

Securities code: 3659

March 9, 2018

To Shareholders

2-3-1 Shinkawa, Chuo-ku, Tokyo

NEXON Co., Ltd.

President and Chief Executive Officer Owen Mahoney

Notice of the 16th Annual General Meeting of Shareholders

Dear Shareholders:

You are cordially invited to attend the 16th Annual General Meeting of Shareholders. The meeting details and agenda are as outlined below.

If you are unable to attend the meeting, you may exercise your voting rights in writing or via the Internet. Please review the Annual General Meeting of Shareholders agenda described below and exercise your voting rights by 7 p.m. on Monday, March 26, 2018, in accordance with the instructions set forth on page 3.

Notice

1. **Date & Time:** 11:00 a.m., Tuesday, March 27, 2018 (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
* Please note that the venue has been changed since last year and refer to the Venue Map for the Annual General Meeting of Shareholders at the end of this Notice for direction to the new venue.
3. **Agenda:**
Matters to be reported:
 - 1) Business Report and Consolidated Financial Statements for the 16th fiscal year (from January 1, 2017 to December 31, 2017), and audit results on the Consolidated Financial Statements by the Independent Auditors and the Board of Statutory Auditors.
 - 2) Non-consolidated Financial Statements for the 16th fiscal year (from January 1, 2017 to December 31, 2017).

Proposals to be voted on:

- Proposal No. 1:** Partial amendment to the Articles of Incorporation
- Proposal No. 2:** Election of three (3) directors (excluding those who are Audit and Supervisory Committee member)
- Proposal No. 3:** Election of three (3) directors who are Audit and Supervisory Committee member
- Proposal No. 4:** Determination of remuneration of directors (excluding those who are Audit and Supervisory Committee member)
- Proposal No. 5:** Determination of remuneration of directors who are Audit and Supervisory Committee member

Proposal No. 6: Issuance of subscription rights to shares as equity-based stock options to the Company's directors (excluding those who are Audit and Supervisory Committee member) and employees, etc.

Proposal No. 7: Issuance of subscription rights to shares as stock options to the Company's employees, etc.

[Exercise of voting rights by mail]

Please indicate your vote on the enclosed Voting Rights Exercise Form and return it so that it arrives no later than 7 p.m. on Monday, March 26, 2018.

[Exercise of voting rights via the Internet]

To exercise voting rights via the Internet, please read the “Guide to Exercising Voting Rights via the Internet” on the next page and exercise voting rights by 7 p.m. on Monday, March 26, 2018.

If attending the meeting in person, please submit the enclosed Voting Rights Exercise Form to the receptionist.

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.

<p>Systems and organization to ensure the execution of duties by directors is in compliance with laws and regulations and the articles of incorporations, other systems and organization to ensure proper operation and the summary of the operating status of such systems, and Notes to consolidated financial statements and non-consolidated financial statements that should be included in the Business Report are not included in the Notice of the Annual General Meeting of Shareholders as the Company discloses them on its website (https://ir.nexon.co.jp/stock/meeting.html) in accordance with relevant laws and regulations and provisions of Article 16 of the Company’s Articles of Incorporation.</p>
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Business Report, consolidated financial statements and non-consolidated financial statements included in the Reference Materials of the Notice of the Annual General Meeting of Shareholders are part of the documents audited by independent auditors in preparing their audit report and by statutory auditors in preparing their audit report.

Should there be any amendments to the Reference Materials for the General Meeting of Shareholders, Business Report, Financial Statements and Consolidated Financial Statements, the Company will notify its shareholders via the Company’s website (<https://ir.nexon.co.jp/stock/meeting.html>).

Guide to Exercising Voting Rights via the Internet

If you wish to exercise your voting rights via the Internet, please note the following matters.

1. Voting rights exercise website

Exercising voting rights via the Internet is only available through the use of the voting rights exercise website designated by the Company: <https://www.web54.net>.

2. Handling of exercise of voting rights

- (1) When exercising voting rights via the Internet, 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 Monday, March 26, 2018**, please exercise your voting rights ahead of time.
- (3) If voting rights are exercised both in writing and via the Internet, the vote via the Internet will supersede. In addition, if voting rights are exercised via the Internet in multiple occasions, the last vote will supersede.
- (4) Any fees for internet provider or carrier incurred in accessing the voting rights exercise website (e.g. connection fees) will be borne by shareholders.

3. 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 locked and 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.

4. System requirements for the exercise of voting rights via the Internet

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.

5. Contact for inquiries about computer operations, etc.

- (1) If you have inquiries about computer 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 who have 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)

Business Report

(From January 1, 2017 to December 31, 2017)

1. Current Status of the Corporate Group

(1) Business summary for the current consolidated fiscal year

(i) Outline and results of business operations

During the fiscal year ended December 31, 2017, the world economy as a whole generally witnessed a gradual recovery, mainly led by developed countries. In the U.S., the economy remained solid, with continued improvement in the corporate sector and robust consumer spending supported by a stable employment environment. In Europe, the economic climate continued to show improvements including gradual increase in exports, better employment environment and consumer spending picking up. In China, while production, exports and consumption showed a modest slowdown, the overall economy stayed stable due to some improvement in investments. The Japanese economy maintained its gradual recovery trend, with corporate earnings remaining strong driven by the recovering business climate of the global economy.

Under these circumstances, Nexon Group is primarily engaged in PC online game and mobile game businesses. In order to provide users with an enjoyable game experience, Nexon Group has endeavored to develop high-quality games, obtain more contents, deliver new titles, and update existing titles. Specifically, Nexon Group has worked on various initiatives such as the enhancement of game development capabilities within Nexon Group, business alliance with other companies including joint development, provision of high-quality new game titles through purchase of leading game developers, enhancement of Nexon Group's development capabilities in mobile game business and further reinforcement of the business platform to enable attractive content updates for the existing game titles.

As a result, for the fiscal year ended December 31, 2017, Nexon Group recorded revenue of ¥234,929 million (up 28.3% year-over-year), operating income of ¥90,504 million (up 122.6% year-over-year), income before income taxes of ¥69,995 million (up 48.5% year-over-year) and net income attributable to owners of the parent company of ¥56,750 million (up 181.9% year-over-year).

Performance results by reportable segment are as follows:

(a) Japan

Revenue for the consolidated fiscal year ended December 31, 2017 amounted to ¥12,106 million (down 21.5% year-over-year), and segment loss amounted to ¥4,009 million (segment loss of ¥3,791 million for the fiscal year ended December 31, 2016). Both PC and mobile game revenues decreased.

(b) Korea

Revenue for the consolidated fiscal year ended December 31, 2017 amounted to ¥208,786 million (up 36.3% year-over-year), and segment profit amounted to ¥112,602 million (up 51.0% year-over-year). PC online game revenue were solid due to well-received major content updates and strong item sales for *EA SPORTS™ FIFA Online 3*, *Dungeon&Fighter*, *MapleStory*, etc. Mobile game revenue increased year-over-year due to solid performance of *Dark Avenger 3*, *AxE* and *OVERHIT*, which are games that newly launched during the fiscal year ended December 31, 2017. Revenue in Korea includes royalty income of NEOPLE INC. (a subsidiary of NEXON Korea Corporation, our consolidated subsidiary) attributable to license agreements in China. For the consolidated fiscal year ended December 31, 2017, revenue showed an extremely strong growth mainly driven by strong item sales due to well-received major updates of our flagship PC online game *Dungeon&Fighter* in China, including the Lunar Year update (January), 9th Anniversary update (June) and National Day update (September).

(c) China

Revenue for the consolidated fiscal year ended December 31, 2017 amounted to ¥3,197 million (down 29.4% year-over-year), and segment profit amounted to ¥1,690 million (down 45.4% year-over-year). Revenue and profit decreased in China due to a decrease in consulting income related to the existing PC online game titles.

(d) North America

Revenue for the consolidated fiscal year ended December 31, 2017 amounted to ¥10,050 million (up 14.5% year-over-year), and segment loss amounted to ¥6,868 million (segment loss of ¥4,839 million for the fiscal year ended December 31, 2016).

(e) Other

Revenue for the consolidated fiscal year ended December 31, 2017 amounted to ¥790 million (down 36.5% year-over-year), and segment loss amounted to ¥272 million (segment loss of ¥262 million for the fiscal year ended December 31, 2016).

Revenue by region (revenue classified into country or region category based on the customers' location) was ¥80,504 million (up 8.4% year-over-year) in Korea, ¥115,389 million (up 55.5% year-over-year) in China, ¥17,113 million (up 1.4% year-over-year) in Japan, ¥9,324 million (up 15.0% year-over-year) in North America, and ¥12,599 million (up 29.9% year-over-year) in Other.

Current consolidated fiscal year		
Region	Amount (¥ million)	Ratio (%)
Korea	80,504	34.3
China	115,389	49.1
Japan	17,113	7.3
North America	9,324	4.0
Other	12,599	5.3
Total	234,929	100.0

- (ii) Capital expenditure
Total capital expenditure of Nexon Group during the current consolidated fiscal year amounted to ¥2,876 million.
The major components include long-term prepaid expenses related to game license fee of ¥237 million, PC online game and mobile game operation equipment (e.g. server equipment) of ¥1,034 million, and software for internal use (game related) of ¥478 million.
- (iii) Financing
During the current consolidated fiscal year, Nexon Group refinanced ¥2,655 million.
- (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
Omitted as it is immaterial.
- (vii) Acquisition or disposition of shares, other equity interests or subscription rights to shares of other companies
On November 22, 2017, the Company acquired Pixelberry Studios through its U.S. subsidiary via a reverse triangular merger and made it its consolidated subsidiary.

(2) Assets and Profit/Loss

Accounts	13 th Fiscal Year (Ended December 31, 2014)	14 th Fiscal Year (Ended December 31, 2015)	15 th Fiscal Year (Ended December 31, 2016)	16 th Fiscal Year (Ended December 31, 2017)
Revenue (Millions of yen)	172,930	190,263	183,128	234,929
Operating income (Millions of yen)	45,509	62,290	40,661	90,504
Income before income taxes (Millions of yen)	52,671	68,006	47,123	69,995
Net income attributable to owners of the parent (Millions of yen)	29,316	55,132	20,133	56,750
Basic earnings per share (Yen)	67.43	127.86	46.26	129.35
Total assets (Millions of yen)	437,022	425,586	441,832	545,956
Total equity (Millions of yen)	345,477	379,681	377,694	470,218
Equity attributable to owners of the parent per share (Yen)	789.28	862.55	857.55	1,056.85

- (Notes)1. The Company prepares the consolidated financial statements in accordance with International Financial Reporting 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 less subscription rights to shares and non-controlling interests or equity attributable to owners of the parent, respectively, 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

The Company's parent company is NXC Corporation, which owns 136,631 thousand shares, or voting rights ratio of 31.0%, of the Company as of December 31, 2017.

