Securities code: 3659
March 9, 2021

To Shareholders

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

Notice of the 19th Annual General Meeting of Shareholders

Dear Shareholders:
We are pleased to inform you that the 19th Annual General Meeting of Shareholders will be held as outlined below.

In lieu of attending 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 Wednesday, March 24, 2021, in accordance with the "Instructions for Exercising Voting Rights" set forth on page 4.

Notice

1. **Date &Time**: 11:00 a.m., Thursday, March 25, 2021 (Doors open at 10:30 a.m.)
2. **Location**: BELLESALLE Roppongi Grand Conference Center ROOM-H
   At Sumitomo Fudosan Roppongi Grand Tower on 9th Floor
   3-2-1 Roppongi, Minato-ku, Tokyo
3. **Agenda**:
   Matters to be reported:
   1) Business Report and Consolidated Financial Statements for the 19th fiscal year (from January 1, 2020 to December 31, 2020), and audit results on the Consolidated Financial Statements by the Independent Auditors and the Audit and Supervisory Committee.
   2) Non-consolidated Financial Statements for the 19th fiscal year (from January 1, 2020 to December 31, 2020).

   Proposals to be voted on:
   Proposal No. 1: Election of four (4) directors (excluding those who are Audit and Supervisory Committee members)
   Proposal No. 2: Revision of the remuneration amount of directors (excluding those who are Audit and Supervisory Committee members)
   Proposal No. 3: Determination of the remuneration, etc. of directors (excluding those who are Audit and Supervisory Committee members) (Grant of subscription rights to shares as 2021 equity-based stock options)
   Proposal No. 4: Determination of the remuneration, etc. of directors who are Audit and Supervisory Committee members (Grant of subscription rights to shares as equity-based stock options)
   Proposal No. 5: Issuance of subscription rights to shares as stock options to the Company's employees, etc.

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

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

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

The status of subscription rights to shares, systems and organization to ensure the execution of duties by directors is in compliance with laws and regulations and the articles of incorporation, other systems and organization to ensure proper business operation of the company and the summary of the operating status of such systems, Consolidated statement of changes in equity, Notes to consolidated financial statements, Non-consolidated statement of changes in net assets, and Notes to 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.

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 the Audit and Supervisory Committee 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).

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

Measures to Prevent the COVID-19 Infection

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

[Measures to be taken by the Company]

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

[Request to our shareholders]

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

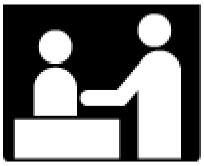
[Request to our shareholders who intend to attend the meeting]

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

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

Instructions for Exercising Voting Rights

If attending the meeting in person



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

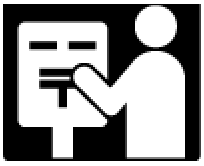
Date & Time	Thursday, March 25, 2021 11:00 a.m. (Doors open at 10:30 a.m.)
Location	BELLESALLE Roppongi Grand Conference Center ROOM-H

※Please bring the "Notice of the Annual General Meeting of Shareholders"

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

If not attending the meeting in person

● Exercise of voting rights in writing (by mail)



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

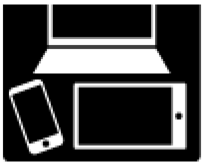
● Any voting right exercised without indicating approval or disapproval for a particular proposal will be counted as a vote for approval of the proposal.

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

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

Deadline: By 7 p.m. Wednesday, March 24, 2021

● Exercise of voting rights via the Internet



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

Deadline: By 7 p.m. Wednesday, March 24, 2021

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 Wednesday, March 24, 2021, 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 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
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/smartphone operations, etc.
(1) If you have inquiries about computer/smartphone operations regarding the exercise of voting rights through the voting rights exercise website, please contact the following:
Dedicated dial-in number for Stock Transfer Agency Web Support of Sumitomo Mitsui Trust Bank, Limited
Tel: 0120-652-031 (Operating hours: 9:00 to 21:00)
(2) For other inquiries, please contact the following
i. Shareholders who have accounts with securities companies
Shareholders who have accounts with securities companies are requested to contact your securities company.
ii. Shareholder who do not have accounts with securities companies (Shareholders under special accounts)
Stock Transfer Agency Department of Sumitomo Mitsui Trust Bank, Limited
Tel: 0120-782-031 (Operating hours: 9:00 to 17:00, excluding Saturdays, Sundays and holidays)

Reference Materials for Annual General Meeting of Shareholders

Proposal 1: Election of four (4) directors (excluding those who are Audit and Supervisory Committee members)

The term of office for all three (3) current directors (excluding those who are Audit and Supervisory Committee members) will expire at the conclusion of this Annual General Meeting of Shareholders. Accordingly, the Company seeks an approval for the election of four (4) directors (excluding those who are Audit and Supervisory Committee members) including an addition of one (1) external director with an aim to secure management transparency and expand our business in the future.

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

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

Candidate #	Name (Date of birth)	Career summary, positions and areas of responsibility (Significant concurrent positions outside the Company)	Number of the Company's shares owned
1	Owen Mahoney (December 28, 1966)	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 Chief Executive Officer and President of NEXON Co., Ltd. (to present) June 2015 Director of transcosmos inc. (Significant concurrent positions) Not applicable	88,000 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 (current Deloitte Touche Tohmatsu LLC) 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. Mar. 2014 Director of inBlue.com Mar. 2015 Representative Director of NEXON Co., Ltd. (to present) Apr. 2016 Director of NEXON America, Inc. (to present) Apr. 2016 Director of NEXON M Inc. Apr. 2016 Director of Lexian Software Development (Shanghai) Co., Ltd. (to present) Sept. 2016 Director of NEXON Europe GmbH Jan. 2020 Representative Director of gloops, Inc. (Significant concurrent positions) Director of NEXON America, Inc. Director of Lexian Software Development (Shanghai) Co., Ltd.	83,900 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
3	Patrick Söderlund (September 27, 1973)	Jan. 2000 Chief Executive Officer of Digital Illusions Creative Entertainment Oct. 2006 Vice President & General Manager of Electronic Arts, Inc. Sept. 2013 Executive Vice President of Electronic Arts, Inc., EA Worldwide Studios Apr. 2018 Chief Design Officer of Electronic Arts, Inc. Nov. 2018 Director of Sicalis AB (to present) Nov. 2018 Chief Executive Officer of Embark Studios AB (to present) Jan. 2019 Director of Fractal Gaming Group AB (to present) Mar. 2019 External Director of NEXON Co., Ltd. July 2019 Director of NEXON Co., Ltd. (to present) Nov. 2019 Director of Ortalis Group AB (to present) June 2020 Director of Hexagon Aktiebolag (to present) Aug. 2020 Director of Surmount Together AB (to present) (Significant concurrent positions) Director of Sicalis AB Chief Executive Officer of Embark Studios AB Director of Fractal Gaming Group AB Director of Ortalis Group AB Director of Hexagon Aktiebolag Director of Surmount Together AB	1,143,250 shares

Candidate #	Name (Date of birth)	Career summary, positions and areas of responsibility (Significant concurrent positions outside the Company)	Number of the Company's shares owned
4	Kevin Mayer (April 25, 1962)	Apr. 1993 Joined The Walt Disney Company Feb. 2000 Chief Executive Officer of Playboy. com Sep. 2000 Chairman and Chief Executive Officer of Clear Channel Interactive Feb. 2002 Joined L.E.K Consulting June 2005 Executive Vice President of The Walt Disney Company Oct. 2005 Chief Strategy Officer of The Walt Disney Company Mar. 2018 Chairman of Direct-to-Consumer & International of The Walt Disney Company May 2020 Chief Executive Officer of TikTok Ltd. Chief Operating Officer of ByteDance Ltd. Dec. 2020 Executive Director of New Mountain Capital/Tinuity (to present) (Significant concurrent positions) Executive Director of New Mountain Capital/Tinuity	— shares

(Reference)
Of the candidates for directors, Mr. Owen Mahoney, Mr. Shiro Uemura and Mr. Patrick Söderlund own subscription rights to shares disclosed on pages 1, 2 and 5 through 12 of the "Internet Disclosure of Information Regarding the Notice of the 19th Annual General Meeting of Shareholders."

