

3Q 2017 Earnings Release

NCSOFT IR November 9, 2017

NCSOFT

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The financial results for 3Q 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(98%, KOR), This Game Studio(40%, CAN)

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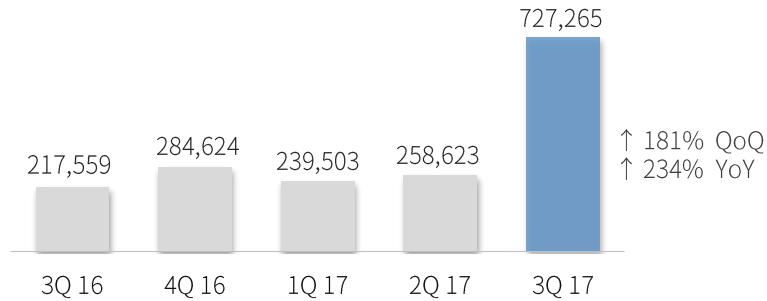
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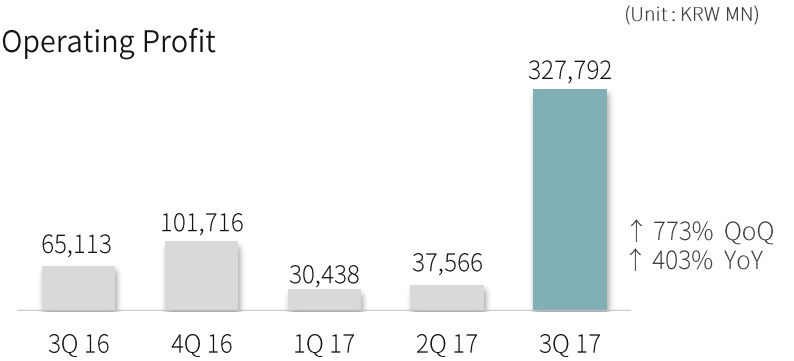
1. Financial Highlights

- Both sales and operating profit reached a record-high, due to steady performance across the major IPs and the successful launch of Lineage M

