

■ PARTICIPANTS

Corporate Participants

Seungwoo Choi – Chief Executive Officer and President

Owen Mahoney – Chief Financial and Administrative Officer and Director

Noriaki Hirakata – IR Section Manager

Other Participants

Atul Bagga – Analyst, Lazard Capital Markets

Mia Nagasaka – Vice President, Morgan Stanley MUFG Securities Co., Ltd.

Mark Moore – Managing Director, Brookside Capital Investors L.P.

Arvind Bhatia – Analyst, Sterne, Agee & Leach, Inc.

Thomas Kwon – Director, Daiwa Securities Capital Markets (Korea)

■ MANAGEMENT DISCUSSION SECTION

Operator:

Ladies and gentlemen, thank you for standing by and welcome to the NEXON fourth quarter and fiscal year end earnings Q&A session.

With us today are Seungwoo Choi, CEO and President of NEXON, and Owen Mahoney, CFO of NEXON.

Before we get started I would like to remind you that today's call will contain forward looking statements, including statements about NEXON's results of operation and financial condition, such as revenues attributable to our key titles, growth prospects, including with respect to the online games industry, it's ability to compete effectively, adapt to technologies, and address new technical challenges, use of intellectual property, and other statements that are not historic facts. These statements represent NEXON's predictions and expectations as to future events, which NEXON believes are reasonable or based on reasonable assumptions. However, numerous risks and uncertainties could cause actual results to differ materially from those expressed or implied in the forward-looking statements. Information on some of these risks and uncertainties can be found in our earnings release. NEXON assumes no obligation to revise or update any forward looking statements. NEXON's financial results for Q4 and FY2011 as well as its quarterly letter to shareholders from Seungwoo and Owen are available on the company's investor relations website at <http://ir.nexon.co.jp>. A transcript of this Q&A session will be available following this call.

I would now like to turn the call over to Seungwoo Choi for a brief introduction, and then we will begin our Q&A session. Thank you Mr Choi, please go ahead.

Seungwoo Choi:

Thank you very much.

Welcome everyone to our first earnings call as a public company. We're very excited to be here today having successfully completed our IPO in December and delivered strong financial results for the fourth quarter and the year.

As most of you know our quarterly reporting process will consist of a shareholder letter from Owen and me posted on our website along with the financial results. This will be followed by our hosted call on which we will answer the questions you submit to us via email. The intent of the shareholder letter is to give investors detail on the company's performance and outlook and commentary from the management team that you can read at your convenience. The Q&A call will then offer you the opportunity to ask question and hear from us directly. We hope you find this informative and efficient.

Since this is our first quarter using this format let me give a few opening remarks about the fourth quarter and 2011. As you have presumably read in our shareholder letter, revenue for the full year grew over the prior year by 32% on a constant currency basis. In the fourth quarter and throughout the year we saw continued growth in our fundamental indicators of customer activity, namely registrations, engagement, and monetization. We're very pleased with the rapid growth we saw across our geographies, particularly in China, where we think the powerful trend of broadband adoption is fuelling long term growth for NEXON, and our games have excellent traction.

While our North American business experienced some specific operating challenges in the fourth quarter related to a hacking attack, we responded to that situation quickly and aggressively, and we're very enthusiastic about our growth prospects in the west based on an otherwise fantastic year. We also kept a steady pace of game update releases and made several important strategic announcements in the fourth quarter.

I think a key point to understand our performance in 2011 is that as you read in our letter and will hear from Owen, every one of our top eight franchises grew yet again in 2011. In fact seven of those eight titles broke their all time records for revenue in 2011, and we continue to add to our portfolio of games with titles that we're very proud off, and we expect that some of the games currently our pipeline will join the ranks of our biggest performers in the future. Not only that, but all of our key monetization metrics, monthly active users, pay rate conversion, and ARPPU were up in the fourth quarter. We think this forms a very solid foundation for our growth.

Overall, we see our 2011 growth as indicative of our strength as a truly global leader in online games. Our outlook for 2012 of 17% revenue growth, or 24% on a constant currency basis, is supported by our very solid portfolio of growing games, our exciting pipeline of new games, and continued expansion in our newer regions. We believe our strategy is clearly working, which is why we're also excited about the future for NEXON.

Finally I would like to say how proud I am of all the dedicated NEXON employees around the world who have built a global leader in the online media business, and have executed against our strategies so well in 2011.

I would now ask our CFO, Owen Mahoney, to provide some additional highlights on our operations and metrics.

