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 for growing a game over a long period of time, in order to offer creative, high-quality games, in the Virtual World, which game fans all over the world can enjoy for a long time.

2. Basic Policy

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

It shall:

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

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

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

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

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 the acquisition of talented management personnel. The level of our compensation for directors is set by referencing directors' compensation levels at such global companies, mainly those in Japan and the U.S. In doing so, we shall also utilize any data (e.g. the absolute amount of compensation, forms of compensation) provided by external compensation consultants, executive compensation surveys, etc. to ensure that, in principle, the level of total compensation amount and its components (i.e. base salary, annual performance bonus, equity-based stock options) do not fall below the median compensation amount based on executive compensation survey data derived from Japanese companies.

4. Compensation Breakdown

Executive Directors:

Compensation for executive directors consists of base salary, annual performance bonus and equity-based stock options. Specifically, it can be broken down into: (i) base salary, which is a flat-rate, fixed amount; (ii) annual performance-based bonus, which is linked to the company's business performance for each fiscal year; (iii) equity-based stock options (period-based) that become exercisable after the end of the first, second and third annual general meeting of shareholders respectively, to be held after their granting (i.e. stock acquisition rights issued as directors' compensation, etc., which do not require cash payment at exercise and are not linked to the company's business performance, with an economic effect equivalent to so-called restricted stock (RS) or its unit form as restricted stock unit (RSU)); and (iv) equity-based stock options (performance-based) that are linked to the company's business performance on the mid- to long-term (i.e. stock acquisition rights issued as directors' compensation, etc., which do not require cash payment at exercise and are linked to the company's business performance, with an economic effect equivalent to so-called performance shares (PS)).

Given that directors' compensation should function as a sound incentive for sustainable growth, as for those components of compensation for each director, the ratios of each portion of the compensation shall be set so that the following relationships are established at 100% achievement of key performance indicator (KPI) targets:

(1) The standard amount of the portions with their amounts and values linked to the company's business performance and stock price (i.e. (ii) + (iii) + (iv)) is greater than the flat-rate, fixed portion (i.e. (i)).

    [(i) < ((ii) + (iii) + (iv))]

(2) The standard amount of equity-based stock options (i.e. (iii) + (iv)) is greater than the standard amount of annual performance-based bonus (i.e. (ii)).

    [(ii) < ((iii) + (iv))]

(3) The standard amount of equity-based stock options based on performance (i.e. (iv)) is greater than the standard amount of equity-based stock options based on period (i.e. (iii)).

[(iii) < (iv)]

In addition to these above, the ratio of compensation for the Representative Director, President and CEO (*daihyo torishimariyaku shacho*) shall be set so that the relation of the following is met: base salary ≦ annual performance-based bonus (standard amount) ≦ equity-based stock options (standard amount).

[(i) ≦(ii) ≦ ((iii) + (iv))]

(i) Base salary	(ii) Annual performance-based bonus	(iii) Equity-based stock options (period-based)	(iv) Equity-based stock options (performance-based)

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

Flat-rate, fixed compensation	Compensation linked to business performance and stock price

The timings of payment of each compensation shall be as follows:

(i) Base salary: To be paid every month by dividing the decided amount of annual basic compensation into 12 equal parts.

(ii) Annual performance-based bonus: To be paid after the finalization of the achievement rate of the KPI targets for each year.

(iii) Equity-based stock options (period-based): To be granted every three years, all at once, in connection with those stock options for three fiscal years, after the annual general meeting of shareholders to be held in the grant year, provided, however, that, if there is a change in the role of an executive director (for example, a director becomes a representative director), additional term-based stock options may be granted to such a director for three fiscal years all at once.

(iv) Equity-based stock options (performance-based): To be granted every three years, all at once, in connection with those stock options for three fiscal years, after the first annual general meeting of shareholders within a performance assessment period of three years which should be established in advance, provided, however, that, if there is a change in the role of an executive director during the performance assessment period (for example, a director becomes a representative director), additional equity-based stock options may be granted to such a director.