(Notes)
1. Mr. Kevin Mayer is a candidate for new External Director.
2. Mr. Patrick Söderlund is Chief Executive Officer of Embark Studios AB, which is a consolidated subsidiary of Nexon Group and engages in game development business. There are no special conflicts of interest between other candidates and the Company.
3. (1) The Company nominates Mr. Owen Mahoney as a candidate for Director as we expect that he would contribute to Nexon Group's further expansion of business in Japan and overseas by utilizing his abundant knowledge and insight into strategy, finance and management cultivated from his long years of experience in the game industry.
   (2) The Company nominates Mr. Shiro Uemura as a candidate for Director as we expect that he would endeavor to enhance the management system 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 nominates Mr. Patrick Söderlund as a candidate for Director as we expect that he would contribute to Nexon Group's further expansion of business in Japan and overseas by utilizing his knowledge and experience related to strategic activities in the game industry.
   (4) The Company nominates Mr. Kevin Mayer as a candidate for External Director as we expect that he would contribute to Nexon Group's further expansion of business in Japan and overseas and also that he would supervise the Company's management by utilizing his abundant knowledge and insights he acquired through his successful career as a leader in the strategic and management planning field in the entertainment industry.
4. If the election of Mr. Kevin Mayer as Director is approved, he and the Company will enter into an agreement to limit liabilities for damages provided for in Article 423, Paragraph 1 of the Companies Act to ¥2.4 million or the minimum liability amount as provided in Article 425, Paragraph 1 of the Companies Act, whichever is higher, based on the provisions of Article 427, Paragraph 1 of the Companies Act and Article 28 of the Articles of Incorporation of the Company.
5. The Company has taken out a directors and officers liability insurance covering all directors to indemnify for possible losses arising from monetary damages and legal costs in connection with claims against the insured. If the candidates take office as Director, they will be insured under the insurance. The Company will renew the insurance during the term of office of the director candidates subject to this proposal.
6. If the candidates take office as Director, the Company will enter into indemnification agreements to indemnify expenses provided by Article 430-2, Paragraph 1, Clause 1 of the Companies Act and losses provided by Clause 2 of the Paragraph to the extent provided by relevant laws and regulations.

Reference

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

If this proposal is approved, the Company's Board of Directors will be comprised of members, including directors who are Audit and Supervisory Committee members not subject to the election this year, who have skills shown below.

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

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

[Explanation on the directors' remuneration system in Proposal 2 through Proposal 4]

Proposal 2 through Proposal 4 relate to the directors' remuneration, and the relationship between those proposals and the Company's directors' remuneration system is outlined below.

As Nexon Group aims to be the "No.1 global company" in the game and entertainment industry, we are facing a fierce competition with global leading companies. It has become common knowledge that we are positioned as a global company and compared to leading companies in the U.S. and Europe when assessed by investors. This is a result of our efforts to focus our resources on business expansion in the U.S. and Europe as well as Korea and China by, for example, making a Swedish company Embark Studios AB our subsidiary in 2019. The management believes that a recognition of such activities led to the Company's selection as one of the constituents of Nikkei 225 in October 2020. We will continue to make a strategic move toward further expansion of our global business, such as an appointment of Mr. Kevin Mayer as a new candidate for director as proposed in Proposal 1.

Under such circumstances, we recognizes that maximizing corporate value and ensuring sound management through efficient and highly transparent operations are our most important management issues. To that end, it is important to include appropriate incentive in the management remuneration and establish a truly competitive remuneration system taking into consideration the global business environment.

The "Practical Guidelines for Corporate Governance Systems ("CGS Guideline")" by the Ministry of Economy, Trade and Industry (as revised on September 28, 2018) also suggests that a company should consider introducing performance-linked compensation and stock-based compensation in designing its executive remuneration system as an appropriate incentive for management to urge them to improve the entity's mid- and long-term corporate value. So, the Company's Remuneration Committee, a voluntary advisory body, has compiled a new "Directors' remuneration policy" which increases the proportion of the performance-linked portion of the management remuneration as well as introduces non-performance-linked share-based compensation for external directors. This new policy also aims to fortify our "earning power," which has been one of the issues of Japanese companies as mentioned in the CGS Guideline.

The remuneration of executive directors consists of a fixed amount of "base compensation," "performance-linked annual bonus" calculated based on the achievement level of key performance indicator ("KPI") targets predetermined for each year, and, as subscription rights to acquire the Company's common stock, "equity-based stock options (term-based)" linked to directors' office term, and "equity-based stock options (performance-based)" linked to the mid- and long-term performance for a three-year period and our stock price.

The remuneration of non-executive directors (including those who are Audit and Supervisory Committee members) consists of a fixed amount of "base compensation" and "equity-based stock options (term-based)" linked to directors' office term. The remuneration of non-executive directors (including those who are Audit and Supervisory Committee members) does not include performance-linked compensation considering their role to supervise business execution of executive directors.

Subscription rights to shares as equity-based stock options are equivalent to Restricted Stock ("RS"), Restricted Stock Unit ("RSU") or Performance Share ("PS") commonly used mainly in the U.S., and are subscription rights to be issued as directors' remuneration not requiring cash payment upon exercise, which will be permitted by "The Act Partially Amending the Companies Act (Act No. 70 of 2019) which will come into force prior to the 19th Annual General Meeting of Shareholders.

In order to ensure appropriateness of the directors' remuneration, etc. and transparency of the determination process, we have set up the Remuneration Committee, a voluntary body under the Board of Directors, consisting mainly of independent external directors and chaired by an independent external director. The Committee has deliberated the revision of the remuneration system prior to the resolution by the Board of Directors.

For reasons stated above, we will submit Proposals 2 through 4 to the 19th Annual General Meeting of Shareholders.

As described above, the remuneration system is distinguished between the remuneration for directors subject to performance-linked compensation (directors other than those who are Audit and Supervisory Committee members and external director (executive directors)) and the remuneration for directors not subject to performance-linked compensation (directors who are Audit and Supervisory Committee members and external directors (non-executive directors)), but Proposals 2 through 4 are prepared by distinguishing directors who are not Audit and Supervisory Committee members and directors who are Audit and Supervisory Committee members.

If these proposals are approved at the 19th Annual General Meeting of Shareholders, we plan to revise our "Directors' Compensation Policy" as follows at the Board of Directors meeting to be held subsequently.

NEXON Directors' Compensation Policy

1. Basic Management Concepts

Nexon Group recognizes that our most important management issue is to strike a balance between the maximization of corporate value and ensuring sound business through efficient and highly transparent business management. To that end, we have set forth the following as our basic policy of corporate governance: (1) the maximization of shareholder value; (2) building a good relationship of trust with stakeholders such as users, business partners, local communities, and employees; and (3) sustainable and stable growth.

Under this policy, we will capitalize on our strengths that we have cultivated to date, i.e. our know-how of developing fun and differentiated games and our operational capabilities to grow games over a long period of time, in order to offer creative, high-quality games that game fans all over the world can enjoy in the virtual world for a long time.

2. Basic Policy

To put the above management concepts into practice, the basic policy of Nexon's compensation system for directors will be as follows in accordance with "NEXON Corporate Governance Basic Policy."

It will:

(1) contribute to the sustainable growth of Nexon Group and mid- and long-term enhancement of corporate value;

(2) be competitive on the global HR market enough to acquire incredibly talented personnel for the management team from a global perspective and to maintain such a relationship;

(3) link directors' remuneration with the company's business performance and corporate value to align their interests with those of shareholders and increase the management's focus on shareholders; and

(4) have a highly transparent and objective process for determining remuneration.

3. Rationale for Compensation Level

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

4. Composition of Remuneration

<Executive Directors>

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

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

(1) Base amount of the portion whose amount or value is linked to performance or stock price ((ii) + (iii) + (iv)) is greater than the fixed portion (i). [(i) < ((ii) + (iii) + (iv))]

(2) Base amount of equity-based stock options ((iii) + (iv)) is greater than base amount of performance-linked annual bonus (ii). [(ii) < ((iii) + (iv))]

(3) Base amount of equity-based stock options (performance-based) (iv) is greater than base amount of equity-based stock options (term-based) (iii). [(iii) < (iv)]

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

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

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

Fixed compensation	Compensation linked to performance / stock price

Each component of remuneration will be paid as follows:

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

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

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

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

<Non-executive Directors (including external directors but excluding directors who are Audit and Supervisory Committee members)>

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

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

Each component of remuneration will be paid as follows:

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

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

<Directors who are Audit and Supervisory Committee members (including external directors)>

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

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

Each component of remuneration will be paid as follows:

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

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

5. Details of Each Component of Remuneration

(1) Fixed compensation

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

(i) Base compensation

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

(2) Compensation linked to performance/stock price

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

(ii) Performance-linked annual bonus

The base amount for each director will be determined in consideration of base compensation determined in (i) and the proportion set forth in "4. Components of Remuneration."

