

4Q 2017 Earnings Release

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NCSOFT

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The financial results for 4Q 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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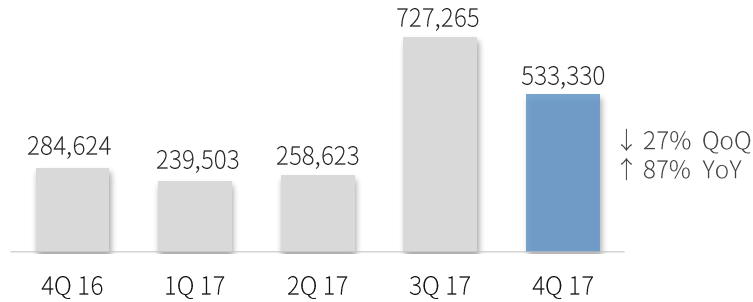
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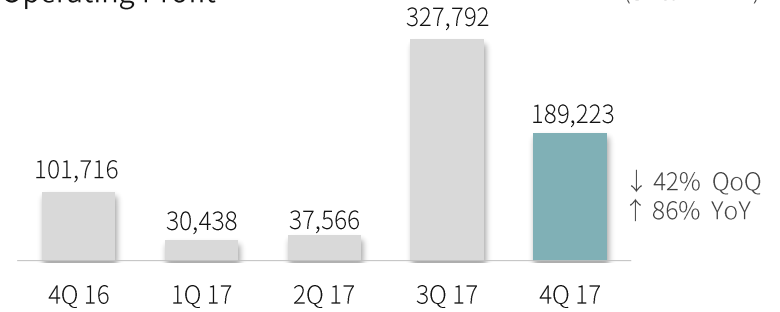
1. Financial Highlights (Quarterly)

- Revenue posted KRW 533 billion, up 87% yoy, while operating profit was KRW 189 billion, representing a 86% increase yoy

