



Program: First Up

Bloomberg TV

Guest: NEXON CEO Owen Mahoney

Interviewer: Zeb Eckert

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Zeb Eckert: There's a rally underway for my next guest company, NEXON, the online games maker is rising at the open in Tokyo today. We want to talk about that, and certainly the company's strategy going forward. Joining us live is NEXON's CEO, Owen Mahoney. Owen, welcome to Bloomberg, and thanks for taking time to join us. You have earnings just out and, depends who you ask, perhaps a bit of slowing in terms of first quarter revenue and profit growth. How are you handling this situation, and how do the next few months look?

Owen Mahoney: Well, we're very focused on creating very high quality games. We think that what really sells in the games business is not a copycat strategy, but in creating original IP; games that are fun and highly differentiated from the market. That's what we're focused on. We had a couple of big successes during the quarter. *Dungeon&Fighter* which is one of the biggest games in China, and one of our biggest games, continued to have a solid performance. In Korea, we had an outstanding quarter. *FIFA Online 3* has done extraordinarily well, and we have a new game called *Legion of Heroes* on mobile, which has done very well for us. We think it represents the kind of game we want to put out more of. That's where we're going in the future.

Zeb Eckert: Well let's go there and talk about this quality over quantity, if you will. How do you refocus your assets or investments to do just that? What can you tell us will be happening, Owen?

Owen Mahoney: Sure, the key thing to remember about the games business is that we're in the business of fun, but really what we're doing is creating art. The way you create art is by focusing your efforts on things that you really believe in. If it's fun, and if it's differentiated, the game tends to do well in the market, because if you know that it's fun, other people tend to see that as well. What we're doing as a company strategy is to cut off all development in games that we don't believe heavily in— that we don't think we're going to be proud of five years or ten years from now. We're taking those resources



and we're focusing them on the games that we're most proud of. The ones that we think we'll be playing again five or ten years from now.

Zeb Eckert: What kind of acquisition targets or investment partners, perhaps, would you be looking into? Content partners? Could you give us any sense of what the next few months hold? Are you actively looking at acquisitions to take you on the route to achieve this strategy?

Owen Mahoney: Well, we have an active acquisition or partnership pipeline right now. At the end of last year, we announced several deals, especially in the West and especially with companies that are focused on mobile. Those are primarily minority investments in companies that were putting out what we consider to be very high quality content. Our focus though is on investing in teams and Intellectual Property that we think we can help grow over time. We have very unique skills in online games, we're one of the pioneers of the online games business, we're the inventor of the free-to-play business model, and we think that we can bring these skills of what to do well or not well. We can bring those to game developers around the world, and help them grow their business. By doing that, and by partnering with those companies, we think everybody wins.

Zeb Eckert: What kind of potential do you see in the US market? I understand that behind in Japan, surprisingly, it's a huge market for mobile games. Is that where you're going to increasingly be putting your capital expenditures?

Owen Mahoney: Yes, you know our largest business is in China, our second largest business is in Korea, and our third is in Japan. Those numbers shift depending on the quarter, but we think that there is a massive opportunity in the West. In fact, we think that the West is essentially an untapped opportunity. Broadband came to the West later than it did to many parts of Asia, especially fast broadband. Mobile has penetrated Asia very quickly. We've learned a lot about how to do online, synchronous, high-quality, deep-experience games. We've done a lot of that in Asia. We think that those same skill sets can be brought to the Western audience. In fact, in the Western audience, a lot of the big games you see on mobile are not the type of quality and the depth that are commonly played in Asia. We can bring those to the Western market on the mobile platforms, and we think that's a growth opportunity for us. So we're going to be working very hard on that over the coming quarters.



Zeb Eckert: New titles, new development for that Western market? Do you see new titles in the works? Will you continue to develop separate titles for your Asian markets per se?

Owen Mahoney: Very much so. We have several game development studios in Korea, a large development studio in Japan, and we've also got partnerships with a number of Western game developers. We think that towards the end of this year and the beginning of next year, we'll see a lot of the pipeline come through. On the PC, we're very excited about a game called *MapleStory 2*, which is looking very strong for us, and we will be talking more about that later. As I've mentioned before, we had a big success in the quarter with *Legion of Heroes* and another one with *FIFA Online 3*. What those games represent is deep, rich game experiences that are unlike anything else that is on the mobile market right now. We'd like to bring those types of experiences to the West. They're hard to do, and you have to be a good game creator in order to do them. You can't do copycat games, you can't engineer your way in to success. You have to do core game development, which is really about creating art, and we think that applies to the West equally as much as it does to the East.

Zeb Eckert: So, viewers in the West, get ready for more signs of *MapleStory*. Is that what we can expect? Owen, we're out of time, and we appreciate your views today. Thanks for coming in. Owen Mahoney is CEO of NEXON, he joins us live from Tokyo.

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