

2Q 2017 Earnings Release

NCSOFT IR August 7, 2017

NCSOFT

Copyright © NCSOFT Corporation. All Rights Reserved



Disclaimer

The financial results for 2Q 2017 have been prepared on an unaudited basis, and may be subject to change during independent auditing process.

Please note that NCSOFT will not be responsible for individual investment decisions based on this material.

※ 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)

Contents

I. Consolidated Earnings

1. Financial Highlights

2. Sales Breakdown

3. Costs Breakdown

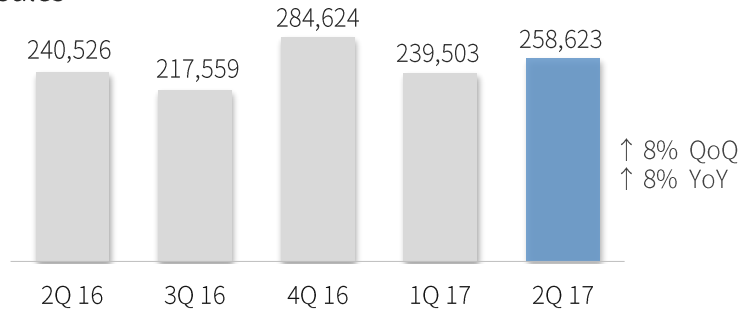
II. Appendix

4. Consolidated Financial Statements

1. Financial Highlights

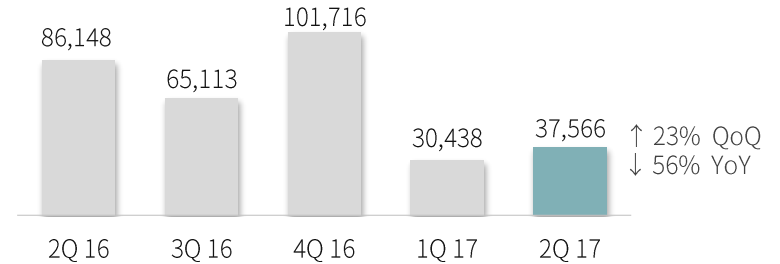
- Sales totaled 258.6 billion Won, an increase of 8% both qoq and yoy, on the launch of Lineage M
- Operating profit posted 37.6 billion Won, up 23% yoy, but down 56% qoq, due to labor cost and marketing increases

Sales

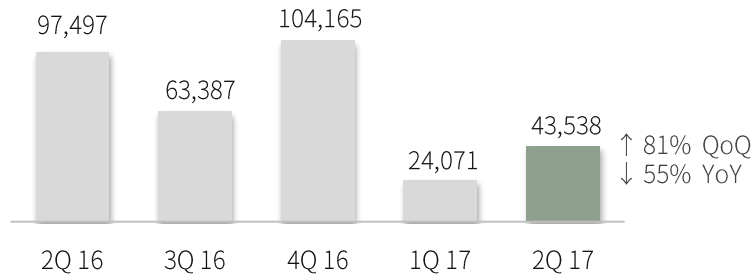


Operating Profit

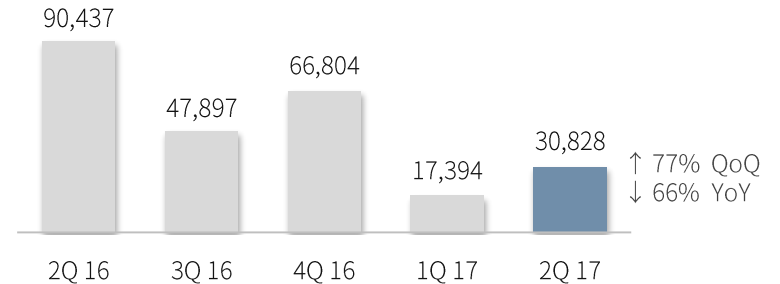
(Unit: KRW MN)



