

**NEXON Co., Ltd.**

**Q2 2020 Earnings Prepared Remarks**

**August 6, 2020**

**Owen Mahoney, Representative Director, President and Chief Executive Officer, NEXON Co., Ltd.**

Thank you, Ara-san, and thanks to all of you for joining Nexon's Second Quarter 2020 conference call.

Before we share our financial results, I'd like to offer some context on our performance at the midpoint of a highly disruptive year, a view on how we expect Nexon to emerge in 2021 and how we're positioned as we look beyond this year.

From the start of the pandemic, the games-industry has experienced a surge in both players and engagement – a spike that some analysts expect to taper off as the crisis ends. At Nexon, we see COVID in the context of a much broader trend in entertainment. We believe the crisis has brought sharp focus to a secular shift in the entertainment industry which began years ago – from physical-based entertainment such as sporting events, concerts, and theme parks to online virtual worlds. And from linear, lean-back experiences to lean forward interactivity. Today, millions of consumers have discovered online games and virtual worlds are more fun, more social and widely available across billions of smart phones, PCs and consoles. This secular shift toward online interactive entertainment began years ago; it's here to stay.... and it is accelerating.

The entertainment companies positioned to prosper in this shift have a proven ability to sustain and grow powerful intellectual property – to manage their IP across multiple markets, on multiple platforms. They understand technology and act to optimize their properties on fast-growing new platforms. They understand that success comes from managing the live services of their games. This understanding gives rise to franchises that thrive for years and even decades.

In this context, we believe Nexon stands out as one of the world's top creators and stewards of intellectual property. We recognize that a great game is not a movie – it operates much like a massive virtual amusement park, where millions of people return to have fun with their friends and enjoy new experiences year after year.

Despite the disruption caused by a global public health crisis, Nexon is performing exceptionally well. Our tent-pole franchises are setting records for longevity, consumer engagement and revenue. These franchises are fueling our cash flow which, in turn, is strengthening our fortress-like balance sheet, providing liquidity to invest in growth. Our creative teams continue to deliver the gold standard in live operations as well as a pipeline of exciting new titles. Importantly, we are also expanding our popular IP portfolio onto platforms like mobile, which offer explosive growth potential as we reach a wider audience with a product that is even more accessible.

Next week Nexon will launch *Mobile Dungeon&Fighter* in China – a game that has already generated an incredible 60 million pre-registrations. More on that shortly.

As an executive team, we couldn't be happier with the progress of the creative strategy we announced a few quarters ago – an initiative to create fewer but bigger games and to maximize both player satisfaction and profitability by adapting our big franchises for enormous new platform opportunities like mobile.

Our success on mobile started with *MapleStoryM*. We've followed that up with several additional mobile successes, most recently, *KartRider Rush+* and *The Kingdom of the Winds: Yeon*, and, what is shaping up to be our biggest launch in decades – *Mobile Dungeon&Fighter* on August 12.

By the end of this year, Nexon will have five of our biggest and most immersive online game franchises available to tens of millions of players on mobile.

We are deeply gratified to develop and communicate an ambitious plan, and then for our teams to implement that plan so successfully.

On today's call, we're going to discuss our strong second quarter results. As impressive as these results are, we hope that you will view our performance in the larger context. We hope that you'll see Nexon as a company that offers investors long-term stability and exciting growth catalysts. And that we stand to benefit from a massive secular shift that is bringing consumers right into our sweet spot – deeply immersive online games on PCs, consoles and mobile devices.

I'll now turn to our Second Quarter performance. Uemura-san will provide details on our Q2 financial results and Q3 outlook later in his section.

Q2 group revenues were 64.5 billion yen, up 20% year-over-year, which came in ahead of our expectations. Operating income was 26.7 billion yen, up 106% year-over-year, also exceeding our outlook.

The solid performance was primarily driven by the record-breaking Q2 in Korea where we had strength across our portfolio, including *MapleStory*, *Dungeon&Fighter* and *Sudden Attack*, each of which recorded double-digit or even triple-digit year-over-year growth. Our new games also performed well.