NXC Corporation and its subsidiaries excluding Nexon Group executed a non-compete agreement with the Company stipulating that they shall not engage in any businesses that may compete with the online game business of Nexon Group, and engage 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 the similar agreement with NXC Corporation.

Except for the above transactions, there are no other recurring transactions between Nexon Group and NXC Corporation, and the Company also has no plan in the future to engage in transactions, investments and business developments in which NXC Corporation may have influence on Nexon Group and/or which is advantageous to NXC Corporation.

On January 30, 2018, NXC Corporation conducted a disposal of a part of Nexon shares owned by it. Such deal has caused the total number of voting rights of Nexon held by NXC Corporation and persons closely related to it to fall below the majority of the total number of voting rights of Nexon. As a result, NXC Corporation has ceased to be Nexon's "parent company" as defined in Article 2, Paragraph 1, Item 4 of the Companies Act and Article 3, Paragraph 2 of the Ordinance for Enforcement of the Companies Act. As of January 31, 2018, NXC Corporation owns 126,631 thousand shares, or voting rights ratio of 28.8% (calculated based on the total number of voting rights as of December 31, 2017), of the Company.

(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
NEXON GT Co., Ltd.	KRW 17,687 million	65.1 (65.1)	PC online game and mobile game development
gloops, Inc.	¥26 million	100	Social application service
NEXON M Inc.	US\$16,500 thousand	100	Mobile game distribution mainly in the North America region and Europe

(Note) Figures in parenthesis in “Voting rights owned by the Company” represent the percentage indirectly owned by the Company.

(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) Provide new game titles with enticement and high quality and execute content update of existing game titles

Regardless of whether the hardware used to play the game is PC or mobile or whether the game is distributed in Japan, Korea, China, the U.S., or anywhere in the world, excellence of the game is measured by the quality of its content in the game industry. We have no intention of settling for our popular game titles Nexon Group is currently offering, including *Dungeon&Fighter* and *MapleStory*. Instead, in order to become the world's top game company, we are aiming to distribute exciting, creative and unique game titles with high quality to offer users with the greatest pleasure and special experience and, for existing games, to execute attractive content updates and manage game operation that can attract and satisfy users for a long period of time. To this end, we intend to further enhance the business base in order to distribute new high-quality game titles and execute attractive content updates to existing game titles, through efforts such as strengthening game operation capability, enhancing development and publishing capability within Nexon Group, forming partnerships including co-development with other game developers, and investing in leading game developers.

- (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 illegal use by external parties, and to enhance information security structure including appropriate internal information management organization.

Nexon Group has been focusing on enhancement of the information security structure through Nexon Group-wide enhancement of the organization in terms of information security and implementation of cutting-edge information systems, and is determined to make continued efforts to strengthen the overall information security structure in order to provide our users with reliable and secure services.

- (5) Principal Business (as of December 31, 2017)
PC online game business and mobile game business

- (6) Major Office and Factories (as of December 31, 2017)

Company name	Office and factories	Location
The Company	Head office	Chuo-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 GT Co., Ltd.	Head office	Seongnam, Gyeonggi, Korea
gloops, Inc.	Head office	Minato-ku, Tokyo
NEXON M Inc.	Head office	California, U.S.A.

- (7) Employees (as of December 31, 2017)

- (a) Employees of Nexon Group

Number of employees	Changes from the previous consolidated fiscal year-end
5,768 (130)	Increase by 243 (decrease by 27)

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

- (b) Employees of the Company

Number of employees	Changes from the previous year-end	Average age	Average service years
285 (1)	Increase by 32 (decrease by 0)	36.0 years old	4.5 years

(Note) 1. Number of employees above represent full-time employees, and figures in parenthesis represent average number of temporary workers (contract employees) during the year.

2. Average service years for secondees from Nexon Group are calculated based on the total service years including those in the seconder company.

- (8) Major Lenders (as of December 31, 2017)

Lenders	Amount of loan payable
Sumitomo Mitsui Banking Corporation	¥835 million
Woori Bank (Korea)	¥2,655 million

- (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, 2017)

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

(b) Number of shares issued: 440,184,332 shares

(c) Number of shareholders 2,864

(d) Major shareholders (Top 10)

Name of shareholders	Number of shares owned (Thousand shares)	Ratio (%)
NXC Corporation	136,631	31.0
NXMH B.V.B.A.	83,593	19.0
HSBC-FUND SERVICES CLIENTS A/C 006	10,023	2.3
Japan Trustee Services Bank, Ltd. (trust account)	8,829	2.0
KOREA SECURITIES DEPOSITORY- SAMSUNG	8,616	2.0
The Master Trust Bank of Japan, Ltd. (trust account)	7,753	1.8
STATE STREET BANK AND TRUST COMPANY	6,937	1.6
ORBIS SICAV	6,449	1.5
STATE STREET BANK CLIENT OMNIBUS OMO4	6,222	1.4
Min Seo	5,607	1.3

(2) Subscription Rights to Shares

(a) Subscription rights to shares granted to officers of the Company as considerations for services provided (as of December 31, 2017)

		Subscription Rights (5-1)	Subscription Rights (6)
Date of resolution to issue		August 17, 2012	April 22, 2013
Number of subscription rights to shares		683 units	150 units
Class and number of underlying shares		Common stock 683,000 shares (1,000 shares per unit)	Common stock 150,000 shares (1,000 shares per unit)
Cash paid for subscription rights		No payment is required in exchange for subscription rights	¥944,000 per unit
Exercise price		¥1,367,000 per unit (¥1,367 per share)	¥1,000 per unit (¥1 per share)
Exercise period		(Qualified stock option) From: August 18, 2014 To: September 5, 2018 (Non-qualified stock option) From: September 6, 2012 To: September 5, 2018	From: May 7, 2013 To: May 6, 2043
Conditions on exercise		Notes 1 and 2	Notes 2, 3 and 4
Status of holding by officers	Directors (excluding external directors)	Number of subscription rights 673 units Number of underlying shares 673,000 shares Number of holders (Note 5) 3 persons	Number of subscription rights 150 units Number of underlying shares 150,000 shares Number of holders 2 persons
	External directors	Number of subscription rights 10 units Number of underlying shares 10,000 shares Number of holders 1 persons	Number of subscription rights — unit Number of underlying shares — share Number of holders — person
	Statutory auditors	Number of subscription rights — unit Number of underlying shares — share Number of holders — person	Number of subscription rights — unit Number of underlying shares — share Number of holders — person

(Notes) 1. In principle, holders of subscription rights to shares must continue to be director or employee of the Company or its subsidiary from the date of allocation up to the date of exercise to be eligible to exercise the right.

2. Partial exercise of subscription rights to shares is not allowed.

3. 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.)

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

5. Of which, subscription rights granted to one director were granted before his appointment as a director.

		Subscription Rights (7)	Subscription Rights (8)
Date of resolution to issue		February 20, 2014	March 25, 2014
Number of subscription rights to shares		342 units	1,142 units
Class and number of underlying shares		Common stock 342,000 shares (1,000 shares per unit)	Common stock 1,142,000 shares (1,000 shares 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		¥853,000 per unit (¥853 per share)	¥1 per unit (¥0.001 per share)
Exercise period		(Qualified stock option) From: February 20, 2016 To: March 2, 2020 (Non-qualified stock option) From: March 3, 2014 To: March 2, 2020	From: March 25, 2015 To (1) March 15, 2019 (2) March 24, 2021 (Note 1)
Conditions on exercise		Notes 2 and 3	Notes 3 and 4
Status of holding by officers	Directors (excluding external directors)	Number of subscription rights 300 units	Number of subscription rights 1,142 units
		Number of underlying shares 300,000 shares	Number of underlying shares 1,142,000 shares
		Number of holders (Note 5) 1 person	Number of holders 2 persons
	External directors	Number of subscription rights 42 units	Number of subscription rights — unit
		Number of underlying shares 42,000 shares	Number of underlying shares — share
		Number of holders 1 person	Number of holders — person
Statutory auditors	Number of subscription rights — unit	Number of subscription rights — unit	
	Number of underlying shares — share	Number of underlying shares — share	
	Number of holders — person	Number of holders — person	

(Notes) 1. Different subscription rights agreements have different exercise period.

2. In principle, holders of subscription rights to shares must continue to be director or employee of the Company or its subsidiary from the date of allocation up to the date of exercise to be eligible to exercise the right.
3. Partial exercise of subscription rights to shares is not allowed.
4. In principle, holders of subscription rights to shares must continue to be director or employee of the Company or its subsidiary, or in a commissioned position such as honorary chairperson or advisor from the date of allocation up to the date of exercise to be eligible to exercise the right.

		Subscription Rights (9-1)	Subscription Rights (10)		
Date of resolution to issue		May 9, 2014	July 17, 2015		
Number of subscription rights to shares		1,386 units	50 units		
Class and number of underlying shares		Common stock 1,386,000 shares (1,000 shares per unit)	Common stock 50,000 shares (1,000 shares per unit)		
Cash paid for subscription rights		No payment is required in exchange for subscription rights	¥1,558,000 per unit		
Exercise price		¥809,000 per unit (¥809 per share)	¥1,000 per unit (¥1 per share)		
Exercise period		From: May 9, 2014 To: May 8, 2021	From: August 3, 2015 To: August 2, 2045		
Conditions on exercise		Notes 1 and 2	Notes 2, 3, and 4		
Status of holding by officers	Directors (excluding external directors)	Number of subscription rights	1,386 units	Number of subscription rights	50 units
		Number of underlying shares	1,386,000 shares	Number of underlying shares	50,000 shares
		Number of holders	2 persons	Number of holders	1 person
	External directors	Number of subscription rights	— unit	Number of subscription rights	— unit
		Number of underlying shares	— share	Number of underlying shares	— share
		Number of holders	— person	Number of holders	— person
	Statutory auditors	Number of subscription rights	— unit	Number of subscription rights	— unit
		Number of underlying shares	— share	Number of underlying shares	— share
		Number of holders	— person	Number of holders	— person

- (Notes) 1. In principle, holders of subscription rights to shares must continue to be director or employee of the Company or its subsidiary from the date of allocation up to the date of exercise to be eligible to exercise the right.
2. Partial exercise of subscription rights to shares is not allowed.
3. 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.)
4. All units granted will be forfeited in case the holder is dismissed from directorship.

