

February 6, 2015
NEXON Co., Ltd.

Nexon Makes Shareholder Proposals to NCSOFT Board of Directors

TOKYO – February 6, 2015 – As the largest shareholder of NCSOFT Corporation (“NCSOFT”)(KRX:036570), NEXON Co., Ltd. (“Nexon”) (3659.TO), which together with its subsidiary Nexon Korea Corporation, owns 15.08% of outstanding shares of NCSOFT, officially made certain shareholder proposals to the NCSOFT board of directors on February 3, 2015.

Nexon has made many attempts at collaboration with NCSOFT over the last two and half years, during which it has been an investor in NCSOFT, in an effort to create value for the shareholders of both companies. Unfortunately, these attempts have not produced the outcomes desired by Nexon, and NCSOFT has not competed effectively in a rapidly changing market environment. Furthermore, Nexon’s ability to effect change at NCSOFT has been limited by its status as a financial investor in the company.

Therefore, Nexon has requested that NCSOFT board of directors consider 1) allowing Nexon to propose candidates for the board of directors if NCSOFT is to replace any existing directors and/or to elect new directors at the upcoming Annual General Meeting or at an Extraordinary General Meeting, other than Mr. Taek Jin Kim, chairman of the board and chief executive officer of NCSOFT; and 2) provision of the share register of NCSOFT.

Nexon also has proposed to the board of directors of NCSOFT a series of actions to increase value for all shareholders of NCSOFT through effective and transparent management: 1) creating more revenue sources by strengthening collaborative efforts with other companies, including Nexon; 2) the introduction of the electronic voting; 3) the disposal of two buildings and related land at Samsung-dong, Seoul, which are unrelated to the company’s core operations; 4) adopting shareholder-favored measures such as share repurchases/cancellation and an increased dividend; 5) cancellation of the company’s treasury stock; and 6) disclosure of the compensation paid to non-board senior management affiliated with Mr. Taek Jin Kim if their annual compensation is equal to or greater than KRW500 million.

Nexon’s intention in publicly announcing its proposal is to openly communicate with all stakeholders of NCSOFT including, not but limited to, shareholders, customers, employees and affiliates to find effective ways to increase corporate and shareholder value.

As the largest shareholder of NCSOFT, Nexon hopes to continue to engage in a constructive dialogue with NCSOFT.

**Contact Information**

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Disclaimer

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Proposal for Annual General Meeting and for Enhancement of Shareholder Value

February 3, 2015

Dear Board of Directors of NCSOFT Corporation:

First, we send our best wishes to all of you, and thank you very much for the opportunity to make these proposals to you.

As you know, NEXON Co. Ltd. (2-3-1 Shinkawa, Chuo-ku, Tokyo, 104-0033, JAPAN) (hereinafter, "Nexon") is the largest shareholder of NCSOFT Corporation (hereinafter, "NCSOFT"), with 14.68% of the total outstanding shares of NCSOFT. In addition, Nexon Korea Corporation, its subsidiary, owns another 0.40%, bringing the total shareholding that we represent to 15.08% of NCSOFT's outstanding shares.

We acquired these shares in 2012, over 31 months ago, reflecting our conviction that NCSOFT is a worldwide leader in the game industry, with blockbuster RPG franchises and some of the very best game development talent in the industry. However, it has become increasingly clear that the company has not competed effectively in the face of a rapidly changing market environment, particularly as platforms are quickly shifting toward mobile and China has become a key growth engine. As a result, the stock price has been depressed throughout most of the period of our holding.

We are well aware that NCSOFT's earnings may fluctuate in the short term due to the hit-driven nature of the game business, which is exacerbated in NCSOFT'S case by the fact that your business is highly concentrated to a few self-developed high-end massively multiplayer online role-playing games (hereinafter, "MMORPG"). Also, as a listed company, we understand the difficulty of properly managing earnings expectations during the long period of time it takes to develop a game, which can lead to stock price fluctuations.

However, we believe that NCSOFT can effectively use the company's resources to achieve stable earnings growth through collaboration with other companies and proactive investment in M&A. Also, we believe that NCSOFT can be far more proactive in its policy to increase shareholder returns, including through share repurchase and a dividend increase, although we are encouraged by the recently announced dividend increase, which appeared after we increased our ownership.

For these reasons, as NCSOFT's largest shareholder, with a 15.08% stake, we would like to propose the following actions to Mr. Taek Jin Kim, Chairman of the board and Chief Executive Officer, and the board of directors of NCSOFT.