*MapleStory* in Korea, now in its 17th year of operation, delivered yet another quarter of triple-digit year-over-year growth – in Q2 it grew 151% on a constant currency basis on top of the 24% growth in Q2 2019. *MapleStory* also recorded excellent results in other parts of the world. In North America and EU, it grew 173%, and in the Rest of World it grew 217% year over year on a constant currency basis.

We are particularly pleased with the early success we're seeing in moving popular Nexon PC franchises onto the massive mobile platform. In May, we launched the mobile version of Nexon's popular racing game –*KartRider Rush+* – globally excluding Japan and Vietnam. The game is off to a terrific start -- particularly in Korea and Taiwan. Our data shows that in Korea, there is little overlap between the PC and mobile players. The franchise is building new fans on top of the already massive registered player base on PC of 380 million users. *KartRider Rush+*, which accommodates a variety of play styles, is enjoyed by a wide audience of players including male and female, parents and children, young and old. We think *KartRider Rush+* is a large and positive data point in our thesis that platform expansion – especially mobile – represents a massive opportunity for Nexon.

Let me pause here to make an important point: While we are extremely pleased with the launch metrics on *KartRider Rush+*, at Nexon, we measure success in years and decades – not months and quarters. We believe this franchise has a long and exciting future on mobile.

In June, we launched *FIFA MOBILE* – FIFA's mobile standalone game, which also had a good start, while having minimal overlap with *FIFA ONLINE 4*.

Our success on the mobile platform is particularly pleasing in that it comes just ahead of the mobile launch of one of our biggest franchises, *Dungeon&Fighter*.

As a result of these excellent numbers, Nexon has achieved its highest ever Q2 revenue and operating income. This success is clear affirmation of our recent strategy change: We are now deeply focused on leveraging Nexon IP; on supporting fewer but bigger deeply immersive online games; and on expanding our franchises onto multiple new platforms. This highly focused strategy, coupled with the secular shift in the entertainment industry toward interactive entertainment and online virtual worlds provide a clear path toward growth and profitability.

Nexon's Q2 success was tempered by revenue from our China business, which was below our expectation, due to softer-than-expected performance of *Dungeon&Fighter* on PC. The key update in March as well as the two major content updates introduced in the second quarter were well received by our existing players, but have yet to recapture players who haven't logged on in the recent months.

To summarize, the updates were partially successful – they effectively engaged existing players but missed our expectations on recapturing those who haven't logged on in a while.

Importantly, the existing player base is stable and we do not expect that to change this year.

Going forward, we will continue to work on re-engaging those who haven't engaged recently. We remain focused on the long-term success of the game and strongly believe the best days of this franchise in China are ahead of us.

While it is taking us longer than we had originally expected to get *Dungeon&Fighter* back to its growth trajectory, we are pleased with the strength of Nexon's business as whole, as we, once again, delivered stronger-than-expected group performance in Q2.

Shifting to new games, we're about to launch *Mobile Dungeon&Fighter* in China. Globally, *Dungeon&Fighter* is one of the most successful franchises in the entire entertainment industry. Launched in 2005, it is a flagship Nexon franchise generating lifetime gross revenue of well over 15 billion dollars on PC alone. To put this in perspective, that's several billion dollars more than the life-time box office of the entire Star Wars catalogue.

At the core of this incredible success are two features that make *Dungeon&Fighter* accessible and sustainable – Simplicity and incredible live-game operations from our team in Korea.

The simple control of *Dungeon&Fighter* makes the game easy to learn for all players, regardless of their level. In addition, the wide variety of characters, skills, modes, and communities have constantly evolved over the last 15 years, making the game so deep and immersive that players repeatedly come back to this virtual world. Its most attractive features – including action-packed gameplay, as well as the 2D iconic pixelated art which is reminiscent of arcade games, make it a special game for our players.

*Mobile Dungeon&Fighter* encompasses the distinctive action gameplay, decade-long legacy and evolution of the original *Dungeon&Fighter*.