- (b) Subscription rights to shares granted to employees as considerations for services provided during the current fiscal year

		Subscription Rights (13-1)	Subscription Rights (13-2)		
Date of resolution to issue		September 28, 2017	October 31, 2017		
Number of subscription rights to shares		780 units	5,909 units		
Class and number of underlying shares		Common stock 780,000 shares (1,000 shares per unit)	Common stock 5,909,000 shares (1,000 shares 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		¥2,936,000 per unit (¥2,936 per share)	¥3,280,000 per unit (¥3,280 per share)		
Exercise period		(Qualified stock option) From: September 28, 2019 To: September 28, 2023 (Non-qualified stock option) From: September 29, 2017 To: September 28, 2023	(Qualified stock option) From: October 31, 2019 To: November 8, 2023 (Non-qualified stock option) From: November 9, 2017 To: November 8, 2023		
Conditions on exercise		Notes 1 and 2	Notes 1 and 2		
Status of grant to employees	Employees of the Company	Number of subscription rights	50 units	Number of subscription rights	485 units
		Number of underlying shares	50,000 shares	Number of underlying shares	485,000 shares
		Number of grantees	1 person	Number of grantees	34 persons
	Officers and employees of subsidiaries	Number of subscription rights	730 units	Number of subscription rights	5,424 units
		Number of underlying shares	730,000 shares	Number of underlying shares	5,424,000 shares
		Number of grantees	10 persons	Number of grantees	413 persons

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

- (c) Other material facts concerning subscription rights to shares
Not applicable.

(3) Corporate officers
(a) Directors and statutory auditors (as of December 31, 2017)

Post	Name	Responsibility and Material Posts Concurrently Held
President and CEO	Owen Mahoney	Director of transcocosmos inc.
Representative Director	Shiro Uemura	Chief Financial Officer and Chief Corporate Management Officer Director of gloops, Inc. Director of NEXON America, Inc. Director of NEXON M Inc. Director of Lexian Software Development (Shanghai) Co., Ltd. Director of NEXON Europe GmbH
Director	Jiwon Park	Representative Director of NEXON Korea Corporation
Director	Satoshi Honda	-
Director	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 Director of Ebara Corporation Director of Sony Financial Holdings Inc. Director of Takeda Pharmaceutical Company Ltd. (member of audit and supervisory committee)
Full-time Statutory Auditor	Hideo Koyama	-
Statutory Auditor	Iwao Ohtomo	Representative of Ohtomo Accounting Firm
Statutory Auditor	Ryoji Mori	Partner of Eichi Law Offices, LLC.

- (Notes) 1. Mr. Satoshi Honda and Mr. Shiro Kuniya are external directors.
2. Mr. Hideo Koyama, Mr. Iwao Ohtomo and Mr. Ryoji Mori are external statutory auditors.
3. Mr. Iwao Ohtomo is a certified public accountant and has substantial knowledge about finance and accounting.
4. The Company has appointed Mr. Satoshi Honda, Mr. Shiro Kuniya and Mr. Ryoji Mori as the independent officer pursuant to the regulations of Tokyo Stock Exchange and reported such appointment to the Exchange.
5. Mr. Jiwon Park had a concurrent post as Representative Director of NEXON Korea Corporation, our consolidated subsidiary, but retired from his post effective January 23, 2018 and now holds a concurrent position as Director of NEXON Korea Corporation.

(b) Officer who retired during the year

Post and Responsibility at the Time of Retirement	Name	Material Posts Concurrently Held at the Time of Retirement	Date of Retirement
Full-time Statutory Auditor	Toshishige Tanaka	Not applicable	March 28, 2017

(Note) Mr. Toshishige Tanaka retired from office due to resignation.

(c) 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 external directors entered into an agreement to limit the liability for damages provided for in Article 423, Paragraph 1 of the Companies Act.

Pursuant to provisions of Article 427, Paragraph 1 of the Companies Act and Article 36 of the Company's articles of incorporation, the Company and each of the external statutory auditors 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 amount provided for in Article 425, Paragraph 1 of the Companies Act, whichever is higher.

(d) Remuneration for directors and statutory auditors

(i) Total amount of remuneration for the current fiscal year

Post	Number	Total amount of remuneration
Directors (of which external directors)	5 (2)	¥1,011 million (¥17 million)
Statutory auditors (of which external statutory auditors)	4 (4)	¥15 million (¥15 million)
Total (of which external officers)	9 (6)	¥1,026 million (¥32 million)

(Notes)1. Amount of remuneration to directors does not include employee remuneration paid to those who serve the company as directors and employees simultaneously.

2. Maximum amount of annual remuneration to directors was resolved at the 12th annual general meeting of shareholders held on March 25, 2014 to be fixed compensation at or below ¥400 million (including ¥40 million or below for external directors) and performance-based bonus at or below ¥1,000 million, excluding the amount paid as employee compensation (excluding external directors). In addition, annual remuneration in the form of equity-based stock options was resolved to be at or below ¥250 million (excluding external directors) at the 11th annual general meeting of shareholders held on March 26, 2013, and also, annual remuneration in the form of stock options was resolved to be at or below ¥1,500 million (including ¥150 million or below for external directors) at the 15th annual general meeting of shareholders held on March 28, 2017.

3. Maximum amount of annual remuneration to statutory auditors was resolved at the 9th annual general meeting of shareholders held on March 30, 2011 to be at or below ¥50 million.

4. Amount of remuneration to directors includes the following:

¥677 million worth of remuneration in the form of stock options (including ¥1 million to two external directors)

5. The above number includes one external statutory auditor who retired at the conclusion of the 15th annual general meeting of shareholders held on March 28, 2017.

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

Not applicable.

(iii) Total amount of officers' remuneration paid to external officers by the parent company or its subsidiaries

Not applicable.

(a) Matters concerning external officers

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

Post	Name	Material Posts Concurrently Held
Director	Satoshi Honda	-
	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 Director of Ebara Corporation Director of Sony Financial Holdings Inc. Director of Takeda Pharmaceutical Company Ltd. (member of audit and supervisory committee)
Statutory Auditor	Hideo Koyama	-
	Iwao Ohtomo	Representative of Ohtomo Accounting Firm
	Ryoji Mori	Partner of Eichi Law Offices, LLC.

(Note) There exists no special relationship between the above companies and the Company.

ii) Major activities during the current fiscal year

		Attendance and Participation
Director	Satoshi Honda	Mr. Honda attended all 17 meetings of the board of directors that were held during the current fiscal year. Mr. Honda participated in discussions, as necessary, concerning items on agenda as well as general deliberations with extensive experience in the game industry.
Director	Shiro Kuniya	Mr. Kuniya attended 15 of the total 17 meeting of the board of directors that were held during the current fiscal year. Mr. Kuniya participated 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.
Full-time Statutory Auditor	Hideo Koyama	Mr. Koyama attended 13 of the total 17 meeting of the board of directors and 10 of the total 13 meetings of statutory auditors during the current fiscal year (he attended all meetings of the board of directors and statutory auditors that were held after he took office). Mr. Koyama participated in discussions, as necessary, concerning items on agenda as well as general deliberations from the viewpoint of full-time statutory auditor.
Statutory Auditor	Iwao Ohtomo	Mr. Ohtomo attended all meetings of the board of directors and statutory auditors that were held 17 times and 13 times, respectively, during the current fiscal year. Mr. Ohtomo participated in discussions, as necessary, concerning monthly performance and corporate acquisitions mainly from the professional viewpoint of certified public accountant.
Statutory Auditor	Ryoji Mori	Mr. Mori attended all meetings of the board of directors and statutory auditors that were held 17 times and 13 times, respectively, during the current fiscal year. Mr. Mori participated 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.

iii) Opinion of the external officers concerning the contents

Not applicable.

(4) **Independent Auditors**

(a) Name: PricewaterhouseCoopers Aarata LLC

(b) Amount of remuneration

	Amount of remuneration
Amount of remuneration paid to the independent auditors for the current fiscal year	¥ 54 million
Total amount of cash and other financial benefits to be paid by the Company and its subsidiaries to the independent auditors	¥ 204 million

(Notes)

1. The amount of remuneration 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 board of statutory auditors agreed on the amount of remuneration 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 remuneration.
3. NEXON Korea Corporation and other ten 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 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

Each of the Company and its consolidated subsidiaries, NEXON GT Co., Ltd., Big Huge Games Inc. and NEXON U.S. Holding Inc. pays 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 board of statutory auditors 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 board of statutory auditors shall dismiss the independent auditors with the unanimous consent of all statutory auditors. In this case, the statutory auditor appointed by the board of statutory auditors will report the dismissal of the independent auditor and the reason of dismissal at the first general meeting of shareholders called after the dismissal.

(5) **Basic Policy on Control of the Company**

Not applicable.

(6) **Policy to Determine Distributions of Surplus**

The Company provides in its articles of incorporation that distributions of surplus shall 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, but even more than that, we would like to review and execute effective investments for proactive business development for future growth, such as the expansion of our existing business and development of new businesses, M&As or acquisition of game publishing rights, for the purpose of strengthening our management base and enhancing our business going forward. Therefore, the Company's policy is to suspend dividend payouts for the near future and retain the flexibility to continue our growth investments in our global operations.

Consolidated Statement of Financial Position

(As of December 31, 2017)

(Millions of Yen)

Account	Amount	Account	Amount
(Assets)		(Liabilities)	
Current assets	442,619	Current liabilities	41,547
Cash and cash equivalents	153,242	Trade and other payables	8,587
Trade and other receivables	35,255	Deferred income	10,975
Other deposits	234,092	Borrowings	3,490
Other financial assets	6,538	Income taxes payable	7,698
Other currents assets	13,492	Other financial liabilities	173
Non-current assets	103,337	Provisions	4,556
Property, plant and equipment	27,303	Other current liabilities	6,068
Goodwill	21,682	Non-current liabilities	34,191
Intangible assets	12,784	Deferred income	8,241
Investments accounted for using equity method	9,138	Other financial liabilities	506
Other financial assets	20,754	Provisions	279
Other non-currents assets	1,344	Other non-current liabilities	4,300
Deferred tax assets	10,332	Deferred tax liabilities	20,865
		Total liabilities	75,738
		(Equity)	
		Total equity attributable to owners of the parent	465,207
		Capital stock	9,390
		Capital surplus	41,021
		Other equity interest	91,033
		Retained earnings	323,763
		Non-controlling interests	5,011
		Total equity	470,218
Total assets	545,956	Total liabilities and equity	545,956

Consolidated Income Statement

(From January 1, 2017 to December 31, 2017)

(Millions of Yen)

Account	Amount
Revenue	234,929
Cost of sales	(56,656)
Gross profit	178,273
Selling, general and administrative expenses	(75,088)
Other income	1,385
Other expenses	(14,066)
Operating income	90,504
Finance income	6,308
Finance costs	(26,212)
Equity in loss of affiliates	(605)
Income before income taxes	69,995
Income taxes expense	(13,478)
Net income	56,517
(Attributable to)	
Owners of the parent	56,750
Non-controlling interests	(233)
Net income	56,517