Owen Mahoney:

Thank you, Seungwoo.

Let me provide some additional detail on the quarter before we take your questions.

As Seungwoo mentioned, we exceeded our expectations for revenue and operating income, as well as the operating metrics that drive the revenue line. I'd like to highlight two specific items to help you interpret our results. The first is currency. As you know, the Japanese Yen strengthened against both the Korean Won and the US dollar late in Q3 and into Q4. In 2012 our guidance reflects these new currency assumptions. And second, a last minute change in the Korean tax code had a heavier impact on our FY11 net income relative to what we'd expected previously.

Now I'd like to provide some additional detail on our performance in 2011. First, as Seungwoo mentioned, all of our eight key titles, *Dungeon&Fighter*, *MapleStory*, *Sudden Attack*, *Mabinogi*, *Counter-Strike Online*, *Atlantica*, *KartRider*, and *Combat Arms*, all of them grew in 2011 over 2010.

As you'll recall from our IPO documents each of those top eight titles grew in 2010 over the previous year, and they repeated that feat again in 2011. More over, seven of these eight titles broke their own all time revenue records in 2011. The only one that didn't break its own record in 2011 was *KartRider*, which had had a huge year back in 2007. However, *KartRider* has grown now for the last two years running, and we're very pleased with its trajectory and process.

Another key point about our results is that all of the key components that drive our revenue line were up. Our revenues are determined by monthly active users, conversion to pay, and average revenue per paying user. All of these metrics were up in Q4 2011 over the prior year.

Finally we are very excited by our slate of new games in 2012. These games include *Mabinogi II*, *Three Kingdoms 3D*, *Battlestar Reloaded*, and *Heroes Generation Online*. In total we have over ten major game launches in the pipeline. In short we're very satisfied by the continued robust growth of our top games, and we're excited by our slate of new games accelerating that growth.

We feel that we have an outstanding business model, a great strategy, and very strong execution, which is showing up in our results.

Some of you have sent us questions, so we'll start by going down that list, and then time permitting well open up to live Q&A after that. With that let's begin the first question. Norrie, can you get us started?

■ PRE-SUBMITTED QUESTION AND ANSWER SECTION

Noriaki Hirakata:

Sure Owen. First one is can you comment on fiscal 2011 performance from the top to the bottom?

Owen Mahoney:

Sure. So first of all we're very happy with our performance in 2011. In 2011 revenues, operating income, and PBT were all over achievement. Net income was impacted primarily, as I mentioned in the opening remarks, with a higher than expected tax rate in Korea due to a new tax bracket that was introduced literally in the last few days in December. The net impact of that was about US\$600 million.

But let me give some additional perspective on our performance in 2011 and what went into the revenue and profitability drivers.

First of all I'd say that pay rates, which equates to the number of monthly active users who buy items in a month, were up both year-over-year, and quarter-over-quarter. So put simply this means that we have more people buying items in the game compared to a year ago.

But let's put this in context for just a minute. We don't just look at pay rates, we look at the blend of metrics that drive the revenue, and any metric by itself is not a reflection of a game's performance in itself. But in 2011 we had a great year where all of our monetization metrics were up Q4 2011 over Q4 2010. So that's MAUs, conversion to pay, and ARPPU were all up for the year, and that's what resulted in record revenue.

And as we mentioned in the opening remarks, again seven of our eight titles had their biggest year, that's record revenue, and so we're very proud of that. The one that did not was *KartRider*, which had its biggest year in 2007, but it's been really on a strong growth trajectory the last two years, and we're very excited about its future. So we're excited because we're seeing the results not just in the revenue line, but across the board in the monetization metrics that make up the revenue.

Noriaki Hirakata:

Great. By the way, does your fiscal '12 reflect this higher tax rate?

Owen Mahoney:

Yes it is. We've baked the tax rate into the 2012 plan.

Noriaki Hirakata:

So number three, would you share key metrics a bit more detail in fiscal '11 please?

Owen Mahoney:

Sure. So MAU was up, as we mentioned. In 2010 Q4 MAU was 77 million users, in Q4 2011 it was up to 80 million MAUs. ARPPU was on a worldwide basis denominated in Japanese Yen, it was up from 1,305, our average revenue per paying user, to Q4 2011, 1,350. And then finally conversion to pay was also up year-over-year, and that means more paying users.

