement business, advertisements are directly exposed to users through their usage of functional items that are equipped with advertisement function in the game, and revenue is recognized over the advertisement period. For our in-game advertisement business, we decide whether we are a principal or agent on a case-by-case basis.

(B) Revenue recognition based on satisfaction of performance obligations

Nexon Group recognizes revenue when, or as, we satisfy our performance obligations by transferring services to customers.

We recognize that performance obligations are satisfied over time in our PC online business, mobile business, consulting business for PC online game distribution, and internet advertisement business. In segment information, revenue from our consulting business for PC online game distribution is included in PC online, and revenue from our internet advertisement business is included in Other.

(a) Performance obligations satisfied at a point in time

Nexon Group recognizes revenues at a point in time as the transfer of control occurs upon delivery to customers.

(b) Performance obligations satisfied over time

If any one of the following criteria is met, control of a service is transferred over time, and therefore, performance obligations are satisfied and revenues are recognized over time.

(i) The customer simultaneously receives and consumes the benefit provided by Nexon Group’s performance as Nexon Group performs.
(ii) Nexon Group’s performance creates or enhances an asset (e.g. work in progress) that the customer controls as the asset is created or enhanced.
(iii) Nexon Group’s performance does not create an asset with an alternative use to Nexon Group and Nexon Group has an enforceable right to payment for performance completed to date.

We recognize performance obligations for revenue from item charging by estimating the service period of items sold for each game. We assume the period to satisfy performance obligations to be the same as the estimated service period, which is calculated by classifying an item sold into three types (i.e. consumable, periodic, permanent) according to its specification.

For permanent items for which our performance obligations continue on a permanent basis, we adopt a method of calculating the users’ weighted average service usage period.

For royalty income, we recognize revenue assuming the contract term of copyrights, etc. owned by Nexon Group to be the period to satisfy performance obligations.

(C) Gross versus net presentation of revenue

In the ordinary course of business, there are cases where Nexon Group acts as an intermediary or agent. In reporting revenue arising from these transactions, Nexon Group determines whether to present revenue in the gross amount of the consideration received from customers or in the amount of consideration net of commissions and other fees payable to third parties. However, the decision as to whether revenue is presented in gross or net amount has no impact on profit or loss.

Determination of whether to present revenue in the gross or net amount is based on whether the nature of our performance obligation under the relevant transaction requires us to provide particular goods or services ourselves (i.e. we are a “principal”) or to arrange for another party to provide particular goods or services (i.e. we are an “agent”). For transactions in which Nexon Group acts as a “principal,” we recognize revenue on a gross basis when or as the performance obligation is satisfied. For transactions in which Nexon Group acts as an “agent,” we recognize as revenue the net amount it retains as consideration or commission which we expect to become entitled to receive in exchange for arranging for another party to provide particular goods or services when or as the performance obligation is satisfied. Whether Nexon Group acts as a principal or an agent is determined based on an assessment of terms and conditions of each arrangement with respect to exposure to the significant risks and rewards associated with sale of goods or provision of services.

In addition, we are a “principal” if we control the good or service before transferring it to the customer.

Factors to be considered as requirements for gross presentation of revenue arising from a transaction in which Nexon Group acts as a principal include:

(a) We have primary responsibility to provide a service to a customer or to fulfill an order.
(b) We have discretion to directly or indirectly establish pricing.
(c) We are exposed to credit risk for the amount receivable from the customer.

6) Translation of major foreign currency denominated assets or liabilities to Japanese yen

(a) Functional currency and presentation currency

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

(b) Translation of items denominated in foreign currencies

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

(c) Foreign operations

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

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

7) Goodwill

Nexon Group measures goodwill as the excess of the aggregate of acquisition-date fair value of consideration transferred and the amount of any non-controlling interest in the acquiree over the net acquisition-date amount of identifiable assets acquired and liabilities assumed. The negative excess is recognized in profit or loss.

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

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

8) Hedge accounting

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

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

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

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

(7) Changes in accounting policies

(Changes in accounting policies required by IFRS)

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

Standards	Title	Overview of new or amended standard
IFRS 3	Business Combination	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

(8) Notes to Accounting Estimates

The preparation of the consolidated financial statements requires the management to make judgments, accounting estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenue and expenses. Estimates and assumptions are based on past performance and the management’s best judgment based on various factors deemed reasonable. However, the actual results may vary from those estimates and assumptions due to their nature, and future changes in uncertain economic conditions may have a material impact on the amounts to be recognized on the consolidated financial statements in the future periods. We review estimates and underlying assumptions on a continuing basis. Any effects from the review of estimates are recognized in the period in which estimates are reviewed and in future periods. Estimates and assumptions that have significant impacts on the amount recognized on the consolidated financial statements are as follows:

1) Measurement of fair value of financial instruments

Fair value of certain financial instruments is calculated based on valuation techniques that include significant unobservable inputs, which may be affected by future changes in uncertain economic conditions. The amount recognized for the current consolidated fiscal year is included in “Other financial assets (non-current)” on the consolidated statement of financial position.

2) Impairment loss of non-financial assets

Nexon Group conducts impairment tests for its non-financial assets excluding inventory and deferred tax assets in accordance with “1. Significant basis for preparation of the consolidated financial statements, (6) Accounting policies.” The recoverable amount in the impairment test is the higher of its value in use and its fair value less cost of disposal. The value in use is calculated based on the assumption such as a growth rate and discount rate included in the future cash flow projections. These assumptions are determined by the management’s best estimate and judgment but may be affected by future changes in uncertain economic conditions. The amount recognized for the current consolidated fiscal year is included in “Other current assets,” “Property, plant and equipment,” “Goodwill,” “Intangible assets,” “Right-of-use assets,” “Investments accounted for using equity method” and “Other non-current assets” on the consolidated statement of financial position. The result of the impairment test of “Goodwill,” “Intangible assets” and “Investments accounted for using equity method” is presented in “9. Other notes.”

3) Recoverability of deferred tax assets

A deferred tax asset is calculated for deductible temporary differences and carryforwards of unused tax credits and tax losses based on the timing and amount of future taxable profits expected to be available against which the temporary differences and the unused tax credit and loss carryforward can be utilized. Such timing and amount is determined by the management's best estimate and judgment but may be affected by future changes in uncertain economic conditions. The amount recognized for the current consolidated fiscal year is included in "Deferred tax assets" on the consolidated statement of financial position.

2. Notes to consolidated statement of financial position

(1) Assets pledged as collateral

Other financial assets (current)	
Time deposits	¥6,752 million
Other financial assets (non-current)	
Time deposits	¥381 million
Total	¥7,133 million

Time deposits above mainly relate to borrowings from financial institutions by employees of our overseas subsidiaries.

(2) Liabilities corresponding to pledged assets

Not applicable

(3) Allowance for doubtful accounts directly deducted from assets

Trade and other receivables	¥982 million
Other financial assets (current)	¥1,149 million
Other financial assets (non-current)	¥790 million

(4) Accumulated depreciation of property, plant and equipment ¥18,743 million

Accumulated depreciation of property, plant and equipment above includes accumulated impairment loss on property, plant and equipment of ¥594 million.