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

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

Equity-based stock options (term-based) are similar to Restricted Stock (RS) and Restricted Stock Unit (RSU). Directors excluding those who are Audit and Supervisory Committee members (including external director) will be granted subscription rights to shares attributable to three fiscal years in a lump sum promptly after the annual general meeting of Shareholders to be held in the grant year, one third of which vests and becomes exercisable upon conclusion of each of the first, second and third annual general meeting of shareholders to be held after the grant. Directors who are Audit and Supervisory Committee members (including external director) will be granted subscription rights to shares every year promptly after the annual general meeting of shareholders, which vest and become exercisable upon conclusion of the first annual general meeting of shareholders to be held after the grant. This portion of remuneration is not linked to the Company's performance but linked only to directors' term of office and the Company's stock price.

The number of equity-based stock options (term-based) to be granted will be calculated by first determining the base amount of equity-based stock options (term-based) for each director, in consideration of the base compensation determined in (1) as well as the proportion set forth in "4. Components of Remuneration" and by dividing such base amount by the closing price of the Company's common stock in regular transactions on Tokyo Stock Exchange on the day immediately preceding the date of the resolution of the grant (or the most recent trade date if such date is not a trade date) (rounded down to the nearest integer). The class and number of underlying shares per unit of subscription rights to shares will be one share of the Company' common stock.

(iv) Equity-based stock options (performance-based)
Equity-based stock options (performance-based), similar to performance shares (PS), vest and become exercisable after a certain performance evaluation period after the grant based on relative comparison of stock price movement with the industry peers and the achievement level of the consolidated performance targets stated in the internal management plan covering multiple years, with the aim of contributing to Nexon Group's sustainable growth and enhancement of mid- and- long-term corporate value. Specifically, as objective and transparent indices, (1) stock-price-based index (e.g. relative total shareholder returns (TSR) (Note 1)) and (2) financial index (e.g. consolidated operating income, and revenue, operating income, EBITDA, etc. of a certain reportable segment (those selected as an appropriate performance evaluation index for each director based on their job position and associated business (Note 2), and the same applies hereinafter)) will be selected, and the weight of 60% and 40% will be assigned for evaluation, respectively. These indices will be amended as necessary in response to changes in the Company's business environment and review of management plan.

(Note 1) Comparable companies selected for the purpose of relative TSR include Electronic Arts, Activision/Blizzard, Take-Two Interactive, Nintendo, and BANDAI NAMCO Holdings. Assessment will be made by comparing the Company's TSR and the average TSR value of comparable companies (i.e. represented in percentages based on dividends and stock price movements) of three years from the date of a given annual general meeting of shareholders to the date of an annual general meeting of shareholders three years later. For example, for equity-based stock options (performance-based) to be granted in 2021, the period will be from the date of the annual shareholders meeting to be held in 2021 to the date of annual general meeting of shareholders to be held three years later in 2024, and performance will be evaluated in the similar manner thereafter.
(Note 2) As for consolidated operating income, and revenue, operating income, EBITDA, etc., the evaluation is performed based on the achievement level of those indices of the third year stated in the internal management plan (two years after the year during which equity-based stock options (performance-based) are granted). For example, for equity-based stock options (performance-based) to be granted in 2021, performance for FY2023 will be subject to the evaluation, and performance will be evaluated in the similar manner thereafter.

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

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

The number of equity-based stock options (performance-based) to be granted will be calculated by first determining the base amount of equity-based stock options (performance-based) for each director (assuming approximately 200% achievement of KPI targets), in consideration of the base compensation determined in (1) as well as the proportion set forth in "4. Components of Remuneration" and by dividing such base amount by the closing price of the Company's common stock in regular transactions on Tokyo Stock Exchange on the day immediately preceding the date of the resolution of the grant (or the most recent trade date if such date is not a trade date) (rounded down to the nearest integer). The class and number of underlying shares per unit of subscription rights to shares will be one share of the Company' common stock.

<Reference>
Total shareholder returns (TSR) = (A + B) / C
A: capital gain during the evaluation period (i.e. stock price at the end of evaluation less stock price at the beginning of evaluation)
B: amount of dividend per share during the evaluation period
C: stock price at the beginning of evaluation
We use relative TSR as a performance indicator because we think it is important to evaluate not only from the perspective of the Company's sustainable growth but also by taking into account market and competitive environment.

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

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

6. Determination Process
The upper limit of directors' remuneration will be resolved at the general meeting of shareholders, and the details of each director's remuneration, etc. will be determined within such limit in the manner described below. The upper limit of remuneration of directors excluding those who are Audit and Supervisory Committee members were resolved at the 19th Annual General Meeting of Shareholders held on March 25, 2021 to be fixed compensation at or below an annual amount of ¥600 million (including those for external director at or below an annual amount of ¥100 million), performance-linked annual bonus at or below an annual amount of ¥1,000 million, equity-based stock options (term-linked) at or below ¥800 million as the lump-sum payment attributable to three fiscal years (including those for external directors at or below ¥100 million as the lump-sum payment attributable to three fiscal years), and equity-based stock options (performance-based) for the three-year performance evaluation period starting from FY2021 at or below ¥6,500 million. The upper limit of remuneration for directors who are Audit and Supervisory Committee members were resolved at the 16th Annual General Meeting of Shareholders held on March 27, 2018 to be at or below an annual amount of ¥100 million (including those for external director at or below an annual amount of ¥50 million) for fixed compensation, and at the 19th Annual General Meeting of Shareholders held on March 25, 2021 to be at or below an annual amount of ¥100 million (including those for external director at or below an annual amount of ¥50 million) for equity-based stock option (term-based).

<Directors who are not Audit and Supervisory Committee members>
The Remuneration Committee is established as an advisory body of the Board of Directors. The Committee consists mainly of independent external directors and is chaired by an independent external director. For the operation of the Remuneration Committee, external remuneration consultants may be engaged to introduce outside and objective perspective and professional insights, with other data including management remuneration survey used as reference.
To ensure a reasonable level and composition of directors' remuneration as well as transparency of its determination process, the specific remuneration amounts to be paid and the performance achievement level will be first approved by the Remuneration Committee and then finalized and determined by resolution of the Board of Directors. Prior to that, the total amount and breakdown of remuneration for Chief Executive Officer and President and other directors will be first discussed between Chief Executive Officer and President and the Remuneration Committee and between Chief Executive Officer and President and each director, respectively, then deliberated and approved by the Remuneration Committee and determined by resolution of the Board of Directors.

<Directors who are Audit and Supervisory Committee members>
To be determined based on the discussion by directors who are Audit and Supervisory Committee members.

7. Amendment
When an amendment of this Directors' Remuneration Policy or readjustment of any components or level of remuneration becomes necessary to keep pace with the drastic changes in the external environment or for any other reason, the Board of Directors may make such amendment after consideration by the Remuneration Committee.

8. Information Disclosure and Other Policies
The details of the Company's remuneration system for directors will be promptly disclosed to our shareholders and other stakeholders through our financial statements, business reports and corporate governance reports, which will be prepared and disclosed in accordance with all applicable laws and regulations, as well as through channels such as our company website. We will also proactively respond to engagements with institutional investors and analysts, among others.

9. Application
NEXON Directors' Compensation Policy will apply to the directors who are holding office at the completion of the 19th Annual General Meeting of Shareholders held on March 25, 2021.

Proposal 2: Revision of the remuneration amount of directors (excluding those who are Audit and Supervisory Committee members)

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

Following the Company's transition to a company with Audit and Supervisory Committee, it was approved to set the amount of "base compensation" and "performance-linked annual bonus" for the Company's directors (excluding those who are Audit and Supervisory Committee members) to be at or below an annual amount of ¥500 million and ¥1,000 million, respectively, at the 16th Annual General Meeting of Shareholders held on March 27, 2018, and the Company now seeks approval for this proposal in order to revise part of the remuneration system. As for the amount of remuneration in this proposal, "base compensation" for directors (excluding those who are Audit and Supervisory Committee members) will be determined based on the role and position of each director, "performance-linked annual bonus" will be determined within the range of 0% to 150% based on the achievement level of the internal annual target for consolidated revenue and consolidated operating income, taking into account the "base compensation." The amount of all these compensation components will be set to win the competition over management-level personnel in the global environment, and the performance-linked compensation aims to further raise awareness for achieving the Company's annual performance target. External directors are excluded from the scope of "performance-linked annual bonus" in consideration of their expected role to supervise business execution of executive directors.

