

2Q 2019 Earnings Release

NCSOFT IR August 2, 2019

NCSOFT

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Disclaimer

The financial results for 2Q 2019 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(98%, KOR), This Game Studio(40%, CAN)

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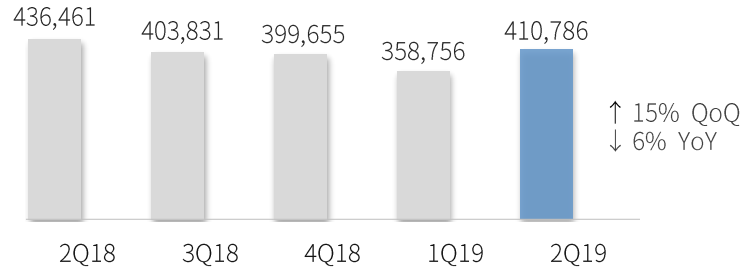
4. Consolidated Financial Statements

1. Financial Highlights (Quarterly)

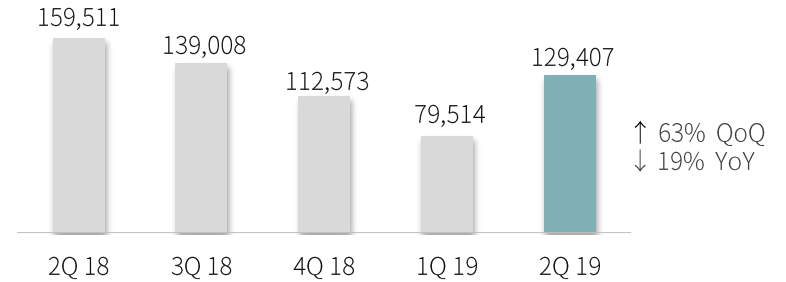
- Sales totaled KRW 410.8 bn, up 15% qoq and down 6% yoy, due to solid growth in PC and mobile games
- Operating profit was KRW 129.4 bn, an increase of 63% qoq and decrease of 19% yoy

(Unit : KRW mn)

