

1Q 2017 Earnings Release

NCSOFT IR May 11, 2017

NCSOFT

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The financial results for 1Q 2017 have been prepared on an unaudited basis, and may be subject to change during independent auditing process.

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※ Major Consolidated Subsidiaries (K-IFRS based):

NC West Holdings(100%, USA), NC Europe(100%, GBR), NC Japan(100%, JPN),
NC Taiwan(85%, TWN), NCSOFT Corporation(HQ, KOR),
NCSOFT Service(100%, KOR), NC Dinos (100%, KOR),
NC ITS(100%, KOR), Ntreev Soft(87%, KOR), This Game Studio(40%, CAN)

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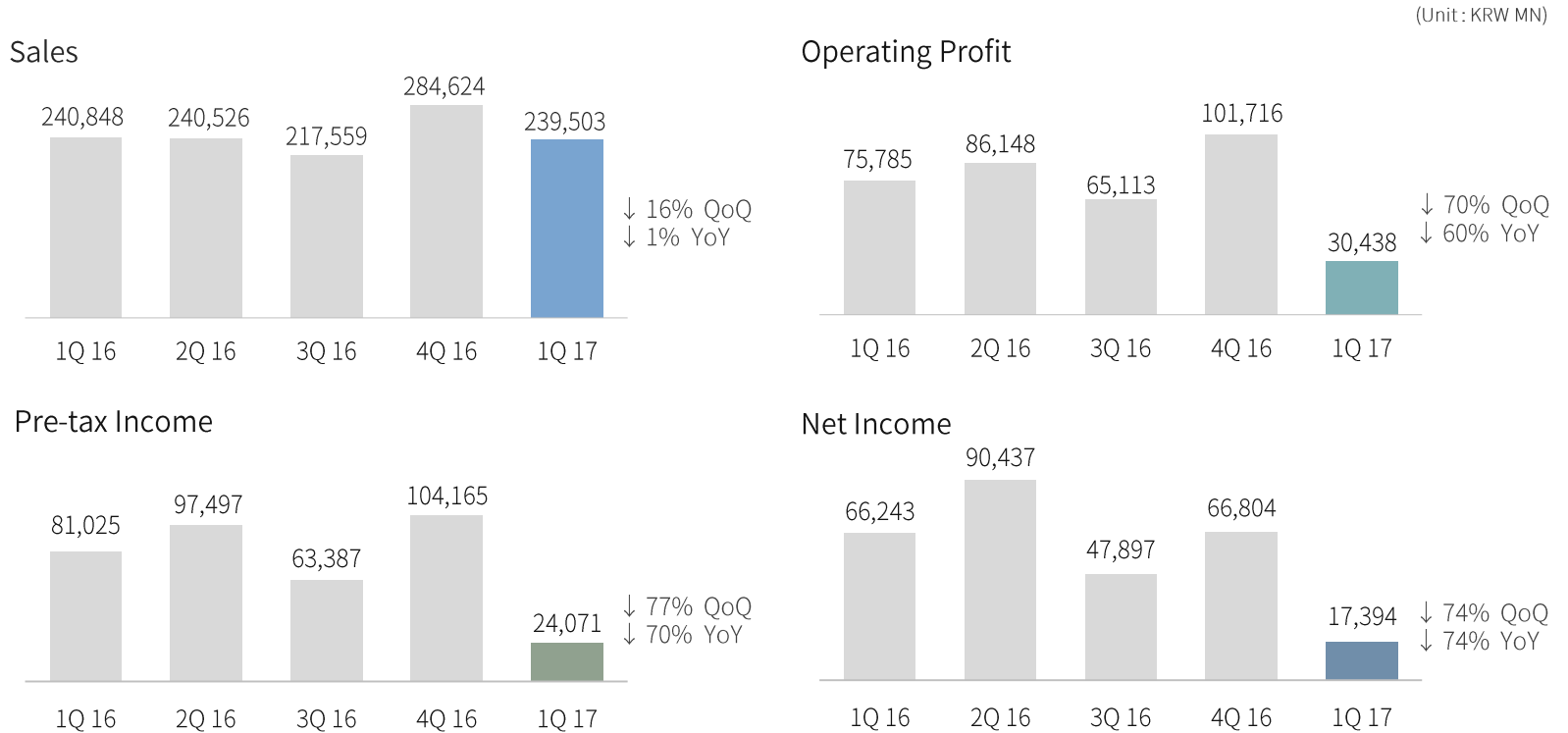
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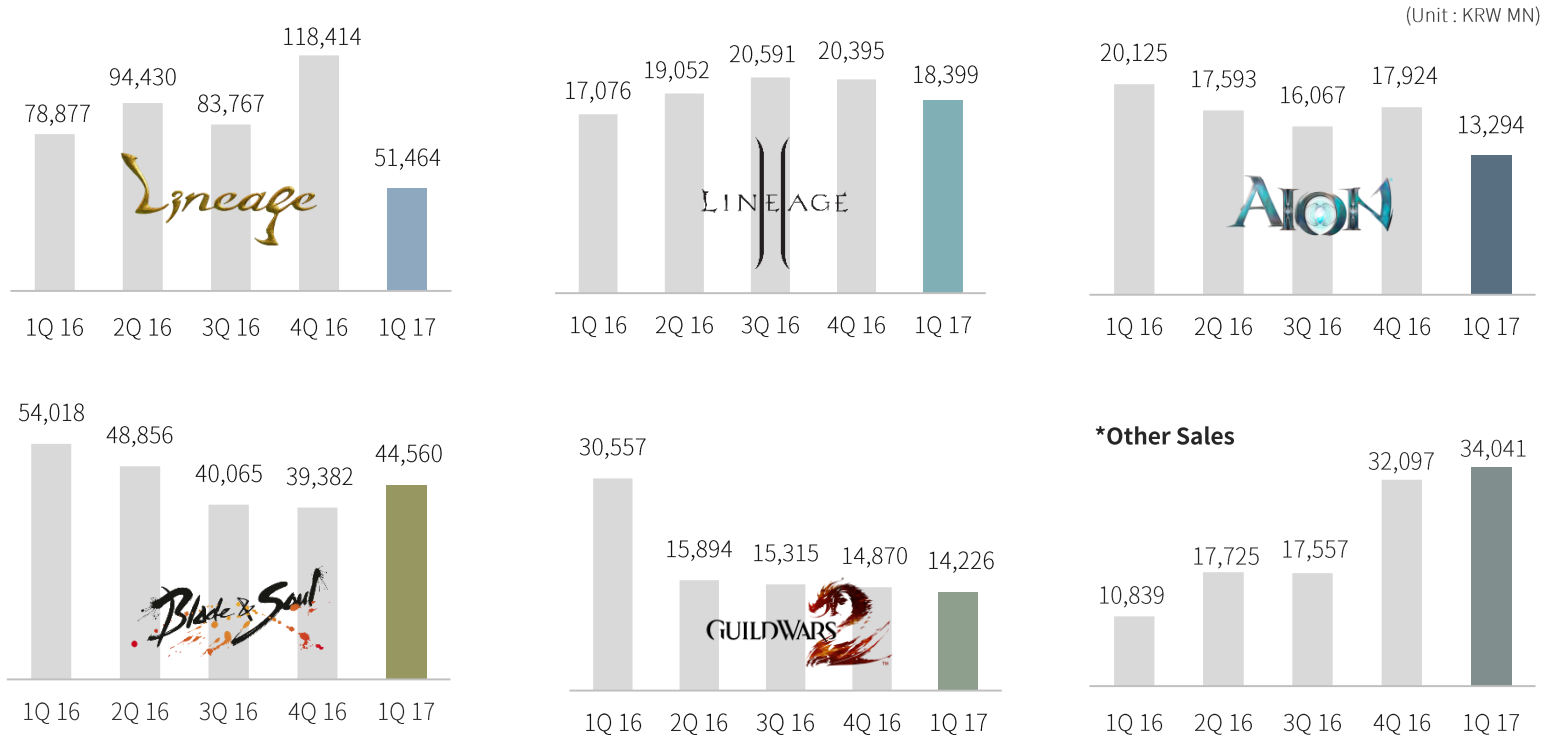
1. Financial Highlights

