

## **NEXON Corporate Governance Basic Policy**

NEXON Co., Ltd. (“Nexon”) hereby formulates its basic policy regarding corporate governance as below in order to contribute to the sustainable growth and mid- to long-term enhancement of corporate value of Nexon and its subsidiaries (collectively, “Nexon Group”). This Basic Policy stipulates basic concept, framework and operating policy and procedures regarding corporate governance at Nexon.

### **1. Basic Concept regarding Corporate Governance**

Nexon Group has, recognizing that its most important management issue is to balance the maximization of its corporate value and securing of the soundness in business operations through effective and highly transparent management, stipulated (1) the maximization of shareholder value, (2) building of a good relationship of trust with stakeholders such as users, business partners, local communities and employees, and (3) sustainable and stable growth, as its basic policy of corporate governance.

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

Specifically, the organization is arranged so that directors and statutory auditors receive timely reports regarding any important matters that would have an impact on management and performances. At Nexon, we are trying to strengthen internal controls, with Internal Audit Section as an internal independent monitoring body and Legal Department as a division in control of compliance matters.

### **2. Corporate Philosophy/Mission, Vision**

Globalization + Creativity

Connecting the world through creative entertainment

Nexon provides people around the world with supremely entertaining, special experiences and leads the culture of play through its various entertainment businesses based on games. Nexon consistently aims to become a “Global FUN Leader” as a creative and innovative game creator, a service leader with top priority on customers, a business partner that promises success, and a general entertainment company that draws the attention of the world.

### **3. Corporate Strategy, Plan and Policy**

We will aim to be the “No.1 Global Entertainment Company” through the synergy of our 3P’s

Nexon made a sharp turn towards regaining the true potential of gaming and to deliver uniquely differentiated and creative, high-quality games. We are aiming to become the “No.1 Global Entertainment Company” through the synergy of our 3P’s.

Product

Nexon was founded in 1994 to provide supremely entertaining games to users around the world. We will once again commit ourselves to this basic philosophy of Nexon and focus on servicing games to

global users emphasizing quality over quantity, thereby raising the true value of gaming.

#### People

We need creative and talented staff to service innovative and entertaining games. To attract people that share our vision and enable each member of the company to generate value, we will strengthen our recruiting program and work towards creating an environment conducive for each and every employee to leverage their own special strengths.

#### Partners

We have utilized our global business pipelines to service our games in over 150 countries. We will further build on the trust we have cultivated between our partners worldwide and our good relationships with them, which allows us to maximize our performances, and we will continue to source, find, localize and culturalize high-quality games on a global level and send them out to the world.

### **4. NEXON Group Code of Conduct and Business Ethics (Code of Conduct)**

Nexon has formulated and will from time to time update “NEXON Group Code of Conduct and Business Ethics (Code of Conduct)” at its Board of Directors, endeavor to widely communicate this to, and have it complied with by, the officers and employees of Nexon Group, and regularly check the status of its compliance.

Please refer to the following URL for the current “NEXON Group Code of Conduct and Business Ethics.”

[http://ir.nexon.co.jp/en/stock/governance/conduct\\_ethics.pdf](http://ir.nexon.co.jp/en/stock/governance/conduct_ethics.pdf)

### **5. Securing Shareholder Rights/Equality; General Meetings of Shareholders**

#### (1) General way of thinking

Nexon will take appropriate measures so that shareholder rights are substantially secured and maintain an environment conducive to appropriate exercise of shareholder rights. Nexon also ensures equality of shareholders in a substantial manner.

#### (2) General meeting of shareholders

Nexon, recognizing that general meetings of shareholders are a venue for constructive dialogue with our shareholders, will release convocation notices, described in an easily comprehensible manner from the perspective of shareholders, along with its English translation, on Nexon’s website. The schedule for general meetings of shareholders will be set appropriately overall, and to secure a sufficient period for shareholders to review the agenda items at shareholders meetings, the notice of convocation of general meeting of shareholders will be sent out earlier and we will endeavor to release the notice of convocation of general meeting of shareholders on TDnet and Nexon’s website before the convocation notices are sent out, and enable the exercise of voting rights in an electronic manner.

#### (3) Opposing votes at general meeting of shareholders

With regards to agenda items that are passed at the general meeting of shareholders, but for which there were opposing votes of 30% or more out of the number of voting rights exercised, the Board of Directors of Nexon will analyze the reason for it and appropriately reflect that fact in its future management and company proposals.