<u>Non-executive Directors (including external directors, but excluding directors who are Audit and</u>

Supervisory Committee members):

Compensation for non-executive directors including external directors (excluding directors who are Audit and Supervisory Committee members) shall, in principle, consist of (i) base salary, which is flat-rate and fixed, and (iii) equity-based stock options (period-based) that become exercisable after the end of the first, second and third annual general meeting of shareholders respectively, to be held after their granting (i.e. stock acquisition rights issued as directors' compensation, etc., which do not require cash payment at exercise and are not linked to the company's business performance, with an economic effect equivalent to so-called restricted stock (RS) or its unit form as restricted stock unit (RSU)). This is because, while taking into account the perspective of appropriately giving incentives for improving the corporate value over the mid- to long-term to non-executive directors and also the expectation that they (especially external directors) supervise the execution of duties by executive directors, it has been pointed out that there may be adverse effects to their supervisory functions caused by paying performance-based compensation to these non-executive directors.

However, as for those components of compensation for each director, in order to ensure that equity-based compensation, which is an incentive compensation, does not become excessive in comparison to cash compensation, the standard amount of equity-based stock options (period-based) is set so that it does not exceed the base salary.

[(i) ≧ (iii)]

The timings of payment of each compensation shall be as follows:

(i) Base salary: To be paid every month by dividing the decided amount of annual basic compensation into twelve equal parts.

(iii) Equity-based stock options (period-based): To be granted every three years, all at once, in connection with those stock options for three fiscal years, after the annual general meeting of shareholders to be held in the grant year.

<Directors who are Audit and Supervisory Committee members>

Compensation for non-executive directors including external directors (excluding directors who are Audit and Supervisory Committee members) shall, in principle, consist of (i) base salary, which is flat-rate and fixed, and (iii) equity-based stock options (period-based) that become exercisable after the end of the first annual general meeting of shareholders, to be held after their granting (i.e. stock acquisition rights issued as directors' compensation, etc., which do not require cash payment at exercise and are not linked to the company's business performance, with an economic effect equivalent to so-called restricted stock (RS) or its unit form as restricted stock unit (RSU)). This is because, while taking into account the perspective of appropriately giving incentives for improving the corporate value over the mid- to long-term to non-executive directors and also the expectation that they (especially external directors) supervise the execution of duties by executive directors, it has been pointed out that there may be adverse effects to their supervisory functions caused by paying performance-based compensation to these non-executive directors.

However, as for those components of compensation for each director, in order to ensure that equity-based compensation, which is an incentive compensation, does not become excessive in comparison to cash compensation, the standard amount of equity-based stock options (period-based) is set so that it does not exceed the base salary.

[(i) ≧ (iii)]

The timings of payment of each compensation shall be as follows:

(i) Base salary: To be paid every month by dividing the decided amount of annual basic compensation into twelve equal parts.

(iii) Equity-based stock options (period-based): To be granted every year, after an annual general meeting of shareholders.

5. Details of each Compensation, etc.

(1) Flat-rate and fixed compensation

Of the compensation for directors, the portion that is flat-rate and fixed shall be as follows:

(i) Base salary

The annual amount shall be decided for each director in accordance with each director's title and position, as well as factors including the roles and responsibilities of each director.

(2) Compensation linked to performance/stock price

Of the compensation for directors, the portion linked to the company's business performance or stock price shall be as follows:

(ii) Annual performance-based bonus

The standard amount shall be decided for each director by simultaneously taking into account the base salary decided in (1) above and the ratios determined in "4. Compensation Breakdown" above.

When calculating the performance target achievement rate, assessment shall be made by giving a 50% weight each to consolidated revenue and consolidated operating income, which are indices having objectiveness and transparency. This portion of compensation will fluctuate within the range from 0% to 150% of the standard amount of the annual performance-based bonus depending on the rate of performance-based achievement of numerical internal targets set at the beginning of the year (e.g. 100% at 100% achievement of KPI targets). Furthermore, when calculating the actual numbers of consolidated revenue and consolidated operating income to determine the amount of performance-based bonus, the temporary effects of M&As and impairment of goodwill which arise during the relevant fiscal year shall be eliminated.