Noriaki Hirakata:

By the way, some investors wanted to know a bit more detail about regional performance. One investor ask that he thinks ARPPU is about flat in Korea, Japan, North America, and Europe, and no one is seeing expanding user counts. Therefore in China are both user account and ARPPU expanding, so is he reading right? So that's the question.

Owen Mahoney:

Sure. So we haven't broken out our metrics by country, but what I will say is across the board we are very satisfied with the growth. It's again the combination of those metrics that end up in our revenue, and we're happy across the board at how those have been going on a worldwide basis, and in the regions.

Noriaki Hirakata:

Thank you. So number four, certain investors are really curious about the MAU trend of major titles across the regions, would you share that?

Owen Mahoney:

So we haven't broken it out by title, but we can say that we're very satisfied with the growth of the MAUs for the year in the various titles in the region. So we're certainly satisfied with the performance of those during the year.

Noriaki Hirakata:

Thank you. Likewise, what is your metric assumption for fiscal '12 guidance?

Owen Mahoney:

So fiscal '12 guidance is based off of our bottoms up model, which we develop by game, or by title and by geography. So we haven't broken that out. But what we are baking in, is what we consider to be modest or prudent growth in the existing titles, and we have also seen the launch of the additional titles during that period in time. Those additional titles we're assuming – of the new titles, we would consider modest growth of the new titles as they launch.

Noriaki Hirakata:

Again, from fiscal '12 business plan, please explain your fiscal 2012 business plan with regional and title color, and add some information on currency assumption please.

Owen Mahoney:

So I'll start by title. We would expect our two biggest titles, which are *Dungeon&Fighter* and *MapleStory*, to continue to represent over 50% of our revenue in 2012. That was the pattern in 2011 and we expect that pattern to continue in 2012.

Beyond that it's tough to say because our titles can sometimes surprise us in how fast they move. For example, I'll talk for a second about our top eight titles. As I mentioned before, every one of them grew robustly in the year. And I'll just repeat that list of titles again: *Dungeon&Fighter* and *MapleStory*, are our two top ones. The others are, *Sudden Attack*, *Mabinogi*, *Counter-Strike Online*, *KartRider*, *Atlantica*, and *Combat Arms*. Within that group all of them had record revenues, and we expect continued growth in those titles in 2012.

KartRider, as I mentioned, was exciting for us in 2011 because it's been on a two year growth track now, and so we feel good about that title.

So we would expect continued performance out of those top eight titles, but reiterate we expect that *Dungeon&Fighter* and *MapleStory* will again represent more than 50%.

On a regional breakdown, I'll start with Korea. Korea was 33% of our revenue in 2011. Going forward we expect Korea to be substantial, but probably a smaller percentage of worldwide revenues than in 2011. The reason for that of course is because China is growing very quickly. The Korean market continues to grow, and it appears that we're taking share from our competitors there, so we really like our prospects in Korea, it's a very good market for us, and it's a competitive market but we do well in competitive markets.

In China we expect to see continued growth. China was 37% of our revenues in 2011, as we said in the letter. Our view is that China is more robust than many people think. We're seeing it both in our core game metrics in China, that we feel good about as we mentioned before, and so we're seeing it from a bottom up perspective. From a top down perspective it appears to us to be early days in that market, where broadband penetration is relatively low and it's growing quickly. So we like what we're seeing there.

In Japan, while it's been a slower rate of growth, outside of the earthquake which affected the end of Q1 2011, which caused a shutdown in that time, and then since the beginning of Q2, our experience in Japan is that it's on double digit growth rate, so that's what we expect in 2012 as well.

And then North America finally, Europe, and the rest of the world, are all hitting in our view the growth stage. The critical mass of broadband is available in those countries, so we think of those as growth markets, so we're excited about those. They're obviously on a much smaller basis than some of our larger countries, but we expect to see continued growth there.

Noriaki Hirakata:

Again, would you mention to currency assumption briefly?

Owen Mahoney:

Sure, Currency assumptions for 2012?

Noriaki Hirakata:

Yes.

Owen Mahoney:

So currency assumptions for 2012 are listed on page 12 of our letter, I'll just read them hear for a minute.

And for the Yen to Won rate, 100 Yen divided by the Korean Won is assumed for 2012 to be 1,469.1. The 2011 average was 1,383.1. US dollar to Yen is assumed for 2012 in our model to be 77.1, and 2011 it was 79.8. And the RMB to Yen in 2012 is seen to be 12.1, and in 2011 it was 12.3.

Noriaki Hirakata:

Thank you. Please explain the seasonality of the business, if any.