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

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

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

2. Amount and details, etc. of the remuneration, etc.

In consideration of discussion in the Remuneration Committee, the Company seeks an approval for setting the amount of base compensation for directors (excluding those who are Audit and Supervisory Committee members) to be at or below an annual amount of ¥600 million (including those for external director at or below an annual amount of ¥100 million) and also the amount of performance-linked annual bonus to be paid to directors (excluding those who are Audit and Supervisory Committee members and external directors) in addition to the base compensation to be at or below an annual amount of ¥1,000 million. We also seek approval for determining specific amount and timing, etc. of base compensation to each director (excluding those who are Audit and Supervisory Committee members) and performance-linked annual bonus to each director (excluding those who are Audit and Supervisory Committee members and external directors) by resolution of the Board of Directors.

The remuneration to directors (excluding those who are Audit and Supervisory Committee members and external directors) does not include the compensation paid to those who serve the Company as director and employee simultaneously for the service rendered as employee.

Proposal 3: Determination of the remuneration, etc. of directors (excluding those who are Audit and Supervisory Committee members) (Grant of subscription rights to shares as 2021 equity-based stock options)

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

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

Subscription rights to shares as 2021 equity-based stock options subject to this proposal consist of “subscription rights to shares as equity-based stock options (term-based)” and “subscription rights to shares as equity-based stock options (performance-based).”

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

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

For all of these remuneration components, the number of units of subscription rights to shares to be granted will be set based on the remuneration amount to make the remuneration system competitive to secure excellent management-level personnel in the global environment, and “subscription rights to shares as equity-based stock options (performance-based)” aim to further raise awareness for improving the Company’s mid- and long-term performance and increasing the corporate value. The number of subscription rights to shares as equity-based stock options (performance-based) to be granted after the 19th Annual General Meeting of Shareholders is based on the assumption that the level of the performance targets to be set for the three-year performance evaluation period will be extremely high even for the Nexon Group’s past performance and that a maximum level of approximately 200% of KPI targets will be achieved. Accordingly, the number of grant and associated compensation amount may seem excessive, but the actual number to vest and become exercisable will be limited to the portion that is evaluated, fixed and determined based on the level of the achievement of the performance targets after the performance evaluation period. Also, if the high KPI targets are achieved, it should mean a significant improvement in Nexon Group’s performance, which should have a positive impact on the Company’s stock price.

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

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

Subscription rights to shares as 2021 equity-based stock options to be issued based on this proposal will not require cash payment in exchange for subscription rights. However, as they will be issued as remuneration for execution of duties by the Company's directors as the remuneration, etc. of directors (excluding those who are Audit and Supervisory Committee members) prescribed by Article 361 of the Companies Act, not requiring cash payment will not be considered to be a particularly advantageous condition.

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

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

2. Subscription rights to shares as 2021 equity-based stock options to be granted to directors (excluding those who are Audit and Supervisory Committee members) as directors' remuneration, etc.

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

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

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

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

- Subscription rights to shares as equity-based stock options (term-based) (the units attributable to three fiscal years will be granted in a lump sum): At or below ¥800 million (including those for external directors at or below ¥100 million) for subscription rights to shares to be issued within one year from the date of the 19th Annual General Meeting of Shareholders
- Subscription rights to shares as equity-based stock options (performance-based) (the units attributable to three fiscal years will be granted in a lump sum): At or below ¥6,500 million for subscription rights to shares to be issued within one year from the date of the 19th Annual General Meeting of Shareholders (external directors are not eligible for the grant)

The amount of remuneration, etc. related to this subscription rights to shares will be calculated by multiplying the fair value of a subscription right to shares by the number of units of subscription rights to shares to be allotted to directors (excluding those who are Audit and Supervisory Committee members). Also, the amount of remuneration, etc. related to this subscription rights to shares will be established in addition to the annual base compensation of ¥600 million for directors (excluding those who are Audit and Supervisory Committee members) (including for external directors at or below ¥100 million) and performance-linked annual bonus of ¥1,000 million to be paid upon approval of Proposal 2 as proposed. Decisions related to the allocation of the remuneration, etc. to directors (excluding those who are Audit and Supervisory Committee members) and other details will be based on resolution by the Board of Directors of the Company.

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

- Subscription rights to shares as equity-based stock options (term-based) (the units attributable to three fiscal years will be granted in a lump sum): 280,000 for subscription rights to shares to be issued within one year from the date of the 19th Annual General Meeting of Shareholders (including 40,000 for external directors)
- Subscription rights to shares as equity-based stock options (performance-based) (the units attributable to three fiscal years will be granted in a lump sum): 2,200,000 for subscription rights to shares to be issued within one year from the date of the 19th Annual General Meeting of Shareholders (external directors are not eligible for the grant)

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

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

- Subscription rights to shares as equity-based stock options (term-based) (the units attributable to three fiscal years will be granted in a lump sum): the maximum number of the shares subject to subscription rights to shares to be issued within one year from the date of the 19th Annual General Meeting of Shareholders will be 280,000 shares (including 40,000 shares for external directors) of the Company's common stock
- Subscription rights to shares as equity-based stock options (performance-based) (the units attributable to three fiscal years will be granted in a lump sum): the maximum number of shares subject to subscription rights to shares to be issued within one year from the date of the 19th Annual General Meeting of Shareholders will be 2,200,000 shares of the Company's common stock

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

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

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

(4) Cash payment for subscription rights to shares

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

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

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

(6) Exercise period of subscription rights to shares

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

(7) Conditions for exercise of subscription rights to shares

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

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

Subscription rights to shares as equity-based stock options (term-based) subject to this proposal will be granted based on the resolution by the Board of Directors promptly after the 19th Annual General Meeting of Shareholders, one third of which will vest and become exercisable upon conclusion of each of the first, second and third annual general meeting of shareholders to be held after the grant.

Subscription rights to shares as equity-based stock options (performance-based) will be granted based on the resolution by the Board of Directors promptly after the 19th Annual General Meeting of Shareholders and will vest and become exercisable after the three-year performance evaluation period based on relative comparison of stock price movement with the industry peers and the achievement level of the preselected indices of consolidated performance targets stated in the internal management plan covering multiple years in accordance with the Company's "Directors' Remuneration Policy" with the aim of contributing to Nexon Group's sustainable growth and enhancement of mid- and- long-term corporate value.

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

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

(8) Treatment in case of retirement from the position of director before vesting

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

(9) Treatment of a fraction less than one share resulting from the exercise of subscription rights to shares

Any fraction less than one share included in the number of shares to be issued to the holders of the subscription rights to shares who have exercised the rights will be rounded down.

(10) Restriction on transfer of subscription rights to shares

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

(11) Treatment of subscription rights to shares at the Company's restructuring and other activities

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

i) Proposal for the approval of a merger agreement in which the Company will become the extinct company;

ii) Proposal for the approval of a split agreement or a split plan in which the Company will become a split company;

iii) Proposal for the approval of a share exchange agreement or a share transfer plan in which the Company will become a wholly owned subsidiary;

iv) Proposal for the approval of an amendment to the Articles of Incorporation to add provisions concerning all shares issued by the Company requiring the Company's approval for the acquisition of such shares through transfer; or

v) Proposal for the approval of an amendment to the Articles of Incorporation to add provisions concerning underlying shares of subscription rights to shares (i) requiring the Company's approval for the acquisition of such shares through transfer, or (ii) allowing the Company to acquire all shares of the relevant class based on a resolution of the annual general meeting of shareholders

(12) Summary of the conditions for the allotment of subscription rights to shares to directors (excluding those who are Audit and Supervisory Committee members)

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

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

Proposal 4: Determination of the remuneration, etc. of directors who are Audit and Supervisory Committee members (Grant of subscription rights to shares as equity-based stock options)

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

This proposal seeks approval for the grant of subscription rights to shares issued as equity-based stock options as remuneration, etc. to directors who are Audit and Supervisory Committee members.