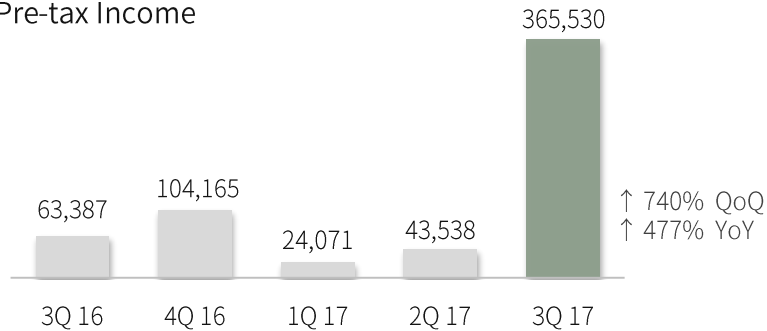
Sales



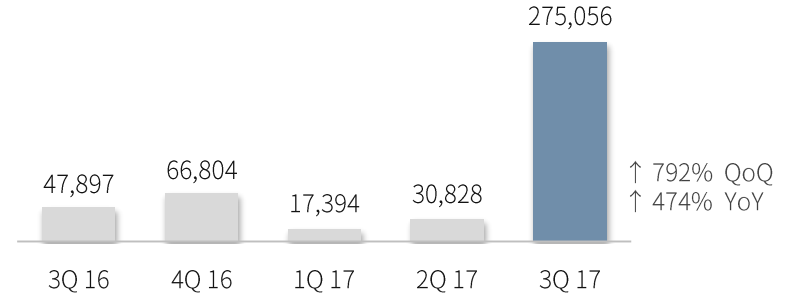
Operating Profit



Pre-tax Income

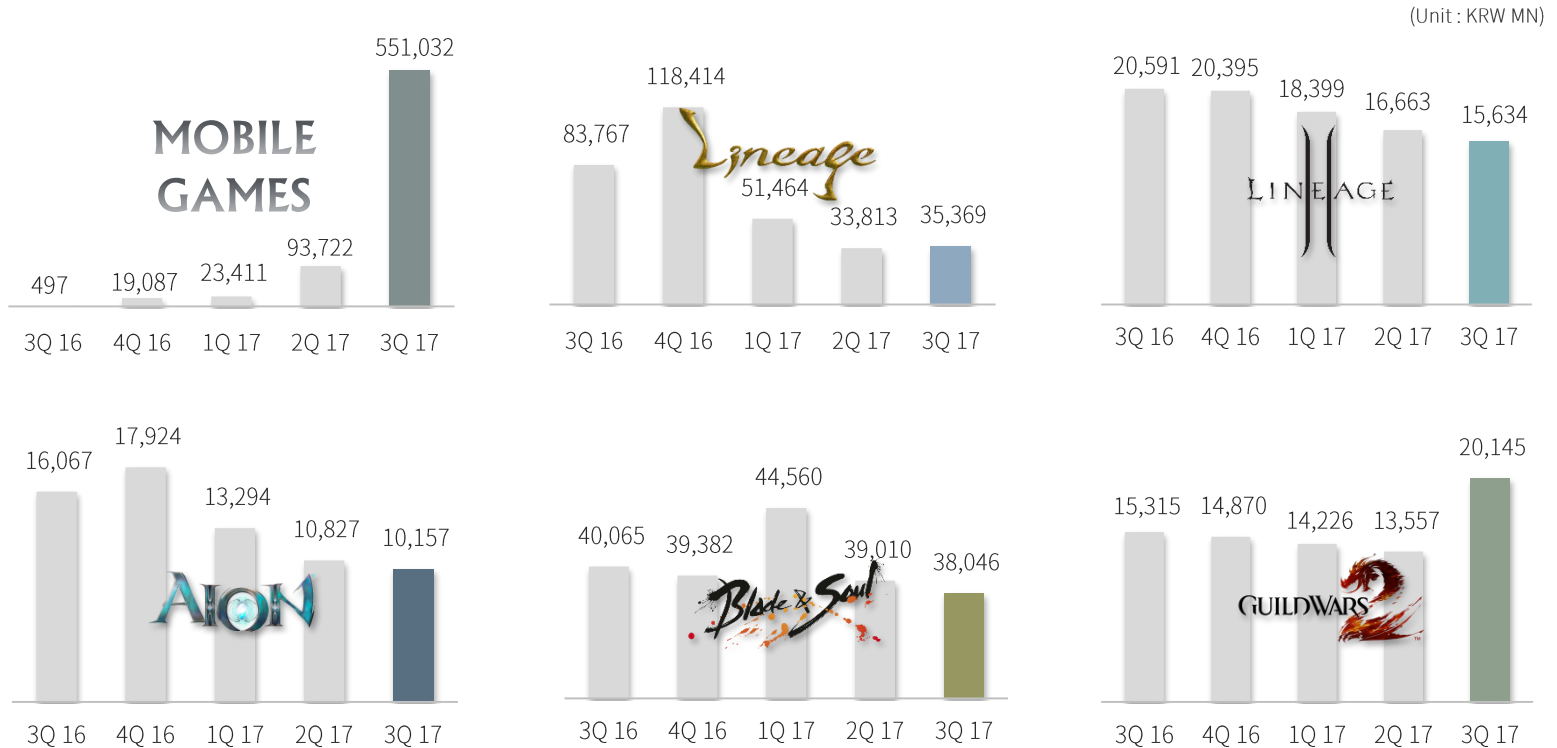


Net Income



2. Sales Breakdown (by IP)

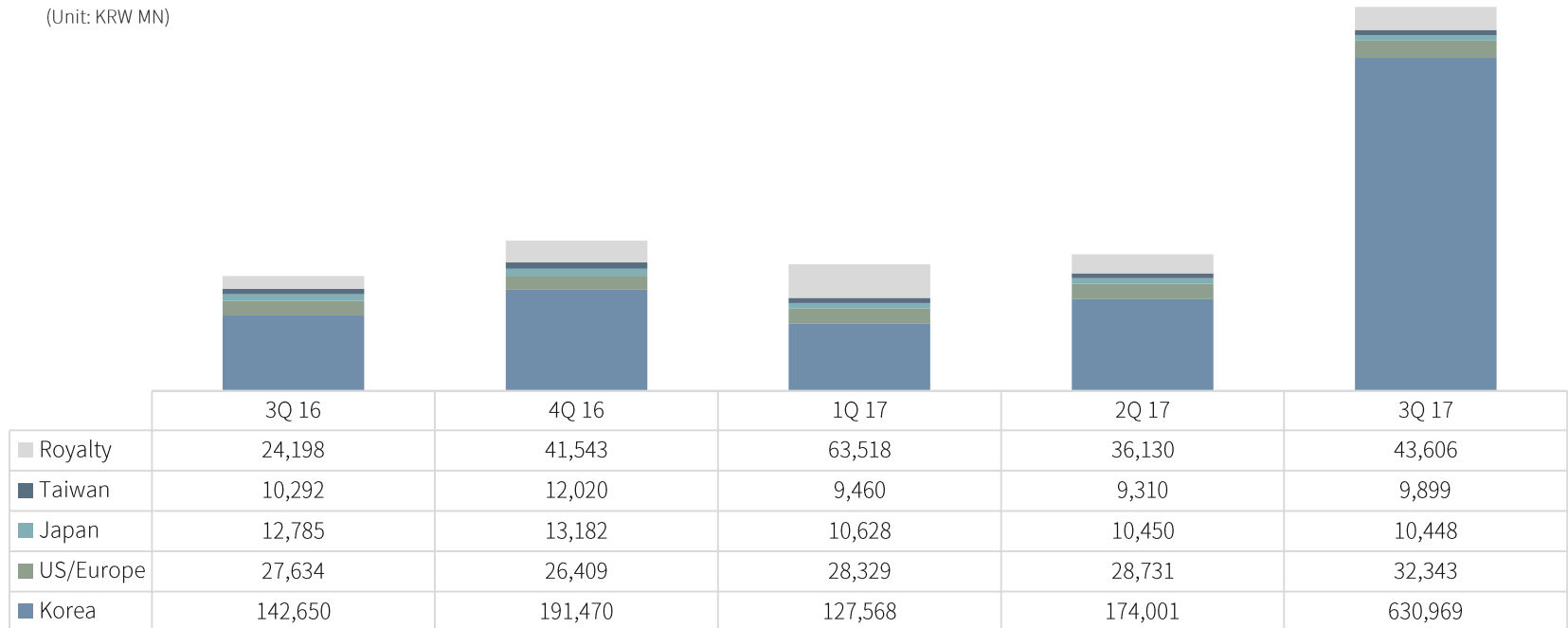
- Mobile games posted 551 billion Won, up 488% qoq, as Lineage M revenue was recognized in full for the quarter
- Guild Wars 2 recorded 20.1 billion Won, an increase of 49% qoq, driven by the second expansion pack sales