Owen Mahoney:

So seasonality, it various by region. Really what you see is in – our biggest seasons around the world are Q1 and Q3. Q1 is Chinese New Year, and the other Asian new years that happen after January. And Q3 is of course the summer season, which everybody in the world shares. You get some offsetting holidays around the world, for example Q4 is typically the strongest season in North America since is the Thanksgiving and Christmas holiday, but on a worldwide basis Q1 and Q3 are our strongest seasons.

Noriaki Hirakata:

Thank you. This question may be for Choi San. I'd like to confirm your dividends policy?

Seungwoo Choi:

As of now we do not have specific dividend policies because we're a growing company, and I think continuous growth is the best return that we can give to our shareholders. And I think our best options here in return would be by investing in our own business. Thank you.

Noriaki Hirakata:

OK, Thank you very much. The next one is we are asking about product. What is your evaluation on newly launched titles. like *Cyphers*, *Mabinogi Heroes*, as well as the newly M&A titles *Sudden Attack*, and how do you expect to see its potential?

Owen Mahoney:

So with *Cyphers* and *Mabinogi Heroes*, those are two newest titles in most regions. We're watching those very closely since they recently launched. I'd say that it's early

days, but we're happy with the results that we're seeing so far. And as I think most people on this call know, and we've stated again in our letter, when we introduce or launch a title the revenues typically start small, and they build up over time. So as the community grows over time, it can take months or a few quarters for that community, and therefore that revenue line, to build up. That's been the pattern with all of our games. And we're seeing that community grow nicely and the revenues grow, as we would expect, in both of those games, *Cyphers* and *Mabinogi Heroes*.

In *Sudden Attack* it's a bigger game, it was in existence before we acquired it as part of M&A, and we're happy with what we're seeing there. So we see possibility for all three of those titles to enter in our list of largest titles. It's too early to tell though, at least for the first two titles.

Noriaki Hirakata:

Next one is the pipeline. Please share your pipeline in fiscal 2012.

Owen Mahoney:

So we haven't announced all our titles that we'll be launching in 2012, but I'll mention a few of the games that we have launched and that have good internal buzz. So the first one that I would mention is *Mabinogi II*, which is based of the Mabinogi back story, but it's executed in a very different game world. We think that it expands the overall audience for the game and for our users.

Second game that we've announced is *Three Kingdoms 3D* on the Unity platform. It's an MMO that we plan to launch around mid year of this year. It's going to be – because it's on Unity it will be available not just on PC but on mobile as well.

Our teams are also developing *Counter-Strike Online II*, which is the sequel to the hit game that we develop with Valve. And finally *Battlestar Reloaded*, which is a casual shooting game that we plan to be launching mid-year. Those are announced titles, and all four of those we're excited about.

In addition to our internally developed titles we sometimes publish third party developed titles, and we're usually pretty judicious about our decision to publish third party titles. We like our internal titles, but we've got a few more this year that we've announced. One is *Heroes Generation Online*, it is just about to go commercial, actually within few days. It's an MMORPG. *Warface*, which is developed by a company called Crytek in Germany, it's a first person shooter. And finally *The Day*, which is a MMORPG, that we plan to launch later in the year. So those are highlights of some of the published titles.

But as I said before, just keeping in mind that the way that our revenue line works is when we launch at title the games will typically start off small and then build up over time. Having said that we've got a lot of new games in development, and we're very excited about the slate that we've got coming up.

Noriaki Hirakata:

So you mostly talked about online PC games, so we have queries about your strategy of mobile and social space, would you share that please?

Owen Mahoney:

Sure. So on mobile we're being very aggressive, on both mobile and social. We've been developing mobile games for the last several years, and this year we plan to launch 20 titles for fiscal 2012. So this is our most aggressive year by a lot.

Some of the games that we plan to launch are *MapleStory* mobile version in Japan, I mentioned *Three Kingdoms 3D* on the Unity platform, so that's going to be both a PC platform as well as a mobile platform. *MapleStory Live*, which is a version of Maple Story but with an enhanced free to play model. *KartRider Rush Plus*, and that's the sequel to *KartRider Rush*, which was our mobile game that we launched in 2011 that's been downloaded more than seven million times.

Battle Tide, which is a fantasy themed mobile social game, and then two social games of note, one is *Atlantica S*, which will be a social game on Facebook based on the Atlantica franchise, and then *KartRider Dash*. And *KartRider Dash* will be in Q1 on Facebook.