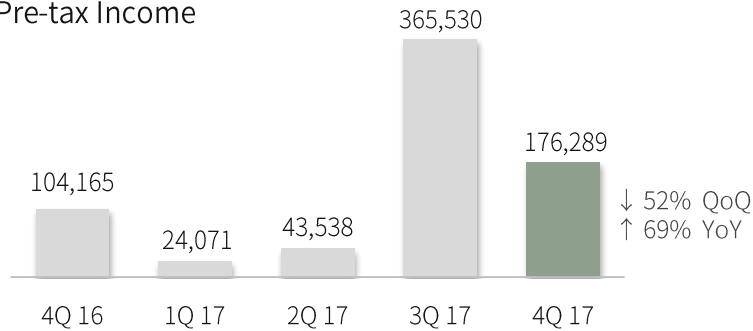
Sales



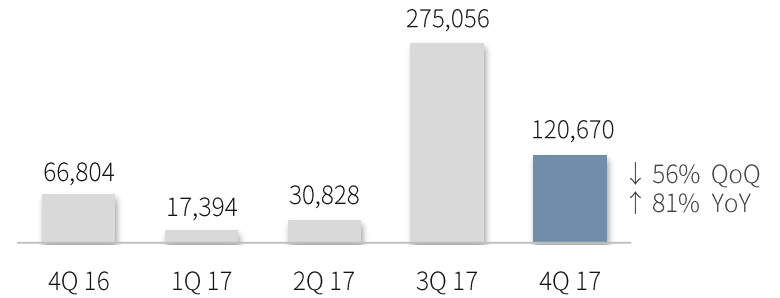
Operating Profit



Pre-tax Income

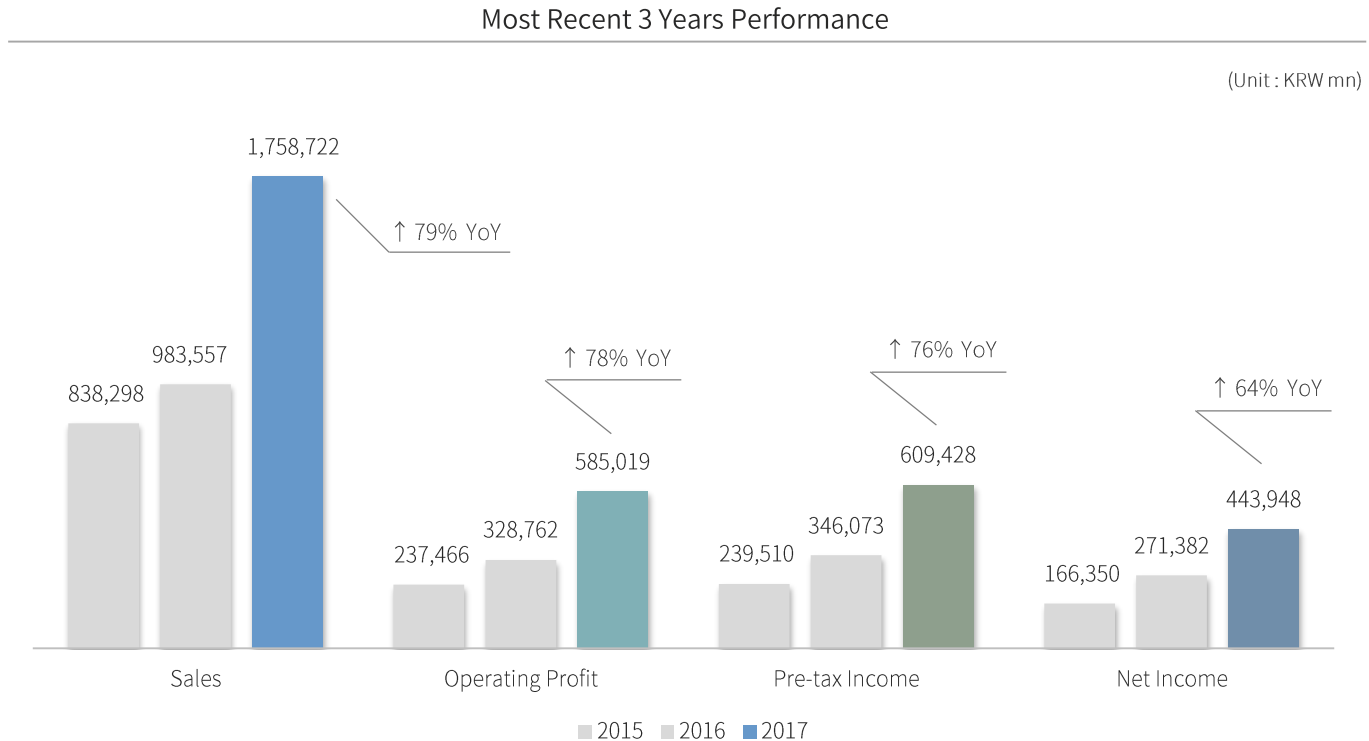


Net Income



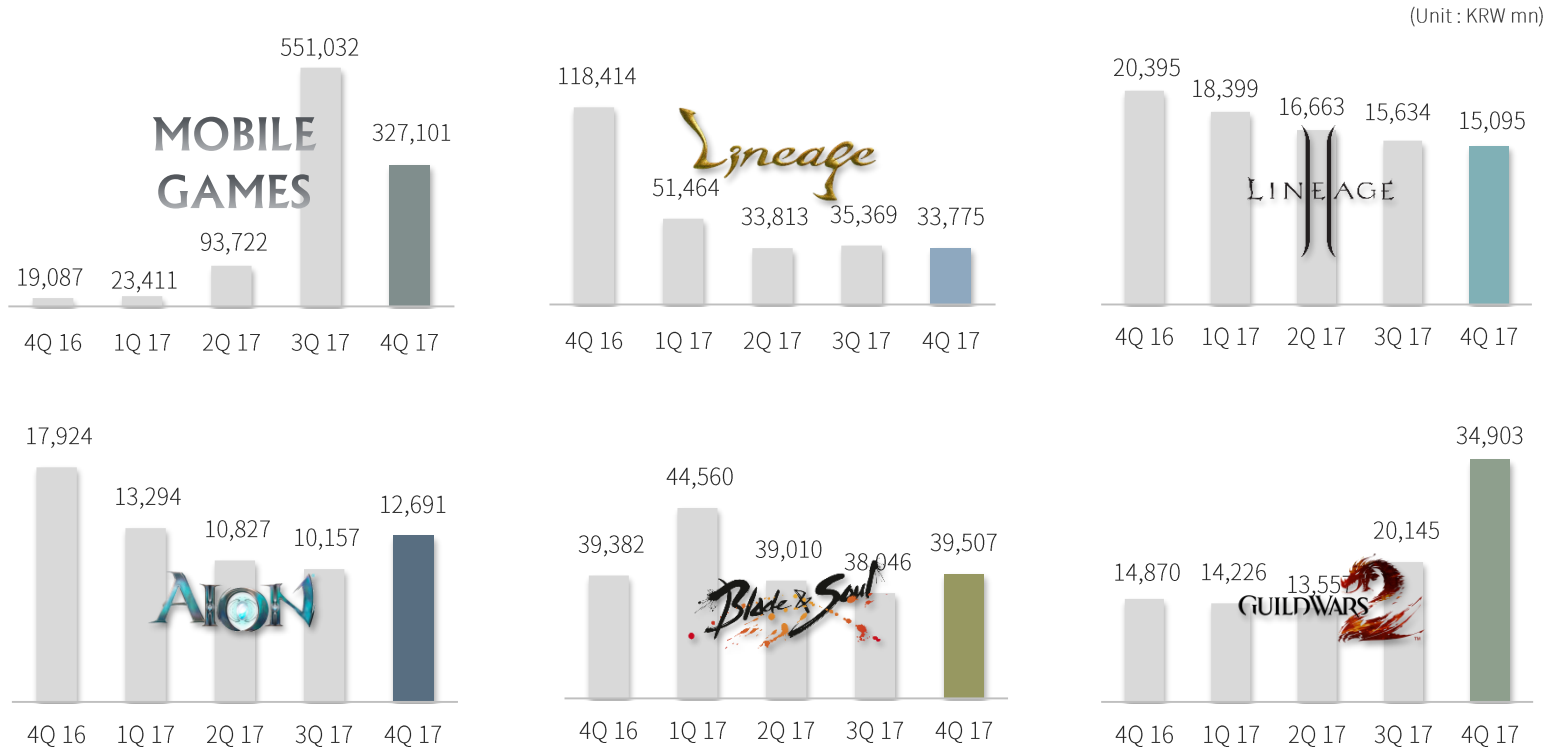
1. Financial Highlights (Yearly)