Consolidated Statement of Changes in Equity

(From January 1, 2017 to December 31, 2017)

(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, 2017	3,519	86,753	(0)	56,254	226,398	372,924	4,770	377,694
Net income	—	—	—	—	56,750	56,750	(233)	56,517
Other comprehensive income	—	—	—	34,878	—	34,878	522	35,400
Total comprehensive income	—	—	—	34,878	56,750	91,628	289	91,917
Transfer from capital surplus to retained earnings	—	(41,476)	—	—	41,476	—	—	—
Issue of new stock	5,871	5,871	—	—	—	11,742	—	11,742
Stock issue cost	—	(41)	—	—	—	(41)	—	(41)
Share-based payments	—	—	—	(564)	—	(564)	—	(564)
Acquisition of non-controlling interest	—	(74)	—	—	—	(74)	(97)	(171)
Changes arising from sale of consolidated subsidiaries	—	(3)	—	—	(396)	(399)	49	(350)
Acquisition of treasury stock	—	(9)	(10,000)	—	—	(10,009)	—	(10,009)
Cancellation of treasury stock	—	(10,000)	10,000	—	—	—	—	—
Transfer from other equity interest to retained earnings	—	—	—	465	(465)	—	—	—
Total transaction with owners	5,871	(45,732)	0	(99)	40,615	655	(48)	607
Balance as of December 31, 2017	9,390	41,021	—	91,033	323,763	465,207	5,011	470,218

Non-consolidated Balance Sheet

(As of December 31, 2017)

(Millions of Yen)

Account	Amount	Account	Amount
(Assets)		(Liabilities)	
Current assets	42,946	Current liabilities	1,796
Cash and deposits	41,868	Accounts payable-trade	263
Accounts receivable-trade	671	Accounts payable-other	288
Other receivables	165	Accrued expenses	209
Prepaid expenses	126	Income taxes payable	19
Other	116	Provision for bonuses	151
Non-current assets	5,494	Unearned revenue	553
Tangible fixed assets	7	Other	313
Leasehold improvements	30	Non-current liabilities	457
Tools, furniture and fixtures	553	Lease obligations	100
Accumulated impairment loss	(296)	Long-term unearned revenue	247
Accumulated depreciation	(280)	Provision for retirement benefits	110
Investments and other assets	5,487	Total liabilities	2,253
Investment securities	176	(Net assets)	
Stocks of subsidiaries and affiliates	4,423	Shareholders' equity	41,230
Long-term loans receivable from subsidiaries and affiliates	27,224	Capital stock	9,183
Long-term prepaid expenses	5	Capital surplus	43,021
Other	918	Capital reserve	8,433
Allowance for doubtful accounts	(27,259)	Other capital surplus	34,588
		Retained earnings	(10,974)
		Retained earnings reserve	217
		Other retained earnings	(11,191)
		Retained earnings brought forward	(11,191)
		Valuation and translation adjustments	(10)
		Valuation difference on available-for-sale securities	(10)
		Subscription rights to shares	4,967
		Total net assets	46,187
Total assets	48,440	Total liabilities and net assets	48,440

Non-consolidated Statement of Income

(From January 1, 2017 to December 31, 2017)

(Millions of Yen)

Account	Amount	
Net sales		
Sales of games	5,562	
Other sales	365	5,927
Cost of sales		3,438
Gross profit		2,489
Selling, general and administrative expenses		6,941
Operating loss		4,452
Non-operating income		
Interest income	331	
Dividends income	4,612	
Other	106	5,049
Non-operating expenses		
Interest expenses	1	
Foreign exchange loss	1,418	
Stock issue cost	41	
Treasury stock acquisition cost	9	
Other	500	1,969
Ordinary loss		1,372
Extraordinary gain		
Gain on sale of stocks of subsidiaries and affiliates	3	
Gain from reversal of subscription rights to shares	55	58
Extraordinary loss		
Provision of allowance for doubtful accounts for subsidiaries and affiliates	6,363	
Loss on valuation of stocks of subsidiaries and affiliates	1,669	
Loss on valuation of investment securities	1,290	
Impairment loss	321	9,643
Loss before income taxes		10,957
Income taxes-current	234	
Income taxes-deferred	-	234
Net loss		11,191

Non-consolidated Statement of Changes in Net Assets

(From January 1, 2017 to December 31, 2017)

(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, 2017	3,307	2,557	86,064	88,621	217	(41,476)	(41,259)
Changes of items during the period							
Issue of new stock	5,876	5,876	—	5,876	—	—	—
Net loss	—	—	—	—	—	(11,191)	(11,191)
Transfer from capital surplus to retained earnings	—	—	(41,476)	(41,476)	—	41,476	41,476
Acquisition of treasury stock	—	—	—	—	—	—	—
Cancellation of treasury stock	—	—	(10,000)	(10,000)	—	—	—
Net changes of items other than shareholders' equity	—	—	—	—	—	—	—
Total changes of items during the period	5,876	5,876	(51,476)	(45,600)	—	30,285	30,285
Balance as of December 31, 2017	9,183	8,433	34,588	43,021	217	(11,191)	(10,974)

	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, 2017	(0)	50,669	77	77	5,535	56,281
Changes of items during the period						
Issue of new stock	—	11,752	—	—	—	11,752
Net loss	—	(11,191)	—	—	—	(11,191)
Transfer from capital surplus to retained earnings	—	—	—	—	—	—
Acquisition of treasury stock	(10,000)	(10,000)	—	—	—	(10,000)
Cancellation of treasury stock	10,000	—	—	—	—	—
Net changes of items other than shareholders' equity	—	—	(87)	(87)	(568)	(655)
Total changes of items during the period	0	(9,439)	(87)	(87)	(568)	(10,094)
Balance as of December 31, 2017	—	41,230	(10)	(10)	4,967	46,187

Independent Auditors' Report

February 16, 2018

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

PricewaterhouseCoopers Aarata LLC

Designated Partner Engagement Partner	Certified Public Accountant	Hiroyuki Sawayama
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Designated Partner Engagement Partner	Certified Public Accountant	Fumie Mizuno
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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, 2017 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, 2017 to December 31, 2017.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures are selected and applied based on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes assessing the accounting policies adopted and its application and accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that we obtained sufficient and appropriate audit evidence to provide a reasonable basis for our opinion.

Opinion

In our opinion, the consolidated financial statements referred to above, which omitted certain disclosure items required under the designated international accounting standards pursuant to provisions of Article 120, the second sentence of Paragraph 1 of the Ordinance on Accounting of Companies, present fairly, in all material respects, the financial position of the Company and its consolidated subsidiaries as of December 31, 2017, and the results of their operations for the year then ended.

Emphasis of Matter

As discussed in Notes to material subsequent event, the Company's Board of Directors resolved at the meeting held on February 8, 2018 to execute a stock split.

Our opinion is not modified with respect to this matter.

Interest

Our firm and the engagement partners do not have any financial 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.

Independent Auditors' Report

February 16, 2018

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

PricewaterhouseCoopers Aarata LLC

Designated Partner
Engagement Partner

Certified Public Accountant

Hiroyuki Sawayama

Designated Partner
Engagement Partner

Certified Public Accountant

Fumie Mizuno

Pursuant to the first item, second paragraph of Article 436 of the Companies Act, we have audited the non-consolidated financial statements, namely, the non-consolidated balance sheet as of December 31, 2017 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 16th fiscal year from January 1, 2017 to December 31, 2017, and the accompanying supplemental schedules.

Management's Responsibility for the Non-consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these non-consolidated financial statements and the accompanying supplemental schedules in conformity with accounting principles generally accepted in Japan. It includes design and operation of internal control that management determines as necessary to enable the preparation and fair presentation of non-consolidated financial statements and the accompanying supplemental schedules that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these non-consolidated financial statements and the accompanying supplemental schedules based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the non-consolidated financial statements and the accompanying supplemental schedules are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the non-consolidated financial statements and the accompanying supplemental schedules. The procedures are selected and applied based on our judgment, including the assessment of the risks of material misstatement of the non-consolidated financial statements and the accompanying supplemental schedules, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the non-consolidated financial statements and the accompanying supplemental schedules in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes assessing the accounting policies adopted and its application and accounting estimates made by management, as well as evaluating the overall presentation of the non-consolidated financial statements and the accompanying supplemental schedules.

We believe that we obtained sufficient and appropriate audit evidence to provide a reasonable basis for our opinion.

Opinion

In our opinion, the non-consolidated financial statements and the accompanying supplemental schedules referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2017, and the results of the operations for the year then ended in conformity with accounting principles generally accepted in Japan.

Emphasis of Matter

As discussed in Notes to material subsequent event, the Company's Board of Directors resolved at the meeting held on February 8, 2018 to execute a stock split.

Our opinion is not modified with respect to this matter.

Interest

Our firm and the engagement partners do not have any financial 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 Board of Statutory Auditors

Audit Report

We, as the Company's Board of Statutory Auditors, have prepared this audit report regarding the performance of duties of the Company's Directors during the Company's 16th fiscal year from January 1, 2017 to December 31, 2017 based on the audit reports prepared by each Statutory Auditor and, upon deliberation, hereby report as follows:

1. Auditing Method Applied by the Board of Statutory Auditors and Each Statutory Auditor and Details Thereof

(1) We established the auditing policy and job assignment, received from each Statutory Auditor reports on the status and results of audits, and received from the Directors and other appropriate persons, as well as the Independent Auditors, reports on the performance of their duties, and, when necessary, requested explanations regarding such reports.

(2) In accordance with the auditing standards for Statutory Auditors, the auditing policy and job assignment established by the Board of Statutory Auditors, each Statutory Auditor endeavored to gather necessary information and create an environment for auditing by taking steps to facilitate communication with the Directors, the internal auditors and employees from various sections, and performed the audit by the following methods.

(i) Each Statutory Auditor 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, Statutory Auditors endeavored to communicate and exchange information with Directors and Statutory Auditors of subsidiaries, and, when necessary, received reports from subsidiaries on their respective businesses;

(ii) Statutory Auditors 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 will be conducted appropriately as provided in Article 100, Paragraph 1 and 3 of the Enforcement Regulations of the Companies Act, and on the status of such 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) In addition, the Statutory Auditors 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 Statutory Auditors 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 Ordinance on Accounting of Companies) 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 Statutory Auditors reviewed the Business Report and the accompanying supplemental schedules for the fiscal year from January 1, 2017 to December 31, 2017, the non-consolidated financial statements, namely, the balance sheet as of December 31, 2017, and the related statements of income and changes in net assets and the related notes for the fiscal year from January 1, 2017 to December 31, 2017, and the accompanying supplemental schedules, and the consolidated financial statements, namely, the consolidated statement of financial position as of December 31, 2017, and the related consolidated statements of income and changes in equity and the related notes for the fiscal year from January 1, 2017 to December 31, 2017.