And our development team at Neople has invested an enormous amount of time and effort to ensure that the deeply immersive world of *Dungeon&Fighter* can be optimized on powerful mobile devices. During a closed beta in China, we received valuable feedback from our fans which helped us polish and re-polish the overall game quality, tech and fun.

And now we're ready. Next week, on August 12, Nexon will launch *Mobile Dungeon&Fighter* in China, where it has already generated 60 million pre-registrations.

Our partners at Tencent have committed a deep marketing and operational support to the game as we both believe this could be one of China's biggest game launches.

We are thrilled to bring *Dungeon&Fighter's* deeply immersive virtual world to tens or hundreds of millions of players on mobile platforms in China. And we're thrilled about what this could mean for other Nexon franchises.

We'll share with you its early performance during our Q3 earnings call.

And we're pleased to say that there are more big launches coming soon. Looking forward into 2H 2020 and 2021, we have two more big beats that we're particularly excited about.

First, *KartRider: Drift* – the cross-platform next iteration of our popular kart racing game. *KartRider: Drift*, had its second closed beta test in June and like *KartRider Rush+*, we think the game will build millions of more fans on top of the already solid user base of 380 million players.

And there is more to come, including the first title from Embark Studios – our team in Sweden. In the near future we'll share with you some exciting news about their work. We think what Embark is doing represents a new generation of online games for the West, as well as a massive advance in game making technology.

In June we announced a partnership with Wonder Holdings on two joint ventures focused on sharpening development of *KartRider: Drift* and *MABINO GI MOBILE*.

At the center of the agreement is Wonder holding's Founder and CEO Min Hur, an accomplished developer with a great eye for what makes games successful. In 2001 Min founded Neople, which developed the first *Dungeon&Fighter*. After selling Neople to Nexon, Min established Wonder Holdings, which included two game studios in Seoul Korea. Following our strategic investment in Wonder Holdings last September, we invited Min to take an advisory role at Nexon and he made valuable contributions to our development teams. That collaboration yielded an idea for a new structure that brings Min's leadership and creative insight together with teams working to extend Nexon IP onto new growth platforms like mobile.

The two projects under this collaboration are *KartRider: Drift* and *MABINO GI MOBILE*. Min has been appointed executive producer of both projects and will be responsible for making creative decisions in partnership with two Nexon producers. The teams will transfer into the new joint ventures later this year.

Uemura-san will discuss the financial and accounting impact associated with the joint venture formation shortly. However, I'll close by saying that bringing talented teams under the leadership of a proven hit-maker is a familiar strategy in the entertainment industry – particularly in movies, music and games. We are incredibly excited to work more closely with Min and apply his insight and leadership in ways we expect will enhance the success of these two games.

I will summarize by saying that Nexon just recorded the best Q2 in our 26-year history. Several tent-pole franchises are delivering exactly what is hoped for by both players and investors – fresh, exciting content and predictable revenue from games you can depend on for years, and even decades. We have an exciting pipeline of games in development; we generate strong and predictable cash flow; and our balance sheet provides us with enormous strategic flexibility that we can use to accelerate growth.

Best of all – we are keeping our promises to both players and investors. We built a strategy for making fewer online games, but to make them bigger and to evolve franchises with millions of passionate followers onto enormous new platform opportunities like mobile.

With that, I will turn the call over to our CFO Uemura-san. Thank you.

**Shiro Uemura, Representative Director and Chief Financial Officer, NEXON Co., Ltd.**

Thank you, Owen.

Now, let's move on to the Q2 results.

For additional details, please see the Q2 2020 Investor Presentation available on our IR website.

Q2 revenues, which were 64.5 Bn yen, up 20% year-over-year on an as-reported basis, and up 27% year-over-year on a constant currency basis, exceeded our outlook

While revenues from China were below our outlook, revenues from all the other regions exceeded our expectations. We had particularly strong performance in Korea.

Looking at the total company results on a platform basis, PC revenues were in the range of our outlook while mobile revenues exceeded our outlook.

Operating income was 26.7 Bn yen and exceeded our outlook driven by revenue outperformance.

