



**Program: First Up with Susan Li**

**BloombergTV**

**Guest: NEXON CFO Owen Mahoney**

**Interviewer: Susan Li**

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Owen Mahoney: We think that there are some outstanding developers in the western markets, like SecretNewCo and like Rumble, who have fantastic content that's really appropriate for the Western markets- US and Europe, specifically. We have strength in free-to-play since we essentially invented the category over a decade ago. We have capability in publishing and operations, and they have capability in developing triple A content that's appropriate for the Western market. We think that the partnership holds a lot of opportunity. We want to be partnering with the triple A developers in the West. That's the idea with these investments.

Susan Li: Well Owen, you know you've had the start of this year, and the end of last year you said that Nexon plans to triple sales from mobile phone games. Are you on course to do that?

Owen Mahoney: Well, we just finished our quarter substantially larger in mobile games than we were a year ago at this time. About 20% of our revenue now comes from mobile. That makes us one of the largest mobile developers and publishers in the world, and we intend to grow from here. We've already got a great hit, not just in Japan, but in Korea, with a game called *Fantasy Runners*. That game generated 1 million downloads in the first week after its launch on Kakao in Korea. As you know, Korea has a population of about 45 million people in total in the whole country, so 1 million downloads is a very large hit for that country.

Susan Li: Well Owen, you talked about going mobile, is there any, maybe envy or jealousy from the Nexon side? Will you take a look at GungHo? The stock is up 1,000% percent from the year end. They have a pretty good sell, and the most downloaded game on any Apple device, *Puzzle & Dragons*.

Owen Mahoney: Well, first of all, we think that it's a good game. From our perspective though, the business that we're in is building games that people want to play for a very



long time. This is a long game for us. It's not a sprint, it's a marathon. When you build a game that people want to keep coming back to for years on end, you build a very substantial and consistent base of revenues on which to grow a business over time. We've learned from experience that that's a great approach to building game franchises over time and that's the company that we want to continue to build over time. It's resulted in very consistent growth rates for us of over 25% very consistently through our history, and operating income margins of over 35%. So, consistency in building up over time is a big deal for us and that's a good source for growth.

Susan Li: What you saying then, Owen, is that GungHo and *Puzzle & Dragons* doesn't have the long term popularity built in?

Owen Mahoney: Well, I can't speak for them. All I know is that for our business, it's very consistent that it grows very nicely over time, and we're in it for the long haul.

Susan Li: Alright, it sounds like a boxing match to me. Owen, let's talk about the revenue. I was looking at your regional revenue composition. It's interesting, because from the first quarter last year, to this year, you've increased your revenue coming from Japan, but it's been a decline in Korea and China. What's going on there?

Owen Mahoney: Well actually, Korea was up this quarter, and China was up this quarter, so we've had good growth out of all three of these markets. Of course, Japan, we're now in the mobile business in a much more substantial way, so our business in Japan has grown very substantially over a year ago. We now have several major games in the Japanese market, and that's primarily coming from mobile. In Korea, our base of revenues continues to be primarily from the PC business, although as I mentioned, we also now have a hit on the mobile side. In China, it's very early days for mobile for us, but that business continues to grow very stably and very nicely for us. Our largest game in China is in fact, the No.2 game in the Chinese market, called *Dungeon & Fighter*. That game is just a juggernaut, and continues to do very, very well and the key performance indicators that build up the revenue for us show a lot of activity in the game, and great strength there.

Susan Li: Okay, one more question for you, Owen. We just got GDP numbers from Japan this morning. I just want to hear from the corporate perspective; do you feel like the Japanese are still spending, so this miss in the Japanese GDP is not a big deal from



your corporate view?

Owen Mahoney: Well, it's tough for me to comment on that, because I'm not an economist. From the perspective of our business, we're in the free-to-play games business, meaning that we give our games away for free, people download them, and then if they decide that they'd like to buy items in the game to enhance their game experience, then they pay a dollar here and a couple dollars there (US). That's a business model that is very robust in any economy, boom times or recession and what have you. We've seen this happening in all the different countries where we've had a long history, so our feeling is that our business will stay robust no matter what the economic environment is, if we continue to create great game content for a large or a mass audience.

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