



**Program: First Up with Susan Li**

**Bloomberg TV**

**Guest: NEXON CFO Owen Mahoney**

**Interviewer: Susan Li**

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Susan Li: Let's talk about earnings and the EPS ratio. We're looking at kind of a miss because the market was looking for something different.

Owen Mahoney: We grew 39% on the top line YoY for the quarter, so we're happy with our revenue numbers as well as our operating income number. On the net income number, we had to take a write-down for our minority investment that we have in a Korean company, as well as having an adverse tax assessment from the Korean tax authorities that was unexpected- we are discussing with them right now about that. On the operating side, we were very happy with our results for the quarter. It was above our expectations, our internal expectations, and our high-end of our outlook.

Susan Li: Give us some guidance ahead- especially we have interesting moves in the yen. Does that impact you at all?

Owen Mahoney: The yen has helped us. For our outlook quarterly- we've gone to a quarterly outlook- our Q1 outlook is to grow our business, and we're happy with our outlook for this quarter. We have been helped by the yen, as obviously yen is getting weaker and our large portion of our revenue comes from outside of Japan- about 33% of our business now is inside Japan, and the rest comes in large parts by China as well as from Korea, and a little bit from North America and Europe as well. So, we're helped by the yen- but we think that each of these markets are going to show strong performance for us for the quarter.

Susan Li: Let's also take a look at the corporate perspective of what's happening in terms of the Japanese economy because we just had the latest GDP numbers come out; we had again a contraction and we're looking at the third recession still in 5 years in Tokyo and I guess as a corporate leader, how does that impact your company and what are you seeing?

Owen Mahoney: Well, it's really interesting- in our business, large parts of the revenue come from outside of Japan. Our largest source of revenue is China, our second largest source is Japan, and our third is Korea- so the large part of our success is determined by the success of various regions outside Japan. Having said that, we're now the largest independent mobile



game developer in the world, and a large portion of that business comes from Japan. As you know, the Japanese mobile business is been going very well- for us at least, and for several companies- so we see a growth opportunity here in Japan as well as outside Japan, and because our revenues are so diversified around the world, we are not dependent upon just one country for our success, or for our performance.

Susan Li: Now it's not that positive Owen- your stock is reacting pretty positively today- up 4% on your earnings results but it's been down about 30% over the last year. What would you say to investors taking a look at your return and saying, look, I'm not getting anything back from my investment, so why should I buy Nexon?

Owen Mahoney: Well I'd say for the year- we just finished our 4Q- and for the year, we were up 24% on revenue and 25% on the operating income line. It's been very consistent growth for years for us. If you'd look back at around five to ten years of our growth, we've been very much in that range of 20-25% and higher percent per year growth, so in any particular quarter, our numbers may look more bumpy, but on a year over year, we've been in very consistent growth. It's our objective to keep being on that consistent growth path, and we've operated very high margins, so our objective is to stay on that growth, and over time, I think our investors will understand our business better.

Susan Li: Okay one more question for you Owen. I think you operate this free-to-play model. Will this still continue to be good for Nexon? Why don't you just charge games right off the bat?

Owen Mahoney: Well, we have around 68 million monthly active users around the world, and of those users that are monthly active users, 10.5% buy items in the games per month. Of those that are buying games items per month, they are paying on average, over 1,600 yen- revenue per paying user per month. As a result, we are able to monetize our business very effectively- it's a business model that works very well for our customers and works really well as a business model. We are leaders in this- we invented this space. We think there's three transitions going on in the video games space and entertainment space overall- one is from off-line to on-line; one is from single-player games to multi-player games, where thousands of people play at the same time; and one is from pay-to-play and packaged games to free-to-play games. We are the leader in each of these categories and the industry is moving into our direction.

Corporate Communications

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