Looking at the cost items, our marketing costs in Q2 were lower than our plan, while we recorded higher-than-planned PG fees and royalties in relation to the strong performances of the new mobile games including the global service of *KartRider Rush+* and *TRAHA* Japan service, which is a publishing game.

Net income was 19.8 Bn yen, which was below our outlook primarily due to a 6.7 Bn yen FX loss related to the appreciation of the Korean Won against the U.S. dollar during the quarter and its corresponding impact on U.S. dollar-denominated cash deposits.

Revenues from our China business were below our outlook and decreased year-over-year as *Dungeon&Fighter's* performance was below our expectations.

For *Dungeon&Fighter*, we introduced the Labor Day update on April 23rd which continued until June 5th. This update included the avatar package sales.

We also introduced the 12th Anniversary update on June 18th, which included new dungeons, in-game events as well as avatar package sales and continued until July 16th.

The March key update, which focused on increasing user engagement as well as regaining the churned users, had positive impact on improving the engagement of the existing players, but did not recapture the lapsed players at the rate that we had expected.

Accordingly, both active users and paying users trended lower than anticipated and *Dungeon&Fighter* revenue was lower than expected.

In addition to the factors I discussed, active users were negatively affected by the reduced number of bots following the implementation of stricter player identity verification measures. Consequently, MAUs and paying users decreased quarter over quarter.

Revenues and ARPPU also decreased sequentially due to typical seasonality.

Year-over-year MAUs decreased primarily due to the churn of users in the second half of 2019 as well as the reduced number of bots following the implementation of a stricter measure to verify player identity.

We did not experience a major improvement in the number of paying users since the second half of 2019. Paying users decreased year-over-year and remained at low levels. Meanwhile, ARPPU increased compared to Q2 2019, as the portion of light users decreased compared to a year ago.

While ARPPU increased year-over-year, this was more than offset by the decrease in paying users resulting in a year-over-year decrease in *Dungeon&Fighter's* revenue.

As planned, in Q2, we recorded an adjustment of 2.3 billion yen for one-time royalty income related to *Dungeon&Fighter* sales from QQ – Tencent's communication platform.

Revenues from our Korea business in Q2 exceeded our outlook primarily driven by stronger-than-expected performances of the new mobile game *KartRider Rush+* which we launched on May 12th as well as our key PC online games including *MapleStory* and *Dungeon&Fighter*.

*MapleStory's* Q2 revenue exceeded our expectation driven by the strong performance throughout the quarter following the successful 17th Anniversary event and sales promotions in April.

User metrics including MAUs, paying users and ARPPU increased year-over-year generating a 151% revenue growth on a constant currency basis as it achieved its highest Q2 revenue in Korea.

*Dungeon&Fighter's* revenue in Q2 also exceeded our expectations driven by the well-received item package offering. The strong momentum continued since the key update including the Level Cap release and the third awakening which was introduced last quarter.

User metrics including MAUs, paying users and ARPPU all increased year-over-year, and it recorded constant currency revenue growth of 49%.

Revenue from *Sudden Attack* also exceeded our expectations and grew 103% year-over-year on a constant currency basis. This was driven by the successful in-game events and the introduction of the new characters and season pass. The strong momentum continued from Q1 and the user metrics including MAUs, paying users and ARPPU all grew versus a year ago.

Meanwhile, *FIFA ONLINE 4's* revenue was below our expectations. The active users, which had stayed high since the second half of 2019, decreased as the balance of the game's player rating and content update did not resonate with our users. However, on a year-over-year comparison, active users as well as paying users were roughly flat, and its revenue was up on a constant currency basis.

We have already addressed the user feedback regarding the balancing of player rating and the reviews from our players since have been good. We will continue to focus on increasing the user engagement through exciting content updates.

As for the mobile business, we launched the new mobile game *KartRider Rush+* on May 12th and it is off to a terrific start. We had a strong performance throughout the quarter and the revenue significantly exceeded our expectations. The *KartRider* franchise successfully expanded the player base by building upon the PC *KartRider* player base. *KartRider Rush+* has been enjoyed and played by various demographics and played together across generations.