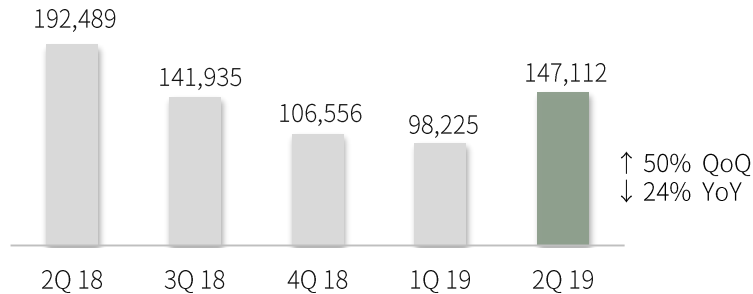
Sales



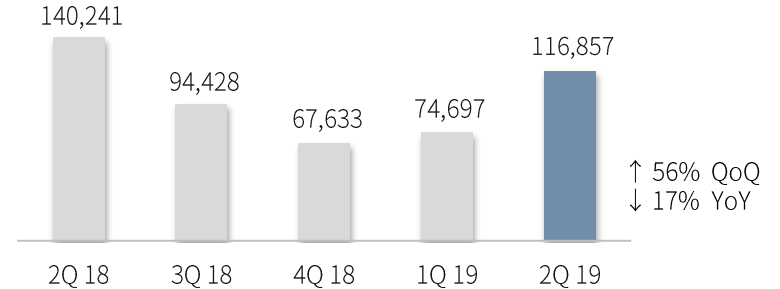
Operating Profit



Pre-tax Income



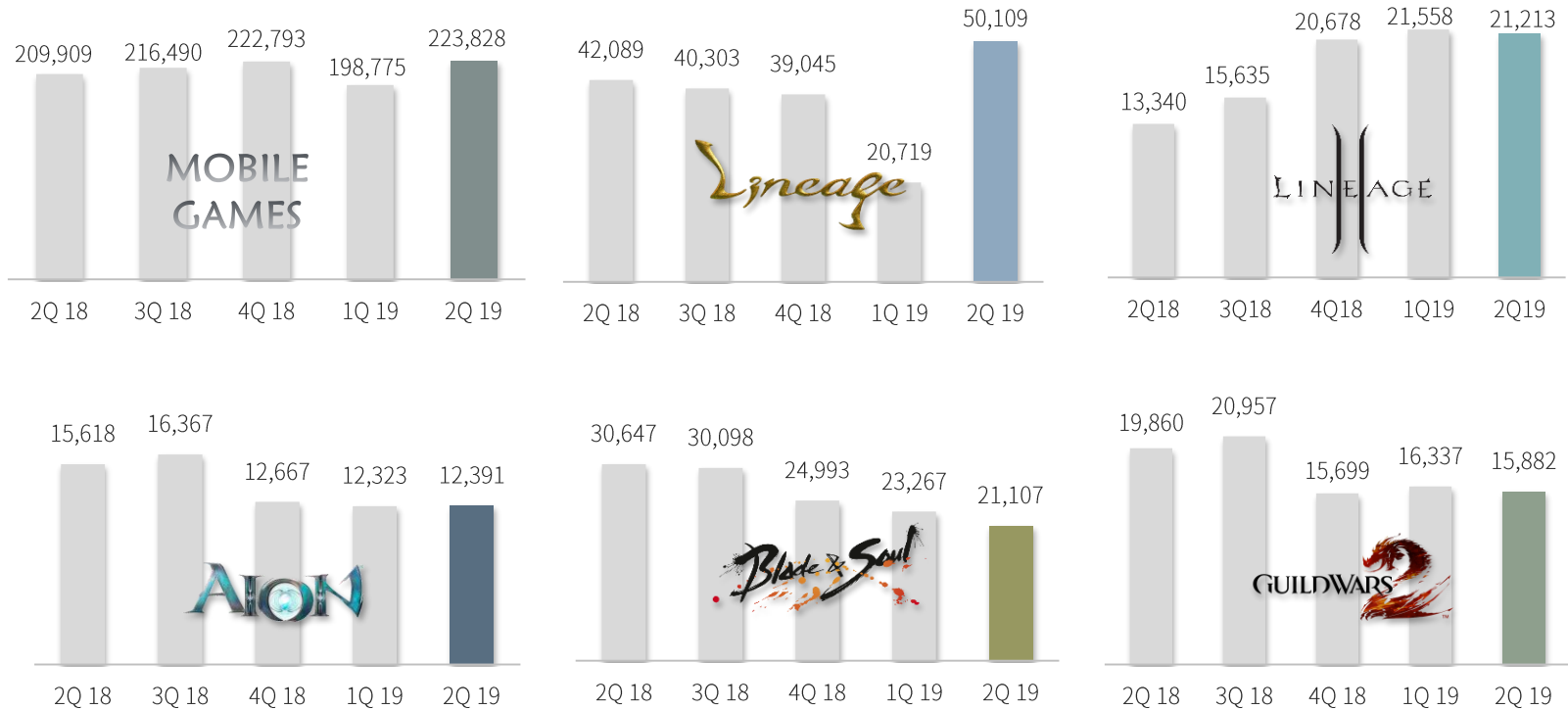
Net Income



2. Sales Breakdown (Quarterly by Game)

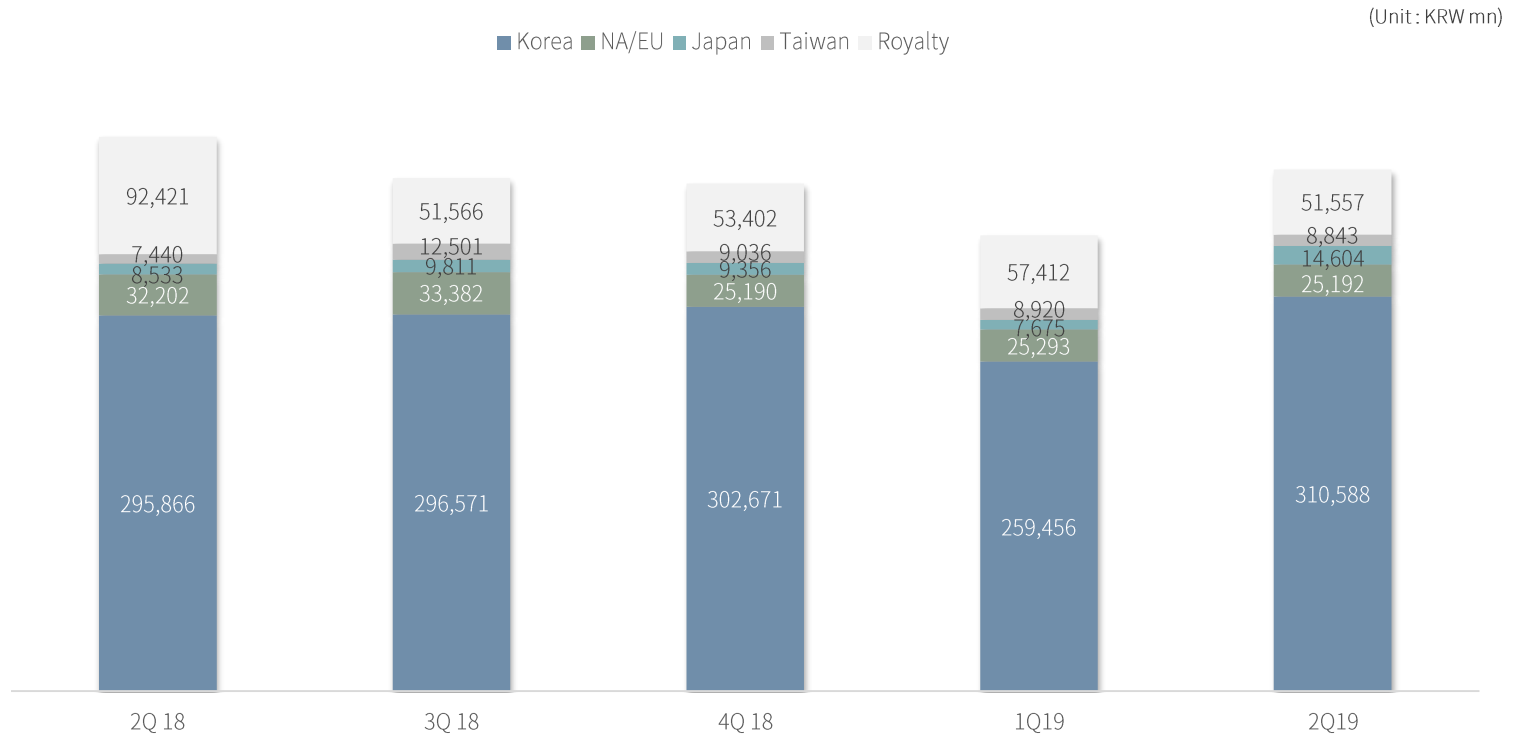
- Mobile game sales were up 13% qoq, as momentum from Lineage M update continued
- Lineage 1 sales jumped 142% qoq following the Remaster update and monetization revamp

(Unit: KRW mn)



2. Sales Breakdown (by Region)

- Royalty revenue declined 10% qoq, due to less revenue from B&S IP-based mobile game and moderate decline in Lineage M Taiwan



3. Costs Breakdown

- Labor cost declined 12% qoq due to absence of one-off factors, including severance for overseas subsidiaries
- Variable cost increased 18% qoq as distribution fees grew from higher mobile game sales
- Marketing grew 28% qoq, because of events including launch of Lineage M Japan