Pre-tax Income

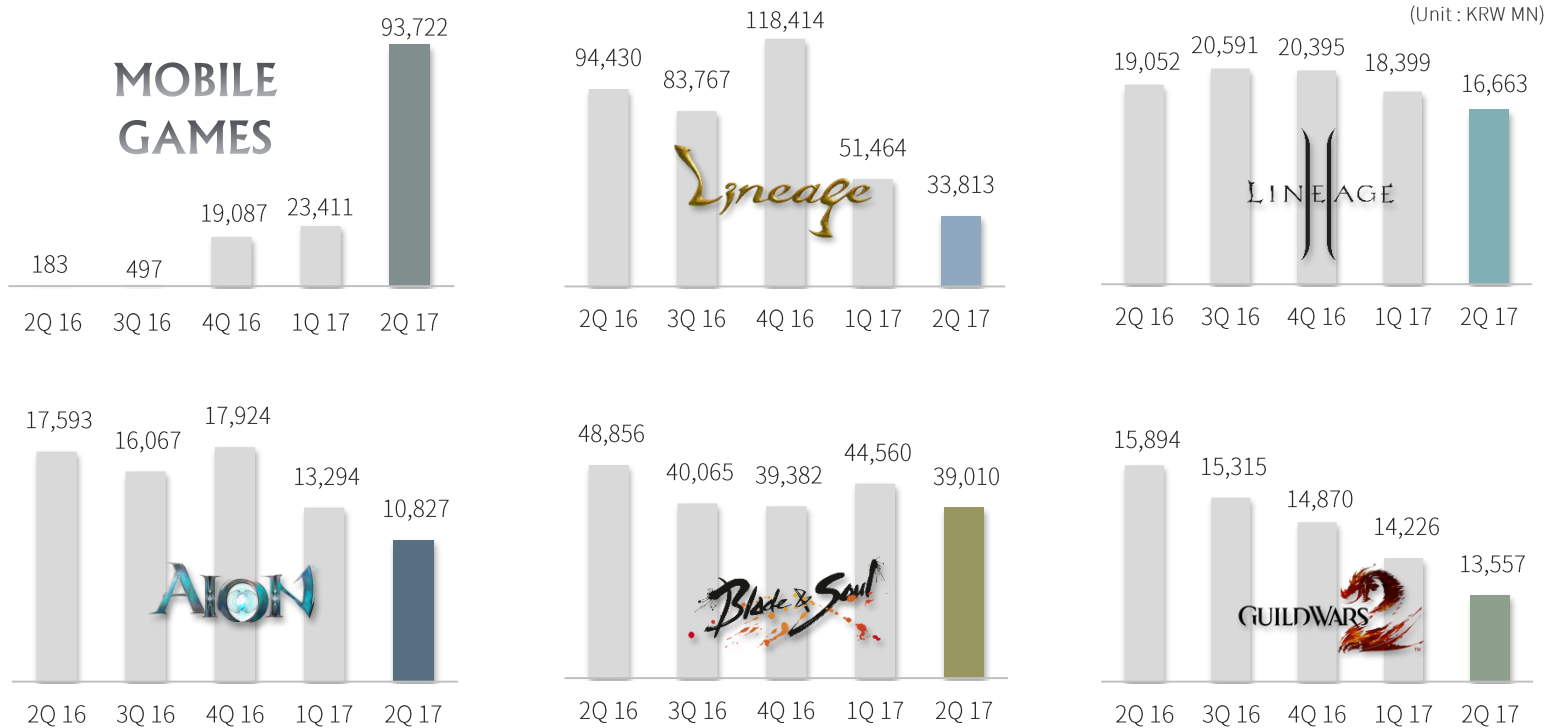


Net Income



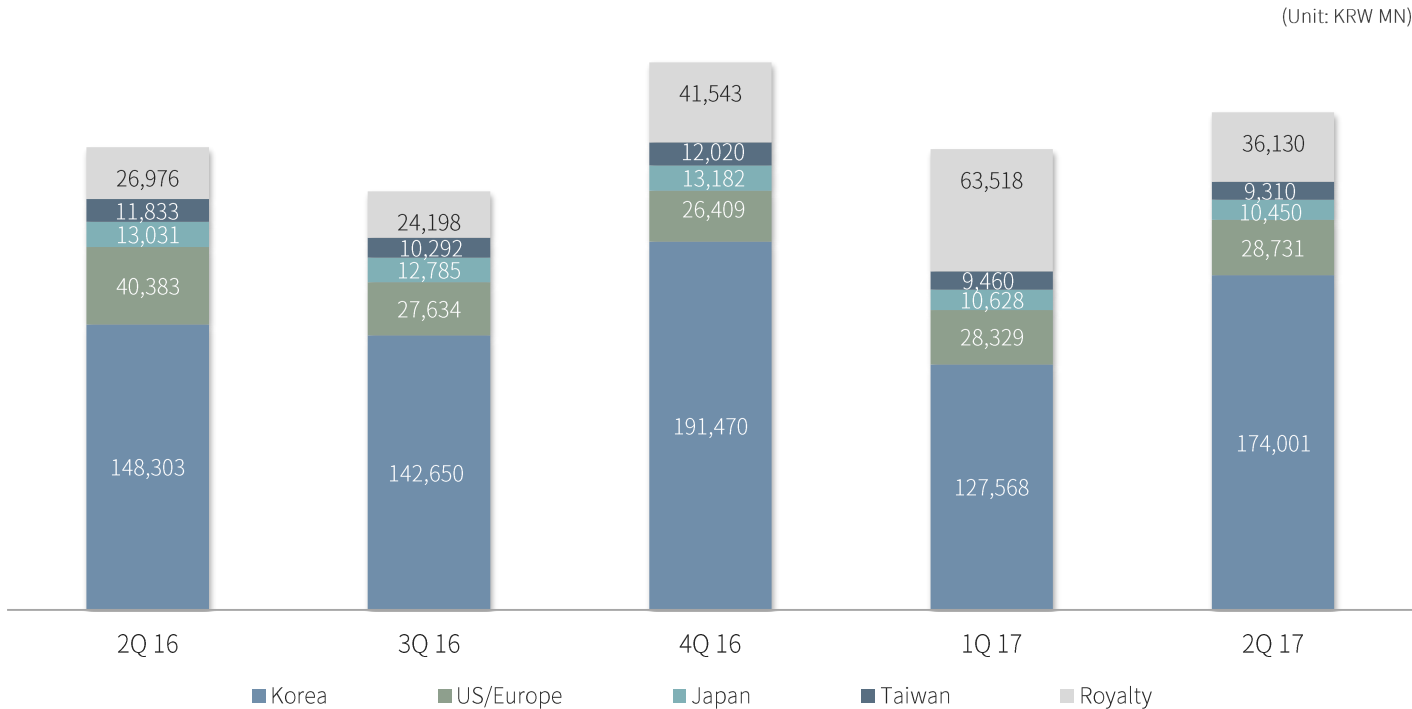
2. Sales Breakdown (by IP)