(5) Guarantee liabilities

Not applicable

3. Notes to consolidated statement of changes in equity

(1) Class and number of shares issued and outstanding

Class of shares	Total number as of January 1, 2022	Increase	Decrease	Total number of shares as of December 31, 2022
Common stock	898,746,469 shares	4,598,559 shares	36,571,300 shares	866,773,728 shares

(Notes) 1. The increase in the total number of common stock issued and outstanding include 4,145,042 shares resulting from exercise of subscription rights to shares and 453,517 shares resulting from share issuance through a third-party allotment to employees of Embark Studios AB.

2. The decrease in the total number of common stock issued and outstanding of 36,571,300 shares results from retirement of treasury stock.

(2) Class and number of treasury stock

Class of shares	Total number as of January 1, 2022	Increase	Decrease	Total number of shares as of December 31, 2022
Common stock	7,908,437 shares	34,697,010shares	36,650,047 shares	5,955,400 shares

(Notes) 1. The increase in the total number of treasury common stock includes 34,696,900 shares resulting from acquisition of treasury stock and 110 shares resulting from purchase demand of shares less than one unit.

2. The decrease in the total number of treasury common stock of 36,571,300 shares results from retirement of treasury stock.

3. The decrease in the total number of treasury common stock of 78,747 shares results from disposal of the Company’s shares owned by our consolidated subsidiary Stiftelsen Embark Incentive (“Foundation”).

4. Treasury stock of 5,955,400 shares as of December 31, 2022 includes the Company’s shares owned by the Foundation of 787,023 shares.

5. The Company resolved at the Board of Directors meeting held on November 9, 2022 to acquire treasury stock as follows:

(a) Reason for the acquisition

To improve capital efficiency and ensure flexibility of capital policy

(b) Details of the acquisition

(i) Class of shares to be acquired: Common stock of NEXON Co., Ltd.

(ii) Total number of shares to be acquired: 25 million shares (maximum)

(iii) Total acquisition cost: ¥50 billion (maximum)

(iv) Period of acquisition From November 10, 2022 to April 19, 2023

(v) Method of acquisition: Market purchase on the Tokyo Stock Exchange

(3) Dividends from surplus

1) Amount of dividend paid

Resolution	Class of shares	Total dividends (Millions of yen)	Dividend per share (Yen)	Record date	Effective date	Dividend source
Board of Directors meeting on February 17, 2022	Common stock	4,459	5.0	December 31, 2021	March 28, 2022	Retained earnings
Board of Directors meeting on August 9, 2022	Common stock	4,327	5.0	June 30, 2022	September 26, 2022	Retained earnings

(Note) Total dividends pursuant to the resolutions at the Board of Directors meetings on February 17, 2022 and August 9, 2022 include dividends of ¥4 million, respectively, attributable to the Company's shares owned by the Foundation.

2) Dividends with the record date in the current consolidated fiscal year but the effective date in the following fiscal year

Resolution	Class of shares	Total dividends (Millions of yen)	Dividend per share (Yen)	Record date	Effective date	Dividend source
Board of Directors meeting on February 16, 2023	Common stock	4,308	5.0	December 31, 2022	March 27, 2023	Retained earnings

(Note) Total dividends pursuant to the resolution at the Board of Directors meeting on February 16, 2023 include a dividend of ¥4 million attributable to the Company's shares owned by the Foundation.

(4) Subscription rights to shares as of December 31, 2022

	Class of underlying share	Number of underlying share
Subscription rights to shares as 2017 Stock Option (13-1)	Common stock	708,000 shares
Subscription rights to shares as 2017 Stock Option (13-2)	Common stock	4,126,000 shares
Subscription rights to shares as 2018 Stock Option (13-3)	Common stock	16,000 shares
Subscription rights to shares as 2018 Stock Option (15-1)	Common stock	80,000 shares
Subscription rights to shares as 2020 Stock Option (18-1)	Common stock	416,000 shares
Subscription rights to shares as 2020 Stock Option (18-2)	Common stock	1,128,000 shares
Subscription rights to shares as 2020 Stock Option (18-3)	Common stock	5,846,000 shares
Subscription rights to shares as 2021 Stock Option (19-1)	Common stock	50,143 shares
Subscription rights to shares as 2021 Stock Option (19-2)	Common stock	1,188 shares
Subscription rights to shares as 2021 Stock Option (20-1)	Common stock	162,496 shares
Subscription rights to shares as 2021 Stock Option (20-2)	Common stock	3,907,301 shares
Subscription rights to shares as 2021 Stock Option (20-3)	Common stock	38,333 shares

(Note) Subscription rights to shares whose exercise period is yet to start and unvested subscription rights to shares are excluded.

4. Notes to financial instruments

(1) Policies on the use of financial instruments

Nexon Group secures necessary working capitals and investment fund based on the business plan, etc. Excess funds are invested in short-term deposits and marketable securities. Nexon Group uses derivative contracts mainly for the purpose of hedging interest rates and foreign exchange fluctuation risk and do not use them for speculative purposes.

(2) Descriptions and risks of financial instruments as well as risk management system

Trade and other receivables are exposed to credit risk of business partners. With regard to the credit risk, the Company and its consolidated subsidiaries, based on the respective credit management regulations, regularly conduct credit reviews of their customers to obtain their credit information and manage due dates and outstanding credit balances by customer, in order to detect signs of deteriorating financial conditions of customers at an early stage and mitigate potential risks regarding collectibility.

Marketable securities included in other financial assets primarily consist of shares, investments in investment partnership and bonds. These securities are exposed to credit risk of issuers, market price fluctuation risk and foreign exchange fluctuation risk. Nexon Group manages these risks by obtaining information about market values and financial conditions of these issuers regularly.

All trade and other payables become due within one year.

(3) Supplemental information on fair values of financial instruments

The fair values of financial instruments are estimated using values based on the market price or discounting future cash flows when there are no market prices. As such values are calculated using variable factors, using different assumptions may result in different values.

(4) Fair values of financial instruments

Amounts on the consolidated statement of financial position and fair values as of December 31, 2022 are as follows.

	Consolidated statement of financial position (Millions of yen)	Fair value (Millions of yen)
Cash and cash equivalents	409,368	409,368
Trade and other receivables	30,444	30,444
Other deposits	162,490	162,490
Other financial assets (current)	23,078	23,069
Other financial assets (non-current)	162,514	162,514
Total assets	787,894	787,885
Trade and other payables	14,705	14,705
Other financial liabilities (non-current)	1,447	1,447
Total liabilities	16,152	16,152

Fair values of financial assets and financial liabilities are determined as follows. The fair values of financial instruments are estimated using values based on the market price or discounting future cash flows when there are no market prices.

Cash and cash equivalents, other deposits, trade and other payables

They are stated at carrying amount as it approximates fair value because of the short period of time until its maturity or settlement.

Trade and other receivables

Fair values are estimated in certain intervals based on the present value of future cash flows of receivables grouped by category discounted at the appropriate rate such as government bonds yields adjusted with credit risk. Trade and other receivables with short maturities are stated at carrying amount as it approximates fair value.

Other financial assets (current)

Marketable securities are classified as financial assets measured at fair value through profit or loss (FVTPL) and measured at fair value at the end of the reporting period. Fair values are based on market prices.

Debt securities are measured at fair value at the end of the reporting period based on the quoted price provided by counterparty financial institutions.

Other items presented in this category are stated at carrying amount as it approximates fair value because of the short period of time until its maturity or settlement.