So you might have seen our announcement that we've consolidated our development for both mobile and social back into NXX, and we've put all of the development under one of our most senior talented developers, new game developers in Korea, so we're very excited about the pipeline that we see.

I note that for our forecast for 2012 we have not baked in substantial revenue assumptions for any of the games, we think we're still very much in the development mode and so we want to be judicious about how we forecast the revenues, although of course we have forecasted for all the development expense that goes with that.

Noriaki Hirakata:

Thanks you. We've got another question on regulation issues. So we have heard a lot of stories on regulation, especially in Korea, would you share your view on this news flow? This should be answered by Choi san.

Seungwoo Choi:

Yes, there has been a lot of noise in the Korean press, several bills are being deliberated in Congress right now. The main theme is around what they call the cooling off period, which is where if you play the game for a certain number of hours you will be forced to take a break, probably around ten minutes. However, nothing has been decided yet, so it is hard for us to comment on what might happen in the future. However we have done our analysis and what we've found is that a very minor percentage of our users play games for the period of time being contemplated in Congress, and of those players a very small percentage end up buying in the game.

So in this case we don't think there will be any impact. We don't think it will have a material impact on our revenues, but it might change how we present our games to customers.

Many of us on the management team are parents, so we support the idea of enabling kids to interact with the games in a very healthy manner. So any legislation that does this is something that we will support.

Owen Mahoney:

I think there's one other component about this, which is the shutdown regulation that was introduced in 2011, this law is actually on the books, the ones that Seungwoo mentioned are some of the things that are being contemplated. The Cinderella-Law, or what they call the Cinderella-Law went into effect at the end of 2011, and the idea was that kids playing games should stop at midnight.

We've been watching this very closely on our user metrics and have found it's had no meaningful impact at all. Historically have found players of the age range addressed by the law, which is under 16, playing our games during those hours are less than 1%, so we don't anticipate, and we haven't seen any material impact on our revenue from that.

Noriaki Hirakata:

Next one is on competition. Do you see any impact from other big titles, like *League of Legends* or *Blade and Soul*. Owen San?

Owen Mahoney:

Sure. So we're not seeing any impact at this time. I think the larger trend that's going on is the conversion from off line to online games, and of course we're a beneficiary of that trend, that worldwide trend. So within the online segment and the free to play segment we're not seeing significant impact, or any noticeable impact from those different games. Of course it's hard to tell sometimes, but we haven't seen it.

And we think the total pie is getting bigger, and our view is that it's overwhelming our ability to cut up the pie. And in addition NEXON has always put out highly differentiated games, and so we tend to do well in a competitive environment. So the effect of all that is that we're not seeing an effect on our business.

Noriaki Hirakata:

The next one is head account. Please share your head count after fiscal 2011 and planned for '12, please?

Seungwoo Choi:

For 2011 our head count was 3,612 across all territories, and for 2012 we plan to have 4,295.

Owen Mahoney:

So Norrie, is that all the questions that we've received prior?

Noriaki Hirakata:

Yes.

Owen Mahoney:

So with that, operator if there are any additional questions, we would be happy to take those in our remaining time.

■ LIVE QUESTION AND ANSWER SECTION**Atul Bagga - Lazard Capital:**

Thanks for taking my call. A couple of questions, (a) I was wondering if you could talk, especially on the western market, where do you see your incremental users coming from? Is this more about a shift from console to online, or are you getting more users who have been used to playing social games on Facebook and are now looking for more deeper engaged experience, or is it a completely new market that is opening up for you? And just to follow up, clarification on your social game strategy, you mentioned that you have about 20 mobile games and social games for launch in 2012, now most of the social games, will these be published by NEXON, or will these go through Six Waves?

Owen Mahoney:

So I'll take that first question, it's an interesting question. The short answer Atul is it's a combination. We've done some analysis in US and Europe, and some polls. We find that when we poll for example *MapleStory* users in North America a lot of them have never played an MMORPG at all, this is their first MMORPG that they've played. Now *MapleStory* skews a little bit younger worldwide than some of the harder MMORPGs that you see, so that is not wholly unexpected.

The other thing that is really interesting that we've noticed over and over again, and as you know from following this industry for a few years, is the North American market has really shifted in the last 12 to 18 months, and this shift has really been about free to play. And we think that the free to play shift has been helped by what's been going on in social, where a lot of the social games companies have taken the free to play model that we created in Korea a decade ago and applied it to casual games.

