

NEXON Co., Ltd.

Q4 2021 Earnings Prepared Remarks

February 8, 2022

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

Thank you, Kawai-san, and welcome everyone to Nexon's Fourth Quarter and year-end 2021 earnings call.

On today's call, I will report on our progress in 2021, and outline for 2022 – in particular, our plans for growing our existing Virtual World franchises, launches of major new Virtual Worlds, and developing our global IP strategy to create new revenue streams.

I will also offer some insights on how Nexon's strong balance sheet, powered by stable revenue and margins, allows us to invest in technology and intellectual property for robust long-term growth.

2022 will see the biggest game launches in our company's history. The investments we made last year put Nexon on a trajectory to exit 2022 with step-function revenue growth from new Virtual World franchises layered onto the steady revenue and cash flows from our existing portfolio.

2021 was all about building: building our existing franchises, building new franchises, building technology, and building our base of IP. We carefully controlled monetization in our core Virtual Worlds in order to strengthen player relationships ahead of major content updates and promotions in 2022. We also faced a tough comp with record-breaking revenue and operating profit in 2020. The resulting decrease in year-over-year revenue was in line with our expectations. The business of Virtual Worlds is a marathon, one that favors those who make patient tech investments laser focused on the user experience.

Our strategy for strengthening existing franchises improved engagement in the second half of 2021, ahead of an expectation of steadily improving revenue in 2022.

On our highest grossing franchise, China **Dungeon&Fighter**, 2021 revenue was down year-over-year. This was due in part to our strategy for controlling monetization to build momentum ahead of a level cap release planned for the first half of 2022. Also during the year we appointed new creative leadership to the DNF team, and they have delivered several updates, and communicated with the DNF community to share new content and events scheduled in 2022.

Dungeon&Fighter epitomizes Nexon's approach to running Virtual Worlds for the long term. The game is in its second decade; it consistently generates revenue and margin that make it one of the global entertainment industry's largest and most successful franchises. Our approach in 2021 was to stabilize, iterate, and invest for a renewed era of growth in 2022 and beyond.

In Korea, year-over-year revenue from **MapleStory** was down, reflecting the massive comp from the prior year, and our careful management of player relations, following an industry-wide focus on probabilities in purchasing in-game items. Our team has established a process for meeting with players, listening to their

input and sharing their ideas with our live operations team for rapid incorporation in the game.

We are encouraged by the ongoing improvements in *MapleStory's* Net Promoter Score – a key measurement of player satisfaction. As we mentioned on previous calls, positive user sentiment continues to grow. In the past 10 months, NPS on *MapleStory* rose 50 points from the low point in March last year.

We expect *MapleStory's* performance in 2022 will demonstrate once again how Virtual Worlds can and do grow for years and decades, when managed for the long term. In 2021 we listened closely to our players, and invested in the user experience based on that feedback. We believe 2022 and beyond will show the wisdom of those investments.

Titles that performed well in 2021 include FIFA, Korea *Dungeon&Fighter*, and Sudden Attack, all of which saw year-over-year revenue increases and are exceeding or close to exceeding individual records for annual sales.

Sudden Attack is a recent example of careful, long-term-oriented franchise management. After an earlier slump, the game grew 125% year-over-year [in 2021] to nearly its all time high reached previously in 2015. Sudden Attack was originally launched in 2005.

Over the course of years, a well-run Virtual World will display ups and downs which create a challenge for investors in the short term. Long term, a good operations team innovates and experiments to extend the growth for many more years. Experienced operators of Virtual Worlds embrace this as a vital process for franchise growth.

Now I'd like to turn to our plan for 2022, which leverages the progress we made in 2021, to deliver step-function improvement in our revenue and growth trajectory.

Much of our growth this year will be driven by the introduction of exciting new Virtual Worlds in multiple new markets.

I'll start with the highly anticipated launch of ***Mobile Dungeon&Fighter*** in Korea on March 24. The game is packed with content, much of it specifically developed for Korean players. Coming out of our successful Closed-Beta Test in December, it's fair to say the anticipation for this launch is high.

KartRider: Drift – a brand new, multi-platform Virtual World scheduled for release in 2022, conducted a Closed-Beta Test in December with positive feedback from players. You'll see more testing and polishing ahead of the launch this year.

We've filled the 2022 calendar with other significant launches, including *DNF Duel*, *Mabinogi Mobile* and several more major titles.