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

These equity-based stock options (period-based) are equivalent to so-called restricted stock (RS) or its unit form as restricted stock unit (RSU). Directors (including external directors) other than Audit and Supervisory Committee members are granted stock acquisition rights every three years, all at once, in connection with those stock options for three fiscal years, after the annual general meeting of shareholders to be held in the grant year, and those stock acquisition rights will become exercisable by one-third after the end of the first, second and third annual general meeting of shareholders respectively, to be held after their granting, provided, however, that, if there is a change in the role of an executive director (for example, a director becomes a representative director), additional tern-based stock options may be granted to such a director for three fiscal years all at once.. Audit and Supervisory Committee members (including external directors) are granted stock acquisition rights every year, promptly after an annual general meeting of shareholders, and at the end of the first annual general meeting of shareholders to be held after their granting, the stock acquisition rights attributed to the relevant year will vest and become exercisable. This portion of compensation consisting of equity-based stock options (period-based) is not linked to the company's business performance; it is only linked to the period of the directors' term of office and the stock price.

As for the number of equity-based stock options (period-based) to be granted, the standard amount of equity-based stock options (period-based) shall be determined for each director by simultaneously taking into account the base salary decided in (1) above and the ratio determined in "4. Compensation Breakdown," and the number of equity-based stock options to be granted shall be the number derived by dividing the said standard amount of equity-based stock options (period-based) by the closing price of ordinary transactions of Nexon's common stock on the Tokyo Stock Exchange on the day immediately preceding the grant approval date (if such day is not a trading day, the most recent trading day) (any fractional amount shall be rounded off). Furthermore, the class and number of underlying shares per stock acquisition right shall be one share of common stock of Nexon.

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

These equity-based stock options are equivalent to so-called performance shares (PS). To contribute to Nexon Group's sustainable growth and improvement of our corporate value on the mid- to long-term, they vest and become exercisable after a certain performance assessment period has elapsed after their granting, in conjunction with comparisons of the trend in the stock price relative to that of our competitors, as well as the rate of achievement of consolidated business result targets as upheld in our multiyear internal management plan.

Specifically, ① stock price-based indices (for example: relative total shareholder returns (TSR) (refer to Note 1 below)) and ② finance-based indices (for example: consolidated operating income and sales revenues, operating income, EBITDA, etc. (refer to Note 2 below) in specific reporting segments (which shall mean such reporting segments as are selected as appropriate performance assessment indicators for each director, based on position and responsible business scope thereof (likewise hereinafter))) shall be adopted as objective and transparent indices, and assessments shall be made, in principle, by giving weights of 60% to ① stock price-based indices and 40% to ② finance-based indices. In addition, those performance assessment indicators and their respective ratios to be used in the process may be modified from time to time, based on changes in the roles and responsibilities, etc. of respective directors as well as the business environments surrounding the Company, amendments of business plans for the Company, etc. If there is a change in the role of an executive director during the performance assessment period (for example, a director becomes a representative director), additional equity-based stock options may be granted to such a director.

(Note 1) In terms of relative TSR, the companies selected as comparison targets are Electronic Arts, Take-Two Interactive, NCSoft Corporation, KRAFTON, Inc., CAPCOM Co., Ltd., and Square Enix Holdings Co., Ltd.. Assessment shall be made by comparing the average value of the TSR values (i.e. represented in percentages based on dividends and movements in the stock price) of the companies subject to the comparison to Nexon's TSR value, for the period from a certain day of the annual general meeting of shareholders at Nexon to the day of the annual general meeting of shareholders three years later. In this case, for example, with regards to equity-based stock options (performance-based) granted in 2024, the performance assessment period for the portion that uses relative TSR as a performance indicator would be until the day of the annual general meeting of shareholders to be held in 2027, three years after the day of the annual general meeting of shareholders held in 2024. Thereafter, performance assessment would be conducted using the same method.

(Note 2) Assessment for consolidated operating income and sales revenues, operating income, EBITDA, etc. in specific reporting segments shall be made based on the rate of achievement of the targets for the consolidated operating income and sales revenues, operating income, EBITDA, etc. in specific reporting segments for the second and the third fiscal year as upheld in our internal management plan (i.e. the fiscal years that are one year and two years after the fiscal year in which the grant date of equity-based stock options (performance-based) falls). In this case, for example, as for equity-base stock options (performance-based to be granted in 2024, the subject period for assessment shall be the business performances in FY2025 and FY2026. Thereafter, performance assessment would be conducted using the same method.

The range of fluctuations for the portion compensated by equity-based stock options (performance-based) shall be within the range from 0% to 200% or so depending on the performance-based achievement rate (e.g. 100% at 100% achievement of KPI targets).