- Full year 2017 revenue totaled KRW 1 trillion 759 billion (YoY +79%) and operating profit KRW 585 billion (YoY +78%), breaking another record for the best performing year



2. Sales Breakdown (Quarterly by Game)

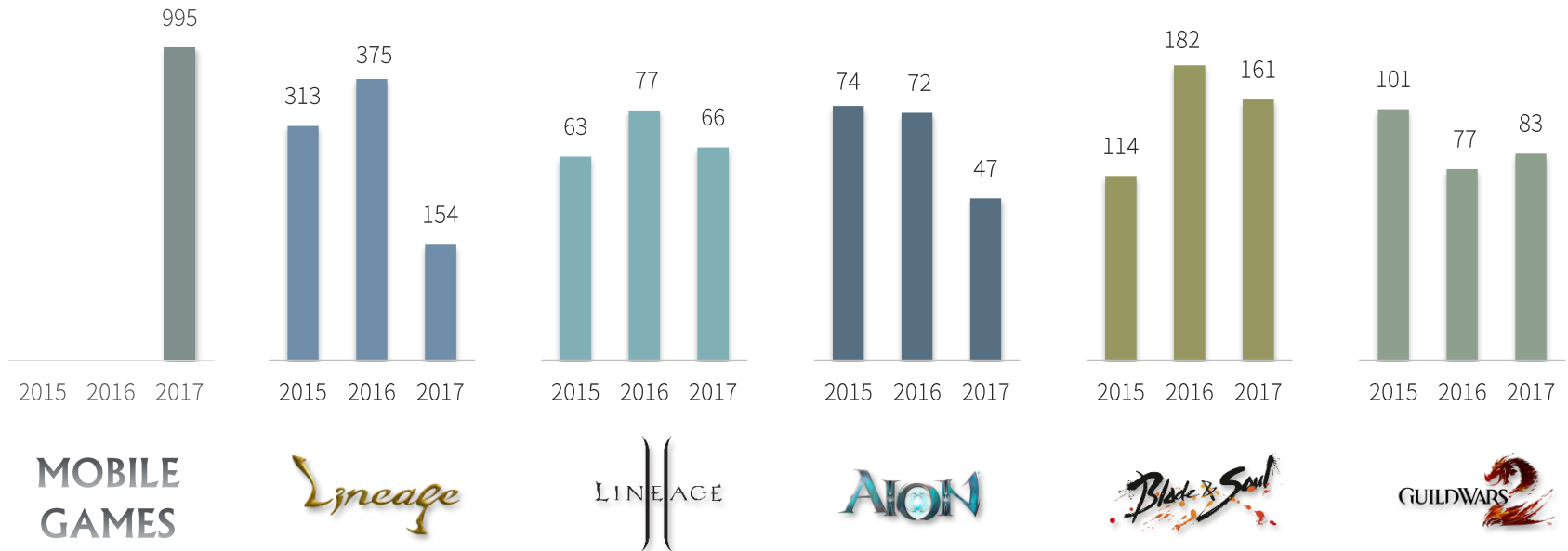
- Overall mobile game sales posted KRW 327 billion, a decline of 41% qoq as the launch effect of Lineage M faded
- The second expansion pack for Guild Wars 2 was included in full for the quarter lifting sales by 73% qoq to KRW 35 billion