Other financial assets (non-current)

Stocks included in marketable securities are classified as financial assets measured at fair value through other comprehensive income (FVTOCI) and measured at fair value at the end of the reporting period. Fair values are based on market prices.

Unlisted stocks classified as financial assets measured at fair value through other comprehensive income (FVTOCI) are measured at fair value at the end of the reporting period. Fair values are estimated primarily by discounting future cash flows.

Securities other than the above are classified as financial assets measured at fair value through profit or loss (FVTPL) and measured at fair value at the end of the reporting period.

For other items presented in this category, fair values are estimated primarily by discounting future cash flows.

Other financial liabilities (non-current)

Other financial liabilities (non-current) are mainly classified as financial liabilities measured at fair value through profit or loss (FVTPL) and measured at fair value at the end of the reporting period.

5. Components of financial instruments by level of fair value

IFRS 13 *Fair Value Measurement* requires fair value measurements to be categorized using the fair value hierarchy based on the significance of the inputs used to measure fair value.

The fair value hierarchy consists of the following three levels:

・Level 1: Quoted prices for identical assets or liabilities in active markets
・Level 2: Inputs made up of prices, other than quoted prices, that are observable, either directly or indirectly
・Level 3: Inputs that include unobservable prices

The level of the fair value used to measure fair value is determined based on the lowest level input that is significant to the fair value measurement. Transfers between levels are recognized on the date of the event or change in circumstances that caused the transfer.

(a) Financial instruments measured at amortized cost

Financial assets and liabilities measured at amortized cost classified by level of fair value hierarchy as of December 31, 2022 are as follows. However, financial assets and liabilities whose carrying amounts approximate their fair values are not included in the table below.

(Millions of yen)

	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Other financial assets (current)					
Securities	1,199	－	1,190	－	1,190
Total	1,199	－	1,190	－	1,190
Other financial assets (non-current)					
Time deposits	381	－	381	－	381
Security deposits and guarantees	7,338	－	－	7,338	7,338
Lease receivables	2,692	－	－	2,692	2,692
Other	3,721	－	－	3,721	3,721
Total	14,132	－	381	13,751	14,132
Other financial liabilities (non-current)					
Other	1,438	－	－	1,438	1,438
Total	1,438	－	－	1,438	1,438

(b) Financial instruments measured at fair value

Financial assets and liabilities measured at fair value classified by level of fair value hierarchy as of December 31, 2022 are as follows.

(Millions of yen)

	Fair value			
	Level 1	Level 2	Level 3	Total
Other financial assets (current)				
Financial assets measured at FVTPL				
Securities	12,209	－	－	12,209
Other financial assets (non-current)				
Financial assets measured at FVTPL				
Securities	－	－	8,107	8,107
Financial assets measured at FVTOCI				
Securities	129,774	－	10,501	140,275
Total	141,983	－	18,608	160,591
Other financial liabilities (non-current)				
Financial liabilities measured at FVTPL				
Derivative liabilities without hedge accounting application	－	－	9	9
Total	－	－	9	9

(c) Reconciliation of financial instruments classified as Level 3

Reconciliation of financial instruments measured at fair value on a recurring basis classified as Level 3 from the beginning balance to the ending balance during the fiscal year ended December 31, 2022 is as follows.

(Millions of yen)

	Other financial assets	Other financial liabilities
Balance at January 1	27,438	477
Gains or losses (Note)		
Net income	218	(513)
Other comprehensive income	(12,402)	—
Purchases	1,245	—
Distribution	(190)	—
Exchange differences on translating foreign operations	2,299	45
Balance at December 31	18,608	9

(Note) Gains or losses recognized in net income are presented in finance income or expenses. Gains or losses recognized in other comprehensive income are presented in financial assets measured at fair value through other comprehensive income.

Fair values of financial instruments classified as Level 3 are measured by the Accounting/Finance Department of the Company and its consolidated subsidiaries in accordance with relevant internal rules. Fair values are measured with reasonably estimated inputs using the most appropriate valuation model determined based on the nature of the assets, etc., and a proper internal approval process is followed in making such decisions to ensure the validity of the valuation of fair values.

The valuation technique used to measure fair values of financial instruments measured at fair value on a recurring basis that are classified as Level 3 is mainly the discounted cash flow method, and the significant unobservable input is usually a discount rate. The weighted average capital cost used as the discount rate in the fiscal years ended December 31, 2022 is from 12.5% to 18.0%. A rise or fall in discount rates result in a decrease or increase in these fair values, respectively. The effect on fair values of using reasonably possible alternative assumptions as inputs are insignificant.

5. Notes on revenue recognition

(1) Disaggregation of revenue

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

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

Nexon Group applied IFRS 15 *Revenue from Contracts with Customers* and therefore has disaggregated revenue generated from contracts with customers into PC online, mobile and other based on such contracts with customers.

The relation between disaggregated revenue and reportable segments for the fiscal year ended December 31, 2022 is as follows. All revenue for the fiscal year ended December 31, 2022 is recognized from contracts with customers.

(Millions of yen)

	Reportable segments					
	Japan	Korea	China	North America	Other	Total
PC Online (Note)	3,455	227,757	3,341	6,310	1,367	242,230
Mobile (Note)	1,223	101,813	—	6,766	—	109,802
Other	24	1,648	—	9	1	1,682
Revenue recognized from contracts with customers	4,702	331,218	3,341	13,085	1,368	353,714

(Note) For PC Online and mobile, control over services is transferred over a certain period of time and therefore performance obligations are fulfilled and revenue is recognized over a certain period of time.

(2) Contract balance

(a) Ending balance of receivables, contract assets and liabilities arising from contracts with customers

Ending balance of contract balance arising from contracts with customers as of December 31, 2022 is as follows. There are no contract assets recognized by Nexon Group.

(Millions of yen)

	Contract balance
Receivables arising from contracts with customers (Note 1)	
Accounts receivable	29,037
Deferred income (Note 2)	34,839

(Notes) 1. Receivables arising from contracts with customers are included in “Trade and other receivables” in the consolidated statement of financial position.
2. Deferred income falls under contract liability under IFRS 15.

Deferred income as of December 31, 2022 consists mainly of the followings:

(Millions of yen)

	Current	Non-current
Item charging (Note 1)	17,319	1,462
Royalty (Note 2)	1,606	14,433
Other	17	2
Total	18,942	15,897

(Notes) 1. Nexon Group defers revenue from item sales, etc. in PC online business and mobile business in order to recognize it over the estimated usage period of game items. See “1. Significant basis for preparation of the consolidated financial statements, (6) Accounting policies, 5) Revenue recognition” for the method to estimate the usage period.
2. Royalty includes royalty income related to licensing out *Dungeon&Fighter* in China and unearned royalty related to development.
Unearned royalty related to development is expected to be recognized as revenue over a certain period after the game is launched.

(b) Contract liabilities as of January 1 and revenue recognized from performance obligations satisfied in previous periods

Of revenue recognized for the fiscal year ended December 31, 2022, the amount included in contract liabilities as of January 1, 2022 is as follows.

There was no revenue recognized from performance obligations satisfied (or partially satisfied) in previous periods.

(Millions of yen)

	Current	Non-current
Amount included in contract liabilities as of January 1	9,870	9

(3) Transaction price allocated to unsatisfied performance obligations

The aggregate amount of transaction price allocated to unsatisfied performance obligations in contract liabilities as of December 31, 2022 and the expected timing when such contract liabilities are expected to be recognized as revenue are as follows.