At the 16th Annual General Meeting of Shareholders held on March 27, 2018, following our transition to a company with Audit and Supervisory Committee, the Company obtained approval for setting the amount of remuneration for directors who are Audit and Supervisory Committee members 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) and for allowing directors who are Audit and Supervisory Committee members to discuss and determine specific amount and timing, etc. of payment to each of them, and such resolution has been put into practice to this date.

This proposal seeks approval for the annual grant of subscription rights to shares as equity-based stock options (term-based) in addition to the aforementioned remuneration amount of directors who are Audit and Supervisory Committee members. With respect to the subscription rights to shares as equity-based stock options (term-based) subject to this proposal, units attributable to each year will be granted annually, which is different from what is proposed in Proposal 3 where units attributable to three fiscal years will be granted in a lump sum.

The grant of "subscription rights to shares as equity-based stock options (term-based)" to directors who are Audit and Supervisory Committee members is not linked to performance, in consideration of the role of Audit and Supervisory Committee members, in order to appropriately secure the supervisory function to judge the appropriateness of business execution from an objective point of view and also to discourage excessive risk taking regarding achievement of short-term performance targets while it aims to further raise awareness about sharing interest with shareholders and improving the Company's corporate value.

Also, the annual amount of subscription rights to shares as equity-based stock options (term-based) for directors who are Audit and Supervisory Committee members will be set so as not to be excessive in comparison with the base compensation (i.e. the remuneration amount of subscription rights to shares will not exceed base compensation).

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

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

At the completion of the 19th Annual General Meeting of Shareholders, the number of directors who are Audit and Supervisory Committee members subject to the remuneration system proposed in this proposal will be three (including two external directors).

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

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

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

Directors of the Company who are Audit and Supervisory Committee members

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

In determining the number of "subscription rights to shares as equity-based stock options (term-based)," the upper limit for the annual base amount of remuneration, etc. of directors who are Audit and Supervisory Committee members will be set at or below ¥100 million (including those for external directors at or below ¥50 million).

The amount of remuneration, etc. related to this subscription rights to shares will be calculated by multiplying the fair value of a subscription right to shares by the number of units of subscription rights to shares to be allotted to directors who are Audit and Supervisory Committee members.

Also, the amount of remuneration, etc. related to the subscription rights to shares will be established in addition to the annual remuneration set at or below ¥100 million for directors who are Audit and Supervisory Committee members (including those for external directors at or below ¥50 million), which was approved at the 16th Annual General Meeting of Shareholders held on March 27, 2018, following the Company's transition to a company with Audit and Supervisory Committee.

The maximum number of subscription rights to shares to be issued within one year from the date of annual general meeting of shareholders for each year will be 40,000 (including 20,000 for external directors).

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

The class and maximum number of the shares subject to the subscription rights to shares to be issued within one year from the date of annual general meeting of shareholders for each year will be 40,000 shares (including 20,000 shares for external directors) of the Company's common stock. And the number of underlying shares per unit of subscription rights to shares will be one share.

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

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

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

(4) Cash payment for subscription rights to shares

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

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

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

(6) Exercise period of subscription rights to shares

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

(7) Conditions for exercise of subscription rights to shares

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

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

Subscription rights to shares as equity-based stock options (term-based) subject to this proposal will be granted based on the resolution by the Board of Directors promptly after the annual general meeting of shareholders for each fiscal year, and all units granted will vest and become exercisable upon conclusion of the first annual general meeting of shareholders to be held after the grant.

(8) Treatment of a fraction less than one share resulting from the exercise of subscription rights to shares

Any fraction less than one share included in the number of shares to be issued to the holders of the subscription rights to shares who have exercised the rights will be rounded down.

(9) Restriction on transfer of subscription rights to shares

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

(10) Treatment of subscription rights to shares at the Company's restructuring and other activities

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

i) Proposal for the approval of a merger agreement in which the Company will become the extinct company;

ii) Proposal for the approval of a split agreement or a split plan in which the Company will become a split company;

iii) Proposal for the approval of a share exchange agreement or a share transfer plan in which the Company will become a wholly owned subsidiary;

iv) Proposal for the approval of an amendment to the Articles of Incorporation to add provisions concerning all shares issued by the Company requiring the Company's approval for the acquisition of such shares through transfer; or

v) Proposal for the approval of an amendment to the Articles of Incorporation to add provisions concerning underlying shares of subscription rights to shares (i) requiring the Company's approval for the acquisition of such shares through transfer, or (ii) allowing the Company to acquire all shares of the relevant class based on a resolution of the annual general meeting of shareholders

(11) Summary of the conditions for the allotment of subscription rights to shares to directors who are Audit and Supervisory Committee members

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

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

Proposal 5: 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 seeks approval for delegating to the Board of Directors of the Company the authority to determine subscription requirements for the 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, granting these subscription rights to shares can align the mid- and long-term performances of the Company with the benefit of Nexon Group's directors and employees. As a result, the Company's employees, as well as directors and employees of the Company's subsidiaries, will share with shareholders not only the benefits from a rise in the stock price but also the risks of a fall in the stock price, thereby giving incentive to contribute 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 will function as incentives for improving the mid- and long-term performance and rise in stock price.
2. Persons eligible for the grant of subscription rights

   Employees of the Company and directors and employees of the Company's subsidiaries.
3. Terms and conditions of subscription rights to shares

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

   Not exceeding 14,000,000 shares of the Company's common stock.

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

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

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

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

   Not exceeding 14,000,000 units.

   The number of underlying shares per unit of subscription rights to shares ("Number of Granted Shares") will be one share. In the event the number of shares is adjusted as provided in (1) above, the Number of Granted Shares will 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 value of the assets to be contributed upon exercise of subscription rights to shares will 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 will be the closing price of the common stock of the Company in the regular trading thereof on Tokyo Stock Exchange on the date of allotment of subscription rights to shares ("Grant Date").

   In the event that the Company splits its common stock (including gratis allocation) or consolidates its common stock after the Grant Date, the Exercise Price will be adjusted according to the following formula. Any fraction of less than one yen will be rounded up.

$$\text{Exercise Price after adjustment} = \text{Exercise Price before adjustment} \times \frac{1}{\text{Split / consolidation ratio}}$$

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

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

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

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

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

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

(10) 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 will be one-half of the maximum limit on the increase in capital stock as calculated pursuant to Article 17, Paragraph 1 of the Regulation on Corporate Accounting. Any fraction of less than one yen will be rounded up.
ii) The amount of capital reserve to be increased by the issuance of shares upon exercise of subscription rights to shares will 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.

(11) Other subscription requirements for the subscription rights to shares will be determined by a resolution of the Board of Directors meeting to be held separately.

(Reference Materials)

Business Report

(From January 1, 2020 to December 31, 2020)

1. Current Status of Nexon Group

(1) Business summary for the current consolidated fiscal year

(i) Outline and results of business operations

As for the world economy during the fiscal year ended December 31, 2020, although a gradual economic recovery was seen in China where the local COVID-19 infections had been almost fully contained and some signs of recovery were seen in the U.S., the extremely harsh conditions are expected to continue as the end of the COVID-19 pandemic is still out of sight. While there are hopes for the economy to continue to pick up as the restart of global economic activities is phased in, the road to economic recovery is yet uncertain and future outlook remains extremely unclear despite the move to develop effective coronavirus vaccines in countries around the world. As for the Japanese economy, the government declared a state of emergency again due to COVID-19 resurgence and we need to continue to keep an eye on the COVID-19 situation in Japan and abroad, as well as its financial, economic and social impact.

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

As a result, for the consolidated fiscal year ended December 31, 2020, Nexon Group recorded revenue of ¥293,024 million (up 17.9% year-over-year), operating income of ¥111,450 million (up 17.9% year-over-year), income before income taxes of ¥108,171 million (down 11.3% year-over-year) and net income attributable to owners of the parent company of ¥56,220 million (down 51.4% year-over-year).

Performance results by reportable segment are as follows:

(a) Japan

Revenue for the consolidated fiscal year ended December 31, 2020 amounted to ¥4,316 million (down 43.6% year-over-year), and segment loss amounted to ¥4,338 million (segment loss of ¥3,490 million for the fiscal year ended December 31, 2019). Both PC online and mobile game revenues decreased.

(b) Korea

Revenue for the consolidated fiscal year ended December 31, 2020 amounted to ¥266,775 million (up 21.0% year-over-year), and segment profit amounted to ¥126,839 million (up 13.0% year-over-year). Revenue in Korea includes royalty income of NEOPLE INC. (a subsidiary of NEXON Korea Corporation, our consolidated subsidiary) attributable to license agreements in China.