- Mobile games totaled 93.7 billion Won, due to the successful launch of Lineage M on June 21.
Full fledged growth should start in 3Q with whole quarter sales reflected
- Lineage 1 weakened because of less promotions and some user attrition from stronger-than-expected Lineage M success



2. Sales Breakdown (by Region)

- Korea sales increased significantly qoq, boosted by the success of Lineage M
- Royalty declined qoq, due to weaker performance by games such as Lineage 2 Revolution



3. Costs Breakdown

- Labor cost decreased qoq due to the absence of one-off incentives
- Variable cost increased, driven by a jump in distribution fees related to mobile game sales growth
- Marketing grew 90% qoq, because of large-scale marketing for Lineage M

(Unit : KRW MN)

	2Q 16	3Q 16	4Q 16	1Q 17	2Q 17	QoQ	YoY
Labor cost	91,386	93,459	99,184	132,359	113,490	-14%	24%
Variable cost	13,408	13,163	24,638	18,749	38,310	104%	186%
Payment processing fees	9,923	9,611	9,505	7,952	6,612	-17%	-33%
Distribution fees	112	153	6,072	7,294	28,691	293%	NM
Royalty	659	643	568	2,829	2,267	-20%	244%
Box & merchandise production fees	696	1,487	6,238	341	450	32%	-35%
Others	2,018	1,269	2,254	333	290	-13%	-86%
Marketing	5,136	6,820	14,261	12,701	24,115	90%	370%
D&A	7,880	7,584	7,751	7,487	7,216	-4%	-8%
Others (*)	36,568	31,420	37,074	37,767	37,926	0%	4%
Total	154,378	152,445	182,908	209,065	221,057	6%	43%

* 2Q17 Others include Bandwidth costs (3,411), Rent (2,128), Wage for outsourced staff (5,583), and Outsourced R&D (1,684)

4. Consolidated Financial Statements

Statement of Financial Position

(Unit: KRW MN)

	31 DEC 2016	30 JUN 2017		31 DEC 2016	30 JUN 2017
Assets			Liabilities		
I. Current Assets	1,191,629	1,126,886	I. Current Liabilities	284,356	253,870
Cash & cash equivalents	144,829	160,085	Payables	39,465	34,529
Short-term financial instruments	144,971	118,579	Current tax liabilities	39,912	15,395
Account receivables	158,457	142,118	Other provisions	2	2
Other receivables	8,120	9,719	Others	204,977	203,944
Available-for-sale financial assets	681,980	641,272	II. Non-Current Liabilities	180,939	288,915
Others	53,272	55,113	Defined benefit obligations	13,790	14,250
II. Non-Current Assets	1,169,174	1,614,208	Long-term employee benefits	4,887	5,340
Long-term loans	116	244	Long-term borrowings	149,656	149,727
Available-for-sale financial assets	530,249	1,030,894	Others	12,606	119,599
Derivatives	7,485	4,849	Total Liabilities	465,295	542,785
Investment stocks in associated companies	71,223	30,850	Stockholders Equity		
Investment property	238,091	237,770	I. Capital stock	10,965	10,970
Tangible assets	224,655	230,852	II. Other paid-up capital	278,611	280,034
Intangible assets	53,345	53,849	III. Other components of equity	52,160	389,714
Others	44,011	24,901	IV. Retained earnings	1,543,827	1,507,979
Total Assets	2,360,803	2,741,094	V. Non-controlling interests	9,945	9,613
			Total Stockholders Equity	1,895,508	2,198,309
			Total Liabilities and Stockholders Equity	2,360,803	2,741,094

4. Consolidated Financial Statements

Comprehensive Income Statement

(Unit : KRW MN)

	2016	1H 2017
Sales	983,557	498,126
Cost of Sales	187,580	95,837
Gross Profit	795,977	402,289
Selling & Administrative Expense	467,214	334,285
Operating Profit	328,762	68,004
Other Income	54,924	20,164
Other Expense	37,614	20,558
Income before Income Tax Expense	346,073	67,610
Income Tax Expense	74,691	19,388
Net Income	271,382	48,222
Non-Controlling Interests	(887)	(10)
Equity Attribution to the owners of the Parent Company	272,269	48,232