

1Q 2018 Earnings Release

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NCSOFT

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The financial results for 1Q 2018 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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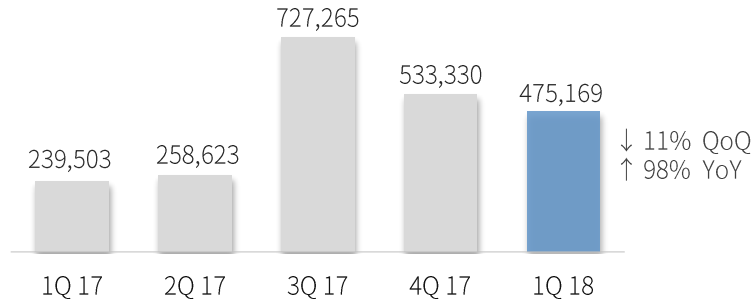
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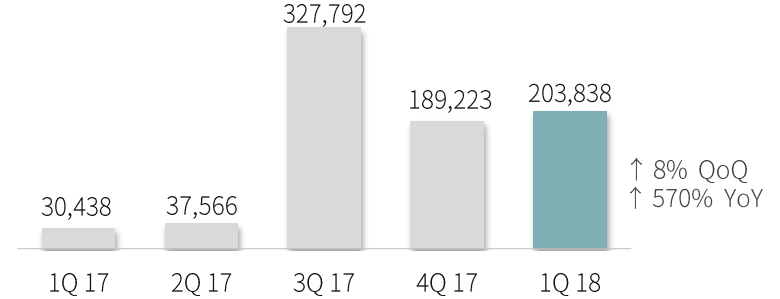
1. Financial Highlights

- Sales totaled KRW 475.2 billion, weaker 11% qoq, but an increase of 98% yoy, due to stable performance from Lineage M
- Operating profit posted KRW 203.8 billion, up 8% qoq and 570% yoy, driven by lower labor cost and marketing