That brings us to the launch of *ARC Raiders*, the first Virtual World from Embark Studios. Our first public trailer debuted at The Game Awards Show in December, and captured more than 80 million views. Many thought that they were seeing pre-rendered CGI, when in fact they were seeing real gameplay, with cinematic graphics and sound, machine learning and AI, and procedural physics, rather than pre-rendered animations. Another theme on the player forums was their appreciation for the development team's desire to bring out fresh ideas: actual innovation and differentiation that is missing from so many new games.

The development team is enormously talented, and sharply focused on making the game they want to play. It's our experience that when great developers make the game they want to play, rather than what others are doing, the game will find a large and loyal audience.

We plan to share more about *ARC Raiders* and the other projects underway at Embark over the course of 2022.

Next, I want to offer some details on technology investments we have quietly but methodically made over the last couple years. These technology investments are designed to save us time and money; to enable us to make and run much better Virtual Worlds for our players; and to grow our company to a much bigger scale than we or anyone else is operating.

Nexon's enormous experience in creating and sustaining Virtual Worlds is often overlooked. Virtual Worlds are highly specialized, difficult to operate, and difficult to scale. Money and smart engineers are required for entry, but that's just a start. Building and operating Virtual Worlds is at its core, a creative endeavor. Once this user-oriented creativity is understood, then technology can help. And this is how Nexon has been investing in technology: leveraging our knowledge and experience in Virtual Worlds to build a technology stack that accelerates and scales everything we do.

In game development, the team at Embark has been leading the way. AAA game development has traditionally relied on tools and methodologies first implemented over two decades ago, an eternity in the technology world. With AAA development blowing past \$150 mil in average new game cost, clearly the old approach of using ancient tools and throwing more bodies at the problem is not sustainable. Modern tech can help.

For example, traditional AAA development usually requires an army of highly skilled environment artists spending months to "paint" a large virtual landscape, which needs to look convincingly natural both up

close and from far away. *ARC Raiders* takes a much simpler approach – they directly import laser-scanned landscape satellite data from Tenerife. With proprietary tools they're able to rapidly build landscapes for optimal gameplay, "painting" nature into the environment procedurally – different elevations are populated with specific biomes contextual to their location - snow on mountains, trees on slopes, grass in valleys, a fully procedural and virtual landscape that is as convincing as the real world.

This approach of course saves an enormous amount of money. More importantly it gets our artists and developers closer to the actual process of making a game fun. Our desire to make a mind-blowing gameplay is what drives our development of new tech, since quality is the most reliable business model.

Live Operations of Virtual Worlds is the second major category of tech we have been developing. Live Operations is often overlooked but the key to success over the long term. Fortunately, we've found Live Operations lends itself well to Machine Learning and other technologies, and our Intelligence Labs unit in Seoul has created a large technology stack that has been having significant real-world impact on our Virtual Worlds.

For example, our team has created a matching system that pairs players and environments based on their skill level and in-game *choices*. We've developed an Abuse Detection Bot which protects players from hacks, trolls, and other problems. And our Store-Item Recommendation Feature offers tips on items for purchase based on a player's skill level and play style.

AI is used at companies like Netflix and Spotify to enormous benefit as recommendation engines. But in Virtual Worlds the data set is naturally much bigger: literally every move your avatar makes in a virtual world can be used by the AI to better match your play style to others who are most compatible with you. That means a better experience. And a better user experience means better longevity.

This is not research for use in the future. These innovations are already built into our games, including soon-to-be released Virtual Worlds, *KartRider: Drift* and *ARC Raiders*.

The power of this tech stack to drive cost savings and revenue growth is enormous. It enables greater scale in individual franchises and for our company to operate at increased speed.

Next, I will offer some insights on Nexon's IP strategy and the recent acquisitions and partnerships that reflect our commitment to developing properties that cross over cultures, genres, and platforms.

In December we announced an agreement with Games Workshop to develop a Virtual World based on the popular Warhammer franchise. We structured a global relationship that enables us to both benefit significantly from the continuing growth of the Warhammer IP over the long term.

In January we announced a strategic investment in AGBO, one of the few truly premier film and television production companies in the US. The agreement pairs us with two of the most bankable and creative forces in Hollywood – Joe and Anthony Russo. Our objective is to significantly enhance the value of Nexon’s existing franchises and together with AGBO, to increase our pipeline of global IP. Nexon’s \$400 million investment gives us two board seats and a 38% stake in AGBO. The partnership will be managed by Nexon Film and Television, a new division of our company based in Los Angeles.