(c) China

Revenue for the consolidated fiscal year ended December 31, 2020 amounted to ¥3,058 million (up 8.4% year-over-year), and segment profit amounted to ¥1,891 million (up 21.5% year-over-year).

(d) North America

Revenue for the consolidated fiscal year ended December 31, 2020 amounted to ¥16,907 million (up 6.0% year-over-year), and segment loss amounted to ¥1,263 million (segment loss of ¥5,527 million for the fiscal year ended December 31, 2019).

(e) Other

Revenue for the consolidated fiscal year ended December 31, 2020 amounted to ¥1,968 million (up 16.9% year-over-year), and segment loss amounted to ¥2,821 million (segment loss of ¥957 million for the fiscal year ended December 31, 2019).

Revenue by region (revenue classified into country or region category based on the customers' location) was ¥164,980 million (up 83.7% year-over-year) in Korea, ¥81,240 million (down 27.6% year-over-year) in China, ¥10,418 million (down 24.8% year-over-year) in Japan, ¥19,863 million (up 2.1% year-over-year) in North America and Europe, and ¥16,523 million (up 25.2% year-over-year) in Other.

(Note) Effective January 1, 2020, revenue from Europe which was previously included in "Other" is included along with "North America" under the category of "North America and Europe." This is due to increasing similarity between these regions attributable to the same service being provided by Nexon Group in North America and Europe. Accordingly, the figures of percentage change from the previous year of North America and Europe and Other reflect this change of classification.

Current consolidated fiscal year		
Region	Amount (¥ million)	Ratio (%)
Korea	164,980	56.3
China	81,240	27.7
Japan	10,418	3.6
North America and Europe	19,863	6.8
Other	16,523	5.6
Total	293,024	100.0

(ii) Capital expenditure

Total capital expenditure of Nexon Group during the current consolidated fiscal year amounted to ¥10,520 million.

The major components include long-term prepaid expenses related to game license fee of ¥104 million, PC online game and mobile game operation equipment (e.g. server equipment) of ¥1,388 million, software for internal use (game related) of ¥671 million, and right-of-use assets of ¥7,573 million recorded as a result of the application of IFRS 16.

(iii) Financing

There are no material matters that should be disclosed.

(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

There are no material matters that should be disclosed.

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

There are no material matters that should be disclosed.

(2) Assets and Profit/Loss

Accounts	16th Fiscal Year (Ended December 31, 2017)	17th Fiscal Year (Ended December 31, 2018)	18th Fiscal Year (Ended December 31, 2019)	19th Fiscal Year (Ended December 31, 2020)
Revenue (Millions of yen)	234,929	253,721	248,542	293,024
Operating income (Millions of yen)	90,504	98,360	94,525	111,450
Income before income taxes (Millions of yen)	69,995	117,444	121,968	108,171
Net income attributable to owners of the parent (Millions of yen)	56,750	107,672	115,664	56,220
Basic earnings per share (Yen)	64.67	121.03	129.34	63.57
Total assets (Millions of yen)	543,231	649,998	719,088	862,161
Total equity (Millions of yen)	470,218	565,477	631,131	720,445
Equity attributable to owners of the parent per share (Yen)	528.42	620.91	702.59	800.35

(Notes)1. The Company prepares the consolidated financial statements in accordance with the designated international accounting standards (IFRS).
2. Basic earnings per share is calculated as net income attributable to owners of the parent divided by the weighted average number of common stock issued and outstanding during the current fiscal year. The weighted average number of common stock does not include common stock held by Nexon Group as treasury stock.
3. Equity attributable to owners of the parent per share is calculated as equity attributable to owners of the parent, divided by the total number of common stock issued and outstanding at year-end. The total number of common stock issued and outstanding does not include common stock held by Nexon Group as treasury stock.
4. The Company has executed a two-for-one stock split of its common stock as of April 1, 2018. The amount of Basic earnings per share and Equity attributable to owners of the parent per share have been calculated assuming that such stock split had been executed on January 1, 2017.
5. With the finalization of provisional accounting related to the business combination executed in November 2017, the consolidated financial statements for the fiscal year ended December 31, 2017 have been adjusted during the fiscal year ended December 31, 2018 retrospectively.

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

(a) Parent company

NXC Corporation owns 253,262 thousand shares, or voting rights ratio of 28.6%, of the Company as of December 31, 2020, and accordingly, the said company, even with its indirect shareholding, is no longer the parent company of the Company under the Companies Act and the Financial Instruments and Exchange Act.

As of December 31, 2020, NXC Corporation is the largest and major shareholder of the Company, and engages in investment businesses and other businesses that are not related to online game business which is the Company's primary business. With regard to a company name trademark "NEXON" in Japan owned by NXC Corporation, the Company has entered into a trademark licensing agreement with NXC Corporation and agreed to pay license fee to NXC, which is set as the amount calculated as a certain percentage of the Company's revenue. NXC Corporation has agreed that the Company has a right to extend the trademark licensing agreement regarding the company name trademark "NEXON." Certain subsidiaries of the Company, including NEXON Korea Corporation and NEXON America, Inc., have also entered into the similar agreement with NXC Corporation.

Except for the licensing agreement described above, there are no other recurring transactions between Nexon Group and NXC Corporation.

(b) Major subsidiaries

Company name	Capital	Voting rights owned by the Company	Main business
NEXON Korea Corporation	KRW 32,000 million	100%	PC online and mobile game development, and PC online and mobile game distribution and publication licensing service mainly in Korea
Lexian Software Development (Shanghai) Co., Ltd.	US$4,100 thousand	100%	Provision of necessary infrastructure to distributors and consulting services for game distribution in China
NEXON America, Inc.	US$210	100%	PC online game distribution mainly in the North America region
NEOPLE INC.	KRW 181 million	100% (100%)	PC online game and mobile game development
NEXON GT Co., Ltd.	KRW 17,687 million	65.1% (65.1%)	PC online game and mobile game development
Pixelberry Studios	US$ 0.1	100% (100%)	Mobile game production, development and distribution mainly in the North America region
NAT GAMES Co., Ltd.	KRW 14,419 million	56.9% (56.9%)	Mobile game development
Embark Studios AB	SEK 65 thousand	73.0% (33.3%)	Game development

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

2. On February 1, 2020, all shares of gloops, Inc., all of whose voting rights were held by the Company, were sold. The liquidation proceedings of NEXON M Inc. were completed during the fiscal year ended December 31, 2020.

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

Not applicable.

(4) Issues to Be Addressed

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

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

Nexon Group has hundreds of millions of fans around the world and owns intellectual property associated with multiple game titles ("game IPs) that are as big as, or even bigger than, international blockbuster movies and game series. So far, we have created, sustained and grown some of the biggest game IPs and franchises in the global videogames business, including *MapleStory* (17 years), *KartRider* (16 years) and *Dungeon&Fighter* (15 years), all of which have grown significantly over the years. These game titles have grown and generated stable revenues over a long period of time through attractive and consistent content updates aiming to entertain users and our best-in-class live game operations. We will expand our global business by investing the stable cash flows in live operation to further grow our major titles, creation of new technologies, new game development, acquisition of game studios, recruitment of top talent. Specifically, our growth strategy comprises four pillars as described below:

(i) Focus on virtual worlds

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

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

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

(iii) Leverage our own IPs

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

(iv) Invest in especially valuable new IPs

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

(b) Strengthening information security

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

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

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

(5) Principal Business (as of December 31, 2020)

PC online game business and mobile game business

(6) Major Offices (as of December 31, 2020)

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

(7) Employees (as of December 31, 2020)

(a) Employees of Nexon Group

Number of employees	Changes from the previous consolidated fiscal year-end
6,288 (77)	Decrease by 140 (66)

(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
268 (3)	Decrease by 43 (increase by 1)	37.0 years old	6.2 years

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

(8) Major Lenders (as of December 31, 2020)

Lenders	Amount of loan payable
Woori Bank (Korea)	¥2,094 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, 2020)

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

(b) Number of shares issued: 886,961,539 shares (including 44 shares of treasury stock)

(c) Number of shareholders: 3,826

(d) Major shareholders (Top 10)

Name of shareholders	Number of shares owned (Thousand shares)	Ratio (%)
NXC Corporation	253,262	28.6
NXMH BV	167,186	18.8
The Master Trust Bank of Japan, Ltd. (trust account)	71,886	8.1
HSBC-FUND SERVICES CLIENTS A/C 006	38,511	4.3
Custody Bank of Japan, Ltd. (trust account)	33,348	3.8
KOREA SECURITIES DEPOSITORY- SAMSUNG	10,984	1.2
SSBTC CLIENT OMNIBUS ACCOUNT	9,092	1.0
Min Seo	8,715	1.0
STATE STREET BANK AND TRUST COMPANY 505001	8,565	1.0
Custody Bank of Japan, Ltd. (trust account 5)	7,860	0.9

(Note) Ratio is calculated using the number of shares issued excluding treasury stock (44 shares).