(4) Equity in the name of a trust bank

When an institutional investor owning our stock in the name of a trust bank, etc. desires to attend a general meeting of shareholders, we will allow the investor to attend the general meeting of shareholders, on the condition that we receive a certification from the trust bank who is the nominee that the institutional investor is actually a shareholder.

(5) Transactions with related parties

When Nexon Group conducts a transaction with its director or a major shareholder, etc., the transaction shall be put forth to the Board of Directors in advance and its approval shall be obtained, so that such transaction would not harm the common interest of Nexon Group and its shareholders, except in the case where it is apparent that the conditions of the transaction are the same as general transactions.

## 6. Corporate Governance Scheme

Nexon Group, lead by NEXON Co., Ltd., whose stock is listed on the Tokyo Stock Exchange, is a game company with strengths in its highly-specialized knowledge, experience, technical abilities and degree of practical mastery with regards to development, servicing and operation of diverse, high-quality PC online games and mobile games, and we will develop and operate the scheme necessary for strengthening the corporate governance of Nexon Group by further securing the transparency of management to realize effective and efficient management that utilize those characteristics and to catch up to stakeholders' expectations.

At this stage, Nexon adopts the system of a company with statutory auditors, in consideration of the efficacy of supervision by highly independent outside directors and outside statutory auditors.

## 7. Board of Directors

(1) Roles and responsibilities of the Board of Directors

The Board of Directors takes on a supervisory function over the overall management, including execution of operations by the executive members, and secures fairness and transparency of management. Furthermore, the Board of Directors conducts decision-making for Nexon Group through decisions and approvals of execution of important operations, which are matters that should be decided by the Board of Directors under laws and regulations.

(2) Delegation of authority

With regards to decision-making pertaining to execution of operations other than the execution of important operations in the foregoing paragraph, as well as all specific executions of operations, the Board of Directors will delegate its authority to the representative director and other executive directors or the management team, and will supervise the status of such execution of operations.

(3) Roles and responsibilities of external directors

To seek sustainable growth of Nexon Group and enhancement of corporate value on the mid- to long-term, external directors supervise the execution of operations by the Board of Directors and the management team, as well as any conflict of interest between Nexon Group and the management team, etc., from the stakeholders' perspective.

(4) Composition of the Board of Directors

Nexon's Board of Directors has up to 10 members as stipulated in the Articles of Incorporation. While it basically will be composed of a number of members necessary and appropriate to ensure an effective management system required of a parent company taking on the function of managing the

execution of operations at Nexon Group, as well as to ensure practical discussions in the Board of Directors' meetings, the number of members will also be decided with full consideration towards the perspective of diversity in the Board of Directors and securing expertise.

(5) Number of external directors

Given the importance of the function of external directors in corporate governance, Nexon will appoint 2 or more independent external directors as the members of the Board of Directors.

(6) Criteria for a director candidate

When deciding on a director candidate, Nexon will take into consideration the balance of personnel who can show his/her strengths in the management of each business area in a broad domain of operations, as well as personnel well-suited to executive management, and will choose as a director candidate a person befitting Nexon's broad domain of operations as an online game company and who is appropriate for securing the diversity and balance of knowledge, experience and abilities as the Board of Directors.

(7) Remuneration Committee

To further enhance corporate governance, Nexon will establish a Remuneration Committee with participation of external directors, as an advisory body of the Board of Directors. The Remuneration Committee will review the remuneration system and details of remuneration, etc. of executive directors and report the findings to the Board of Directors.

The majority of the committee members of the Remuneration Committee shall be external directors. The Board of Directors will obtain the report of the Remuneration Committee and make decisions regarding the remuneration system, etc. of executive directors.

(8) Analysis of effectiveness of the Board of Directors

At least once every year, directors and statutory auditors will conduct an assessment and discussion regarding the effectiveness of the Board of Directors, which leads to ongoing improvement initiatives to heighten the effectiveness of the Board of Directors. An overview of such assessment and discussion will be disclosed in the "Corporate Governance Report."

(9) Supervision of succession plan for Chief Executive Officer, etc.

With regards to a succession plan for the Chief Executive Officer and other important executive directors, the Board of Directors will supervise it. As a policy of successor selection, the successor shall be selected from among those recognized as being appropriate upon taking into consideration his/her personality, views, knowledge, experience and track record.

## 8. Board of Statutory Auditors

(1) Roles and responsibilities of (the Board of) Statutory Auditors

(The Board of) Statutory Auditors, also in cooperation with external directors, take(s) on a supervisory function of the overall management, including execution of operations by the executive members. It secures fairness and transparency of management, and conducts supervision to ensure the appropriateness of audits and outside accounting auditor's work, which are matters that should be conducted by (the Board of) Statutory Auditors under laws and regulations.