Film, TV, and streaming platforms have a proven ability to drive awareness, engagement and revenue in game franchises. Nexon and AGBO share a common vision for building IP franchises over many years, and bringing them to a massive, global audience.

The AGBO agreement is just one piece of the larger mosaic Nexon is creating to capture the biggest opportunities unfolding in global entertainment. The global media industry is shifting rapidly. A fast-growing number agree that Virtual Worlds are at the center of this shift. We think investments that may seem non-obvious and non-traditional in the short term will, in time, seem highly far-sighted.

In closing, I’d like to make a couple of points about our plans for 2022.

2021 was a year of building and investment – we focused on building new franchises while improving our existing Virtual Worlds. In China, we brought in new creative leadership on *Dungeon&Fighter* and scaled back our monetization strategy while we rebuild engagement with new content. In Korea, we worked on solidifying relationships with players ahead of another period of dynamic growth. In both cases, the work we’ve done in 2021 and the first quarter of 2022, is expected to re-energize growth in the rest of the year.

2021 is behind us now and we are in a countdown to the biggest year of new releases in our company history, including three major new Virtual Worlds.

What should not be overlooked is how Nexon is investing to scale our ability to support these new revenue streams.

In 2021, Nexon generated an additional \$1 Billion in operating cash flow, a powerful stream of cash that strengthens our balance sheet and allows us to invest in new games and revenue streams to be layered onto our current business.

The launch of three new Virtual Worlds, layered onto the consistent revenue from our existing games, will position us to exit 2022 with a step-change improvement to our long-term growth trajectory.

With that, I'll turn the call over to Uemura-san.

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

Thank you, Owen. Next, I'll review our Q4 and FY 2021 full-year results.

For additional details, please see the Q4 2021 Investor Presentation available on our IR website.

We faced a challenging comparison this quarter following a record-breaking Q4 in 2020. Group revenues were within our outlook at 54.3 Bn yen, down 18% year-over-year on an as-reported basis and down 22% year-over-year on a constant currency basis.

Blue Archive, which launched in Korea and globally on November 9th, significantly exceeded our expectations while the performances of *Dungeon&Fighter* in China and *MapleStory* in Korea were slightly lower than expected.

By region, revenues from North America and Europe exceeded our expectations, and Korea and Rest of World were in the range of our outlook. Revenues from China and Japan came in slightly lower than expected.

Looking at the total company performance by platforms, PC revenues were in the range of our expectations while mobile revenues exceeded our outlook.

Operating income was within our outlook at 3.0 Bn yen, down 81% year-over-year.

Marketing expenses were lower than our plan while recording a ¥2.8 billion impairment loss primarily on NAT Games' IP as we expect a delay in one of the game launches.

Net income was 22.0 Bn yen, exceeding our outlook.

The outperformance was driven by 14.6 Bn yen additional deferred tax assets primarily on overseas subsidiaries, as well as an FX gain of 3.2 Bn yen primarily on U.S. dollar denominated cash deposits and a revaluation gain of 1.2 Bn yen due to movements in the market price of bitcoin during the quarter.

Let's move on to results by region.

Revenues from our Korea business were in the range of our outlook. *Blue Archive*, which launched on November 9th, and *KartRider Rush+* significantly exceeded our expectations, helping to offset the lower-than-expected performances of *MapleStory*, *MapleStory M* and *Sudden Attack*.

On a year-over-year basis, revenues decreased by 25% on an as-reported basis and by 27% on a constant currency basis due to a tough comparison with Q4 2020 when our Korea business grew by 70% year-over-year on a constant currency basis.

As we said last quarter, we are focusing on increasing user engagement in *MapleStory* rather than short-term monetization. As a result, while revenue was slightly below our expectations, Net Promoter Score improved in Q4 compared to Q3.

Moving to *FIFA ONLINE 4*, PC and mobile combined revenues grew year-over-year as expected.

While slightly below our expectations, *Sudden Attack* grew more than 2 times year-over-year, achieving record-breaking Q4 revenue.

Meanwhile, *Dungeon&Fighter's* revenue decreased year-over-year as expected.