2. Results of Audit

(1) Results of Audit of the Business Report and Others

- 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, the Independent Auditors, are appropriate.

February 22, 2018

Board of Statutory Auditors of NEXON Co., Ltd.
Full-time Statutory Auditor/External Statutory Auditor
Hideo Koyama
Part-time Statutory Auditor/External Statutory Auditor
Iwao Ohtomo
Part-time Statutory Auditor/External Statutory Auditor
Ryoji Mori

Reference Materials for Annual General Meeting of Shareholders

Proposal 1: Partial amendment to the Articles of Incorporation

1. Purposes and reasons for the revision

- (1) The Company has integrated its business offices into the Roppongi office located in Minato-ku, Tokyo to improve the efficiency of its business management. In line with this, the Company seeks approval for an amendment of the Articles of Incorporation to change our business domicile to Minato-ku, Tokyo.
- (2) The Company will shift to a company having the Board of Directors with Audit and Supervisory Committee for the purpose of improving its mobility in the execution of operations through speedier decision-making by the management by way of Audit and Supervisory Committee members becoming members of the Board of Directors and thus strengthening the supervisory functions of the Board of Directors and further enhancing the corporate governance organization, as well as by having the Board of Directors significantly delegate its decision-making authority regarding the execution of operations to executive directors. Accordingly, the Company seeks an approval for amendment of the Articles of Incorporation to newly establish the provisions related to the Audit and Supervisory Committee and the directors who are to be members of the Audit and Supervisory Committee, as well as delete any provisions related to statutory auditors and the Board of Statutory Auditors.
- (3) The Company seeks an approval for revision of the provisions under Article 28 (Liability Limitation Agreements with Directors) based on the provisions of Article 427 (1) of the Companies Act with regards to liability limitation agreements in order to make it easier to bring in appropriate personnel for our management and to enable them to successfully fulfill the roles expected of them.

The Board of Statutory Auditors has already approved this proposal.

The resolution on this proposal shall become effective at the conclusion of this Annual General Meeting of Shareholders

2. Details of the revision

Details of the revision are as follows:

Articles of Incorporation before amendment	Amendments proposed
CHAPTER I. GENERAL PROVISIONS	CHAPTER I. GENERAL PROVISIONS
Articles 1 ~ 2 (Provisions omitted)	Articles 1 ~2 (No change)
(Business Domicile)	(Business Domicile)
Article 3. The Company is headquartered in <u>Chuo-ku</u> , Tokyo.	Article 3. The Company is headquartered in <u>Minato-ku</u> , Tokyo.
(Governing Bodies)	(Governing Bodies)
Article 4. The Company shall have, in addition to its General Meeting of Shareholders and its Directors, the following governing bodies:	Article 4. The Company shall have, in addition to its General Meeting of Shareholders and its Directors, the following governing bodies:
(1) Board of Directors	(1) Board of Directors
(2) <u>Statutory Auditors</u>	(2) <u>Audit and Supervisory Committee</u>
(3) <u>Board of Statutory Auditors</u>	(Deleted)
(4) <u>Accounting Auditors</u>	(3) Accounting Auditors
Articles 5 ~ 18 (Provisions omitted)	Articles 5 ~ 18 (No change)

Articles of Incorporation before amendment	Amendments proposed
CHAPTER IV. DIRECTORS AND BOARD OF DIRECTORS	CHAPTER IV. DIRECTORS AND BOARD OF DIRECTORS
(Number of Directors)	(Number of Directors)
Article 19. The Company shall have no more than ten (10) Directors.	Article 19. The Company shall have no more than ten (10) Directors <u>(excluding Directors who are members of Audit and Supervisory Committee)</u> .
(Newly established)	
2. The Company shall have no more than five (5) Directors who are members of Audit and Supervisory Committee.	
(Election)	(Election)
Article 20. Directors of the Company shall be elected at a General Meeting of Shareholders.	Article 20. Directors of the Company shall be elected at a General Meeting of Shareholders <u>and distinction shall be made between Directors who are members of Audit and Supervisory Committee and other Directors.</u>
2. (Provisions omitted)	2. (No change)
3. (Provisions omitted)	3. (No change)
(Term of Office)	(Term of Office)
Article 21. A Director's term of office shall expire upon the conclusion of the Annual General Meeting of Shareholders for the last fiscal year ending within one (1) year from his/her assumption of office.	Article 21. The term of office of a Director <u>(excluding Directors who are members of Audit and Supervisory Committee)</u> shall expire upon the conclusion of the Annual General Meeting of Shareholders for the last fiscal year ending within one (1) year from his/her assumption of office.
(Newly established)	
2. The term of office of a Director elected to <u>meet an increase in the number of Directors</u> or to fill a vacancy shall expire at such time when the term of office of <u>the other Directors then in office</u> expires.	2. <u>The term of office of Directors who are members of Audit and Supervisory Committee shall expire upon the conclusion of the Annual General Meeting of Shareholders for the last fiscal year ending within two (2) years from his/her assumption of office.</u>
3. The term of office of a Director elected to <u>meet an increase in the number of Directors</u> or to fill a vacancy shall expire at such time when the term of office of <u>the other Directors then in office</u> expires.	3. The term of office of a Director <u>who is a member of Audit and Supervisory Committee</u> elected to fill a vacancy <u>in the event that a Director who was a member of Audit and Supervisory Committee had resigned without serving the full term</u> shall expire at such time when the term of office of <u>his/her predecessor</u> expires.
(Representative Director and Executive Officers)	(Representative Director and Executive Officers)
Article 22. The Representative Director shall be appointed by a resolution of the Board of Directors.	Article 22. The Representative Director shall be appointed <u>from among the Directors (excluding Directors who are members of Audit and Supervisory Committee)</u> by a resolution of the Board of Directors.

Articles of Incorporation before amendment	Amendments proposed
<p>2. The Board of Directors may appoint, by its resolution, one (1) Director & Chairman, one (1) Director & President, and one (1) or more Director & Vice President(s), Senior Managing Director(s) and Managing Director(s).</p>	<p>2. The Board of Directors may appoint, by its resolution, one (1) Director & Chairman, one (1) Director & President, and one (1) or more Director & Vice President(s), Senior Managing Director(s) and Managing Director(s) <u>from among the Directors (excluding Directors who are members of Audit and Supervisory Committee).</u></p>
<p>Article 23 (Provisions omitted)</p>	<p>Article 23 (No change)</p>
<p>(Board Meeting Convocation Notice) Article 24. A notice for the convocation of a Board of Directors meeting shall be sent to each Director <u>and Statutory Auditor</u> at least three (3) days prior to the convocation date; provided, however, that in the case of an emergency, such period of notice may be shortened.</p>	<p>(Board Meeting Convocation Notice) Article 24. A notice for the convocation of a Board of Directors meeting shall be sent to each Director at least three (3) days prior to the convocation date; provided, however, that in the case of an emergency, such period of notice may be shortened.</p>
<p>Articles 25 ~ 26 (Provisions omitted)</p>	<p>Articles 25 ~ 26 (No change)</p>
<p>(Compensations) Article 27. The remuneration, bonuses and other benefits (collectively, “Compensations”) payable to Directors by the Company as consideration for the execution of their duties shall be determined by a resolution of the General Meeting of Shareholders.</p>	<p>(Compensations) Article 27. The remuneration, bonuses and other benefits payable to Directors by the Company as consideration for the execution of their duties shall be determined by a resolution of the General Meeting of Shareholders <u>and distinction shall be made between Directors who are members of Audit and Supervisory Committee and other Directors.</u></p>
<p>(Liability Limitation Agreements with <u>Outside</u> Directors) Article 28. The Company may, pursuant to the provisions of Article 427 (1) of the Companies Act, enter into agreements with its <u>outside</u> Directors to limit their liability with respect to any negligence in the performance of their duties; provided, however, that the cap on the liable amount based on said agreements shall be a predetermined amount of not less than JPY2,400,000 or an amount prescribed by laws and regulations, whichever is the greater.</p>	<p>(Liability Limitation Agreements with Directors) Article 28. The Company may, pursuant to the provisions of Article 427 (1) of the Companies Act, enter into agreements with its Directors <u>(excluding those who are executive directors, etc.)</u> to limit their liability with respect to any negligence in the performance of their duties; provided, however, that the cap on the liable amount based on said agreements shall be a predetermined amount of not less than JPY2,400,000 or an amount prescribed by laws and regulations, whichever is the greater.</p>

Articles of Incorporation before amendment	Amendments proposed
(Newly established)	<p><u>(Delegation of decision-making for significant execution of operations)</u></p> <p><u>Article 29. The Company may, pursuant to the provisions of Article 399-13 (6) of the Companies Act, delegate to Directors all or a part of its decision-making for significant execution of operations, by a resolution of the Board of Directors, except for the matters prescribed under each item of Article 399-13 (5) of the Companies Act.</u></p>
CHAPTER V. <u>STATUTORY AUDITORS AND BOARD OF STATUTORY AUDITORS</u>	CHAPTER V. <u>AUDIT AND SUPERVISORY COMMITTEE</u>
(Newly established)	<p><u>(Standing members of Audit and Supervisory Committee)</u></p> <p><u>Article 30. Audit and Supervisory Committee may elect, by its resolution, standing members from among the Audit and Supervisory Committee members.</u></p>
(Newly established)	<p><u>(Audit and Supervisory Committee Meeting Convocation Notice)</u></p> <p><u>Article 31. A notice for the convocation of an Audit and Supervisory Committee meeting shall be sent to each Audit and Supervisory Committee member at least three (3) days prior to the convocation date; provided, however, that in the case of an emergency, such period of notice may be shortened.</u></p>
(Newly established)	<p><u>(Audit and Supervisory Committee Rules)</u></p> <p><u>Article 32. Matters concerning Audit and Supervisory Committee of the Company shall be governed by the Audit and Supervisory Committee Rules as established by Audit and Supervisory Committee, except when otherwise provided for by laws, regulations, or these Articles of Incorporation.</u></p>
<p><u>(Number of Statutory Auditors)</u></p> <p><u>Article 29. The Company shall have no more than five (5) Statutory Auditors.</u></p>	(Deleted)
<p><u>(Election)</u></p> <p><u>Article 30. A Statutory Auditor of the Company shall be elected at a General Meeting of Shareholders.</u></p> <p><u>2. A resolution to elect a Statutory Auditor shall be adopted by the affirmative vote of majority of the voting rights exercisable by the shareholders present who hold in aggregate not less than one third (1/3) of the Company's outstanding voting rights.</u></p>	(Deleted)