(Millions of yen)

Aggregate amount of transaction price allocated to unsatisfied performance obligations	34,839
Expected timing of revenue recognition	
1st year	18,942
2nd year	2,545
3rd year	1,003
4th year	357
5th year	―
6th year and thereafter	11,992
Total	34,839

(Note) Nexon Group includes unearned royalty related to development in 6th year and thereafter.

6. Notes on rental properties

Disclosure is omitted as the total amount of rental properties is immaterial.

7. Notes on per share information

(1) Equity attributable to owners of the parent per share	996.95 yen
(2) Basic earnings per share	114.74 yen
(3) Diluted earnings per share	113.81 yen

(Note) The Company's shares owned by our consolidated subsidiary Stiftelsen Embark Incentive are included in treasury stock which is excluded from the calculation of per share information.

8. Notes on material subsequent events

Pursuant to the resolution at the Board of Directors meeting on December 13, 2022, Nexon Group acquired the trust beneficiary certificate related to real estate on January 10, 2023.

(1) Detail of the real estate related to the trust beneficiary certificate

Name of the building	Autoway Tower
Location	948 Daechi-dong, Gangnam-gu, Seoul, Korea
Land area	8,267.10㎡
Total floor area of the building	47,721.19㎡ (9 floors above ground/5 floors underground

(2) Reason and description of the acquisition

Our consolidated subsidiary NEXON Korea Corporation acquired 50% of the trust beneficiary certificate from The Korean Teachers' Credit Union for 190,585 million Korean won (approx. ¥20,107 million) to secure office space in Gangnam-gu, Seoul. As preferential leasehold rights are attached to the trust beneficiary certificate, NEXON Korea Corporation and its related companies may lease the building pertaining to the certificate on a preferential basis on certain conditions. The trust beneficiary certificate will be accounted for using the equity method.

9. Other Notes

During the current consolidated fiscal year, Nexon Group performed impairment tests for goodwill and intangible assets and recognized impairment losses as realization of profits originally expected is no longer probable. Those impairment losses are included in “Other expenses” in the consolidated statement of income.

Major components of impairment losses are as follows:

Item	Reportable segment	Company	Impairment losses (Millions of yen)
Game copyrights	Other	Embark Studios AB	2,179
Game copyrights	Korea	NEXON Games Co., Ltd.	1,581
Goodwill	Korea	methinks Co., Ltd.	1,076

Impairment loss of ¥1,306 million was recognized on investments in certain affiliates as their recoverable amount fell below their carrying amount and is included in “Finance costs” in the consolidated statement of income.

Non-consolidated Balance Sheet

(As of December 31, 2022)

(Millions of Yen)

Account	Amount	Account	Amount
(Assets)		(Liabilities)	
Current assets	135,225	Current liabilities	4,523
Cash and deposits	131,959	Accounts payable-trade	315
Accounts receivable-trade	810	Accounts payable-other	778
Other receivables	708	Accrued expenses	247
Prepaid expenses	182	Corporate taxes payable	2,325
Securities	1,199	Deposits received	70
Consumption taxes refund receivable	61	Unearned revenue	381
Other	306	Allowance for bonus	169
Non-current assets	35,848	Other	238
Tangible fixed assets	1	Non-current liabilities	640
Buildings	163	Long-term unearned revenue	102
Leasehold improvements	84	Allowance for retirement benefits	168
Tools, furniture and fixtures	74	Asset retirement obligations	167
Accumulated impairment loss	(296)	Deferred tax liabilities	203
Accumulated depreciation	(24)	Total liabilities	5,163
Investments and other assets	35,847	(Net assets)	
Investment securities	744	Shareholders' equity	149,456
Stocks of subsidiaries and affiliates	34,081	Capital stock	38,881
Long-term loans receivable from subsidiaries and affiliates	30,222	Capital surplus	38,131
Other	1,242	Capital reserve	38,131
Allowance for doubtful accounts	(30,442)	Retained earnings	87,243
		Retained earnings reserve	217
		Other retained earnings	87,026
		Retained earnings brought forward	87,026
		Treasury stock	(14,799)
		Valuation and translation adjustments	460
		Valuation difference on available-for-sale securities	460
		Subscription rights to shares	15,994
		Total net assets	165,910
Total assets	171,073	Total liabilities and net assets	171,073

Non-consolidated Statement of Income

(From January 1, 2022 to December 31, 2022)

(Millions of Yen)

Account	Amount	
Net sales		
Sales of games	4,681	
Other sales	1,191	5,872
Cost of sales		3,092
Gross profit		2,780
Selling, general and administrative expenses		13,158
Operating loss		10,378
Non-operating income		
Interest income	358	
Foreign exchange gain	10,648	
Dividend income	76,891	
Other	15	87,912
Non-operating expenses		
Stock issue cost	33	
Treasury stock acquisition cost	57	
Loss on sale of crypto-assets	4,632	
Other	25	4,747
Ordinary income		72,787
Extraordinary gain		
Gain from sale of stocks of subsidiaries and affiliates	8,011	
Gain from reversal of subscription rights to shares	406	8,417
Extraordinary loss		
Loss on revaluation of stocks of subsidiaries and affiliates	1,087	
Impairment loss	36	1,123
Profit before income taxes		80,081
Income taxes	6,600	6,600
Net income		73,481

Non-consolidated Statement of Changes in Net Assets

(From January 1, 2022 to December 31, 2022)

(Millions of Yen)

	Shareholders' equity						
	Capital stock	Capital surplus			Retained earnings		
		Capital reserve	Other capital surplus	Total capital surplus	Retained earnings reserve	Other retained earnings: Retained earnings brought forward	Total retained earnings
Balance as of January 1, 2022	34,167	33,417	—	33,417	217	122,330	122,547
Changes of items during the period							
Issue of new stock	4,714	4,714	—	4,714	—	—	—
Dividends from surplus	—	—	—	—	—	(8,785)	(8,785)
Net income	—	—	—	—	—	73,481	73,481
Acquisition of treasury stock	—	—	—	—	—	—	—
Retirement of treasury stock	—	—	—	—	—	(100,000)	(100,000)
Net changes of items other than shareholders' equity	—	—	—	—	—	—	—
Total changes of items during the period	4,714	4,714	—	4,714	—	(35,304)	(35,304)
Balance as of December 31, 2022	38,881	38,131	—	38,131	217	87,026	87,243

	Shareholders' equity		Valuation and translation adjustments		Subscription rights to shares	Total net assets
	Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments		
Balance as of January 1, 2022	(16,032)	174,099	(15)	(15)	10,749	184,833
Changes of items during the period						
Issue of new stock	—	9,428	—	—	—	9,428
Dividends from surplus	—	(8,785)	—	—	—	(8,785)
Net income	—	73,481	—	—	—	73,481
Acquisition of treasury stock	(98,767)	(98,767)	—	—	—	(98,767)
Retirement of treasury stock	100,000	—	—	—	—	—
Net changes of items other than shareholders' equity	—	—	475	475	5,245	5,720
Total changes of items during the period	1,233	(24,643)	475	475	5,245	(18,923)
Balance as of December 31, 2022	(14,799)	149,456	460	460	15,994	165,910

Notes to non-consolidated financial statements

1. Notes on going concern assumptions
   Not applicable.

2. Notes on significant accounting policies

(1) Valuation basis and method for securities

Stocks of subsidiaries and affiliates

Stated at cost based on the moving-average method.