For equity-based stock options (performance-based), after the first annual general meeting of shareholders within a performance assessment period which should be established in advance, executive directors are granted stock acquisition rights in advance on the premise of 200% or so achievement of KPI targets. However, only the portion assessed, determined, and confirmed in accordance with the actual rate of performance-based achievement will actually vest and become exercisable.

As for the number of equity-based stock options (performance-based) to be granted, the standard amount (on the premise of 200% or so achievement of KPI targets) of equity-based stock options (performance-based) shall be determined for each director by simultaneously taking into account the base salary decided in (1) above and the ratio determined in "4. Compensation Breakdown," and the number of equity-based stock options to be granted shall be the number derived by dividing the said standard amount of equity-based stock options (performance-based) by the closing price of ordinary transactions of Nexon's common stock on the Tokyo Stock Exchange on the day immediately preceding the grant approval date (if such day is not a trading day, the most recent trading day) (any fractional amount shall be rounded off). Furthermore, the class and number of underlying shares per stock acquisition right shall be one share of common stock of Nexon.

<u>Reference:</u>
Total shareholder returns (TSR) = (A + B) / C
A: capital gain during the assessment period
(i.e. stock price at the end of assessment less stock price at the beginning of assessment) B: amount of dividend per share during the assessment period
C: stock price at the beginning of assessment
For the calculation of the "stock price at the beginning of assessment" and "stock price at the end of assessment," we use the average closing stock price of each of Nexon and the comparison target companies during the 90-day period preceding the date of the applicable general meeting of the shareholders.

We use relative TSR as a performance indicator because we think that it is important for us to make assessments based not only on Nexon's sustainable growth, but also by taking the market environment and the competitive environment into consideration.

In the case where a member leaves the office as a director before certain portions of the rights towards equity-based stock options vest, the executive director shall lose his/her rights towards equity-based stock options as to such unvested portions of the rights towards equity-based stock options. However, if the director resigns due to the expiration of his/her term of office or falls into some exceptional matters as otherwise decided by the board of directors, the director shall be able to exercise a number of stock acquisition rights that will be decided, taking into account the duration of his/her term of office and performance achievement rate criteria.

Remarks:

Depending on the rate of achievement of KPI targets, the expense for performance-based compensation will be reversed (i.e. increase of consolidated operating income) or added (i.e. decrease of consolidated operating income) in the final year of the performance assessment period. However, the amount of this reversal shall not be included in the calculations for the rate of achievement of KPI targets.

6. Determination Process

The upper limit on the compensation of Nexon's directors shall be resolved at an general meeting of shareholders. The details of individual compensation, etc. shall be determined within that limit by the following method.

Directors other than those who are Audit and Supervisory Committee members:

Compensation Committee is established as an advisory body of the Board of Directors. Independent external directors shall constitute a majority at such Compensation Committee and an independent external director shall act as its chair. In the operation of the Compensation Committee, an external compensation consultant may be employed to introduce objective perspectives and professional opinions from outside the company, and other executive compensation survey data, etc. provided with regards to directors' compensation are also referenced.

To ensure a reasonable level and composition of directors' compensation, as well as transparency of its determination process, the specific amounts to be paid as compensation and the performance-based achievement rate shall be finalized and determined by resolution of the Board of Directors upon approval by the Compensation Committee. As for the underlying total compensation amount and its components for each director, those for the Representative Director, President and CEO (*daihyo torishimariyaku shacho*) shall undergo discussions between the Representative Director, President and CEO and the Compensation Committee, and those for other directors shall undergo discussions between the Representative Director, President and CEO and each director, and be finalized by a resolution of the Board of Directors upon deliberation by and approval of the Compensation Committee.

Directors who are Audit and Supervisory Committee members:

The matter shall be decided upon discussions among directors who are Audit and Supervisory Committee members.

7. Amendment

When a revision of this Directors' Compensation Policy or readjustment of any component or level of compensation becomes necessary to keep pace with the dramatic changes in the external environment or for any other reason, the Board of Directors may make such amendment after review by the Compensation Committee.

8. Information Disclosure and Other Policies

The details of Nexon's compensation plan for directors shall 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 shall apply from the directors who are in office at the end of the 22nd Annual General Meeting of Shareholders held on March 27, 2024.

Established on February 23, 2018
Amended on March 22, 2018
Amended on March 25, 2021
Amended on February 21, 2024