Articles of Incorporation before amendment	Amendments proposed
<p><u>(Term of Office)</u> Article 31. A Statutory Auditor’s term of office shall expire upon <u>the conclusion of the Annual General Meeting of Shareholders for the last fiscal year ending within four (4) years from his/her assumption of office.</u> <u>2. The term of office of a Statutory Auditor elected to fill a vacancy in the event a Statutory Auditor had resigned without serving the full term shall expire at such time when the term of office of his/her predecessor expires.</u></p>	(Deleted)
<p><u>(Standing Statutory Auditors)</u> Article 32. The Standing Statutory Auditor shall be appointed by <u>a resolution of the Board of Statutory Auditors.</u></p>	(Deleted)
<p><u>(Board of Statutory Auditors)</u> Article 33. A notice for the convocation of a meeting of the Board <u>of Statutory Auditors shall be sent to each Statutory Auditor at least three (3) days prior to the convocation date; provided, however, that in the case of an emergency, such period of notice may be shortened.</u></p>	(Deleted)
<p><u>(Board of Statutory Auditors Regulations)</u> Article 34. Matters concerning the Board of Statutory Auditors of <u>the Company shall be governed by the Board of Statutory Auditors Regulations as established by the Board of Statutory Auditors, except when otherwise provided for by laws, regulations, or these Articles of Incorporation.</u></p>	(Deleted)
<p><u>(Compensations)</u> Article 35. The Compensations payable to Statutory Auditors by <u>the Company as consideration for the execution of their duties shall be determined by a resolution of the General Meeting of Shareholders.</u></p>	(Deleted)

Articles of Incorporation before amendment	Amendments proposed
<p><u>(Liability Limitation Agreements with Outside Statutory Auditors)</u></p> <p>Article 36. The Company may, pursuant to the provisions of <u>Article 427 (1) of the Companies Act, enter into agreements with its outside Statutory Auditors to limit their liability with respect to any negligence in the performance of their duties; provided, however, that the cap on the liable amount based on said agreements shall be a predetermined amount of not less than JPY2,400,000 or an amount prescribed by laws and regulations, whichever is the greater.</u></p> <p>Articles <u>37 ~ 39</u> (Provisions omitted) (Newly established)</p>	<p>(Deleted)</p> <p>Articles <u>33 ~ 35</u> (No change)</p> <p><u>Supplementary Provisions</u> <u>(Transitional Measure for Outside Statutory Auditors' Exemption from Liability)</u></p> <p><u>Article 1. The Company shall, with regards to any agreement that limits the liability for damages under Article 423 (1) of the Companies Act regarding any act by an outside Statutory Auditor (including those who were formerly outside Statutory Auditors) before the conclusion of the 16th Annual General Meeting of Shareholders convened in March 2018, continue to comply with the provisions of former Article 36 of the Articles of Incorporation before the amendment by a resolution of said General Meeting of Shareholders.</u></p>

Proposal 2: Election of three (3) directors (excluding those who are Audit and Supervisory Committee member)

The Company will transition to a company with Audit and Supervisory Committee if Proposal 1 “Partial amendment to the Articles of Incorporation” is approved as proposed, and the term of office for all five (5) current directors will expire at the conclusion of this Annual General Meeting of Shareholders. Accordingly, the Company seeks an approval for the election of three (3) directors (excluding those who are Audit and Supervisory Committee member).

The resolution on this Proposal shall become effective, provided that Proposal 1 “Partial amendment to the Articles of Incorporation” is approved as proposed and the amendment of the Articles of Incorporation becomes effective pursuant to the resolution on Proposal 1.

Candidates for directors (excluding those who are Audit and Supervisory Committee member) 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)	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) Mar. 2015 Director of transcosmos inc. (to present) (Significant concurrent positions) Director of transcosmos inc.	460,000 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)	Dec. 2000 Joined Deloitte Touche Tohmatsu Sept. 2003 Joined Pacific Golf Management K.K. Dec. 2004 Joined Pacific Golf Group International Holdings K.K (current PGM Holdings K.K.) July 2011 Joined NEXON Co., Ltd. Mar. 2014 Chief Financial and Chief Administrative Officer of NEXON Co., Ltd. (to present) Mar. 2014 Director of gloops, Inc. (to present) Mar. 2014 Director of inBlue.com Mar. 2015 Representative Director of NEXON Co., Ltd. (to present) April 2016 Director of NEXON America, Inc. (to present) April 2016 Director of NEXON M Inc. (to present) April 2016 Director of Lexian Software Development (Shanghai) Co., Ltd. (to present) Sept. 2016 Director of NEXON Europe GmbH (to present) (Significant concurrent positions) Director of gloops, Inc. Director of NEXON America, Inc. Director of NEXON M Inc. Director of Lexian Software Development (Shanghai) Co., Ltd. Director of NEXON Europe GmbH	18,600 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	J i w o n P a r k (June 30, 1977)	<p>June 2003 Joined NEXON Corporation (current NXC Corporation)</p> <p>May 2006 Seconded to NEXON Co., Ltd.</p> <p>Mar. 2009 Director of NEXON Europe Limited</p> <p>Sept. 2010 Director of NEXON Co., Ltd. (to present)</p> <p>Nov. 2010 Chief Operating Officer of NEXON Co., Ltd.</p> <p>Nov. 2010 Director of NEXON Europe S.à r.l.</p> <p>Mar. 2012 Director of NEOPLE Inc.</p> <p>Aug. 2012 Director of NEXON America, Inc.</p> <p>Mar. 2014 Director of NEXON Korea Corporation (to present)</p> <p>Mar. 2014 President and Chief Executive Officer of NEXON Korea Corporation</p> <p>Jan. 2018 Chief Operating Officer of NEXON Co., Ltd. (to present)</p> <p>(Significant concurrent positions) Director of NEXON Korea Corporation</p>	30,000 shares

(Reference)

Of the candidates for directors, Mr. Owen Mahoney, Mr. Shiro Uemura and Mr. Jiwon Park own subscription rights to shares disclosed on pages 16 through 18 of the Notice of the 16th Annual General Meeting of Shareholders.

- (Notes) 1. There are no special conflicts of interest between each candidate and the Company.
2. (1) The Company appointed 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 strategy, finance and management cultivated from his long years of experience in the game industry.
- (2) The Company appointed Mr. Shiro Uemura as a candidate for Director as we expect that he would endeavor to enhance the management system of the Company 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 appointed Mr. Jiwon Park 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 broad knowledge of the entire Nexon Group.

Proposal 3: Election of three (3) directors who are Audit and Supervisory Committee member

The Company will transition to a company with Audit and Supervisory Committee if the Proposal 1 “Partial amendment to the Articles of Incorporation” is approved as proposed. Accordingly, the Company seeks an approval for the election of three (3) directors who are Audit and Supervisory Committee members. The Board of Statutory Auditors has already approved this proposal.

The resolution on this Proposal shall become effective, provided that Proposal 1 “Partial amendment to the Articles of Incorporation” is approved as proposed and the amendment of the Articles of Incorporation becomes effective pursuant to the resolution on Proposal 1.

Candidates for directors who are Audit and Supervisory Committee member 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	Dohwa Lee (November 16, 1973)	<p>Nov. 2000 Joined Samil PricewaterhouseCoopers</p> <p>Oct. 2002 Registered as CPA in Korea</p> <p>Apr. 2006 Joined NEXON Korea Corporation</p> <p>Sept. 2009 Accounting & Finance Department Manager of NEXON Co., Ltd.</p> <p>Jan. 2012 Director of Nexon Networks Corporation</p> <p>Oct. 2012 Director of NXC Corporation (to present)</p> <p>Nov. 2012 Statutory auditor of Gallery 313 Co., Ltd. (to present)</p> <p>Apr. 2015 Chief Executive Officer of VIP Private Equity Fund I (to present)</p> <p>Jan. 2016 Statutory auditor of Gaseung Development Co., Ltd. (to present)</p> <p>Mar. 2016 Director of NEXON Co., Ltd.</p> <p>Mar. 2016 Chief Executive Officer of NX Properties Corporation (to present)</p> <p>July 2016 Resigned from the post of director of NEXON Co., Ltd.</p> <p>Jan. 2018 Director of Korbit, Inc. (to present)</p> <p>(Significant concurrent positions)</p> <p>Director of NXC Corporation</p> <p>Statutory auditor of Gallery 313 Co., Ltd.</p> <p>Chief Executive Officer of VIP Private Equity Fund I</p> <p>Statutory auditor of Gaseung Development Co., Ltd.</p> <p>Representative Director of NX Properties Corporation</p> <p>Director of Korbit, Inc.</p>	60,900 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	Satoshi Honda (September 29, 1947)	<p>July 1971 Joined Victor Company of Japan, Limited June 1992 Director of Victor Entertainment Inc. Dec. 1992 Representative Director of Electronic Arts Victor Co., Ltd. (current Electronic Arts Co., Ltd.) Aug. 1998 Representative Director of Eidos Interactive KK Dec. 2009 Director of Spline Network Inc. Nov. 2010 Director of Software Imaging Technology Limited Mar. 2012 External Director of NEXON Co., Ltd. (to present)</p> <p>(Significant concurrent positions) Not applicable</p>	—
3	Shiro Kuniya (February 22, 1957)	<p>Apr. 1982 Registered as a lawyer Joined Oh-Ebashi Law Offices July 1987 Registered as a lawyer in the State of New York June 1997 Statutory Auditor of Sunstar Inc. June 1999 Auditor of Kitano Hospital, The Tazuke Kofukai Medical Research Institute (to present) Apr. 2002 Managing partner of Oh-Ebashi LPC & Partners (to present) June 2006 Statutory Auditor of Nidec Corporation June 2009 Board member of the Japan Commercial Arbitration Association (to present) Apr. 2011 Board member of Japan Century Symphony Orchestra (to present) Apr. 2011 President of Inter-Pacific Bar Association (IPBA) Mar. 2012 External Director of NEXON Co., Ltd. (to present) June 2012 Director of Ebara Corporation (to present) June 2013 Statutory Auditor of Takeda Pharmaceutical Company Limited June 2013 Director of Sony Financial Holdings Inc. (to present) June 2016 Director of Takeda Pharmaceutical Company Ltd. (member of audit and supervisory committee) (to present)</p> <p>(Significant concurrent positions) 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 Director of Ebara Corporation Director of Sony Financial Holdings Inc. Director of Takeda Pharmaceutical Company Ltd. (member of audit and supervisory committee)</p>	—

(Reference)