(2) Corporate officers

(a) Directors (as of December 31, 2020)

Post	Name	Responsibility and Material Posts Concurrently Held
President and CEO	Owen Mahoney	—
Representative Director	Shiro Uemura	Chief Financial Officer and Chief Corporate Management Officer Director of NEXON America, Inc. Director of Lexian Software Development (Shanghai) Co., Ltd.
Director	Patrick Söderlund	Director of Sicalis AB Chief Executive Officer of Embark Studios AB Director of Fractal Gaming Group AB Director of Ortalis Group AB Director of Hexagon Aktiebolag Director of Surmount Together AB
Director (Audit & Supervisory Committee member)	Hongwoo Lee	Director of NEXON Korea Corporation
Director (Audit & Supervisory Committee member)	Satoshi Honda	—
Director (Audit & Supervisory Committee member)	Shiro Kuniya	Managing partner of Oh-Ebashi LPC & Partners Auditor of Kitano Hospital, The Tazuke Kofukai Medical Research Institute Board member of the Japan Commercial Arbitration Association Board member of Japan Century Symphony Orchestra Director of Sony Financial Holdings Inc. External Director of Takeda Pharmaceutical Company Ltd. Auditor of CiRA Foundation

(Notes) 1. Mr. Satoshi Honda and Mr. Shiro Kuniya, Directors (Audit & Supervisory Committee members), are external directors.

2. The Company has appointed Mr. Satoshi Honda and Mr. Shiro Kuniya, Directors (Audit & Supervisory Committee members), as the independent officer pursuant to the regulations of Tokyo Stock Exchange and reported such appointment to the Exchange.

3. The Company has not appointed full-time Audit & Supervisory Committee members as the Company ensures the audit effectiveness by enhancing effectiveness of design and operation of the internal control system in coordination with the Internal Audit Office, the Legal Department and the Accounting/Finance Department and performing organizational audit through the internal control system.

(b) Summary of the limited liability agreement

Pursuant to provisions of Article 427, Paragraph 1 of the Companies Act and Article 28 of the Company's Articles of Incorporation, the Company and each of the directors (excluding those who are executive directors) 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.

(c) Remuneration for officers

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

Post	Number	Total amount of remuneration
Directors (excluding those who are Audit and Supervisory Committee members) (of which external directors)	3 (0)	¥969 million (¥0 million)
Directors (Audit and Supervisory Committee members) (of which external directors)	2 (2)	¥24 million (¥24 million)
Total (of which external officers)	5 (2)	¥993 million (¥24 million)

(Notes)1. As of December 31, 2020, the Company has three directors (excluding those who are Audit and Supervisory Committee members) (including 0 external director) and three directors (Audit and Supervisory Committee members) (including two external directors). The difference from the number shown above is because one person who retired from the position of director (Audit and Supervisory Committee member) at the completion of the 18th Annual General Meeting of Shareholders held on March 25, 2020 and one person who retired from the position of director who is not Audit and Supervisory Committee member and assumed the position of director who is Audit and Supervisory Committee member at the completion of the 18th Annual General Meeting of Shareholders are not included in the table above as no remuneration is paid.

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

3. The maximum amount of annual remuneration to directors (excluding those who are Audit and Supervisory Committee members) was resolved at the 16th Annual General Meeting of Shareholders held on March 27, 2018 to be fixed compensation at or below ¥500 million and performance-linked bonus at or below ¥1,000 million, excluding the amount paid as employee remuneration (excluding external directors). In addition, annual remuneration in the form of equity-based stock options was resolved to be at or below ¥3,000 million (excluding external directors) at the 12th Annual General Meeting of Shareholders held on March 25, 2014, and also, remuneration in the form of equity-based stock options was resolved to be at or below ¥4,800 million (excluding directors who are Audit and Supervisory Committee members) at the 16th Annual General Meeting of Shareholders held on March 27, 2018.

4. The maximum amount of annual remuneration to directors (Audit and Supervisory Committee members) was resolved at the 16th Annual General Meeting of Shareholders held on March 27, 2018 to be at or below ¥100 million (including those for external directors at or below ¥50 million).

5. The amount of remuneration to directors (excluding those who are Audit and Supervisory Committee members) includes the following:
   - ¥615 million worth of remuneration in the form of stock options

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

Not applicable.

(vii) Total amount of officers' remuneration paid to external officers by subsidiaries

Not applicable.

(d) 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 (Audit and Supervisory Committee member)	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 Sony Financial Holdings Inc. External Director of Takeda Pharmaceutical Company Ltd. Auditor of CiRA Foundation

(Notes) 1. There exists no special relationship between the above companies and the Company.

2. 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

(ii) Major activities during the current fiscal year

	Attendance and Participation
Satoshi Honda Director (Audit and Supervisory Committee member)	Mr. Honda attended all 9 meetings of the board of directors and all 6 meetings of the Audit and Supervisory Committee 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.
Shiro Kuniya Director (Audit and Supervisory Committee member)	Mr. Kuniya attended all 9 meetings of the board of directors and all 6 meetings of the Audit and Supervisory Committee 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.

(iii) Opinion of the external officers concerning the contents

Not applicable.

(3) 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	¥ 60 million
Total amount of cash and other financial benefits to be paid by the Company and its subsidiaries to the independent auditors	¥ 221 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 Audit and Supervisory Committee 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 10 other companies, all of which are consolidated subsidiaries of the Company, receive audit and non-audit services from PricewaterhouseCoopers LLP, member firms of the same global network of the Company's independent auditor, and the total amount of cash and other financial benefits to be paid by the Company and its subsidiaries to the independent auditors include those audit fees, etc.

(c) Non-audit services

Each of the Company and its consolidated subsidiaries, NEXON U.S. Holding Inc. and Nexon America 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 Audit and Supervisory Committee will decide to place the matter to dismiss or not to reappoint the current independent auditor on the agenda of a general meeting of shareholders.

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

(4) Basic Policy on Control of the Company

Not applicable.

(5) Policy to Determine Distributions of Surplus

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

The Company recognizes that the distribution of profits to shareholders is an important management issue. Our policy is to distribute profits to shareholders through dividend payments, share repurchases and other means depending on the results of operations and upon full consideration of factors including the state of shareholder equity, management results, and revenue outlook. We intend to use our internal capital reserves by taking into account the balance between return of profits to shareholders and other considerations such as the expansion of our existing business and development of new businesses to strengthen our management base and enrich our future business domain, and effective investments, primarily M&As and acquisition of game publishing rights, to proactively develop our business for future growth.

With regards to the year-end dividends for the year ended December 31, 2020, the Board of Directors resolved at the meeting held on February 17, 2021 to pay dividends of 2.5 yen per share.