1. Shareholder proposal for the Annual General Meeting
2. Request for provision of share register or a copy of the share register
3. Proposal to increase corporate / shareholder value

Proposal for Annual General Meeting agenda: Recommendation of candidates to elect to the board of directors

Over the course of the last six months, we have been a shareholder representing 0.5% or more of the total votes of NCSOFT. As such, pursuant to Korean Commercial Law Article 542-6 Clause 2 and Article 363-2, we fulfill the requirement for the right to propose agenda items for the Annual General Meeting (hereinafter, "AGM"). We would like to propose the following as matters be placed the agenda for the upcoming 2015 AGM or at an extraordinary general meeting (hereinafter, "EGM"), which must be held before the 2016 AGM.

● **Proposed agenda**

- 1) If NCSOFT is to replace the existing directors and/or elect new directors other than Mr. Taek Jin Kim at the 2015 AGM and/or EGM due to the resignation, death or disqualification of a director, or for other reasons, we request the ability to propose director candidates and to propose the same candidates for the audit committee of the company if NCSOFT is to fill vacancies on the committee at the 2015 AGM and/or EGM. We will provide a list of our candidates by the deadline for AGM or EGM proposals.
- 2) If NCSOFT is to replace the existing directors and/or to elect new directors other than Mr. Taek Jin Kim at the 2015 AGM due to the resignation, death or disqualification of a director, or for other reasons, we request to be informed of such election prior to February 10, 2015, as stipulated in this letter dated February 3, 2015.
- 3) We request that NCSOFT include our proposal in the notice and/or announcement for the AGM and/or EGM pursuant to the Commercial Law Article 363. In addition, we request an opportunity to explain our proposal to shareholders directly and in person or through our designated agents at the AGM and/or EGM.

Request for provision of share register of the company

Pursuant to the Commercial Law Article 396, as a shareholder of NCSOFT, we have the right to request the share register of the company. As such, we hereby request the share register, including each shareholder's name, address, position and other relevant information by February 10, 2015, as stipulated in this letter.

We believe many other shareholders share our views, as outlined in this letter, and we may consider soliciting the proxies of other shareholders for the agenda items we have proposed at the AGM and/or EGM.

Proposals to enhance shareholder value

As the largest shareholder of NCSOFT, we would like to propose the following in order to enhance value for all of our fellow shareholders of the company.

● **Create more revenue sources by strengthening collaborative efforts with other companies**

The game industry has quickly become borderless, with intense global competition. Unfortunately, NCSOFT has not effectively responded to this rapidly changing market environment, particularly as platforms are shifting toward mobile and China has become a key growth engine. This lack of competitiveness has resulted in a depressed share price for a

very long time.

We understand that NCSOFT's short-term earnings can fluctuate due to the hit-driven nature of the game business, especially since the company depends upon a few self-developed high-end MMORPGs, an approach that tends to take greater time and resources.

Therefore, we urge NCSOFT to strive to stabilize volatility in its earnings by diversifying its business by creating more business opportunities in collaboration with other companies, including Nexon. We have made several attempts at collaboration with NCSOFT during the last two and half years, and these efforts have not produced satisfactory outcomes, despite the efforts of both companies. This is especially true regarding potential international opportunities.

As one example, we believe that there is a clear opportunity to collaborate with NCSOFT on "MXM", about which both companies had been in discussions. We can offer channeling service or our popular in-game characters to increase user satisfaction and to leverage Nexon's massive user base and strong IP to raise the likelihood of commercial success. We have had great success in partnering with world-class companies such as Tencent, EA, Valve, Time Warner and numerous other game developers around the world, demonstrating our unique ability to find ways to increase shareholder value when we and our partner companies firmly commit to long-term partnerships. As such, we believe that NCSOFT and Nexon can find more collaborative opportunities that eventually contribute to the growth of the both companies.

- **Introduction of the Electronic Voting System**

It is our firm belief that the more shareholders who exercise their voting rights, the greater the basis for prudent and strategic decisions by any company. In particular, we want to encourage individual and minority shareholders representing at least 20 percent of the total outstanding shares to be able to vote at the AGM and/or EGM, regardless of the time and place of the meetings.

Therefore, we suggest that NCSOFT proactively adopt the electronic voting system beginning in 2015 in order to allow as many shareholders as possible to actively exercise their voting rights and form a quorum for the AGM and/or EGM.

- **Disposal of non-operational assets**

In 2008, NCSOFT completed construction of a 30,914 square meters office building at Samsung-dong, Seoul. In 2011, the company purchased a second office building, 26,839 square meters in size, along with related land, for the same purpose.

Subsequently, in late 2013, NCSOFT completed yet another new office building in Pangyo, with total area of 88,971 square meters. At that point, NCSOFT changed its stated intention for its first two buildings and related land to investment purposes.