While *Sudden Attack* and *FIFA ONLINE 4* grew year-over-year, these were more than offset by *MapleStory's* and *Dungeon&Fighter's* revenue decreases. Consequently, PC revenues in Korea decreased by 16% year-over-year.

As for the mobile business, revenues exceeded our outlook. *Blue Archive* was off to a good start and significantly exceeded our expectations as it acquired many core users due to a successful marketing strategy that focused specifically on the target audience.

On a year-over-year basis, mobile revenues decreased by 37% due to a tough comparison with Q4 2020 when mobile revenues grew by 113% on a constant currency basis driven by contributions from *The Kingdom of the Winds: Yeon* and *KartRider Rush+*.

On a quarter-over-quarter basis, mobile revenues were roughly flat as a revenue decrease in *The Kingdom of the Winds: Yeon* was offset by the launch of *Blue Archive*.

Revenues from our China business were slightly below our outlook and decreased 11% year-over-year on an as-reported basis and 19% year-over-year on a constant currency basis.

For *Dungeon&Fighter*, we continued the National Day update from Q3 and primarily continued to conduct events to focus on improving user engagement.

While the update and events performed mostly as planned, revenue was slightly below our expectations.

Quarter-over-quarter, MAUs, paying users, ARPPU and revenue decreased due to seasonality.

These metrics also decreased on a year-over-year basis. While ARPPU was on an increasing trend for the past few quarters, it decreased as we strategically controlled monetization for the purpose of regaining users and increasing their engagement from 2022 onward.

Revenues from Japan decreased by 29% year-over-year. *MapleStory* had a good quarter driven by well-received collaboration with other companies and there were contributions from *Blue Archive* and *COUNTER: SIDE*, which launched on December 19th, however there were not able to offset the decreases from *V4* and *TRAHA*.

Revenues from North America and Europe decreased by 5% year-over-year due to revenue decrease in *Choices* despite a contribution from *Blue Archive*.

Revenues from the Rest of World increased by 29% year-over-year with growth in *MapleStory* and *MapleStory M* as well as a contribution from *Blue Archive*, partially offset by a revenue decrease from *KartRider Rush+*.

Next, I'll review our FY 2021 full-year results.

FY2021 was a transitional period for growth in FY2022 and beyond. We focused on improving our major franchises such as *Dungeon&Fighter* in China and *MapleStory* in Korea, as well as new games development.

As for the PC business, revenues from two of our largest franchises, *Dungeon&Fighter* in China, and *MapleStory* in Korea, decreased year-over-year as they are still on the way of recovery. However, overall PC revenues were roughly flat as a result of record-breaking full-year revenues from *FIFA ONLINE 4* in Korea, as well as *Sudden Attack* growing more than 2 times year-over-year.

As for the mobile business, revenues decreased due to a tough comparison with FY2020 when we achieved record-breaking revenues.

Group revenues for the full year 2021 were 274.5 Bn yen, down 6% year-over-year on an as-reported basis and down 12% year-over-year on a constant currency basis. Operating income was 91.5 Bn yen, down 18% year-over-year on an as-reported basis and down 24% year-over-year on a constant currency basis.

Net income was 114.9 Bn yen, up 104% year-over-year on an as-reported basis and up 94% year-over-year on a constant currency basis due to the 15.3 Bn yen additional deferred tax assets primarily on overseas subsidiaries, as well as an FX gain of 36.4 Bn yen on our cash deposits.

Moving on to our FY2022 first quarter outlook.

In Q1 2022, as we did, we will continue to focus on building player engagement for our two major titles, *Dungeon&Fighter* in China and *MapleStory* in Korea.

We expect *Dungeon&Fighter* in China to grow year-over-year driven by the well-received Lunar New Year update.

As for *MapleStory* in Korea, while we could see continued improvements in the Net Promoter Score, we expect a revenue decrease due to a challenging comparison with the year ago quarter, when we achieved record quarterly revenue.

Consequently, we expect our Q1 2022 group revenues to be in the range of 84.8 to 92.7 Bn yen, representing a 4% decrease to 5% increase year-over-year on an as-reported basis and a 8% decrease to 1% increase year-over-year on a constant currency basis.

We expect our Q1 operating income to be in the range of 32.9 to 39.7 Bn yen, representing a 24% to 8% decrease year-over-year on an as-reported basis and a 30% to 16% decrease year-over-year on a constant currency basis due to increases in HR costs and marketing costs primarily associated with new titles. I'll discuss the details on this shortly.