And a couple of years ago it was very hard from a marketing perspective to convince a new player to install a game, and that there wasn't that catch that we weren't going to spam their computer in some way, that we were actually giving away the game for free and that they could have a really good enjoyable experience. And then once they got it, that learning the free to play experience of buying their first microtransaction, that was a hard thing as well from a marketing perspective.

We've really made great strides since then, thanks in part because the social games folks have brought tens or hundreds of millions of players into and taught them this free to play experience. So we think that that's overall benefitting our business.

As to whether the majority of them are coming from console games or from casual games and moving up, it's somewhat hard to tell, and it actually depends a little bit on the genre. So you might see for example a first person shooter player maybe has experience in packaged goods first person shooters, or a console first person shooter, and they see how good the experience is with *Combat Arms*, then they make the move from there. Other people might come from a casual experience and move into *MapleStory* or what have you.

And then the second part of your question was – sorry; can you repeat the question one more time?

Atul Bagga – Lazard Capital:

Yeah. My question was do you plan to publish social games on Facebook by yourself, or games going through Six Waves?

Owen Mahoney:

So, we think that it will probably be a combination of both, it's going to be depending on how it's best to be handled. So we're really happy with our relationship with Six Waves, we think that they're a great team, and so it's going to depend on the geography and the specifics of the game. Thanks.

Mia Nagasaka - Morgan Stanley:

This is Mia Nagasaka from Morgan Stanley, Tokyo. First of all thank you very much for your presentation. I have three questions. The first question is - in my view the new company guidance is quite a conservative level, under what circumstances would your company outperform or underperform your guidance? And if possible, would you finally explain key factors?

Owen Mahoney:

So, I would say a couple of things about our guidance for 2012. The first is that we take a, what we consider to be a prudent view about guidance. We do a very detailed bottom up model, and we like to look at the trends that we're seeing in our games, so we guide according to what we're seeing there.

As you know Mia, we work in a very dynamic industry, in some markets that we're in they're much younger markets, and so we make sure we want to not get too ahead of our selves when we're doing our planning internally, and also when we're providing our guidance.

And then the next point that I would say is it's important to remember that our guidance does not – and this is in answer to your question, is that does not include any M&A. And so that's an important component of it, we think that that's the right way to go about it, because we're only going to be doing M&A when we think that the right companies, or the right opportunities are available to us at the right time and the right terms. That's inherently impossible to forecast, and nor would it be wise for us to forecast that, but some could view that as potential upside. However we are not

providing that as part of the guidance because we're not prepared to announce any M&A at this time.

As I think I mentioned before, we like what we're seeing and the opportunities available, we don't have anything to announce right now, but we've got a fairly full pipeline of M&A. But it would be unwise for us to forecast any of that.

Mia Nagasaka - Morgan Stanley:

Thank you. My second question is when I see the external data point in China and Korea, from industry data, I understand that the market trend is quite healthy and strong. Would you comment on how you see your company's titles trend in these areas for January and February?

Owen Mahoney:

I'm not sure I can give guidance specifically on January/February. I can say relative to what we've provided so far is that we're very happy with the trends that we're seeing in China so far, and we think that the drivers to that are as a result of strong, well developed good design, innovative products that are differentiated from a lot of the other products that are in that market. That's point number one, the products are good.

Second, I'd say that we've got great partnerships. We've got three great partners in that region, Tencent, Shanda and Tiandao. We've invested a lot in all three of those relationships, and I'd say that each one of those is going well. We feel good about the, and we feel that they're providing a lot to the relationship as well, so we're feeling terrific about that.

And then overall the market, as we've said before, feels to us to be growing well, that it's the early days of broadband, so we feel like we've got a lot of growth opportunity in the future. So we're seeing it from a bottoms up perspective and from a tops down perspective as well.

Mia Nagasaka - Morgan Stanley:

My last question is about your company's interest in soccer games. It might be difficult to comment, but we hear that Neowize currently offers FIFA III in Korea, but there has been market expectation that your company will win FIFA III in Korea, and possibly take FIFA II as well. If any comments, would be appreciated.

Owen Mahoney:

We've got no comment about things that we haven't announced, and there's nothing to talk about on that.

Mia Nagasaka - Morgan Stanley:

Okay, thank you.