On June 10th, we also launched *FIFA MOBILE* – *FIFA's* mobile standalone game. It is also off to a good start and the revenue exceeded our expectations. *FIFA MOBILE* also expanded its player base by successfully gaining *FIFA ONLINE 3* and *FIFA ONLINE 4's* dormant users as well as brand new players.

Driven by the strong performances of these titles as well as the contribution from *V4* launched in Q4 2019, PC and mobile business grew 62% and 88% year-over-year respectively. Overall, revenue from our Korea business grew 69% on an as reported basis or 81% on a constant-currency basis year-over-year and we achieved the highest Q2 revenue in Korea.

Revenues from our Japan business exceeded our outlook driven by stronger-than-expected performance of the new mobile MMORPG *TRAHA* which we launched on April 23rd.

On a year-over-year basis, while we benefitted from *TRAHA*, this was more than offset by decreases in *MapleStory M* due to tough comparison with Q2 2019 which was the quarter in which the game launched, as well as the disposition of gloops. Consequently, revenues decreased year-over-year.

Revenues from North America and Europe in Q2 exceeded our outlook, primarily driven by stronger-than-expected performances of *MapleStory* and *Choices*.

Revenue from *MapleStory* and *Choices* grew year-over-year. *MapleStory's* active users, paying users and ARPPU all grew versus a year ago, and recorded year-over-year growth of 173% on a constant currency basis driven by well-received content updates and item sales.

This growth was more than offset by decreases in *MapleStory 2*, *OVERHIT*, *AxE* and *Darkness Rises*. Consequently, revenues decreased year-over-year.

Revenues from the Rest of World exceeded our outlook driven by stronger-than-expected performances of *KartRider Rush+* launched on May 12th primarily in Taiwan, as well as *MapleStory*.

Revenues grew year-over-year driven by the contributions from *KartRider Rush+*, *V4* which launched in Taiwan, Hong Kong and Macau in Q1, as well as *MapleStory* which recorded 217% growth on a constant currency basis, while revenues from *OVERHIT*, *Moonlight Blade* and *AxE* decreased year-over-year.

Now turning to our Q3 2020 outlook.

For Q3 2020, we expect revenues in the range of 77.3 to 85.4 Bn yen, representing a 48% to 63% increase year-over-year on an as-reported basis and a 49% to 65% increase year-over-year on a constant currency basis.

In particular, we expect revenues from Korea and China to increase year-over-year. We also expect North America and Europe as well as the Rest of World to grow year-over-year while Japan will decrease versus a year ago. Overall, we expect strong growth in our group revenues compared to Q3 2019.

We expect our Q3 operating income to be in the range of 30.5 to 37.4 Bn yen, representing a 25% to 53% increase year-over-year on an as-reported basis and an 26% to 55% increase year-over-year on a constant currency basis.

I'll discuss the details of this shortly.

We expect net income to be in the range of 25.5 to 31.0 Bn yen, representing a 36% to 22% decrease year-over-year on an as-reported basis and an 35% to 21% decrease year-over-year on a constant currency basis.

In Q3 2019, we recorded a 15.4 Bn yen FX gain, which we do not expect to record in Q3 2020. Consequently, we expect the net income in Q3 2020 to decrease year-over-year.

Excluding the 15.4 Bn yen FX gain, we expect our net income to increase 4% to 27% year-over-year.

Turning to China, we expect to benefit from the release of the mobile game *Mobile Dungeon&Fighter*. In addition, we anticipate the PC version of *Dungeon&Fighter* to be roughly flat year-over-year while our mobile game *KartRider Rush+*, which received a major update last year in July, will decrease year-over-year. Accordingly, we expect revenues from our China business to be in the range of 23.3 to 28.1 Bn yen, representing a 31% to 58% increase year-over-year on an as-reported basis and a 33% to 60% increase year-over-year on a constant currency basis.

As for the PC online game *Dungeon&Fighter*, we introduced the Summer Update on July 16th. This update includes avatar package offerings, events and a new dungeon release.