The Board of Statutory Auditors formulates the standards necessary for the selection and assessment of an accounting auditor, and it checks the status of execution of operations of the accounting auditor according to such standards and confirms whether or not the outside accounting auditor has the required independence and expertise.

(2) Composition of the Board of Statutory Auditors

Nexon's Board of Statutory Auditors has up to 5 members as stipulated in the Articles of

Incorporation. While it basically will be composed of a number of members necessary and appropriate to ensure an effective audit and supervisory system required of a parent company taking on the function of managing the execution of operations at Nexon Group, as well as to ensure practical discussions in the Board of Statutory Auditors' meetings, the number of members will also be decided with full consideration towards the perspective of diversity in the Board of Statutory Auditors and securing expertise.

(3) Number of outside statutory auditors

Nexon will appoint the majority of the members of the Board of Statutory Auditors from independent external statutory auditors in accordance with the Companies Act.

(4) Criteria for a statutory auditor candidate

When deciding on a statutory auditor candidate, Nexon will take into consideration the balance of personnel who can show his/her strengths in the management of each business area in a broad domain of operations, as well as personnel well-suited to executive management, and will choose as a statutory auditor candidate a person befitting Nexon's broad domain of operations as an online game company and who is appropriate for securing the diversity and balance of knowledge, experience and abilities as the Board of Statutory Auditors.

## 9. Directors and Statutory Auditors, as well as the Management Team

(1) Independence criteria of board members

Independence criteria regarding Nexon's independent external board members shall, in principle, be in accordance with the standards stipulated in the Companies Act and by the Tokyo Stock Exchange, while, in addition to this, the Board of Directors may designate its own independence criteria.

(2) Policy and procedures for director candidate designation

Nexon's director candidate shall be decided by the Board of Directors from among a wide variety of personnel, in accordance with the following designation policy:

- ① A person who has rich knowledge and experiences regarding business management and business operations of an online game company
- ② A person who fully understands the social responsibilities and roles as a global service provider and who can fairly and accurately execute business management and business operations based on high self-discipline

(3) Policy and procedures for external director candidate designation

Regardless of the foregoing paragraph, an external director candidate shall be decided by the Board of Directors from among a wide variety of personnel, in accordance with the following designation policy:

- ① A person who satisfies Nexon's independence criteria and who is deemed to have no possibility of any conflict of interest arising between general shareholders
- ② A person who understands Nexon's corporate philosophy and who has full understanding of social responsibilities and roles as a global service provider
- ③ A person who fully recognizes his/her role as an external director and who can utilize his/her knowledge and experiences in corporate management, finance, legal affairs, corporate financing, accounting, tax affairs, audit or another area to supervise Nexon's directors and management team, as well as provide them with sound and appropriate opinions and advice.

(4) Policy and procedures for statutory auditor candidate designation

Nexon's statutory auditor candidate shall be decided by the Board of Directors, upon obtaining the consent of the Board of Statutory Auditors, from among a wide variety of personnel, in accordance

with the following designation policy:

- ① A person who has rich knowledge and experiences regarding business management and business operations of an online game company
- ② A person who can audit directors' execution of operations from a fair and objective standpoint and who can contribute to the improvement of soundness and transparency of management

(5) Policy and procedures for external statutory auditor candidate designation

Regardless of the foregoing paragraph, Nexon's external statutory auditor candidate shall be decided by the Board of Directors, upon obtaining the consent of the Board of Statutory Auditors, from among a wide variety of personnel, in accordance with the following designation policy:

- ① A person who satisfies Nexon's independence criteria and who is deemed to have no possibility of any conflict of interest arising between general shareholders
- ② A person who understands Nexon's corporate philosophy and who has full understanding of social responsibilities and roles as a global service provider
- ③ A person who fully recognizes his/her role as an external statutory auditor and who can utilize his/her knowledge and experiences in corporate management, finance, legal affairs, corporate financing, accounting, tax affairs, audit or another area to audit directors' execution of operations from a neutral and objective perspective and who can contribute to the improvement of soundness and transparency of management

(6) Policy and procedures for deciding board members' remunerations

In order to ensure that board members' remuneration is appropriate as an incentive, etc. for achieving the corporate strategy, etc., the basic policy for executive compensation shall be: (a) to have a remuneration system that can attract and retain diverse and talented personnel in the global environment, in order to build and improve competitive advantage; (b) to have a remuneration system that advances the continued enhancement of corporate value and which allows sharing of interests with shareholders; and (c) to have highly objective and transparent process for determining remunerations.