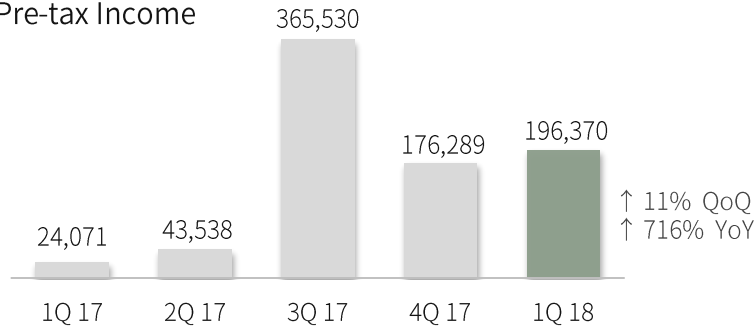
Sales



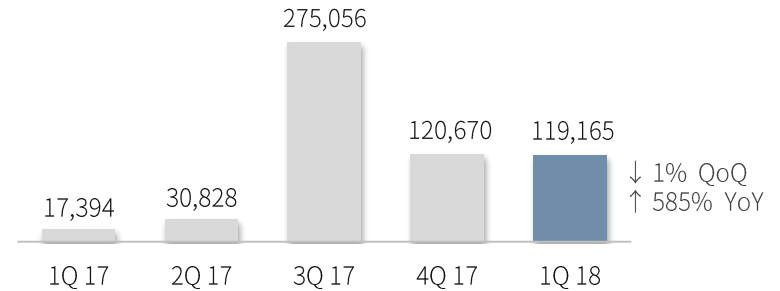
Operating Profit



Pre-tax Income

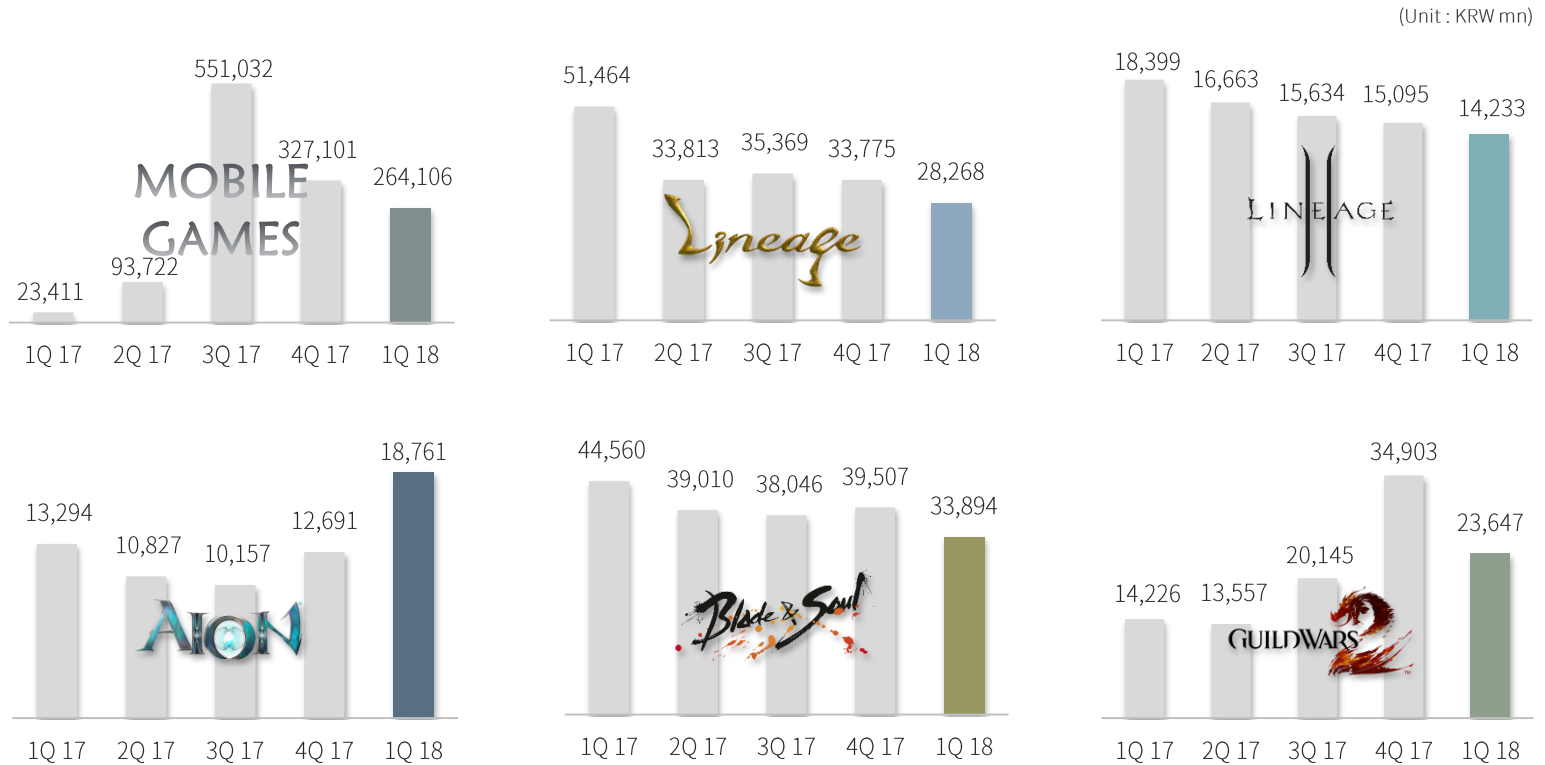


Net Income



2. Sales Breakdown (by Game)

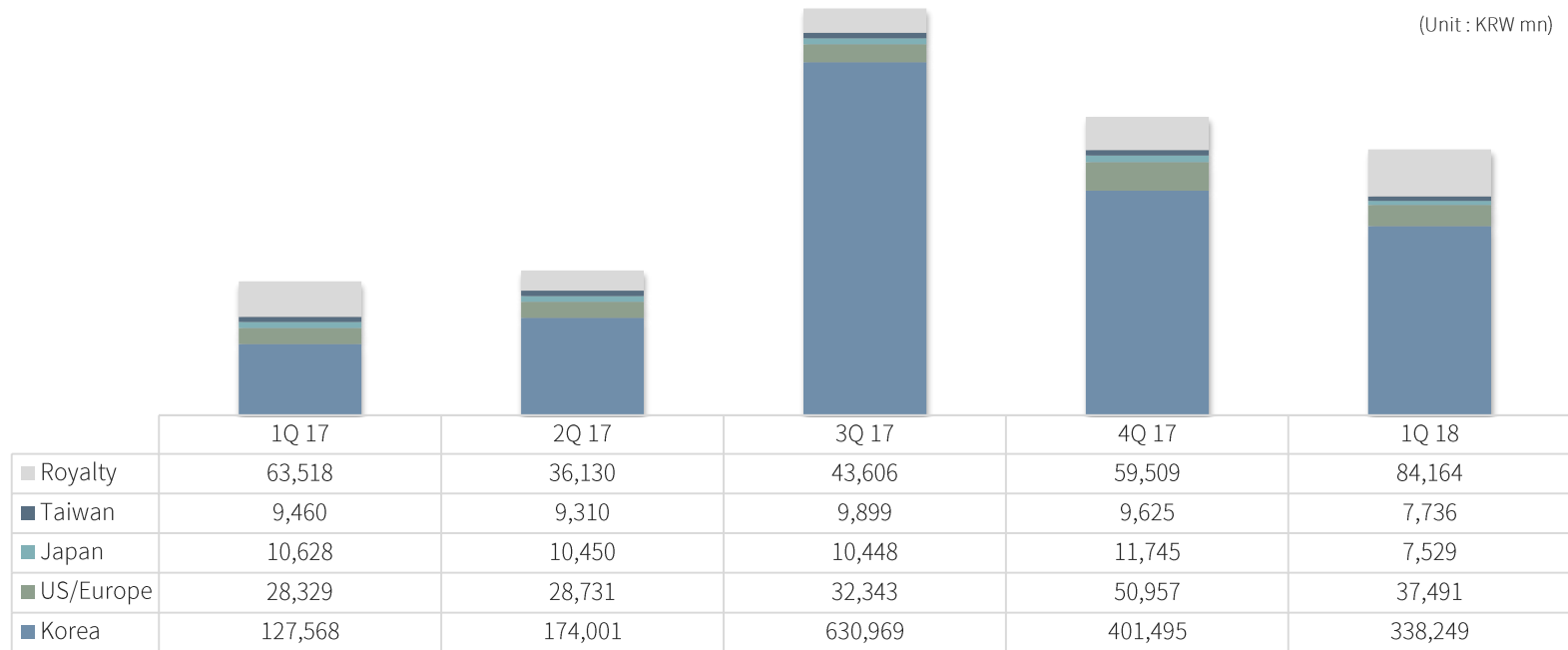
- Total mobile game sales declined 19% qoq stemming from weaker sales from a stabilizing Lineage M
- AION sales jumped 48% qoq fueled by the change in the monetization scheme
- GW2 sales dropped 32% qoq, but increased 66% yoy, as some of the 2nd expansion pack effect was included