Available-for-sale securities

Securities other than stocks without fair value

Stated at fair market value. Unrealized gains and losses, net of applicable taxes, are directly recorded in Net assets and cost of securities sold is calculated using the moving-average method.

Stocks without fair value

Stated at cost based on the moving-average method.

(2) Depreciation method for non-current assets

1) Tangible fixed assets, excluding lease assets

Straight-line method

Useful lives of major assets are as follows:

Buildings:	5 to 50 years
Leasehold improvements:	10 to 15 years
Tools, furniture and fixtures:	4 to 5 years

2) Intangible fixed assets, excluding lease assets

Software for internal use

Software for internal use is amortized using the straight-line method over the expected useful life (five years).

3) Lease assets

Finance lease transactions that do not transfer ownership

Finance lease assets without ownership transfer are depreciated using the straight-line method over the lease period, assuming no residual value.

(3) Accounting for allowances

1) Allowance for doubtful accounts

Allowance for performing receivable is provided based on the actual credit loss ratio. Allowance for specific receivable such as those with doubtful collectibility is provided for the expected uncollectible amount based on the individual assessment for collectibility.

2) Allowance for bonuses

Provision for bonuses is provided for the estimated bonus amount to be paid to the employees attributable to the current fiscal year.

3) Allowance for retirement benefits

Provision for employees' retirement benefits is provided for the amount of obligation expected to have been incurred at year-end based on the estimated retirement benefit obligation as of year-end.

(4) Revenue recognition

The Company has applied "Accounting Standard for Revenue Recognition" (Accounting Standards Board of Japan (ASBJ) Statement No. 29) and "Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No. 30) and recognizes revenue from contracts with customers for transactions involving provision of services based on the following five-step approach.

Step 1: Identify contracts with customers

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations

Step 5: Recognize revenue when (or as) performance obligations are satisfied

The Company is engaged in PC online business, mobile business, online game service support business ("Support Business") and internet advertisement business. The Company identifies different assets or services included in contracts with customers and uses them as transactional units in the identification of our performance obligations. As we identify our performance obligations, we conduct a review as to whether we are a principal or agent. Revenue recognition criteria and basis for gross versus net presentation of revenue for major revenue categories are as follows.

(A) Revenue recognition criteria by major revenue category

The Company generates revenue primarily from (a) sales of items used in PC online business and mobile business (revenue from item charging) and (b) sales from contract services provided in the Support Business.

(a) Revenue from sales of items used in PC online business and mobile business (revenue from item charging)

PC online business distributes PC online games developed by our subsidiaries. The Company's PC online games are basically free to play, but certain fees are charged to purchase necessary items or use certain services. In PC online game, revenue is recognized over the estimated usage period during which the game items purchased in exchange for game points are expected to be used.

Mobile business distributes mobile games developed by our subsidiaries or other companies through mobile devices such as smartphones and tablets. Mobile games are basically free to play, but certain fees are charged to purchase necessary items or use certain services. In mobile game, revenue is recognized over the estimated usage period during which the game items purchased in exchange for game points are expected to be used.

In our PC online and mobiles businesses, we mostly provide services as a principal, but we also provide some services as an agent.

(b) Revenue from contract service provided in the Support Business

The Company recognizes revenue for considerations received by undertaking services including QA and marketing when our subsidiaries directly distribute games developed by our subsidiaries or other companies in Japan.

Consideration for the Support Business is determined by multiplying man-hours of employees who have rendered services in the Support Business by certain amount.

(B) Revenue recognition based on satisfaction of performance obligations

The Company recognizes revenue when, or as, we satisfy our performance obligations by transferring services to customers.

We recognize that performance obligations are satisfied over a period of time in our PC online business and mobile business and at a point in time in the Support Business.

We recognize performance obligations for revenue from item charging by estimating the service period of items sold for each game. We assume the period for satisfying performance obligations to be the same as the estimated service period, which is calculated by classifying the items sold into three types (i.e. consumable, temporary, permanent) according to their specifications.

For permanent items for which our performance obligations continue on a permanent basis, we have adopted a method of calculating users' weighted average service usage periods.

(5) Basis of translation of foreign currency denominated assets and liabilities to Japanese yen

Foreign currency denominated monetary receivables and payables are translated into Japanese yen using the year-end spot foreign exchange rates, with resulting gains and losses included in earnings.

(6) Material hedge accounting policy

The Company's policy is to hedge risks arising from fluctuation in interest rates and foreign exchange rates in accordance with the Company's internal regulation "Derivative Transaction Management Rules."

3. Notes on changes in accounting policies

(1) Application of “Accounting Standard for Revenue Recognition,” etc.

The Company has applied “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and “Implementation Guidance on Accounting Standard for Revenue Recognition” (ASBJ Guidance No. 30, March 26, 2021) from January 1, 2022.

The Company applied the Accounting Standard for Revenue Recognition pursuant to the transitional treatment provided for in the proviso of Paragraph 84 of the Standard, with any cumulative effects of the application recognized on the date of the application, but there was no impact on the balance of retained earnings as of January 1, 2022.

(2) Application of “Accounting Standard for Fair Value Measurement”

The Company has applied “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019), etc. from January 1, 2022 and adopted the transitional treatment provided for in Paragraph 19 of the Standard and Paragraph 44-2 of “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019).

There was no impact of the change on the financial statements.

4. Notes on accounting estimates

(Revaluation of stocks of subsidiaries and affiliates)

(1) Amount recognized on the financial statements for the fiscal year ended December 31, 2022

Stocks of subsidiaries and affiliates	¥34,081 million
Loss on revaluation of stock of subsidiaries and affiliates	¥1,087 million

Stocks of subsidiaries and affiliates recorded on the Company’s financial statements for the fiscal year ended December 31, 2022 consist mainly of shares of Embark Studios AB of ¥29,829 million. Although no loss on revaluation of stocks of subsidiaries and affiliates was recognized with respect to these shares for the fiscal year ended December 31, 2022, this information has been identified as a disclosure item in light of the possible impact on the fiscal year ending December 31, 2023.

(2) Information on significant accounting estimates related to identified items

Stocks of subsidiaries and affiliates are revalued by comparing the net asset value adjusted with excess earning power estimated at the time of acquisition with the carrying amount to assess whether the net asset value has declined significantly, taking into consideration the same growth rate, discount rate, etc. included in the future cashflow projection used in the impairment test for goodwill and game copyrights for the consolidated financial statements.

As there was no significant decline in the net asset value for the fiscal year ended December 31, 2022, we did not recognize loss on revaluation of stocks of subsidiaries and affiliates, but future changes in uncertain economic conditions may have a material impact on the valuation of stocks of subsidiaries and affiliates in the future periods.