- (Notes)
1. There are no special conflicts of interest between each candidate and the Company.
 2. Mr. Satoshi Honda and Mr. Shiro Kuniya are candidates for External Director.
 3. (1) The Company appointed Mr. Dohwa Lee as a candidate for External Director who is Audit and Supervisory Committee member as we expect that he would contribute to the Company's audit as an Audit and Supervisory Committee member based on his considerable insight on finance and accounting as a certified public accountant in Korea as well as his knowledge on the Company's business obtained through his working experience in the Company.
(2) The Company appointed Mr. Satoshi Honda as a candidate for External Director who is Audit and Supervisory Committee member as we expect that he would contribute to the Company's audit with his insight as an experienced corporate manager in the game industry.
(3) The Company appointed Mr. Shiro Kuniya as a candidate for External Director who is Audit and Supervisory Committee member as we expect that he would contribute, as an Audit and Supervisory Committee member, mainly to strengthening of corporate governance and compliance with his expertise as a lawyer. Although he had never been involved in corporate management except as an external officer, due to the reason noted above, the Company believes that he is capable of executing his duty as an Audit and Supervisory Committee member.
 4. Mr. Satoshi Honda and Mr. Shiro Kuniya have never been a business executing person or officer of the Company or its subsidiaries.
 5. Mr. Satoshi Honda and Mr. Shiro Kuniya are not the Company's parent company, etc. and were not for the last five years.
 6. Mr. Satoshi Honda and Mr. Shiro Kuniya are currently External Directors of the Company whose tenure as external directors will be six years at the conclusion of this annual general meeting of shareholders.
 7. Pursuant to provisions of Article 427, Paragraph 1 of the Companies Act and Article 28 of the Articles of Incorporation of the Company, Mr. Satoshi Honda and Mr. Shiro Kuniya and the Company entered into agreements to limit liabilities for damages provided for in Article 423, Paragraph 1 of the Companies Act. The maximum amount of liabilities under such agreement is ¥2.4 million, or the minimum liability amount as provided in Article 425, Paragraph 1 of the Companies Act, whichever is higher, and the agreements will be renewed with both Mr. Satoshi Honda and Mr. Shiro Kuniya if their re-election is approved.
 8. If election of Mr. Dohwa Lee as a director is approved, the Company will enter into an agreement with him to limit liabilities for damages provided for in Article 423, Paragraph 1 of the Companies Act, pursuant to provisions of Article 427, Paragraph 1 of the Companies Act and Article 28 of the Company's Articles of Incorporation. The maximum amount of liabilities under such agreement is ¥2.4 million, or the minimum liability amount as provided in Article 425, Paragraph 1 of the Companies Act, whichever is higher.
 9. Mr. Satoshi Honda and Mr. Shiro Kuniya have never been a business executing person or officer of the Company or its subsidiaries.
 10. Mr. Satoshi Honda and Mr. Shiro Kuniya are not a business executing person or officer of any entity that has a special relationship with the Company and were not for the last five years.
 11. Mr. Satoshi Honda and Mr. Shiro Kuniya do not plan to receive significant amount of money or other property from the Company or any entity that has a special relationship with the Company and did not receive during the last two years.
 12. 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.

[Regarding Proposal 4 through Proposal 6]

Proposal 4 through Proposal 6 relate to directors' remuneration, and the relationship between those proposals and the Company's directors' remuneration system is outlined below.

Nexon Group recognizes that maximizing corporate value and ensuring sound management through efficient and highly transparent operations are our most important management issues and sets basic corporate governance policy of (1) maximizing benefits of shareholders, (2) building good trust relationship with stakeholders including users, business partners, communities, and employees, and (3) sustainable and stable growth.

Under this policy, Nexon Group intends to leverage our know-how to develop exciting and unique games and our game operation capabilities to grow games over long periods of time, which we have cultivated over the years, in order to offer creative and high-quality games that game fans around the world can enjoy for a long period of time.

With the aim of becoming the top company in the entertainment industry including games, we are facing fierce competition with global leading companies, including the competition to retain highly talented personnel. In order to achieve the above policy, the Company's Board of Directors resolved at the meeting held on February 23, 2018 to establish "Directors' Remuneration Policy of NEXON Co., Ltd." defining a basic policy as detailed below as the Company's directors' remuneration system in accordance with "NEXON Corporate Governance Basic Policy."

The basic policy of the Company's directors' remuneration system is (1) to contribute to Nexon Group's sustainable growth and enhancement of mid- to long-term corporate value, (2) to be highly competitive in the global human resource market so as to be able to secure talented personnel for the management from a global perspective and maintain the relationship, (3) to link directors' remuneration with performance and corporate value so as to share interests with shareholders and raise management awareness with an emphasis on shareholders, and (4) to ensure that the process to determine remuneration is highly transparent and objective.

Remuneration for executive directors including Representative Director consists of cash compensation and long-term incentives. Cash compensation consists of (1) a fixed amount of "base compensation" and (2) "performance-based annual bonus" linked to the Company's performance of each fiscal year. Long-term incentives consist of (3) equity-based stock options requiring mid- to long-term commitment (i.e. subscription rights to shares with exercise price of one yen per unit that is linked only to stock price, not to performance; equivalent to restricted stock ("RS")), and (4) equity-based stock options linked to mid- to long-term performance (i.e. subscription rights to shares with exercise price of one yen per unit that is linked to performance; equivalent to performance share ("PS")).

In order for directors' remuneration to function as a sound incentive toward sustainable growth, the ratio of each remuneration component is set so that the portion linked to performance and stock price ((2) + (3) + (4)) will exceed the fixed portion (1) if performance targets are fully achieved.

Remuneration for directors other than executive directors including external directors consists only of a fixed amount of "base compensation" in principle as it has been pointed out that paying performance-linked remuneration to these directors may have adverse effect on their expected function to supervise execution of operation by executive directors.

In addition, the Compensation Committee is established as an advisory body to the Board of Directors to ensure proper design and operation of the directors' remuneration system. The Compensation Committee is made up by a majority of independent external directors with an independent external director serving as chairperson. The Compensation Committee will engage external compensation consultant and use survey reports on directors' remuneration to be provided in order to reflect external objective viewpoints and professional insights in the Committee's operation.

The specific amount of remuneration to be paid and performance targets will be fixed and determined by resolution of the Compensation Committee to ensure appropriateness of the level and composition of director's remuneration as well as transparency of the determination process.

In the event that a certain amendment to the directors' remuneration policy or the composition or level of remuneration is required in response to drastic changes in external environment, etc., the Board of Directors may make such amendment after deliberation by the Compensation Committee.

Based on these directors' remuneration system, the Company seeks approvals for setting the maximum amount for cash compensation (base compensation and performance-based annual bonus) for directors (excluding those who are

Audit and Supervisory Committee member) in Proposal 4, and for base compensation for directors who are Audit and Supervisory Committee member in Proposal 5. We also seek an approval for issuance of equity-based stock options as long-term incentives to directors (excluding those who are Audit and Supervisory Committee member) ((3) and (4) above) along with its grant to employees, etc. in Proposal 6. Proposal 7 seeks an approval for grant of regular stock options to the Company's employees, etc. other than its directors.

Equity-based stock options proposed in Proposal 6 to be granted to the Company's directors (excluding those who are Audit and Supervisory Committee member) will vest over three years, and the performance-based portion ((4) above) will have varying vesting ratio according to performance set in the Stock Option Agreements for these subscription rights to shares, to encourage their commitment to the management from a mid- to long-term perspective. The vesting ratio based on performance is expected to range between 0% to 200%, with the full achievement of performance targets being 100%. Also, based on the premise that equity-based stock options will be granted to eligible persons, the proposal is prepared assuming 200% of the performance indicator is achieved for performance-based portion ((4) above). As a result, the number of grant and compensation amount seem large, but the actual number to vest and become exercisable will be determined based on the level of the achievement of the performance targets. We apologize for confusing you and ask for your understanding in this regard.

Proposal 4: Determination of remuneration of directors (excluding those who are Audit and Supervisory Committee member)

The Company will transition to a company with Audit and Supervisory Committee if the Proposal 1 “Partial amendment to the Articles of Incorporation” is approved as proposed. Accordingly, in consideration of discussion in the Compensation Committee, the Company seeks an approval for setting the amount of base remuneration for directors (excluding those who are Audit and Supervisory Committee member) to be at or below an annual amount of ¥500 million and also the amount of performance-based annual bonus to be paid to directors (excluding those who are Audit and Supervisory Committee member) in addition to the base remuneration to be at or below an annual amount of ¥1 billion. Specific amount and timing, etc. of payment to each director (excluding that who is Audit and Supervisory Committee member) may be determined by resolution of the Board of Directors.

Amount of remuneration to directors does not include the compensation paid to those who serve the company as director and employee simultaneously for the service rendered as employee.

The number of directors (excluding those who are Audit and Supervisory Committee member) will be three (3), provided that Proposal 1 “Partial amendment to the Articles of Incorporation” and Proposal 2: “Election of three (3) directors (excluding those who are Audit and Supervisory Committee member)” are approved as proposed.

The resolution on this Proposal shall become effective, provided that Proposal 1 “Partial amendment to the Articles of Incorporation” is approved as proposed and the amendment of the Articles of Incorporation becomes effective pursuant to the resolution on Proposal 1.

Proposal 5: Determination of remuneration of directors who are Audit and Supervisory Committee member)

The Company will transition to a company with Audit and Supervisory Committee if the Proposal 1 “Partial amendment to the Articles of Incorporation” is approved as proposed. The Company seeks an approval for setting the amount of compensation for directors who are Audit and Supervisory Committee member to be at or below an annual amount of ¥100 million (including those for external directors at or below an annual amount of ¥50 million). Specific amount and timing, etc. of payment to each director who is Audit and Supervisory Committee member may be determined by resolution of the Board of Directors.

The number of directors who are Audit and Supervisory Committee member will be three (3) (including two (2) external directors), provided that Proposal 1 “Partial amendment to the Articles of Incorporation” and Proposal 3 “Election of three (3) directors who are Audit and Supervisory Committee member” are approved as proposed.

The resolution on this Proposal shall become effective, provided that Proposal 1 “Partial amendment to the Articles of Incorporation” is approved as proposed and the amendment of the Articles of Incorporation becomes effective pursuant to the resolution on Proposal 1.

Proposal 6: Issuance of subscription rights to shares as equity-based stock options to the Company’s directors (excluding those who are Audit and Supervisory Committee member) and employees, etc.

Pursuant to Articles 236, 238 and 239 of the Companies Act, the Company proposes to delegate to the Board of Directors of the Company the authority to determine the terms and conditions of subscription rights to shares to be issued as equity-based stock options to directors (excluding those who are Audit and Supervisory Committee member) and employees of the Company and its subsidiaries.

This proposal also seeks an approval on matters provided in Article 361 of the Companies Act concerning the allocation of subscription rights to shares to the Company’s directors (excluding those who are Audit and Supervisory Committee members) as directors’ remuneration, separately from Proposal 4.

The number of eligible directors shall be three (3), provided that Proposal 2 “Election of three (3) directors (excluding those who are Audit and Supervisory Committee member)” is approved as proposed.