2. Sales Breakdown (by Region)

- Royalty sales increased 41% qoq and 33% yoy as Lineage M Taiwan performance was reflected in full

(Unit : KRW mn)



3. Costs Breakdown

- Labor cost decreased 22% qoq due to the elimination of Lineage M incentives
- Variable costs declined 20% qoq driven by less mobile game distribution fees
- Marketing dropped 55% qoq on the back of more efficient advertising

(Unit : KRW mn)

항목	1Q 17	2Q 17	3Q 17	4Q 17	1Q 18	QoQ	YoY
Labor cost	132,359	113,490	155,470	161,015	125,044	-22%	-6%
Variable cost	18,749	38,310	176,413	108,205	86,869	-20%	363%
Payment processing fees	7,952	6,612	7,088	6,236	5,652	-9%	-29%
Distribution fees	7,294	28,691	166,706	98,985	79,465	-20%	989%
Royalty	2,829	2,267	1,612	1,206	1,166	-3%	-59%
Box & merchandise production fees	341	450	525	438	216	-51%	-37%
Others	333	290	483	1,340	370	-72%	11%
Marketing	12,701	24,115	22,043	24,151	10,771	-55%	-15%
D&A	7,487	7,216	7,120	6,905	6,545	-5%	-13%
Others (*)	37,767	37,926	38,427	43,831	42,102	-4%	11%
Total	209,065	221,057	399,474	344,107	271,331	-21%	30%

* 1Q18 Others include Bandwidth costs (5,217), Rent (2,627), Wage for outsourced staff (4,976) and Outsourced R&D (1,582) etc.

4. Consolidated Financial Statements

Statement of Financial Position

(Unit : KRW mn)

	31 DEC 2017	31 MAR 2018
Assets		
I. Current Assets	1,772,727	1,906,383
Cash & cash equivalents	187,256	282,359
ST financial instruments	92,695	145,239
Account receivables	193,018	158,256
Other receivables	10,436	13,145
AFS financial assets	702,778	-
FVPL financial assets	558,162	-
FVOCI financial assets	-	1,118,980
AC financial assets	-	160,000
Others	28,382	28,403
II. Non-Current Assets	1,753,840	1,574,180
LT loans	43	425
AFS financial assets	1,301,572	-
FVPL financial assets	-	223,600
FVOCI financial assets	-	899,992
AC financial assets	-	12
Derivatives	1,584	-
Investments in affiliated companies	33,824	35,286
Investment property	96,333	96,005
Tangible assets	229,063	228,854
Intangible assets	52,406	52,198
Others	39,015	37,808
Total Asset	3,526,567	3,480,563

	31 DEC 2017	31 MAR 2018
Liabilities		
I. Current Liabilities	455,798	792,311
Payables	48,395	379,688
Current tax liabilities	142,594	36,807
Other provisions	2	2
Others	264,807	375,814
II. Non-Current Liabilities	341,530	147,492
Defined benefit obligations	3,314	3,357
LT employee benefits	7,047	7,195
Others	331,169	136,940
Total Liabilities	797,328	939,803
Stockholders Equity		
I. Capital stock	10,970	10,970
II. Other paid-up capital	279,057	279,064
III. Other components of equity	525,307	372,896
IV. Retained earnings	1,905,908	1,869,399
V. Non-controlling interests	7,997	8,431
Total Stockholders Equity	2,729,239	2,540,759
Total Liabilities and Stockholders Equity	3,526,567	3,480,563

4. Consolidated Financial Statements

Comprehensive Income Statement

(Unit: KRW mn)

	31 MAR 2017	31 MAR 2018
Sales	239,503	475,169
Operating Expenses	209,065	271,331
Operating Income	30,438	203,838
Non-operating Income	(6,367)	(7,468)
Income Before Income Tax Expense	24,071	196,370
Income Tax Expense	6,678	77,205
Net Income	17,394	119,165
Non-controlling Interest	(153)	409
Equity Attribution to the Owners of the Parent Company	17,547	118,757