Mark Moore – Brookside Capital:

I've got two quick questions, and probably not related, but maybe. The first one is mobile games in Japan right. So there is this fascinating business that has grown in

Japan around mobile games, demonstrably around Gree and DeNA, who have tapped into an enormous revenue stream in terms of folks' entertainment dollars there. And you know you guys started wading into mobile in Japan here this year, how do you think about doing it, do you sort of say "Look, we're pretty late in the game here, the right way to do this is to do it on these platforms," or do you try to go it alone, and just kind of talk us through, if you will, a little bit in terms of what you think that opportunity might look like.

And then the second is on M&A and can be related/can not be related. When you look at M&A Owen, you've got some very very deep pocketed I think low cost of capital competitors for M&A, between Tencent, GREE, DeNA, and a number of other players out there who have enormous balance sheets. When you guys look at M&A can you just tell me, when you go after a high quality company how is it that NEXON can add value to something they buy that one of those other players can't? Thanks.

Seungwoo Choi:

I'll answer your first question first. Yes indeed, Japanese mobile platform is a very interesting platform, very good business. We have been waiting, as you mentioned, for a long time, but I think there's two aspects to this business. One is that this business mobile - free to play, and the other is the actual content.

We are very pleased to see that finally major players like DeNA and GREE have adopted our business model, free to play, but what we see currently is that the contents are mostly still designed for feature phones and they're transferred, not transformed but transferred, to smart phones. So we would take this as a huge opportunity. I mean, just because the free to play model is available, but what we can do is we can add content that are much more like online games on PC. So these are not just a single player mode games, but games that allow people to play with each other in real time with real people, and that can provide a totally new type of experience and fun on mobile platform. So I think we have a tremendous of opportunities there.

And going to your second question...

Mark Moore – Brookside Capital:

I'm sorry. Just to clarify this. Is the process through which you tap into the gamers in mobile in Japan, is it through these two big platforms, or do you create your own platform?

Seungwoo Choi:

We would rather start by incorporating with these existing platforms, because they have built a fantastic business model, and they have a different variety of contents ready, but we think we can add another great genre or segment, if you want to call it that way, which is the online games, and that's what we're good at.

So we are already doing a number of experiments with these companies, and we're very happy with the results that we've seen, and we hope to do more, and we do plan to do more in the near future.

Mark Moore – Brookside Capital:

And I'd assume when it comes to those platforms you'd want to stay somewhat platform agnostic, the way that you've done in China with multiple partners?

Seungwoo Choi:

Yes.

Mark Moore – Brookside Capital:

You don't want to throw all your eggs into one basket, right?

Owen Mahoney:

It depends on the situation.

Seungwoo Choi:

Right.

Mark Moore – Brookside Capital:

And then second one on M&A.

Owen Mahoney:

So I'll jump in on that. So Mark, we have always been operating in an environment where we're competing on deals with better capitalized companies. We've always felt that the right way to do M&A is to know the teams very well, to have a very specific view about what their teams and their intellectual properties are all about, and then to not make a move until we have a strong opinion that we can grow those teams and intellectual properties over many years. And we've done this over and over in our track record of M&A. We're seeing these types of opportunities around the world, we think that that's a great way to go about doing it, and we see that in our future.

Mark Moore – Brookside Capital:

Okay, fair enough. Thanks guys.

Arvind Bhatia - Sterne Agee:

Thank you guys. I was wondering if you can talk a little bit about *KartRider Dash*, and what your experience has been so far on mobile. And in general I think what I'm trying to ask is how are your mobile games monetizing versus say your facebook experience or other platform experience? Can you give us a way to think about some comparisons on the monetization between the two models, mobile etcetera, and what you're experience as been again on *KartRider Dash* so far?

Owen Mahoney:

So *KartRider Dash*, which is a facebook game has not yet launched. *KartRider Rush* is maybe what you're referring to. *KartRider Rush* is our mobile game that we've launched, and as I've mentioned before it's generated seven million downloads. We're going to be putting a sequel to that out called *KartRider Rush Plus*, which will be coming out in 2012.

What I'd say about social and mobile overall is that the monetization rates and the ARPPUs and the lifetimes that you see in the genre of games that we've put out so far have been much more in line with what you see in social games and mobile games so far.

We think it's very, very early days both in what we're doing and what the industry is doing, but if you take any individual market that we operate in, say in North America, and you take one of our immersive free to play games, and you stack it up against a casual or Facebook game, what you find is in the types of games that we produce you have significantly longer lifetimes of game play, and higher ARPPUs, and higher conversions to pay.

So what that means is that when you go out and acquire a customer in our core business they tend to stick around for a longer period of time, so your returns on a well designed game can be very substantial.