- Sales was 239.5 billion Won, down by 1% yoy reflecting impact of early-recognition of Lineage 1 promotion sales
- Operating profit posted 30.4 billion Won, a decline of 60% yoy, due to incentives paid on the back of record-high earnings last year



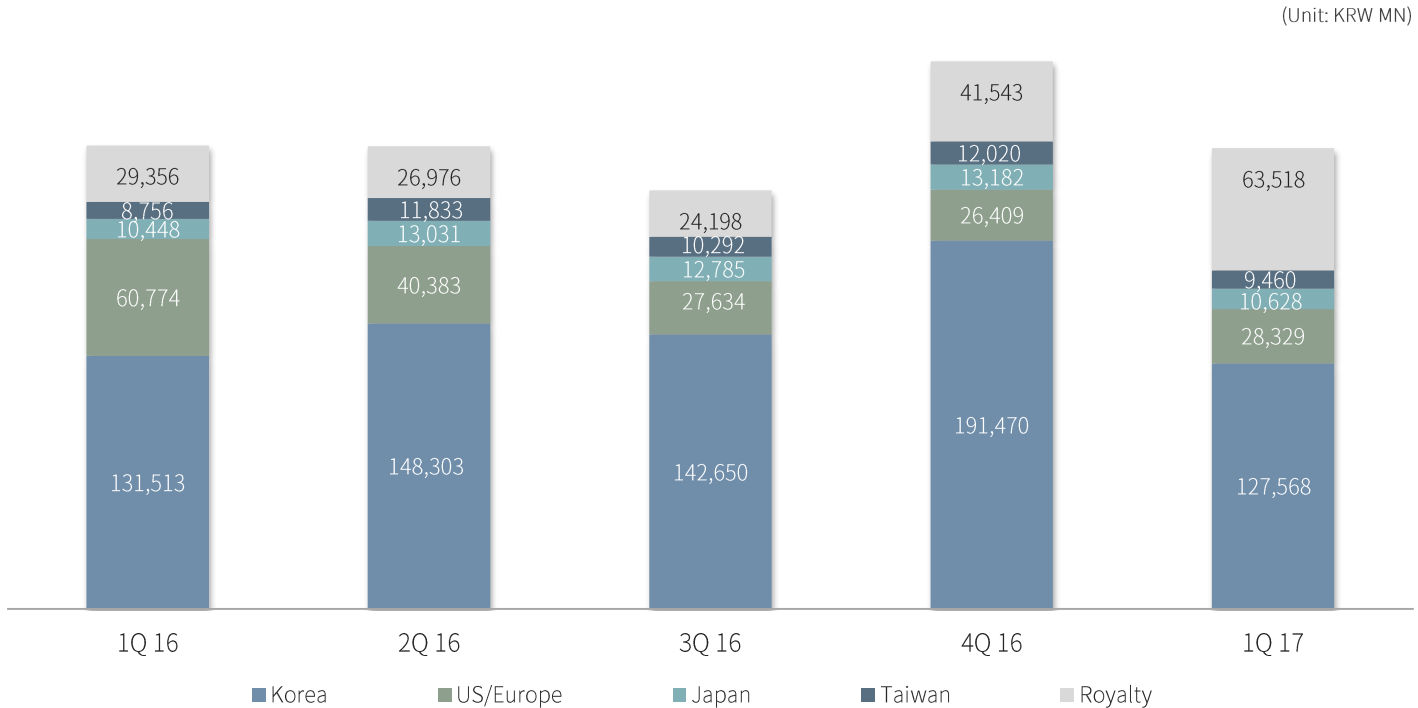
2. Sales Breakdown (by IP)

- Lineage 1 sales dropped, due to the early sales recognition in 4Q and weaker traffic from anticipated Lineage M demand
- B&S increased 13% qoq driven by the new fee scheme in Korea and One Year Anniversary events in US/Europe



