

# 1Q 2020 Earnings Release

NCSOFT IR

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## Disclaimer

The financial results for 1Q 2020 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),  
NC Vietnam Visual Studio (100%, VNM)

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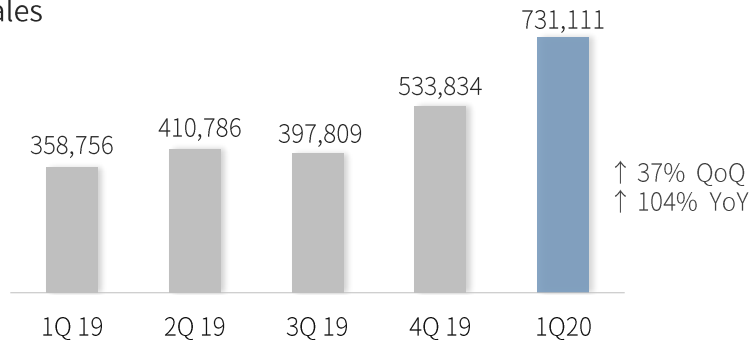
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# 1. Financial Highlights (Quarterly)

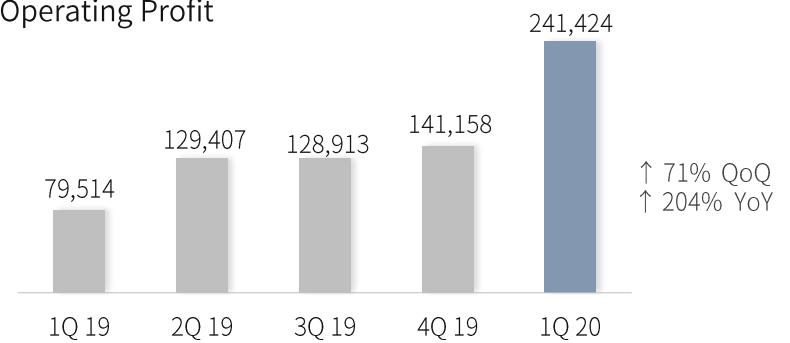
- Strong mobile game momentum and stable PC online games resulted in a historic sales of KRW 731.1 billion for the quarter
- Operating profit was KRW 241.4 billion, higher 71% qoq and 204% yoy

(Unit : KRW mn)