5. Notes to non-consolidated balance sheet

(1) Monetary receivables from and payables to subsidiaries and affiliates other than those presented separately are as follows:

Short-term monetary receivables:	¥999 million
Long-term monetary receivables:	¥220 million
Short-term monetary payables:	¥459 million

(2) Guarantee liabilities

The Company provides guarantee for the following liabilities of its subsidiaries

Nexon America Inc. Joint and several guarantee for rent agreement:	¥1,262 million
Nexon US Holding Inc. Guarantee for license agreement	¥1,062 million

6. Notes to non-consolidated statement of income

(1) Transactions with subsidiaries and affiliates

Operating transactions	
Net sales	¥1,180 million
Purchase of goods	¥1,234 million
Non-operating transactions	
Dividend received	¥75,904 million
Transfer price for investments in crypto-assets through the exchange	¥4,847 million

(2) Non-operating expenses

Detail of loss on sale of crypto-assets is as follows:

Investments in crypto-assets through the exchange	¥4,632 million

(3) Extraordinary gain

Detail of gain on sale of stocks of subsidiaries and affiliates is as follows:

Six Waves Inc.	¥8,011 million

7. Notes to non-consolidated statement of changes in net assets
Class and number of treasury stock

Class of shares	Total number as of January 1, 2022	Increase	Decrease	Total number as of December 31, 2022
Common stock	7,042,667 shares	34,697,010 shares	36,571,300 share	5,168,377 shares

(Note) 1. The increase in treasury common stock consists of 34,696,900 shares resulting from acquisition of treasury stock and 110 shares resulting from purchase demand of shares less than one unit.
2. The decrease in treasury common stock of 36,571,300 shares results from retirement of treasury stock.
3. The Company resolved at the Board of Directors meeting held on November 9, 2022 to acquire treasury stock. Please refer to Notes to the consolidated financial statements, "3. Notes to consolidated statement of changes in equity, (2) Class and number of treasury stock, Note 5" for details.

8. Notes on deferred tax accounting
(1) Major components of deferred tax assets and liabilities

	(Millions of yen)
Deferred tax assets	
Tax loss carryforward	13,879
Loss on revaluation of stocks of subsidiaries and affiliates	520
Unearned revenue	148
Subscription rights to shares	199
Impairment loss	145
Allowance for doubtful accounts	9,321
Other	1,690
Deferred tax assets - subtotal	25,902
Valuation allowance on tax loss carryforward	(13,879)
Valuation allowance on total deductible temporary differences, etc.	(12,023)
Valuation allowance – subtotal	(25,902)
Total deferred tax assets	—
Deferred tax liabilities	
Valuation difference on available-for-sale securities	(203)
Total deferred tax liabilities	(203)
Deferred tax liabilities, net	(203)

(2) Major components of significant differences between the statutory income tax rate and the effective tax rate after adoption of deferred tax accounting

Statutory income tax rate	30.62%
(Adjustments)	
Permanent differences arising from nondeductible expenses such as entertainment expenses	2.92%
Permanent differences arising from nontaxable income such as dividend income	(27.94)%
Valuation allowances	(2.09)%
Foreign taxes	4.74%
Effective income tax rate	8.25%

9. Notes on related party transactions

Attribute	Name of company	Ownership ratio of voting rights	Relationship	Transactions	Transaction amount (Millions of yen)	Account	Balance at end of year (Millions of yen)
Subsidiary	NEXON Korea Corporation	Holding Direct 100%	License for publishing developed game titles	Purchase (Note 1) Other costs Other SGA Net sales (Note 2) Outsourcing (Note 3) Dividend received	821 226 5 1,180 1,275 75,904	Accounts payable-trade Accounts payable-other Accounts receivable-trade Other receivables	182 181 293 706
Subsidiary	Nexon America Inc.	Holding Direct 100%	Concurrent position of officers Guarantee liabilities	—	—	Long-term loans receivable from subsidiaries and affiliates (Note 4)	30,222
Subsidiary of subsidiary	Nexon US Holding Inc.	Holding Indirect 100%	Guarantee liabilities	Transfer of investments in crypto-assets (Note 5)	4,847	—	—

Terms and conditions and its determination policies

(Note 1) Purchase relates to royalty, and transaction terms are determined in consideration of general transaction terms prevailing in the PC online game market.

(Note 2) Net sales relate to localization service for mobile games distributed by NEXON Korea Corporation in Japan, and transaction terms are determined in consideration of general transaction terms prevailing in the mobile game market.

(Note 3) The transaction amount of outsourcing agent service represents the annual advance payments.

(Note 4) Allowance for doubtful account of ¥30,442 million is recorded with respect to loans made to and interest receivable from the subsidiaries above during the current fiscal year.

(Note 5) This amount represents the transfer price for investments in crypto-assets through the exchange transferred pursuant to the resolution at the Board of Directors meeting on October 13, 2022. The transfer price is based on the price at 23:59 on October 25, 2022 (JST) which is the day before the transaction.

10. Notes on revenue recognition

Information that serves as the basis for understanding revenue

Please see “2. Notes on significant accounting policies, (4) Revenue recognition.”

11. Notes on per share information

Net assets per share	¥174.00
Net income per share	¥83.94

12. Notes on material subsequent events

Dividends from surplus from a consolidated subsidiary

NEXON Korea Corporation, our consolidated subsidiary, resolved at the Board of Directors meeting held on February 9, 2023 to propose the payment of dividends from surplus at its annual general meeting of shareholders scheduled on March 30, 2023. Following this resolution, the Company approved at the Board of Directors meeting held on February 9, 2023 the resolution to pay dividends from surplus of NEXON Korea Corporation. As NEXON Korea Corporation is our wholly-owned subsidiary, the proposal will be approved at the annual general meeting of shareholders scheduled on March 30, 2023.

As a result, the Company will record the following dividend income as non-operating income in the non-consolidated financial statements for the fiscal year ending December 31, 2023.

Summary of dividend

Total dividends: ¥40,742 million

Scheduled date of resolution at the general meeting of shareholders: March 30, 2023

(Translation)
Audit Report on Consolidated Financial Statements

Independent Auditors' Report

February 15, 2023

To the Board of Directors of
NEXON Co., Ltd.

PricewaterhouseCoopers Aarata LLC

Tokyo Office

Designated Partner Engagement Partner	Certified Public Accountant	Yoshihiro Shiribiki
Designated Partner Engagement Partner	Certified Public Accountant	Masafumi Mitsuhiro

Audit Opinion

Pursuant to the fourth paragraph of Article 444 of the Companies Act, we have audited the consolidated financial statements, namely, the consolidated statement of financial position as of December 31, 2022 of NEXON Co., Ltd. (the "Company"), and the related consolidated statements of income and changes in equity, and the related notes for the fiscal year from January 1, 2022 to December 31, 2022.

In our opinion, the above consolidated financial statements, prepared in accordance with the provision of Article 120, the second sentence of Paragraph 1 of the Regulation on Corporate Accounting which permits preparation of the consolidated financial statements in accordance with accounting standards that omit certain disclosure items required under the designated international accounting standards, present fairly, in all material respects, the financial position and results of operations of the corporate group, which consists of the Company and its consolidated subsidiaries, for the period covered by the consolidated financial statements.

Basis for the Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibility under the auditing standards is stated in "Auditor's Responsibility for the Audit of the Consolidated Financial Statements." We are independent of the Company and its consolidated subsidiaries in accordance with the provisions related to professional ethics in Japan, and are fulfilling other ethical responsibilities as an auditor. We believe that we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

Other information

Other information comprises the business report and the accompanying supplemental schedules. Management is responsible for preparation and disclosure of the other information. And the Audit and Supervisory Committee is responsible for supervising the execution of duties by directors with regard to design and operation of reporting process of the other information.