We expect net income to be in the range of 32.7 to 38.0 Bn yen, representing a 29% to 18% decrease year-over-year on an as-reported basis and a 34% to 23% decrease year-over-year on a constant currency basis. Net income outlook includes a gain on disposal of Six Waves equities.

Last year in Korea, we achieved 26% year-over-year growth driven by *MapleStory's* record quarterly revenue and contributions from *The Kingdom of the Winds: Yeon* and *KartRider Rush+*. Given that challenging comparison, we expect revenues from our Korea business to be down in Q1.

We are looking for revenue to be in the range of 42.9 to 46.5 Bn yen, representing a 14% to 7% decrease year-over-year on an as-reported basis and a 15% to 8% decrease year-over-year on a constant currency basis.

As for the PC business, we expect *FIFA ONLINE 4* to grow, *Sudden Attack's* revenue to be roughly flat and *Dungeon&Fighter's* revenue to slightly decrease year-over-year.

As for *MapleStory*, like we did last quarter, we will continue to focus on strengthening our mid- to long-term relationship with our players rather than seeking short-term revenues. As a result of this strategy, we

have continued to see further improvement in engagement and the Net Promoter Score thus far in Q1 2022. However, we expect revenue to decrease this quarter compared to Q1 2021 when the game grew by 37% year-over-year driven by the success of the largest-ever Winter update.

Consequently, we expect year-over-year PC revenues in Korea to decrease in Q1.

Regarding the mobile business in Korea, we expect first quarter revenues to be roughly flat year-over-year. We expect to benefit from *Blue Archive*, which launched in Q4 2021, and anticipate growth from *FIFA ONLINE 4M* and *FIFA MOBILE*. We also expect to benefit from several days of contribution from *Mobile Dungeon&Fighter*, which is scheduled to launch on March 24th. However, we expect these to be offset by year-over-year revenue decreases in *V4*, *MapleStory M* and *KartRider Rush+*.

On a quarter-over-quarter basis, we expect revenues to increase driven by seasonal revenue increases in *FIFA ONLINE 4M* and *MapleStory M* as well as a contribution from *Mobile Dungeon&Fighter*.

Turning to China, we expect revenues from our China business to be in the range of 30.9 to 34.2 Bn yen, representing a 20% to 32% increase year-over-year on an as-reported basis and a 9% to 21% increase year-over-year on a constant currency basis. Our performance in China will be driven by the anticipated increase in *Dungeon&Fighter's* revenue.

We introduced the Lunar New Year update for *Dungeon & Fighter* on January 20th, which includes avatar package offerings and a new job added for a popular character. We expect this update and the package sales to drive the year-over-year growth of the franchise.

While we expect growth in Q1, we will continue to strategically control monetization and operate the game for mid- to long-term growth. This year, we hope to increase active users and paying users gradually through regular updates and the Level cap release scheduled for the first half.

In Japan, we expect revenues in the range of 2.6 to 3.0 Bn yen, representing a 23% to 12% decrease year-over-year both on an as-reported basis and on a constant currency basis. We anticipate a contribution from *COUNTER: SIDE* and to be more than offset by decreases from *Blue Archive*, *V4*, and *TRAHA*.

In North America and Europe, we expect revenues to be in the range of 3.9 to 4.4 Bn yen, representing a 19% to 8% decrease year-over-year on an as-reported basis and a 23% to 13% decrease year-over-year on a constant currency basis. We anticipate a contribution from *Blue Archive* to be more than offset by a decrease from *Choices*.

We expect revenues in the Rest of World in the range of 4.4 to 4.7 Bn yen, representing a 7% to 13% increase

year-over-year on an as-reported basis and a 4% to 10% increase year-over-year on a constant currency basis. While we anticipate a contribution from *Blue Archive* and growth from *MapleStory M* and *MapleStory*, we expect these to be partially offset by a decrease from *KartRider Rush+*.

In Q1 2022, we expect operating income to be in the range of 32.9 to 39.7 Bn yen, representing a year-over-year decrease of 24% to 8%.

Unfavorable factors compared to Q1 2021 regarding the operating income include:

First, increased HR costs due to headcount growth, annual salary hike, and an increase in stock option costs.

Second, increased marketing costs associated with promotions for Mobile *Dungeon&Fighter* in Korea, which is scheduled to launch on March 24th, and *MapleStory*.

Consequently, we expect operating income to decrease year-over-year.