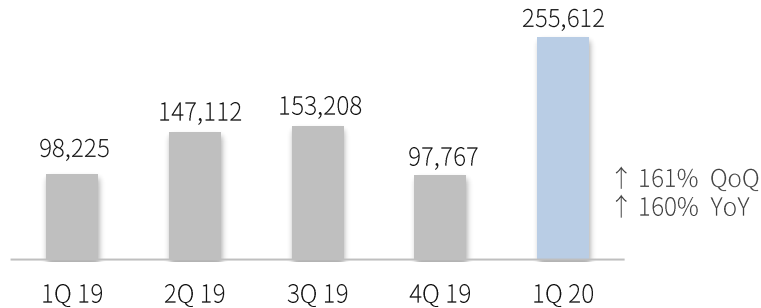
### Sales



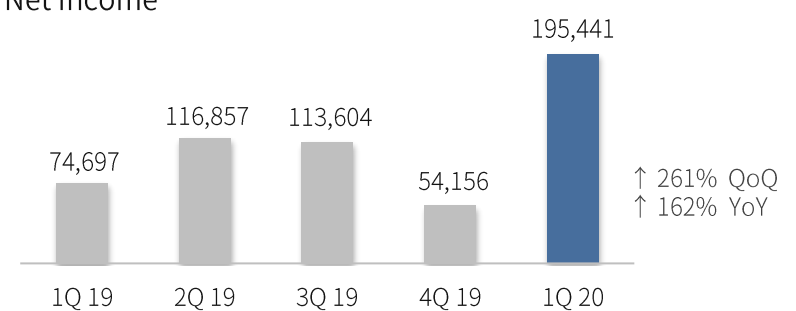
### Operating Profit



### Pre-tax Income



### Net Income

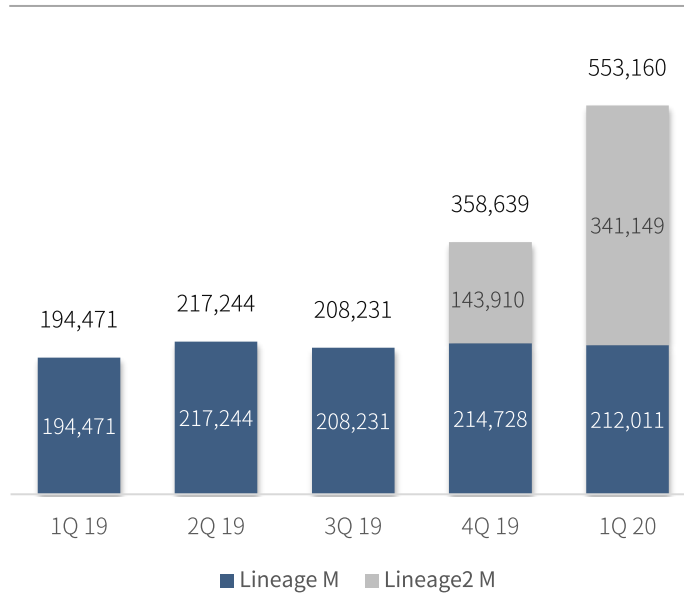


## 2. Sales Breakdown (by Game)

- Mobile game sales was KRW 553.2 billion, a jump of 54% qoq, with full-quarter recognition of L2M sales
- LM and PC online game sales was similar qoq reflecting stable operations

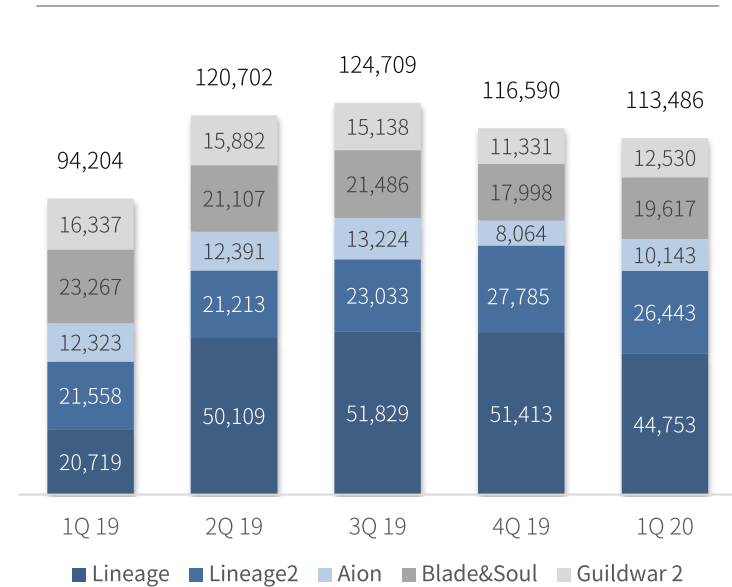
(Unit : KRW mn)

Mobile Game



\* Not including other mobile games.