2. Sales Breakdown (Yearly by Game)

- Mobile game sales posted KRW 995 billion, representing 57% of total revenue
- Lineage 1 sales ended at KRW 154 billion, a decrease of 59% yoy, user attrition on the back of the success of Lineage M
- Guild Wars 2 posted KRW 83 billion, an increase of 8%, due to sales from the second expansion pack

(Unit : KRW bn)

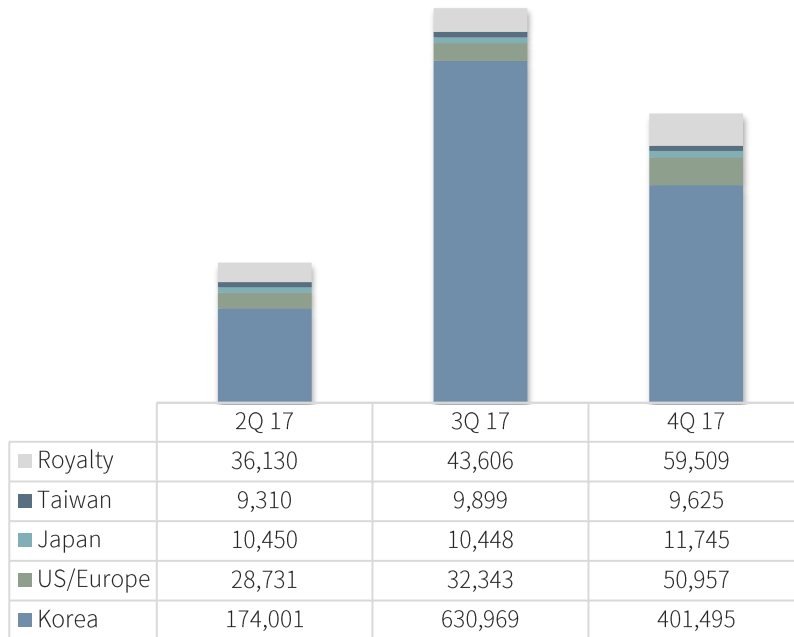


2. Sales Breakdown (by Region)

- Sales contribution from Korea increased significantly driven by the success of Lineage M

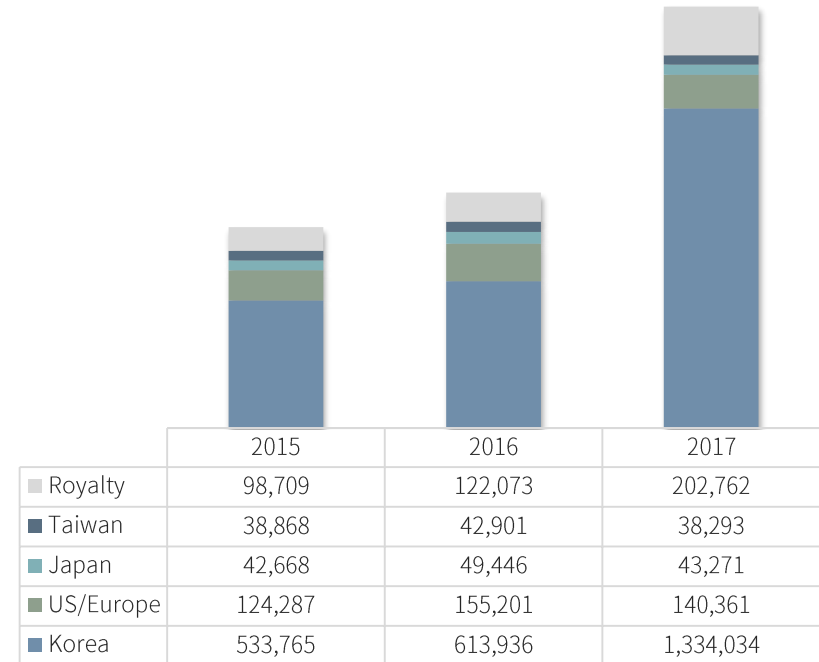
Quarterly

(Unit : KRW mn)