(Unit: KRW mn)

	2Q 18	3Q 18	4Q 18	1Q 19	2Q 19	QoQ	YoY
Labor cost	146,853	128,881	135,651	143,194	125,822	-12%	-14%
Variable cost	70,553	72,577	76,851	65,336	77,189	18%	9%
Payment processing fees	5,923	5,972	6,002	5,000	5,920	18%	-0%
Distribution fees	63,192	65,175	67,107	59,658	67,137	13%	6%
Royalty	784	986	839	921	1,323	44%	69%
Box & merchandise production fees	117	191	2,381	182	502	175%	328%
Others	538	253	522	-424	2,308	N/M	329%
Marketing	14,973	16,513	15,894	18,987	24,230	28%	62%
D&A	6,608	7,635	6,863	11,982	12,974	8%	96%
Others (*)	37,963	39,216	51,823	39,743	41,164	4%	8%
Total	276,950	264,822	287,083	279,242	281,379	1%	2%

* 2Q19 Others include Bandwidth costs(4,180), Rent(-357), Wage for outsourced staff(5,030), Outsourced R&D(1,606) etc.

4. Consolidated Financial Statements

Statement of Financial Position

(Unit : KRW mn)

	31 DEC 2018	30 JUN 2019
Assets		
I. Current Assets	1,576,409	1,688,741
Cash & cash equivalents	185,593	169,089
ST financial instruments	232,653	217,444
Account receivables	148,500	151,982
Other receivables	30,452	17,965
ST Investment assets	948,114	1,099,350
Others	31,098	32,911
II. Non-Current Assets	1,364,870	1,487,568
LT loans	56	2,568
Other receivables	10,930	9,707
LT Investment assets	895,022	931,528
Investments in affiliated companies	56,380	63,598
Investment property	95,006	94,345
Tangible assets	233,877	313,723
Intangible assets	54,377	54,004
Others	19,222	18,095
Total Asset	2,941,279	3,176,310

	31 DEC 2018	30 JUN 2019
Liabilities		
I. Current Liabilities	473,074	317,443
Bonds	155,051	13,954
Account payables	33,307	42,086
Lease Liabilities	-	19,791
Current tax liabilities	71,150	50,394
Other provisions	2	2
Others	213,566	191,217
II. Non-Current Liabilities	89,233	410,090
Bonds	-	249,234
Defined benefit obligations	4,101	8,125
LT employee benefits	7,121	18,896
Lease Liabilities	-	55,346
Others	78,011	78,489
Total Liabilities	562,307	727,533
Stockholders Equity		
I. Capital stock	10,970	10,973
II. Other paid-up capital	4,454	4,828
III. Other components of equity	188,477	195,552
IV. Retained earnings	2,163,816	2,224,730
V. Non-controlling interests	11,254	12,693
Total Stockholders Equity	2,378,971	2,448,777
Total Liabilities and Stockholders Equity	2,941,279	3,176,310

4. Consolidated Financial Statements

Comprehensive Income Statement

(Unit : KRW MN)

	2Q 18	3Q 18	4Q 18	1Q 19	2Q 19
Sales	436,461	403,831	399,655	358,756	410,786
Operating Expenses	276,950	264,822	287,083	279,242	281,379
Operating Income	159,511	139,008	112,573	79,514	129,407
Non-operating Income	32,978	2,927	(6,016)	18,711	17,705
Income Before Income Tax Expense	192,489	141,935	106,556	98,225	147,112
Income Tax Expense	52,247	47,507	38,923	23,528	30,255
Net Income	140,241	94,428	67,633	74,697	116,857
Non-controlling Interest	298	1,559	1,017	508	434
Equity Attribution to the Owners of the Parent Company	139,944	92,869	66,616	74,189	116,423