With regards to executive directors' remunerations, Remuneration Committee will be established as an advisory body of Board of Directors, and we will endeavor to ensure that the composition and level of remuneration is reasonable and in line with the basic policy as shown above. We will also endeavor to investigate board members' remunerations at companies, both in Japan and overseas, whose size, business type and category are comparable to Nexon, and conduct comparisons with them.

Remunerations of external directors and external statutory auditors will be determined, respectively, by the Board of Directors and the Board of Statutory Auditors.

Remunerations of senior members of the management team who are not executive directors will be determined by the President and Representative Director in accordance with the basic policy as shown above.

Individual remunerations of board members shall consist, in whole or in part, of fixed compensation, performance bonuses by financial year, stock options and equity-based stock options, depending on their roles.

(7) Securing of board members' time; concurrent service

Because directors and statutory auditors are required to secure time necessary to understand Nexon's business, etc. and attend the Board of Directors' and/or the Board of Statutory Auditors' meetings, as well as prepare for them, it is deemed desirable for them not to hold concurrent positions as board members (director, statutory auditor or executive officer/board member) at more than 4 listed companies besides Nexon.

The status of any concurrent service of directors and statutory auditors will be disclosed under "Status of Directors and Statutory Auditors" in business reports and the agenda for the election of directors and statutory auditors in the reference documents for the general meeting of shareholders.

(8) Policy for board members' training seminars, etc.

Nexon will collect and provide information regarding economic conditions, industry trends, compliance with laws and regulations, etc., corporate governance and financial accounting, and any other matters necessary for directors and statutory auditors to fulfill their roles and functions. Nexon will also provide them with opportunities to attend outside seminars and support the execution of duties by directors and statutory auditors.

(9) Support system for external board members

There will be explanations from respective departments or the Board of Directors' office to Nexon's external directors and external statutory auditors regarding Nexon Group's corporate strategy, management plan, statuses of various businesses, management environment, management issues and jargon, etc., in a timely manner after their appointment, in order to support the formation of full understanding in them.

## 10. Basic Policy regarding Internal Control System

Nexon, through its Board of Directors, has stipulated a basic policy regarding the internal control system as follows, in order to implement its business effectively and efficiently and duly comply with laws and regulations, etc. (Final amendment: dated May 22, 2015)

Please refer to the following URL for the current "Basic Policy regarding Internal Control System."  
[http://ir.nexon.co.jp/en/stock/governance/internal\\_control\\_systems.pdf](http://ir.nexon.co.jp/en/stock/governance/internal_control_systems.pdf)

## 11. Appropriate Information Disclosure

Nexon discloses information accurately, fairly and in a timely manner to all of its stakeholders, such as shareholders and investors. Nexon also complies with the Companies Act, Financial Instruments and Exchange Act and other laws and regulations, as well as the rules stipulated by the Stock Exchange, and duly discloses not only its financial information but also its non-financial information. In addition, it not only discloses information for which disclosure is mandatory in a timely manner, but also proactively discloses socially useful information that contributes to the understanding about Nexon Group.

## 12. Policy regarding Dialogue with Shareholders

(1) Basic way of thinking

Nexon recognizes that the understanding and support by shareholders and investors is essential in order to realize sustainable growth and enhancement of corporate value on the mid- to long-term. Therefore, we would like to conduct constructive dialogues and build a relationship of trust while providing accurate information regarding Nexon Group to shareholders and investors in a timely and fair manner. When providing information, we will also endeavor to disclose and provide the information in English as much as possible.

(2) IR system

With regards to dialogues with shareholders and investors, President and Representative Director, as well as Chief Financial Officer and Representative Director will have overall control, and Global IR Team, Corporate PR Team, Accounting and Finance Department, Legal Department, etc. will handle the matter in cooperation.

(3) Dialogue method

Accounting details, progress status of the management policy, etc. will be promptly disclosed on Nexon's website after the resolution at the Board of Directors' meeting. In addition, we will hold a quarterly earnings presentation (Japanese) or earnings conference call (Japanese and English) for institutional investors and analysts, and also arrange a venue (in Japan and overseas) for explanation based on individual requests. For individual shareholders, we accept questions, opinions, etc. by phone.