2. Sales Breakdown (by Region)

- Korea sales jumped 263% qoq, driven by ramped-up mobile game sales
- US/Europe sales increased 13% qoq on the back of Guild Wars 2 performance
- Royalty grew 21% qoq, due to Lineage 2 Revolution overseas expansion and stronger B&S China performance

(Unit: KRW MN)



3. Costs Breakdown

- Labor cost increased because of special bonuses and advance recognition of incentives related to Lineage M
- Within variable costs, distribution fees grew in line with top-line growth in mobile games
- Marketing decreased with less marketing events related to new game launches

(Unit : KRW MN)

	3Q 16	4Q 16	1Q 17	2Q 17	3Q 17	QoQ	YoY
Labor cost	93,459	99,184	132,359	113,490	155,470	37%	66%
Variable cost	13,163	24,638	18,749	38,310	176,413	360%	1240%
Payment processing fees	9,611	9,505	7,952	6,612	7,088	7%	-26%
Distribution fees	153	6,072	7,294	28,691	166,706	481%	108634%
Royalty	643	568	2,829	2,267	1,612	-29%	151%
Box & merchandise production fees	1,487	6,238	341	450	525	17%	-65%
Others	1,269	2,254	333	290	483	67%	-62%
Marketing	6,820	14,261	12,701	24,115	22,043	-9%	223%
D&A	7,584	7,751	7,487	7,216	7,120	-1%	-6%
Others (*)	31,420	37,074	37,767	37,926	38,427	1%	22%
Total	152,445	182,908	209,065	221,057	399,474	81%	162%

* 3Q17 Others include Bandwidth costs (4,044), Rent (2,280), Wage for outsourced staff (5,554), and Outsourced R&D (1,915)

4. Consolidated Financial Statements

Statement of Financial Position

(Unit: KRW MN)

	31 DEC 2016	30 SEP 2017		31 DEC 2016	30 SEP 2017
Assets			Liabilities		
I. Current Assets	1,191,629	1,707,526	I. Current Liabilities	284,356	422,464
Cash & cash equivalents	144,829	242,746	Payables	39,465	39,183
Short-term financial instruments	144,971	143,149	Current tax liabilities	39,912	99,337
Account receivables	158,457	207,061	Other provisions	2	2
Other receivables	8,120	10,122	Others	204,977	283,942
Available-for-sale financial assets	681,980	1,060,229	II. Non-Current Liabilities	180,939	278,614
Others	53,272	44,218	Defined benefit obligations	13,790	17,378
II. Non-Current Assets	1,169,174	1,452,501	Long-term employee benefits	4,887	7,133
Long-term loans	116	139	Long-term borrowings	149,656	149,771
Available-for-sale financial assets	530,249	1,010,822	Others	12,606	104,332
Derivatives	7,485	2,510	Total Liabilities	465,295	701,078
Investment stocks in associated companies	71,223	30,307	Stockholders Equity		
Investment property	238,091	96,671	I. Capital stock	10,965	10,970
Tangible assets	224,655	231,991	II. Other paid-up capital	278,611	279,043
Intangible assets	53,345	53,907	III. Other components of equity	52,160	381,337
Others	44,011	26,153	IV. Retained earnings	1,543,827	1,776,396
Total Assets	2,360,803	3,160,026	V. Non-controlling interests	9,945	11,202
			Total Stockholders Equity	1,895,508	2,458,948
			Total Liabilities and Stockholders Equity	2,360,803	3,160,026

4. Consolidated Financial Statements

Comprehensive Income Statement

(Unit : KRW MN)

	2016	3Q 2017 (Accum.)
Sales	983,557	1,225,391
Cost of Sales	187,580	149,271
Gross Profit	795,977	1,076,120
Selling & Administrative Expense	467,214	680,324
Operating Profit	328,762	395,796
Other Income	54,924	62,303
Other Expense	37,614	24,959
Income before Income Tax Expense	346,073	433,139
Income Tax Expense	74,691	109,861
Net Income	271,382	323,278
Non-Controlling Interests	(887)	441
Equity Attribution to the owners of the Parent Company	272,269	322,837