Overall, in Q4 2021, we focused on improving our major titles, *Dungeon&Fighter* in China and *MapleStory* in Korea, for growth in 2022 and beyond.

In Q1 2022, the enhancement of player engagement of our two major titles is progressing well and we are ready to get back on a long-term growth track.

In addition, the development of new games is progressing well. We will launch *Mobile Dungeon&Fighter* in Korea, on March 24th, and *KartRider: Drift*, *ARC Raiders*, along with many other titles later this year. We are excited to achieve significant growth in 2022 and beyond by adding these titles on top of our stable revenue foundation.

Last, I would like to provide an update on the shareholder return and capital allocation strategy.

As for dividends, the Board of Directors today decided to revise our dividend forecast, increasing the year-end dividend from 2.5 yen to 5 yen per share.

We also plan to pay a semi-annual dividend of 5 yen per share in 2022.

Regarding our three-year 100Bn yen share repurchase policy that we announced on November 10, 2020, we announced that we would conduct 40 Bn yen share repurchase by April 2022, which is currently ongoing. As of the end of January, we have completed approximately 20 Bn yen repurchase.

As for the remaining 60 Bn yen, we plan to conduct the share repurchase after April 2022 by November 2023 by considering several factors including investment opportunities, financial conditions, as well as the share price.

We make the most of our cash at hand to compose a balanced portfolio of investment for growth, shareholder return, and cash management.

As of the end of December 2021, we put roughly 95 bn yen in growth opportunities and roughly 109 Bn yen for share repurchases and dividends.

In addition, we put roughly 136 Bn yen mainly into equities as active cash management, and we had an unrealized gain on those investments of approximately 48 Bn yen. We also conservatively manage roughly 535 Bn yen in cash deposits, of which 93 Bn yen is allocated to dividend payments and share buybacks.

We will effectively utilize our cash by leveraging the strength of our solid financial base upon consideration of the balances between business investments and shareholder returns.

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 move on to Q&A, I'd like to briefly leave you with some context on the future of the media industry.

As Uemura-san and I mentioned above, Nexon has been investing heavily in:

- First: new games that provide step-function growth in Operating Income,
- Second: technology to build new massive Virtual Worlds and operate them better, and
- Third: intellectual property to expand the scope and scale of our audience.

We expect each of these investments will pay out for us in 2022, and to compound each year after that.

Now... we are doing this in the context of great interest in the topic of the Metaverse. Nearly every analyst and press discussion I've had in the last 6 months has included some form of this topic, and the number one question I get is whether I or anyone else can define for them what the Metaverse is supposed to be. Although we are in many ways thrilled that so many people are interested in this topic, we have mostly

side-stepped participating in such a circular, and vague discussion that seems to serve little purpose other than hype for the purveyors.

As you try to parse what is important and what the future of the media industry holds in order to smartly allocate your capital, allow me to share two short thoughts that largely are missing from the discussion.

The first is the incredible economics that are generated by those entertainment companies that know how to operate and build massive virtual worlds. Virtual Worlds generate enduring, long-term growth that might look bumpy in the short term but produce very solid cash flows over time. Those economics are not sci-fi and they do not require new consumer hardware, they are here today, and will continue to grow rapidly thanks to proliferation of high-powered mobile devices at consumer price points. Consumers who already spend a large portion of their day in Virtual Worlds know why their chosen entertainment form is so compelling. For outsiders to those worlds, it's harder to grasp. This is not the traditional games business.

The second major point is that what is lacking from nearly every question, debate and presentation on the Metaverse is a serious description of the user experience. Most demos have struck us and others as cringe-worthy, mostly because they clearly were not made by someone who spends any time in actual Virtual Worlds. What is the specific user experience? Why would a user want this? Why would that user keep coming back for thousands of hours, spanning years or decades? Then how, specifically will we build it? In Nexon's experience — and we've been making online Virtual Worlds since we invented the category in Korea over 25 years ago — is that any project that forgets the user is going to die an expensive, humiliating death.

In coming months and years, you'll see us make more moves to build on the vision we have outlined above. These moves won't always seem obvious or mainstream. That's because much of the mainstream discussion is ignoring the user experience.

We won't always get it right, but the user experience is our north star, and we endeavor to get it right because we know when we do, the benefits to users are enormous. And pleasing customers is by far the most enduring way to please investors.

Operator, we are ready to take questions.