(4) Internal feedback

We will give feedback, as necessary, to the Board of Directors and the management team regarding the content of dialogues with shareholders and investors.

(5) Insider information and quiet period

We will not communicate any unreleased material fact in the dialogues with shareholders and investors. Also, the period from the day 6 business days after the closing date to the day before the earnings release date every quarter shall be a "quiet period," during which we refrain from any dialogue regarding earnings information.

### 13. Capital Policy

Our basic way of thinking is to aim to maximize shareholder value by securing shareholders' equity that is rich in both quality and quantity to strengthen our sound financial base, as well as pursue improvement in capital efficiency. When judging capital efficiency, we will not particularly depend on any specific index, but will use as reference operating income margin and other indexes that are generally referenced in the capital market, such as Return on Equity (ROE) and Earnings Per Share (EPS).

We recognize 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.

### 14. Dividend Policy

We would like to allocate funds to 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 domain going forward.

Therefore, we will not be conducting dividends of surplus at this point in time.

### 15. Cross-Shareholdings

(1) Basic policy regarding cross-shareholdings

At times, Nexon Group will acquire and hold shares, etc. of a business partner from the perspective of building a stable, long-term business relationship, or facilitating and strengthening business partnership or cooperative business expansion, with such business partner, in the case where it has been determined to contribute to the enhancement of Nexon Group's corporate value on the mid- to long-term.

(2) Explanation of purpose/rationality of cross-shareholdings



Nexon will endeavor to conduct constructive dialogues with its business partners, as necessary, in order to share management issues and lead to improvement of problems. Also, with regards to important cross-shareholdings out of shares we hold, their mid- to long-term economic rationality and future outlook will be verified by taking into account their investment recoverability and risks, etc., and a detailed explanation of purpose/rationality of holding them, which reflects such verification, will be made at the Board of Directors.

(3) Basic policy regarding exercise of voting rights

With regards to the exercise of voting rights of so-called cross-shareholdings, we will closely examine the content of such agenda and conduct it appropriately upon making a comprehensive judgment of whether or not it would contribute to the increasing of shareholder value, the impact it would have on Nexon Group, etc. Affirmative judgment will not be made for any agenda that is damaging to shareholder value, regardless of whether it is company proposal or shareholder proposal.

## 16. Anti-Takeover Measures

Nexon has not adopted any so-called anti-takeover measures, and has no plan to do so.

## 17. Appropriate Cooperation with Stakeholders and Respecting the Rights/Positions of Stakeholders

Nexon Group will, as a “good corporate citizen,” endeavor to conduct responsible dialogues, build a strong relationship of trust, and cooperate appropriately, with all of its stakeholders.

The Board of Directors and the management team will endeavor to cultivate a corporate culture and climate necessary for Nexon Group to practice activities as a “good corporate citizen.”

Also, we have an Advisory Board as a consultative body, which will, based on assessment in view of global industry standards, provide appropriate advice to NEXON Group in connection with our businesses, operations and other activities. The Advisory Board will, in response to requests from CEO, evaluate, analyze, scrutinize, as well as advise about organization, strategies, policies, plans, performances, industry trends and other aspects relating to NEXON Group’s businesses, operations and other activities.

## 18. Initiatives for Sustainability

Nexon’s Board of Directors will aim for sustained development of society and enhancement of Nexon Group’s corporate value by establishing a basic policy regarding social responsibility that each Nexon Group company should fulfill, upon consideration of the importance of environmental and social issues over sustainability, thereby raising awareness of board members and employees, and also by promoting aggressive and proactive initiatives to solve the issues while giving consideration to stakeholders.

## 19. Promotion of Diversity

Nexon Group will strive to build and maintain an environment where diverse personnel with various values and ways of thinking can fully utilize their individuality and abilities, regardless of race, nationality, sex, religion, LGBT (sexual orientation, gender identity), and disability, etc.

## **20. Whistle-Blowing System**

Nexon Group will build an appropriate whistle-blowing system based on “NEXON Group Code of Conduct and Business Ethics” and “Basic Policy on Internal Control System,” for early ascertainment, investigation and correction of any case of violation of laws and regulations or company rules, etc.

### **Supplementary Provisions:**

#### **1. Revision or abolition**

Any revision or abolition of this Basic Policy shall be made by resolution of the Board of Directors.

#### **2. History**

Adopted on January 22, 2016

Also, with the adoption of this Basic Policy, “Corporate Governance Operation Guidelines,” which was formulated on July 22, 2010 (final revision on September 15, 2011) shall be abolished.

Revised on May 12, 2017