Yearly

(Unit : KRW mn)



3. Costs Breakdown

- Labor cost for 4Q and 2017 total both increased, due to hiring of new developers and bonuses paid related to the success of mobile games
- Variable cost surged yoy, driven by royalty expenses and distribution fees linked to the revenue growth of mobile game, but decreased qoq as new game launch effects faded
- Marketing grew both qoq and yoy on the back of new game releases and in-game item events

(Unit: KRW mn)

	4Q 16	1Q 17	2Q 17	3Q 17	4Q 17	QoQ	YoY	2016	2017	YoY
Labor cost	99,184	132,359	113,490	155,470	161,015	4%	62%	383,320	562,334	47%
Variable cost	24,638	18,749	38,310	176,413	108,205	-39%	339%	65,014	341,678	426%
Payment processing fees	9,505	7,952	6,612	7,088	6,236	-12%	-34%	39,175	27,888	-29%
Distribution fees	6,072	7,294	28,691	166,706	98,985	-41%	1530%	6,458	301,676	4571%
Royalty	568	2,829	2,267	1,612	1,206	-25%	112%	2,659	7,913	198%
Box & merchandise production fees	6,238	341	450	525	438	-16%	-93%	10,099	1,754	-83%
Others	2,254	333	290	483	1,340	177%	-41%	6,623	2,447	-63%
Marketing	14,261	12,701	24,115	22,043	24,151	10%	69%	35,032	83,011	137%
D&A	7,751	7,487	7,216	7,120	6,905	-3%	-11%	31,416	28,729	-9%
Others (*)	37,074	37,767	37,926	38,427	43,831	14%	18%	140,012	157,951	13%
Total	182,908	209,065	221,057	399,474	344,107	-14%	88%	654,794	1,173,703	79%

* 4Q17 Others include Bandwidth costs (4,791), Rent (2,663), Wage for outsourced staff (8,104), and Outsourced R&D (1,648)

4. Consolidated Financial Statements

Statement of Financial Position

(Unit: KRW mn)

	31 DEC 2016	31 DEC 2017		31 DEC 2016	31 DEC 2017
Assets			Liabilities		
I. Current Assets	1,191,629	1,772,727	I. Current Liabilities	284,356	455,798
Cash & cash equivalents	144,829	187,256	Payables	39,465	48,395
Short-term financial instruments	144,971	92,695	Current tax liabilities	39,912	142,594
Account receivables	158,457	193,018	Other provisions	2	2
Other receivables	8,120	10,436	Others	204,977	264,807
Available-for-sale financial assets	681,980	702,778	II. Non-Current Liabilities	180,939	336,313
Others	53,272	586,544	Defined benefit obligations	13,790	3,314
II. Non-Current Assets	1,169,174	1,754,784	Long-term employee benefits	4,887	7,047
Long-term loans	116	43	Long-term borrowings	149,656	149,819
Available-for-sale financial assets	530,249	1,301,572	Others	12,606	176,133
Derivatives	7,485	1,584	Total Liabilities	465,295	792,111
Investment stocks in associated companies	71,223	33,824	Stockholders Equity		
Investment property	238,091	96,333	I. Capital stock	10,965	10,970
Tangible assets	224,655	229,063	II. Other paid-up capital	278,611	279,057
Intangible assets	53,345	53,350	III. Other components of equity	52,160	529,805
Others	44,011	39,015	IV. Retained earnings	1,543,827	1,907,572
Total Assets	2,360,803	3,527,511	V. Non-controlling interests	9,945	7,997
			Total Stockholders Equity	1,895,508	2,735,400
			Total Liabilities and Stockholders Equity	2,360,803	3,527,511

4. Consolidated Financial Statements

Comprehensive Income Statement

(Unit : KRW mn)

	2016	2017
Sales	983,557	1,758,722
Cost of Sales	187,580	211,501
Gross Profit	795,977	1,547,221
Selling & Administrative Expense	467,214	962,202
Operating Profit	328,762	585,019
Other Income	54,924	73,478
Other Expense	37,614	49,069
Income before Income Tax Expense	346,073	609,428
Income Tax Expense	74,691	165,480
Net Income	271,382	443,948
Non-Controlling Interests	(887)	3,076
Equity Attribution to the owners of the Parent Company	272,269	440,872