Our audit opinion on the consolidated financial statements does not cover the other information, and we do not express an opinion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibility of Management and the Audit and Supervisory Committee for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the provisions of Article 120, the second sentence of Paragraph 1 of the Regulation on Corporate Accounting which permits preparation of the consolidated financial statements in accordance with accounting standards that omit certain disclosure items required under the designated international accounting standards. It includes design and operation of internal control that management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing whether it is appropriate to prepare the consolidated financial statements based on the premise of a going concern, and for disclosing matters relating to going concern when it is required to do so in accordance with the provision of Article 120, the second sentence of Paragraph 1 of the Regulation on Corporate Accounting which permits preparation of the consolidated financial statements in accordance with accounting standards that omit certain disclosure items required under the designated international accounting standards.

The Audit and Supervisory Committee is responsible for supervising the execution of directors' duties related to design and operation of the financial reporting process.

Auditor's Responsibility for the Audit of the Consolidated Financial Statements
Our responsibility is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to express an opinion on the consolidated financial statements from an independent standpoint in an audit report, based on our audit. Misstatements can occur as a result of fraud or error, and are deemed material if they can be reasonably expected to, either individually or collectively, influence the decisions of users taken on the basis of the consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement, whether due to fraud or error, design and perform audit procedures to address the risks of material misstatement, select and apply audit procedures based on our judgment, and obtain sufficient and appropriate audit evidence to provide a basis for our audit opinion.
- Consider internal control relevant to the entity's audit when assessing risks in order to design audit procedures that are appropriate in the circumstances although the purpose of our audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control.
- Assess the appropriateness of accounting policies adopted by management and the method of their application, as well as the reasonableness of accounting estimates made by management and the adequacy of related notes.
- Determine whether it is appropriate for management to prepare the consolidated financial statements on the premise of a going concern and, based on the audit evidence obtained, determine whether there is a significant uncertainty in regard to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If there is a significant uncertainty concerning the premise of a going concern, we are required to draw attention to the notes to the consolidated financial statements in our audit report, or if the notes to the consolidated financial statements pertaining to the significant uncertainty are inappropriate, we are required to issue a modified opinion on the consolidated financial statements. While our conclusions are based on the audit evidence obtained up to the date of our audit report, future events or conditions may cause the entity to cease to continue as a going concern.
- Evaluate whether the presentation of and notes to the consolidated financial statements are in accordance with the provision of Article 120, the second sentence of Paragraph 1 of the Regulation on Corporate Accounting which permits preparation of the consolidated financial statements in accordance with accounting standards that omit certain disclosure items required under the designated international accounting standards, the overall presentation, structure, and content of the consolidated financial statements including related notes, and whether the consolidated financial statements fairly present the underlying transactions and accounting events.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the Company and its consolidated subsidiaries in order to express an opinion on the consolidated financial statements. We are responsible for instructing, supervising, and performing the audit of the consolidated financial statements. We are solely responsible for our audit opinion.

We communicate with the Audit and Supervisory Committee regarding the planned scope and timing of the audit, material audit findings including material weaknesses in internal control identified during the course of our audit, and other matters required under the auditing standards.

We also provide the Audit and Supervisory Committee with a statement that we have complied with professional ethical provision regarding independence in Japan, and communicate with them regarding matters that are reasonably considered to have an impact on our independence and any safeguards in place to reduce or eliminate obstacles, where applicable.

Interest

Our firm and the engagement partners do not have any interest in the Company or its consolidated subsidiaries for which disclosure is required under the provisions of the Certified Public Accountants Act.

The above represents a translation, for convenience only, of the original report issued in the Japanese language.

(Translation)
Audit Report on Non-Consolidated Financial Statements

Independent Auditors' Report

February 15, 2023

To the Board of Directors of

NEXON Co., Ltd.

PricewaterhouseCoopers Aarata LLC

Tokyo Office

Designated Partner Engagement Partner	Certified Public Accountant	Yoshihiro Shiribiki
Designated Partner Engagement Partner	Certified Public Accountant	Masafumi Mitsuhiro

Audit Opinion

Pursuant to Article 436, Paragraph 2, Item 1 of the Companies Act, we have audited the non-consolidated financial statements, namely, the non-consolidated balance sheet as of December 31, 2022 of NEXON Co., Ltd. (the "Company"), and the related non-consolidated statements of income and changes in net assets, and the related notes for the 21st fiscal year from January 1, 2022 to December 31, 2022, and the accompanying supplemental schedules (the "Non-consolidated Financial Statements, etc.").

In our opinion, the Non-consolidated Financial Statements, etc. referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and the results of its operations for the year then ended in conformity with accounting principles generally accepted in Japan.

Basis for the Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibility under the auditing standards is stated in "Auditor's Responsibility for the Audit of the Non-consolidated Financial Statements, etc." We are independent of the Company in accordance with the provisions related to professional ethics in Japan, and are fulfilling other ethical responsibilities as an auditor. We believe that we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

Emphasis of Matter

As stated in "Notes to material subsequent events" in the notes to non-consolidated financial statements, the Company approved at the Board of Directors meeting held on February 9, 2023 the payment of dividends from surplus of its consolidated subsidiary NEXON Korea Corporation which was resolved at the company's Board of Directors meeting held on that day.

These matters do not affect our opinion.

Other information

Other information comprises the business report and the accompanying supplemental schedules. Management is responsible for preparation and disclosure of the other information. And the Audit and Supervisory Committee is responsible for supervising the execution of duties by directors with regard to design and operation of reporting process of the other information.

Our audit opinion on the financial statements does not cover the other information, and we do not express an opinion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibility of Management and the Audit and Supervisory Committee for the Non-consolidated Financial Statements, etc.
Management is responsible for the preparation and fair presentation of the Non-consolidated Financial Statements, etc. in accordance with accounting principles generally accepted in Japan. It includes design and operation of internal control that management determines is necessary to enable the preparation and fair presentation of the Non-consolidated Financial Statements, etc. that are free from material misstatement, whether due to fraud or error.

In preparing the Non-consolidated Financial Statements, etc., management is responsible for assessing whether it is appropriate to prepare the Non-consolidated Financial Statements, etc. based on the premise of a going concern, and for disclosing matters relating to going concern when it is required to do so in accordance with accounting principles generally accepted in Japan.

The Audit and Supervisory Committee is responsible for supervising the execution of directors' duties related to design and operation of the financial reporting process.