In addition, we will release the National Day update in September, which will include additional avatar package offerings, new content release and events.

We have not experienced a notable change in our KPIs. As a result, MAUs and paying users have been trending low.

Meanwhile, ARPPU has been staying at a higher level as compared to the same period of last year. Accordingly, we expect *Dungeon&Fighter's* revenue in Q3 2020 to roughly flat year-over-year.

We will launch the new mobile game *Mobile Dungeon&Fighter* in China on August 12th through our local partner Tencent.

Together with Tencent, we announced the release date of *Mobile Dungeon&Fighter* in June on its official website as well as at the Tencent Games Annual Conference. Major marketing activities have begun including the LED light show and an online event celebrating the launch date announcement. In addition we showcased the game at China Joy, China's major game show, which took place from July 31st to August 3rd. We have already pre-registered 60 million players for *Mobile Dungeon&Fighter*.

The contribution from *Mobile Dungeon&Fighter* reflected in our outlook is based on information such as the number of pre-registrations and the results from the closed beta test.

Turning to our Korea business. For *MapleStory*, we expect the game's strong momentum to continue into Q3 driven by the Summer update which started in late June, and its revenue to record a double-digit year-over-year growth even compared to the tough comparison with Q3 2019. In Q3 2019, *MapleStory's* constant currency basis revenue grew 8% on top of the 126% year-over-year growth in Q3 2018, which was driven by the large-scale update for its 15th anniversary.

We also expect our other major PC games including *Dungeon&Fighter* and *Sudden Attack*'s strong momentum to continue and grow double-digit year-over-year in Q3.

We expect *FIFA ONLINE 4*'s revenue to be roughly flat year-over-year compared to Q3 2019 when its revenue grew significantly versus Q3 2018, a quarter in which we successfully completed the service transition from *FIFA ONLINE 3* to *FIFA ONLINE 4*.

We expect our mobile business in Korea to grow versus Q3 2019, benefiting from *V4* which launched in Q4 2019, *KartRider Rush+* and *FIFA MOBILE*, both of which launched in Q2 2020, and *The Kingdom of the Winds: Yeon* which launched on July 15th and is off to a terrific start.

We anticipate both PC and mobile revenue to each grow year-over-year. Overall, we anticipate revenues from our Korea business to be in the range of 42.2 to 44.5 Bn yen, representing a 78% to 88% increase year-over-year on an as-reported basis and an 80% to 90% increase year-over-year on a constant currency basis.

In Japan, we expect to benefit from *TRAHA* which launched in Q2 2020. Meanwhile, we expect this to be more than offset by the disposition of gloops and a decrease in revenue from *MapleStory M* due to the difficult comparison with Q3 2019 which was right after the game launched. As a result, we expect revenues in the range of 2.5 to 2.8 Bn yen, representing a 20% to 11% decrease year-over-year on an as-reported basis and a 19% to 10% decrease year-over-year on a constant currency basis.

In North America and Europe, we expect *MapleStory*'s strong momentum to continue into Q3 and grow triple-digit year-over-year.

We also expect to benefit from *KartRider Rush+* which launched in Q2 2020 as well as *V4* which launched on July 24th.

Overall, we expect revenues from North America and Europe in the range of 4.9 to 5.3 Bn yen, representing an 8% to 16% increase year-over-year on an as-reported basis and a 9% to 17% increase year-over-year on a constant currency basis.

In the Rest of World, we also expect *MapleStory*'s strong momentum to continue into Q3 and grow double-digit year-over-year and to benefit from *V4* which launched in Taiwan, Hong Kong and Macau in Q1 2020 and globally in Q3 2020 as well as *KartRider Rush+* which launched in Q2 2020. As a result, we expect revenues in the Rest of World in the range of 4.4 to 4.7 Bn yen, representing a 37% to 47% increase year-over-year on an as-reported basis and a 38% to 48% increase year-over-year on a constant currency basis.

In Q3 2020, we expect operating income to be in the range of 30.5 to 37.4 Bn yen, representing a year-over-

year increase of 25% to 53%.