1. The reason why the Company needs to offer the subscription rights to shares under preferential terms

Since the value of these subscription rights to shares are linked to the stock price of the Company, and since the number of exercisable subscription rights to shares will change according to the level of achievement of predetermined business performance targets, by granting such subscription rights to shares, the mid- to long-term performances of the Company can be reflected into the remunerations of the directors and employees of Nexon Group, and the interests of Nexon Group directors and employees can be aligned with those of the shareholders. Due to this, Nexon Group’s directors and employees will share not only the benefits from a rise in the stock price, but also the risks of a fall in the stock price, thereby the purpose is to give incentive to motivate contribution to the improvement of performance and corporate value and to further promote management awareness with an emphasis on shareholders, in addition to securing talented personnel from a global perspective. Subscription rights to shares granted to the Company’s directors (excluding those who are Audit and Supervisory Committee member) will constitute a part of a new directors’ remuneration system.

The terms and conditions for exercise, including mid- to long-term commitments and specific indexes as business performance targets, will be provided in the Stock Option Agreements for these subscription rights to shares.

2. Persons to whom subscription rights to shares will be granted

Directors (excluding those who are members of Audit and Supervisory Committee) and employees of the Company, as well as Directors and employees of the subsidiaries of the Company.

3. Terms and conditions and the maximum number of subscription rights to shares which can be determined pursuant to a resolution to be passed at this annual general meeting of shareholders

(1) Class and number of shares to be issued upon exercise of subscription rights to shares

Not exceeding 2,500,000 shares of common stock of the Company in total.

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, and any fraction less than one share resulting from such adjustment shall be rounded down.

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

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

(2) Number of subscription rights to shares to be issued

Not exceeding 2,500 units.

The number of shares to be issued upon exercise of each subscription rights to shares (“Number of Granted Shares”) shall be 1,000 shares. In the event the number of shares is adjusted as provided in (1) above, the Number of Granted Shares shall also be adjusted.

(3) Cash payment for subscription rights to shares

No cash payment is required in exchange for subscription rights to shares.

(4) Value of the assets to be contributed upon exercise of subscription rights to shares

The amount to be contributed upon exercise of subscription rights to shares shall be one yen per subscription right to shares.

(5) Exercise period of subscription rights to shares

The exercise period shall be within ten years from the Allotment Date. In the event that the last date of the exercise period is a non-business day of the Company, it shall be the business day immediately preceding such date.

(6) Conditions for exercise of subscription rights to shares

The person must be a director or an employee of the Company or its subsidiaries, or any person in a delegatory relationship (*i-nin*) including the honorary chairman and advisors, at the time of the exercise to be eligible, except when a director or an employee of the Company or its subsidiaries loses its position as a director or an employee due to resignation or retirement, dismissal or discharge (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.

(7) 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 the 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

(8) Restriction on transfer of subscription rights to shares

Any acquisition of subscription rights to shares through transfer shall require an approval of the Board of Directors of the Company.

(9) Matters concerning the amount of capital stock and capital reserve to be increased by the issuance of shares upon exercise of subscription rights to shares

- i) The amount of capital stock to be increased by the issuance of shares upon exercise of subscription rights to shares shall be one-half of the amount of the maximum limit on the increase in capital stock as calculated pursuant to Article 17, Paragraph 1 of the Ordinance on Accounting of Companies. Any fraction of less than one yen shall be rounded up.
- ii) The amount of capital reserve to be increased by the issuance of shares upon exercise of subscription rights to shares shall be the maximum limit on the increase in capital stock provided in i) above less the amount of increased capital stock stipulated in i) above.

(10) Other terms and conditions of the grant of subscription rights to shares shall be determined by a resolution of the Board of Directors' Meeting to be held separately.

4. Matters related to directors' remuneration as subscription rights to shares allotted to directors

Based on Directors' performance of their duties and other various factors, subscription rights to shares shall be granted to three (3) Directors (excluding those who are members of Audit and Supervisory Committee) of the Company as remuneration. The number of subscription rights to shares issued to those Directors within one (1) year from the day of resolution of this proposal at this Annual General Meeting of Shareholders shall be up to 2,000 units of the subscription rights to shares stipulated in 3.(2) above, and the remuneration amount related to the subscription rights to shares thereto shall be set up to a ceiling of ¥4.8 billion. The remuneration amount related to the subscription rights to shares shall 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 granted to Directors (excluding those who are members of Audit and Supervisory Committee).

The remuneration amount related to such subscription rights to shares shall be established in addition to the fixed Directors' annual remuneration amount of ¥500 million and Directors' performance-based annual bonus amount of ¥1 billion, upon approval by this Proposal 4 as proposed. Decisions related to allocation of the remuneration to Directors and other details shall be based on resolution by the Board of Directors of the Company.

Proposal 7: Issuance of subscription rights to shares as stock options to the Company's employees, etc.

Pursuant to Articles 236, 238 and 239 of the Companies Act, the Company proposes to delegate to the Board of Directors of the Company the authority to determine subscription requirements of subscription rights to shares to be issued as stock options to the Company's employees and directors and employees of its subsidiaries.

1. The reason why the Company needs to offer the subscription rights to shares under preferential terms
Since the value of these subscription rights to shares are linked to the stock price of the Company, by granting these subscription rights to shares, the mid- to long-term performances of the Company can be reflected into the remunerations of the directors and employees of Nexon Group, and the interests of Nexon Group directors and employees can be aligned with those of the shareholders. Due to this, the Company's employees, as well as the directors and employees of the Company's subsidiaries, will share not only the benefits from a rise in the stock price, but also the risks of a fall in the stock price, thereby the purpose is to give incentive to motivate contribution to the improvement of performance and corporate value and to further promote management awareness with an emphasis on shareholders, in addition to securing talented personnel from a global perspective.

As the Stock Option Agreements for these subscription rights to shares provide for the terms and conditions for exercise of the rights according to each position, the grant shall function as incentives for improving mid- to long-term performance and rise in stock price.

2. Persons to whom subscription rights to shares will be granted
Employees of the Company, as well as Directors and employees of the subsidiaries of the Company.
3. Terms and conditions and the maximum number of subscription rights to shares which can be determined pursuant to a resolution to be passed at this annual general meeting of shareholders
(1) Class and number of shares to be issued upon exercise of subscription rights to shares

Not exceeding 7,000,000 shares of common stock of the Company in total.

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, and any fraction less than one share resulting from such adjustment shall be rounded down.

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

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

(2) Number of subscription rights to shares to be issued

Not exceeding 7,000 units.

The number of shares to be issued upon exercise of each subscription rights to shares (“Number of Granted Shares”) shall be 1,000 shares. In the event the number of shares is adjusted as provided in (1) above, the Number of Granted Shares shall also be adjusted.

(3) Cash payment for subscription rights to shares

No cash payment is required in exchange for subscription rights to shares.

(4) Value of the assets to be contributed upon exercise of subscription rights to shares

The amount to be contributed upon exercise of subscription rights to shares shall be the amount obtained by multiplying the amount to be paid in for each share to be issued upon exercise of such subscription rights to shares (“Exercise Price”) by the number of shares to be issued upon exercise of such subscription rights to shares.

The Exercise Price shall be the closing price of the common stock of the Company in the regular trading thereof on the Tokyo Stock Exchange on the date of allotment of subscription rights to shares (“Allotment Date”).

In the event that the Company carries out a stock split (including allotment of its common stock without compensation) or a consolidation of its common stock after the Allotment Date, the Exercise Price shall be adjusted according to the following formula. Any fraction of less than one yen shall be rounded up.

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

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

(5) Exercise period of subscription rights to shares

The exercise period shall be within ten years from the Allotment Date. In the event that the last date of the exercise period is a non-business day of the Company, it shall be the business day immediately preceding such date.

(6) Conditions for exercise of subscription rights to shares

The person must be a director or an employee of the Company or its subsidiaries at the time of the exercise to be eligible, except when a director or an employee of the Company or its subsidiaries loses its position as a director or an employee due to resignation or retirement, dismissal or discharge (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.

(7) 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 the 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

(8) Restriction on transfer of subscription rights to shares

Any acquisition of subscription rights to shares through transfer shall require an approval of the Board of Directors of the Company.

(9) Matters concerning the amount of capital stock and capital reserve to be increased by the issuance of shares upon exercise of subscription rights to shares

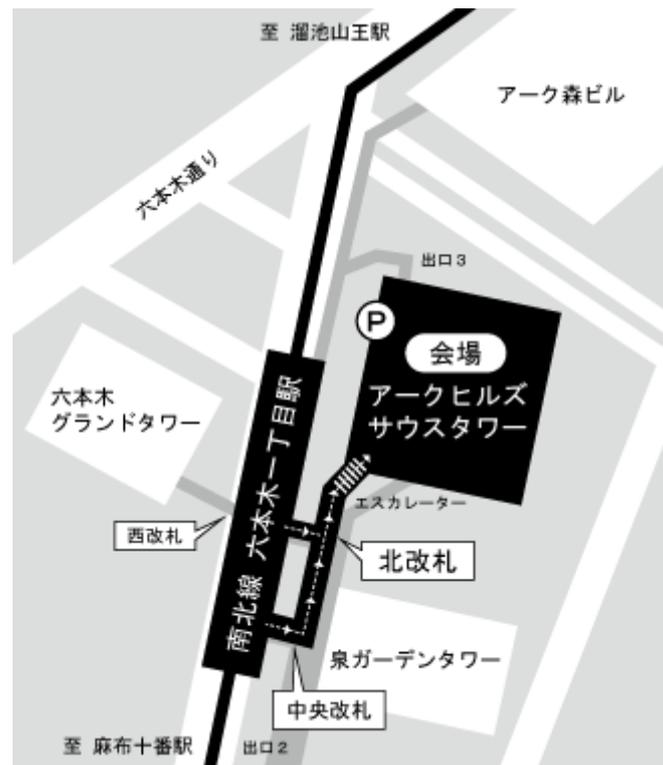
- i) The amount of capital stock to be increased by the issuance of shares upon exercise of subscription rights to shares shall be one-half of the amount of the maximum limit on the increase in capital stock as calculated pursuant to Article 17, Paragraph 1 of the Ordinance on Accounting of Companies. Any fraction of less than one yen shall be rounded up.
- ii) The amount of capital reserve to be increased by the issuance of shares upon exercise of subscription rights to shares shall be the maximum limit on the increase in capital stock provided in i) above less the amount of increased capital stock stipulated in i) above.

(10) Other terms and conditions of the grant of subscription rights to shares shall be determined by a resolution of the Board of Directors' Meeting to be held separately.

Venue Map for 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

* Please note that the venue has been changed from last year and refer to the venue map below for direction to the new venue.



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.