Consolidated Statement of Financial Position

(As of December 31, 2020)

(Millions of Yen)

Account	Amount	Account	Amount
(Assets)		**(Liabilities)**	
Current assets	**578,532**	**Current liabilities**	**57,967**
Cash and cash equivalents	252,570	Trade and other payables	10,668
Trade and other receivables	20,935	Deferred income	11,505
Other deposits	273,132	Borrowings	2,094
Other financial assets	27,343	Income taxes payable	15,774
Other currents assets	4,552	Lease liabilities	2,657
Non-current assets	**283,629**	Provisions	6,881
Property, plant and equipment	24,191	Other current liabilities	8,388
Goodwill	38,425	**Non-current liabilities**	**83,749**
Intangible assets	14,935	Deferred income	15,180
Right-of-use assets	10,029	Lease liabilities	11,842
Investments accounted for using equity method	5,195	Other financial liabilities	868
Other financial assets	167,620	Provisions	304
Other non-currents assets	1,277	Other non-current liabilities	4,437
Deferred tax assets	21,957	Deferred tax liabilities	51,118
		Total liabilities	**141,716**
		(Equity)	
		Total equity attributable to owners of the parent	**709,882**
		Capital stock	22,679
		Capital surplus	17,421
		Treasury stock	(0)
		Other equity interest	69,975
		Retained earnings	599,807
		Non-controlling interests	**10,563**
		Total equity	**720,445**
Total assets	**862,161**	**Total liabilities and equity**	**862,161**

Consolidated Statement of Income

(From January 1, 2020 to December 31, 2020)

(Millions of Yen)

Account	Amount
Revenue	**293,024**
Cost of sales	**(69,009)**
Gross profit	**224,015**
Selling, general and administrative expenses	(103,711)
Other income	1,796
Other expenses	(10,650)
Operating income	**111,450**
Finance income	15,005
Finance costs	(19,049)
Equity in profit of affiliates	765
Income before income taxes	**108,171**
Income taxes expense	(52,682)
Net income	**55,489**
(Attributable to)	
Owners of the parent	56,220
Non-controlling interests	(731)
Net income	**55,489**

Non-consolidated Balance Sheet

(As of December 31, 2020)

(Millions of Yen)

Account	Amount	Account	Amount
(Assets)		**(Liabilities)**	
Current assets	**85,462**	**Current liabilities**	**2,085**
Cash and deposits	83,523	Accounts payable-trade	255
Accounts receivable-trade	946	Accounts payable-other	511
Other receivables	632	Accrued expenses	334
Prepaid expenses	66	Corporate taxes payable	23
Other	295	Deposits received	132
Non-current assets	**17,851**	Provision for bonus	162
Tangible fixed assets	**6**	Unearned revenue	411
Buildings	163	Other	257
Leasehold improvements	84	**Non-current liabilities**	**469**
Tools, furniture and fixtures	86	Lease obligations	2
Accumulated impairment loss	(308)	Long-term unearned revenue	143
Accumulated depreciation	(19)	Provision for retirement benefits	157
Investments and other assets	**17,845**	Asset retirement obligations	167
Investment securities	90	**Total liabilities**	**2,554**
Stocks of subsidiaries and affiliates	17,141	**(Net assets)**	
Long-term loans receivable from subsidiaries and affiliates	23,655	**Shareholders' equity**	**92,510**
Other	797	**Capital stock**	**22,470**
Allowance for doubtful accounts	(23,838)	**Capital surplus**	**21,720**
		Capital reserve	21,720
		Retained earnings	**48,320**
		Retained earnings reserve	217
		Other retained earnings	48,103
		Retained earnings brought forward	48,103
		Treasury stock	**(0)**
		Valuation and translation adjustments	**(21)**
		Valuation difference on available-for-sale securities	(21)
		Subscription rights to shares	**8,270**
		Total net assets	**100,759**
Total assets	**103,313**	**Total liabilities and net assets**	**103,313**

Non-consolidated Statement of Income

(From January 1, 2020 to December 31, 2020)

(Millions of Yen)

Account	Amount	
Net sales		
Sales of games	4,241	
Other sales	1,170	**5,411**
Cost of sales		**2,681**
Gross profit		**2,730**
Selling, general and administrative expenses		**7,893**
Operating loss		**5,163**
Non-operating income		
Interest income	634	
Dividends income	46,460	
Reversal of allowance for doubtful accounts for subsidiaries and affiliates	719	
Other	89	47,902
Non-operating expenses		
Foreign exchange loss	2,589	
Stock issue cost	32	
Treasury stock acquisition cost	2	
Other	179	2,802
Ordinary income		**39,937**
Extraordinary gain		
Gain from reversal of subscription rights to shares	189	189
Extraordinary loss		
Impairment loss	647	647
Profit before income taxes		**39,479**
Income taxes	2,327	2,327
Net income		**37,152**

(Translation)
Audit Report on Consolidated Financial Statements

Independent Auditors' Report

February 16, 2021

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

PricewaterhouseCoopers Aarata LLC
Tokyo Office

Designated Partner Engagement Partner	Certified Public Accountant	Yoshihiro Shiribiki
Designated Partner Engagement Partner	Certified Public Accountant	Soichiro Hayashi

Audit Opinion
Pursuant to the fourth paragraph of Article 444 of the Companies Act, we have audited the consolidated financial statements, namely, the consolidated statement of financial position as of December 31, 2020 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, 2020 to December 31, 2020.

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

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

Responsibility of Management and Audit and Supervisory Committee for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the provisions of Article 120, the second sentence of Paragraph 1 of the Regulation on Corporate Accounting which permits preparation of the consolidated financial statements 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 the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Audit and Supervisory Committee is responsible for monitoring the execution of Directors' duties related to designing and operating the financial reporting process.

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

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

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

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

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

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

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

(Translation)
Audit Report on Non-Consolidated Financial Statements

Independent Auditors' Report

February 16, 2021

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

PricewaterhouseCoopers Aarata LLC
Tokyo Office

Designated Partner Engagement Partner	Certified Public Accountant	Yoshihiro Shiribiki
Designated Partner Engagement Partner	Certified Public Accountant	Soichiro Hayashi

Audit Opinion
Pursuant to Article 436, Paragraph 2, Item 1 of the Companies Act, we have audited the non-consolidated financial statements, namely, the non-consolidated balance sheet as of December 31, 2020 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 19th fiscal year from January 1, 2020 to December 31, 2020, and the accompanying supplemental schedules (the "Non-consolidated Financial Statements, etc.").

In our opinion, the Non-consolidated Financial Statements, etc. referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and the results of its operations for the year then ended in conformity with accounting principles generally accepted in Japan.

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

Emphasis of Matter
1. As stated in "Notes to material subsequent events" in the notes to non-consolidated financial statements, the Company approved at the Board of Directors meeting held on February 9, 2021 the payment of dividends from surplus of our consolidated subsidiary NEXON Korea Corporation which was resolved at the company's Board of Directors meeting held on that day.
2. As stated in "Notes to material subsequent events" in the notes to non-consolidated financial statements, the payment of dividends from surplus of our consolidated subsidiary Lexian Software Development (Shanghai) Co., Ltd. was resolved at the company's annual general meeting of shareholders held on February 9, 2021.

These matters do not affect our opinion.

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

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

Audit and Supervisory Committee is responsible for monitoring the execution of Directors' duties related to designing and operating the financial reporting process.

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

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

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

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

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

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

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

(Translation)
Audit Report of the Audit and Supervisory Committee

Audit Report

We, as the Company's Audit and Supervisory Committee, have performed audit regarding the performance of duties of the Company's Directors during the Company's 19th fiscal year from January 1, 2020 to December 31, 2020. We hereby report its method and results as follows:

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

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

Based on the foregoing method, the Audit and Supervisory Committee reviewed the Business Report and the accompanying supplemental schedules for the fiscal year from January 1, 2020 to December 31, 2020, the non-consolidated financial statements, namely, the balance sheet as of December 31, 2020, and the related statements of income and changes in net assets and the related notes for the year then ended, and the accompanying supplemental schedules, and the consolidated financial statements, namely, the consolidated statement of financial position as of December 31, 2020, and the related consolidated statements of income and changes in equity and the related notes for the year then ended.

2. Results of Audit

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

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

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

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

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

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

(3) Results of Audit of the Consolidated Financial Statements

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

February 17, 2021

Audit and Supervisory Committee of NEXON Co., Ltd.
Audit and Supervisory Committee member
Hongwoo Lee
Audit and Supervisory Committee member
Satoshi Honda
Audit and Supervisory Committee member
Shiro Kuniya

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

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

〈MEMO〉

Map for Venue of the Annual General Meeting of Shareholders

Location: BELLESALLE Roppongi Grand Conference Center ROOM-H
At Sumitomo Fudosan Roppongi Grand Tower on 9th Floor
3-2-1 Roppongi, Minato-ku, Tokyo
TEL 03-6629-5318

* Please note that the venue has been changed from last year.

Transportation:
Directly connected from Roppongi 1-chome Station of Tokyo Metro Namboku Line
Exit from West ticket gate and proceed straight ahead until you arrive at the entrance of Sumitomo Fudosan Roppongi Grand Tower.
Use the entrance on your left and take the elevator to the 9th floor.

*Kindly note that only limited parking space is available and using public transportation is recommended.
*Kindly note that you shall pay the parking fee.
*Please be careful not to confuse the venue with a conference room “BELLESALLE Roppongi” located in Roppongi 7-chome.