2. Sales Breakdown (by Region)

- Korea sales declined reflecting weaker Lineage 1 sales, while US/Europe sales increased driven by B&S
- Royalty revenue increased on the back of the success of Lineage 2 Revolution



3. Costs Breakdown

- Labor cost increased because headcount, mostly developers, increased and incentives paid, but labor cost from 2Q are expected to adjust downwards
- Although royalty paid increased because of stronger publishing game sales, variable costs dropped 24% qoq due to a drop in offline merchandise production costs
- Marketing dropped 11% qoq due to less new game related marketing events

(Unit : KRW MN)

	1Q 16	2Q 16	3Q 16	4Q 16	1Q 17	QoQ	YoY
Labor cost	99,291	91,386	93,459	99,184	132,359	33%	33%
Variable cost	13,683	13,408	13,163	24,638	18,749	-24%	37%
Payment processing fees	10,136	9,923	9,611	9,505	7,952	-16%	-22%
Royalty	788	659	643	568	2,829	398%	259%
Box & merchandise production fees	1,677	696	1,487	6,238	341	-95%	-80%
Others	1,082	2,130	1,422	8,326	7,627	-8%	605%
Marketing	8,815	5,136	6,820	14,261	12,701	-11%	44%
D&A	8,202	7,880	7,584	7,751	7,487	-3%	-9%
Others (*)	35,072	36,568	31,420	37,074	37,767	2%	8%
Total	165,063	154,378	152,445	182,908	209,065	14%	27%

* 1Q17 Others include Bandwidth costs (3,437), Rent (1,587), Wage for outsourced staff (5,228), and Outsourced R&D (1,650)

4. Consolidated Financial Statements

Statement of Financial Position

(Unit: KRW MN)

	31 DEC 2016	31 MAR 2017		31 DEC 2016	31 MAR 2017
Assets			Liabilities		
I. Current Assets	1,191,629	1,139,471	I. Current Liabilities	284,356	349,583
Cash & cash equivalents	144,829	175,199	Payables	39,465	134,524
Short-term financial instruments	144,971	149,420	Current tax liabilities	39,912	26,591
Account receivables	158,457	105,941	Other provisions	2	2
Other receivables	8,120	9,789	Others	204,977	188,466
Available-for-sale financial assets	681,980	645,286	II. Non-Current Liabilities	180,939	184,904
Others	53,272	53,838	Defined benefit obligations	13,790	16,774
II. Non-Current Assets	1,169,174	1,218,218	Long-term employee benefits	4,887	5,282
Long-term loans	116	110	Long-term borrowings	149,656	149,691
Available-for-sale financial assets	530,249	644,914	Others	12,606	13,157
Derivatives	7,485	4,265	Total Liabilities	465,295	534,487
Investment stocks in associated companies	71,223	28,561	Stockholders Equity		
Investment property	238,091	237,475	I. Capital stock	10,965	10,965
Tangible assets	224,655	224,632	II. Other paid-up capital	278,611	278,625
Intangible assets	53,345	52,854	III. Other components of equity	52,160	43,812
Others	44,011	25,409	IV. Retained earnings	1,543,827	1,480,717
Total Assets	2,360,803	2,357,690	V. Non-controlling interests	9,945	9,083
			Total Stockholders Equity	1,895,508	1,823,202
			Total Liabilities and Stockholders Equity	2,360,803	2,357,690

4. Consolidated Financial Statements

Comprehensive Income Statement

(Unit : KRW MN)

	2016	1Q 2017
Sales	983,557	239,503
Cost of Sales	187,580	50,734
Gross Profit	795,977	188,769
Selling & Administrative Expense	467,214	158,331
Operating Profit	328,762	30,438
Other Income	54,924	9,902
Other Expense	37,614	16,269
Income before Income Tax Expense	346,073	24,071
Income Tax Expense	74,691	6,678
Net Income	271,382	17,394
Non-Controlling Interests	(887)	(153)
Equity Attribution to the owners of the Parent Company	272,269	17,547