According to NCSOFT's third quarter 2014 consolidated audit report, the book value of these assets is KRW244.2 billion, and the fair value is KRW321.5 billion, accounting for 15.1% of the company's total asset value.

These assets are non-operational assets, entirely unrelated to the company's core operations. Moreover, the return on these assets is estimated to be significantly lower than the weighted average cost of capital of the company, as well as the industry at large. Therefore, we request the disposal of the two buildings and related land held by NCSOFT for investment purposes,

which would improve the company's financial position, and allow the company to reinvest the proceeds into its operations, increasing shareholder return.

- **Shareholder-favored measures: share repurchase and cancellation, increased dividend**

On December 12th 2014, after Nexon increased its ownership, NCSOFT declared a cash dividend of KRW3,430 per ordinary share, consisting 19,970,439 shares, excluding treasury stock.

We commend the company for this action, even if it was reactive, and believe that the increased cash dividend should be a starting point for a more proactive shareholder return policy, which would particularly benefit long-term shareholders since the company has not returned enough profits to its shareholders, despite significant net profits since 2009.

In addition, the "Shareholder Return Ratio", calculated as the current year treasury stock repurchased plus the dividend, all divided by the previous year's net profits, has been very low since 2010 – in the range of 10%.

We understand that a company needs to retain a portion of its profits in reserve for uncertainties that may arise in the future. However, most of NCSOFT's profits have been kept internally, other than expenditures for a professional baseball team, the acquisition of Ntreev Soft, and the new office building in Pangyo. As a result, the return on equity of the company has dropped to the mid-teens, and we believe such ineffective capital allocation is one of the primary reasons for the depressed share price.

According to the standalone balance sheet as of September 30, 2014, NCSOFT's cash and cash equivalents, including short-term investments, is KRW710.7 billion, which accounts for 17.6% of the company's total market capitalization (excluding treasury stock) as of January 30, 2015. In addition, cash and cash equivalents, including short-term investments, on the consolidated balance sheet are KRW847.9 billion, or 21.0% of total market capitalization. NCSOFT has consistently generated at least KRW200 billion of annual EBITDA from its operating activities since 2013.

Therefore, in addition to proactive investment for the future, we propose the board of directors adopt the following shareholder return policies:

- Share repurchases and cancellation if the company believes the stock price does not fully reflect the intrinsic value of the company; and
- A dividend increase if the company believes the stock price is fully reflective of the intrinsic value of the company.

Importantly, we suggest that the company adopt this shareholder return policy as a part of a long-term management approach, rather than as a one-off event, and publicly announce it as such.

- **Cancellation of treasury stock**

We request that NCSOFT cancel its treasury stock, consisting of 1,958,583 shares, or 8.93% of the total outstanding shares, which would immediately and effectively enhance shareholder value. We notice that few of the treasury shares have been granted to employees as a part of long-term incentive plan, and there has been very little M&A that uses treasury stock. Therefore, we request that NCSOFT cancel its treasury stock except for shares reserved for employee incentive plans.

- **Disclosure of compensation paid to non-board senior management affiliated with Mr. Taek Jin Kim if their annual compensation equal to or greater than KRW500 million**

We believe that compensation for senior management should stand on transparent and reasonable ground, which is an important first step toward transparent and effective management of the company.

Therefore, we request that the company disclose the compensation paid to non-senior management affiliated with Mr. Taek Jin Kim if their annual compensation is equal to or greater than KRW500 million, including their name, position, roles and responsibilities, and more importantly, the correlation between their performance and their compensation.

Response date

We look forward to a formal written answer in connection with 1) our shareholder proposal, 2) our request for the shareholder register or a copy of the shareholder register, and 3) our request for the introduction of the electronic voting system by February 10, 2015. Please be advised that we will regard it as a rejection and take necessary measures if we do not receive your written response by this date.

We also look forward to your response to our proposals to increase shareholder value. We understand you will need time to carefully review these proposals as they relate to the long-term strategies of NCSOFT.

We look forward to receiving your formal written answer at the following address.

Nexon Korea Corporation
256-7 Pangyo-ro, Bundang-gu, Seongnam-si, Gyeonggi-do, Korea, 463-400
Chief Executive Officer, Jiwon Park

Finally, we want to thank the board of directors, management and all employees of NCSOFT for your efforts toward the growth of the company. As the largest shareholder, we are committed to increasing the corporate and shareholder value of NCSOFT, with interests fully aligned with yours, and to helping NCSOFT continue to grow as a global online game company.

We look forward to your reply.

Respectfully,
NEXON Co., Ltd
Owen Mahoney
Chief Executive Officer