So we're seeing similar sorts of patterns and differences that we expected to see between immersive free to play games and casual free to play games. So broadly in line I guess is how I would frame – broadly in line with the patterns that you see in the casual game space, has been our experience to far. That would be point number one.

Point number two is we are doing a lot of experimentation in our development groups that we've pulled this under, and sort of the back story of the development work that we're putting out is we want to be creative and try new and different ways about going about it, in some cases that will be about putting out IP that's based off of IP that we've already had in the past, such as games based on the *MapleStory* back story, or *KartRider*, or what have you. But we want to go about it in a way that ultimately drives those monetization methods up in a way that hasn't been done as much except in our core business.

So that's the direction that we're looking to head in, and that's why we plan to do an additional amount of development work in that area.

Arvind Bhatia - Sterne Agee:

I know you mentioned your ARPPU earlier on the call, I guess can you speak to that? ARPPU for the social games versus mobile games?

Owen Mahoney:

We haven't broken that out.

Arvind Bhatia - Sterne Agee:

But directionally I would imagine mobile is lower, but I just wanted to hear your thoughts on it.

Owen Mahoney:

Yeah, I think the key thing is we're experimenting in social and mobile, I just have to say it's really early days for us in that area. But what's clear is that the ARPPU is much lower than it is in our core games.

Arvind Bhatia - Sterne Agee:

Last question for me. Can you speak to what your cost of development is anticipated to be on these mobile games that you're launching this year or in the next 24 months?

Owen Mahoney:

We haven't broke out the total development costs on mobile and social, what I would say though is that our development costs across the board as a percentage of revenue are in line with what they have been in 2011. So our op-ex lines are line by line roughly in line with what they were in 2011 on a percentage of revenue basis. So our R&D line is going up, but it's in line as a percentage of revenue, and mobile and social are part of that.

Arvind Bhatia - Sterne Agee:

Thanks guys, and good luck.

Owen Mahoney:

Thank you very much. I think we've got time for one more question.

Thomas Kwon - Daiwa Capital Markets:

Thanks for the opportunity, I have three questions. My first question is about the outward trend. In your first quarter results was 4% year-over-year, globally the ARPPUs it has been decelerating throughout 2011, or accelerating, or remains stable?

Owen Mahoney:

So ARPPU has been fairly stable, it's grown Q4-to-Q4, but it's on an upward trend across the board.

Thomas Kwon - Daiwa Capital Markets:

So second question is what percentage of the gamers under 16 to total gamers in Korea?

Owen Mahoney:

What percentage of gamers are under 16?

Thomas Kwon - Daiwa Capital Markets:

Yes.

Owen Mahoney:

I believe the number was under 1%. Oh excuse me, the total gamers under 16?

Seungwoo Choi:

For Korean market? We'll have to get back to you with accurate data.

Owen Mahoney:

Yes, we haven't broken that out, but we can provide that data.

Thomas Kwon - Daiwa Capital Markets:

That will be appreciated. Last question about this monetization strategy, can you tell me whether there is any possibility NEXON will remain more conservative in monetizing your gamer base in Korea based upon regulation pressures to protect the younger gamer in Korea?

Owen Mahoney:

I'm sorry, I couldn't hear your full question, would you mind repeating it?

Thomas Kwon - Daiwa Capital Markets:

So my question was about your company's monetization strategy. Could you tell me whether there is any possibility your company will remain mostly conservative in monetising your gamer base in Korea based upon regulation pressures to protect younger gamers in Korea.

Owen Mahoney:

I think the thing to emphasise about the regulations in Korea is there's one regulation that is out that happened in 2011, the rest are simply being contemplated. And it's hard for us to comment on them, because nothing has happened, and nothing may happen, or something may happen, so it's hard for us to say. As for monetization, we talked before about this, it's important to remember that it's the spectrum of monetization usually considered in average revenue per paying user, it's the whole spectrum of MAU, conversion to pay, and ARPPU that builds up a revenue line. And we don't want to over index on any single one of those statistics. And that's true regardless of the age. And so we like to see that health across those different metrics, and we are seeing that health across those different metrics, and so we're happy with how that's driving revenue.

Thomas Kwon - Daiwa Capital Markets:

Thank you very much.

Owen Mahoney:

Thank you very much, and I think that's our time. We thank everybody for attending the call, and we look forward to talking to you again next quarter.

Seungwoo Choi:

Thank you very much.

- END OF TRANSCRIPT -