PC Online Game

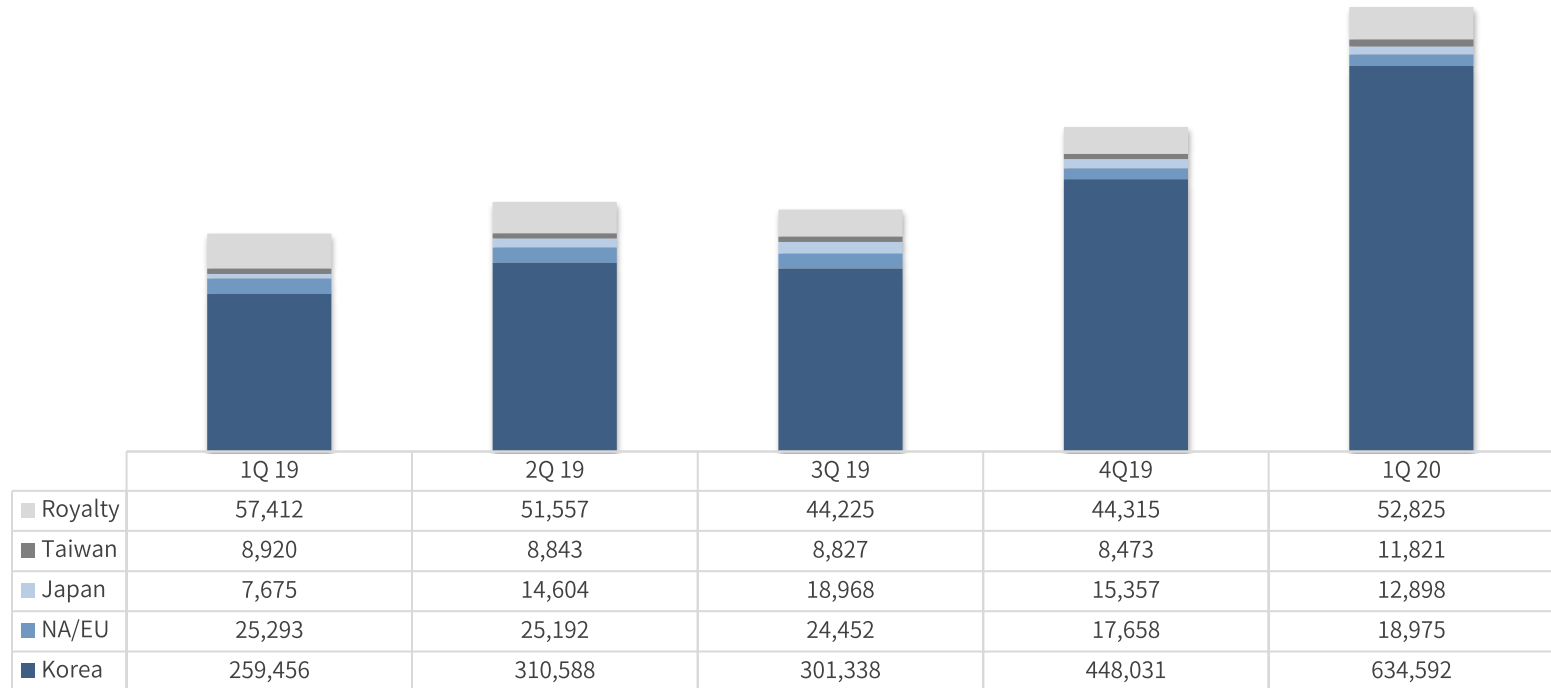


\* Not including other PC online games

## 2. Sales Breakdown (by Region)

- Korea sales increased 42% qoq from the full-recognition of L2M sales
- Royalty sales was up 19% qoq, fueled by the Lineage M Taiwan update effects

(Unit : KRW mn)



### 3. Costs Breakdown

- Labor cost increased 25% qoq due to L2M incentives, regular bonuses, and headcount increases
- Variable cost increased because of high distribution fees as mobile game sales grew
- Marketing decreased 4% qoq from less advertising for new game launches

(Unit : KRW MN)

	1Q 19	2Q 19	3Q 19	4Q 19	1Q 20	QoQ	YoY
<b>Labor cost</b>	143,194	125,822	116,146	169,913	211,796	25%	48%
<b>Variable cost</b>	65,336	77,189	73,094	116,231	176,548	52%	170%
Payment processing fees	5,000	5,920	5,839	5,488	5,808	6%	16%
Distribution fees	59,658	67,137	64,411	108,792	167,795	54%	181%
Royalty	921	1,323	972	875	1,210	38%	31%
Box & merchandise production fees	182	502	709	1,258	559	-56%	207%
Others	(424)	2,308	1,162	(182)	1,176	N/A	N/A
<b>Marketing</b>	18,987	24,230	22,766	41,291	39,573	-4%	108%
<b>D&amp;A</b>	11,982	12,974	12,747	14,266	14,825	4%	24%
<b>Others (*)</b>	39,743	41,164	44,144	50,975	46,945	-8%	18%
<b>Total</b>	279,242	281,379	268,896	392,676	489,687	25%	75%