The primary driver for the higher operating income in Q3 2020 is the revenue increase.

Other favorable factors include a decreased impairment loss of 2.2 Bn yen recorded in Q3 2019, which will not be repeated in Q3 2020.

Unfavorable factors compared to Q3 2019 regarding the operating income include:

First, increased variable costs associated with revenue growth.

Second, increased HR costs associated with increase in salaries, performance-based bonuses, as well as stock option costs.

Third, increased marketing costs associated with promotions for new mobile games including the global service of *V4*, the global service of *KartRider Rush+*, *FIFA MOBILE* as well as *The Kingdom of the Winds: Yeon*.

Lastly, decreased Other Income. In Q3 2019, we recorded a 7.5 Bn yen gain on the step acquisition under Other Income in reference to the consolidation of Embark Studios. We do not expect such a gain in Q3 2020.

The high end of the range reflects the fact that we expect the impact of positive drivers to be larger than that of negative drivers, resulting in a year-over-year operating income increase.

Next, I will discuss the accounting treatment as well as the impact on our P&L and balance sheet related to the establishment of the two joint ventures with Wonder Holdings.

First, from an accounting perspective, both joint ventures will become our equity method affiliates.

We are scheduled to complete the establishment of the joint ventures within 2020. After forming the joint ventures, the development teams of *KartRider: Drift* and *MABINOGI MOBILE* will be transferred to the new companies. Since *KartRider* and *KartRider Rush+* teams belong to the same division as the *KartRider: Drift* team, they will together be transferring to the new joint venture.

As for *KartRider* and *KartRider Rush+*, which are currently developed and published by Nexon, the impact on our group P&L related to the team transfer is expected to be immaterial.

The development projects for *KartRider: Drift* and *MABINOGLI MOBILE*, both of which are now under development at Nexon, will be handed over to the joint ventures. Nexon will publish these games and provide ongoing live operations support.

Now I'll turn to discussing our capital allocation plan.

First, our plan to invest up to 1.5 billion dollars in global entertainment companies which we announced in Q2.

Nexon has a solid foundation that consists of multiple franchises which provides us with strong cash generations and a fortress like balance sheet that is flush with cash. Our operating cash flow in the first half of 2020 was 65.6 Bn yen and our cash balance as of Q2 2020 was 474.0 Bn yen.

In order to make good use of our cash in a market that is defined by low interest rates, Nexon's Board of Directors authorized 1.5 billion dollars for investments in publicly traded companies that have strong global entertainment IP and are run by great management teams. In addition to generating good returns from the investments, we hope to develop long-term relationships that open opportunities to work together with these companies. These investments are in addition to our M&A strategy.

Lastly, I would like to update you on the shareholder return.

As planned, the Board of Directors today approved the payment of a dividend of 2.5 yen per share for the interim period to the shareholders on the shareholder registry as of June 30th, 2020.

We are scheduled to pay the same dividend per share for the year end of FY2020.

We will remain disciplined in delivering shareholder value by growing our business globally and maintaining consistent dividends.

This ends my comments.

Back to you Owen.

**Owen Mahoney, Representative Director, President and Chief Executive Officer, NEXON Co., Ltd.**

Thank you Uemura-san.

Before we take your questions, I want to quickly summarize our quarter and the growth catalysts you can expect in the coming year.

We delivered solid results in the first half of 2020. Our flagship franchises continue to deliver high-growth and our balance sheet is a strategic asset. Many of our new games – like *KartRider Rush+* have launched well and we are extremely excited about the projects in our pipeline –including *Mobile Dungeon&Fighter*, *KartRider: Drift* and products in development at Embark Studios in Stockholm.

For our investors, we are keeping our promises. We have refined our creative strategy to focus investment on fewer, but bigger virtual worlds – and properties that can be adapted to capture huge platform opportunities like mobile.

It's early in the development of this strategy. And at Nexon we measure success in decades, not months. But we couldn't be happier with the early results and the path to success this company is headed on.

With that, we'll open the call to your questions.