Auditor's Responsibility for the Audit of the Non-consolidated Financial Statements, etc.
Our responsibility is to obtain reasonable assurance about whether the Non-consolidated Financial Statements, etc. as a whole are free from material misstatement, whether due to fraud or error, and to express an opinion on the Non-consolidated Financial Statements, etc. from an independent standpoint in an audit report, based on our audit. Misstatements can occur as a result of fraud or error, and are deemed material if they can be reasonably expected to, either individually or collectively, influence the decisions of users taken on the basis of the Non-consolidated Financial Statements, etc.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement, whether due to fraud or error, design and perform audit procedures to address the risks of material misstatement, select and apply audit procedures based on our judgment, and obtain sufficient and appropriate audit evidence to provide a basis for our audit opinion.
- Consider internal control relevant to the entity's audit when assessing risks in order to design audit procedures that are appropriate in the circumstances although the purpose of our audit of the Non-consolidated Financial Statements, etc. is not to express an opinion on the effectiveness of the entity's internal control.
- Assess the appropriateness of accounting policies adopted by management and the method of their application, as well as the reasonableness of accounting estimates made by management and the adequacy of related notes.
- Determine whether it is appropriate for management to prepare the Non-consolidated Financial Statements, etc. on the premise of a going concern and, based on the audit evidence obtained, determine whether there is a significant uncertainty in regard to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If there is a significant uncertainty concerning the premise of a going concern, we are required to draw attention to the notes to the Non-consolidated Financial Statements, etc. in our audit report, or if the notes to the Non-consolidated Financial Statements, etc. pertaining to the significant uncertainty are inappropriate, we are required to issue a modified opinion on the Non-consolidated Financial Statements, etc. While our conclusions are based on the audit evidence obtained up to the date of our audit report, future events or conditions may cause the entity to cease to continue as a going concern.
- Evaluate whether the presentation of and notes to the Non-consolidated Financial Statements, etc. are in accordance with the accounting principles generally accepted in Japan, the overall presentation, structure, and content of the Non-consolidated Financial Statements, etc. including related notes, and whether the Non-consolidated Financial Statements, etc. fairly present the underlying transactions and accounting events.

We communicate with the Audit and Supervisory Committee regarding the planned scope and timing of the audit, material audit findings including material weaknesses in internal control identified during the course of our audit, and other matters required under the auditing standards.

We also provide the Audit and Supervisory Committee with a statement that we have complied with professional ethical provision regarding independence in Japan, and communicate with them regarding matters that are reasonably considered to have an impact on our independence and any safeguards in place to reduce or eliminate obstacles, where applicable.

Interest

Our firm and the engagement partners do not have any interest in the Company for which disclosure is required under the provisions of the Certified Public Accountants Act.

The above represents a translation, for convenience only, of the original report issued in the Japanese language.

(Translation)
Audit Report of the Audit and Supervisory Committee

Audit Report

We, as the Company's Audit and Supervisory Committee, have performed audit regarding the performance of duties of the Company's directors during the Company's 21st fiscal year from January 1, 2022 to December 31, 2022. We hereby report its method and results as follows:

1. Auditing Method and Details Thereof
The Audit and Supervisory Committee expressed an opinion on the contents of the resolutions of the Board of Directors regarding the matters stipulated in Article 399-13, Paragraph 1, Item 1 (b) and (c) of the Companies Act and the status of the system (internal control systems) established based on such resolutions, by receiving reports from directors and employees on its establishment and operating status on a regular basis and requesting explanations when necessary, and also performed audit by the following method.

(1) In accordance with the auditing policy and job assignment established by the Audit and Supervisory Committee and in coordination with the internal control departments of the company, each Audit and Supervisory Committee member attended meetings of the Board of Directors and other important meetings, received from directors, employees and other related persons reports on the performance of their duties, requested explanations regarding such reports when necessary, inspected the documents related to important decisions, and examined the status of the Company's business and properties at the head office and major business facilities. With regard to the Company's subsidiaries, the Audit and Supervisory Committee endeavored to communicate and exchange information with directors and statutory auditors of subsidiaries, and, when necessary, received reports from subsidiaries on their respective businesses;
(2) The Audit and Supervisory Committee expressed an opinion on the content of resolutions by the Board of Directors regarding the establishment of systems, which is described in the Business Report, to ensure that the directors' performance of their duties is in compliance with relevant laws and regulations and with the Company's Articles of Incorporation and other systems to ensure that business operation of a corporate group consisting of the Company and its subsidiaries is conducted appropriately as provided in Article 110-4, Paragraphs 1 and 2 of the Enforcement Regulations of the Companies Act, and on the status of the systems established based on such resolutions (internal control systems), by receiving reports from directors and employees on the establishment and operating status on a regular basis and requesting explanations when necessary; and
(iii) The Audit and Supervisory Committee also monitored and examined whether the Independent Auditors maintained their independence and conducted their audit in an appropriate manner, and received from the Independent Auditors reports on the performance of their duties and requested explanations regarding those reports when necessary. The Audit and Supervisory Committee also received notification from the Independent Auditors that they have established the "System to ensure appropriate execution of its duties" (as stipulated in Article 131 of the Regulation on Corporate Accounting) in compliance with the "Quality Control Standards Relating to Auditing" and other applicable standards, and requested explanations on such notification when necessary.

Based on the foregoing method, the Audit and Supervisory Committee reviewed the Business Report and the accompanying supplemental schedules for the fiscal year from January 1, 2022 to December 31, 2022, the non-consolidated financial statements, namely, the balance sheet as of December 31, 2022, and the related statements of income and changes in net assets and the related notes for the year then ended, and the accompanying supplemental schedules, and the consolidated financial statements, namely, the consolidated statement of financial position as of December 31, 2022, and the related consolidated statements of income and changes in equity and the related notes for the year then ended.

2. Results of Audit

(1) Results of Audit of the Business Report, etc.

A. In our opinion, the Business Report and the accompanying supplemental schedules present fairly the conditions of the Company in conformity with the applicable laws and regulations of Japan as well as the Articles of Incorporation of the Company.

B. In our opinion, there are no fraudulent acts or material facts that violated the applicable laws and regulations or the Articles of Incorporation of the Company in the course of the directors' performance of their duties.

C. In our opinion, the details of the resolutions of the Board of Directors regarding the internal control systems are appropriate. Furthermore, we believe that no material issues have been raised concerning items described in the Business Report as well as the performance of the directors' duties regarding the internal control systems.

(2) Results of Audit of the Non-Consolidated Financial Statements and the Accompanying Supplemental Schedules

In our opinion, the method and the results of the audit conducted by PricewaterhouseCoopers Aarata LLC, the Independent Auditors, are appropriate.

(3) Results of Audit of the Consolidated Financial Statements

In our opinion, the method and the results of the audit conducted by PricewaterhouseCoopers Aarata LLC, the Independent Auditors, are appropriate.

February 16, 2023

Audit and Supervisory Committee of NEXON Co., Ltd.
Audit and Supervisory Committee member
Alexander Iosilevich
Audit and Supervisory Committee member
Satoshi Honda
Audit and Supervisory Committee member
Shiro Kuniya

(Note) Mr. Alexander Iosilevich, Mr. Satoshi Honda and Mr. Shiro Kuniya, Audit and Supervisory Committee members, are external directors stipulated in Article 2, Item 15 and Article 331, Paragraph 6 of the Companies Act.

The above represents a translation, for convenience only, of the original report issued in the Japanese language.

Map for Venue of the Annual General Meeting of Shareholders

Location: Ark Hills South Tower 5th Floor
Meeting Room for Annual General Meeting of Shareholders of NEXON Co., Ltd.
1-4-5, Roppongi, Minato-ku, Tokyo
TEL 03-6629-5318

Transportation:
Directly connected from Roppongi 1-chome Station of Tokyo Metro Namboku Line
Exit from Central or North ticket gate and proceed to the left and take an escalator to the 2nd floor to the main entrance of the target building (You will find Starbucks there)

*Kindly note that only limited parking space is available and using public transportation is recommended.
*Kindly note that you shall pay the parking fee.