\* 1Q20 Others include Bandwidth costs(3,647), Wage for outsourced staff(4,801), Outsourced R&D(1,972) etc.

## 4. Consolidated Financial Statements

(Unit : KRW MN)

### [Statement of Financial Position]

	31 DEC 2019	31 MAR 2020		31 DEC 2019	31 MAR 2020
<b>Assets</b>			<b>Liabilities</b>		
<b>I. Current Assets</b>	<b>2,076,674</b>	<b>2,306,021</b>	<b>I. Current Liabilities</b>	<b>449,765</b>	<b>558,216</b>
Cash & cash equivalents	303,443	285,991	Bonds	11,310	11,100
ST financial instruments	676,810	817,135	Account payables	52,863	252,728
Account receivables	254,438	224,970	Lease Liabilities	31,381	31,831
Other receivables	16,118	12,539	Current tax liabilities	83,392	50,796
ST Investment assets	791,802	923,492	Other provisions	2	2
Others	34,063	41,894	Others	270,817	211,760
<b>II. Non-Current Assets</b>	<b>1,269,863</b>	<b>1,264,831</b>	<b>II. Non-Current Liabilities</b>	<b>384,447</b>	<b>405,780</b>
LT loans	4,588	4,588	Bonds	249,364	249,421
Other receivables	10,836	-	Defined benefit obligations	12,320	18,165
LT Investment assets	698,726	703,446	LT employee benefits	16,680	8,174
Investments in affiliated companies	43,614	44,059	Lease Liabilities	65,715	62,924
Investment property	93,685	93,356	Others	40,368	67,097
Tangible assets	350,409	347,141	<b>Total Liabilities</b>	<b>834,212</b>	<b>963,996</b>
Intangible assets	49,739	49,321	<b>Stockholders Equity</b>		
Others	18,265	22,920	<b>I. Capital stock</b>	<b>10,977</b>	<b>10,977</b>
<b>Total Asset</b>	<b>3,346,537</b>	<b>3,570,851</b>	<b>II. Other paid-up capital</b>	<b>(2,245)</b>	<b>(2,245)</b>
			<b>III. Other components of equity</b>	<b>108,350</b>	<b>113,938</b>
			<b>IV. Retained earnings</b>	<b>2,382,246</b>	<b>2,470,881</b>
			<b>V. Non-controlling interests</b>	<b>12,997</b>	<b>13,304</b>
			<b>Total Stockholders Equity</b>	<b>2,512,325</b>	<b>2,606,855</b>
			<b>Total Liabilities and Stockholders Equity</b>	<b>3,346,537</b>	<b>3,570,851</b>



## 4. Consolidated Financial Statements

### [Comprehensive Income Statement]

(Unit : KRW MN)

	1Q 19	2Q 19	3Q 19	4Q 19	1Q 20
Sales	358,756	410,786	397,809	533,834	731,111
Operating Expenses	279,242	281,379	268,896	392,676	489,687
Operating Income	79,514	129,407	128,913	141,158	241,424
Non-operating Income	18,711	17,705	24,295	(43,391)	14,188
Income Before Income Tax Expense	98,225	147,112	153,208	97,767	255,612
Income Tax Expense	23,528	30,255	39,604	43,612	60,172
Net Income	74,697	116,857	113,604	54,156	195,441
Equity Attribution to the Owners of the Parent Company	74,189	116,423	113,339	54,382	195,459
Non-controlling Interest	508	434	265	(226)	(18)