

Q2 2023 Earnings Release

NC SOFT IR

Aug 9, 2023



Disclaimer

The financial results for Q2 2023 have been prepared on an unaudited basis and may be subject to change during an independent auditing process.

Please note that NCSOFT will not be responsible for individual investment decisions based on this material.

※ Key Consolidated Subsidiaries (based on K-IFRS):

NCSOFT Corporation(HQ, KOR), NC West Holdings(100%, USA),

NC America(100%, USA), NC Europe(100%, GBR), NC Japan(100%, JPN),

NC Taiwan(100%, TWN), 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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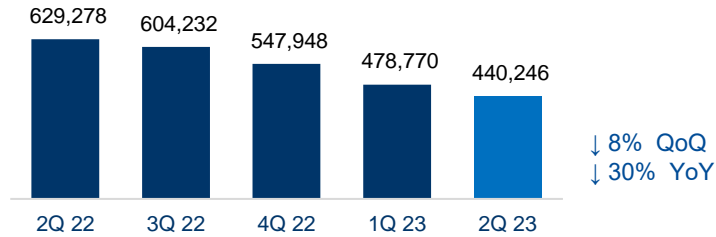
1. Financial Highlights

- Sales totaled KRW 440.2 billion, down 8% qoq and 30% yoy
- Operating profit posted KRW 35.3 billion, down 57% qoq and 71% yoy

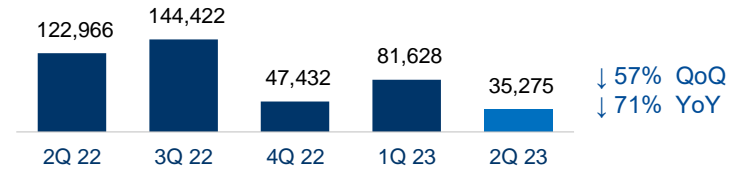
Q2 Performance

(Unit: KRW MN)

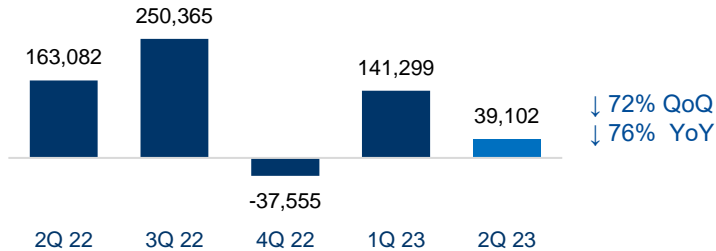
Sales



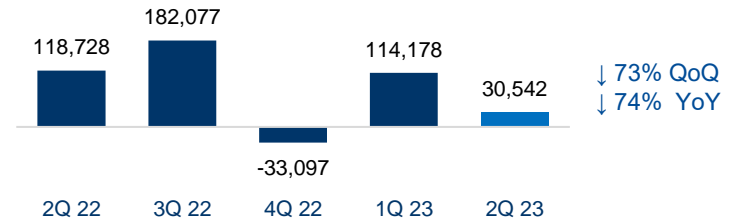
Operating Profit



Pre-tax Income



Net Income

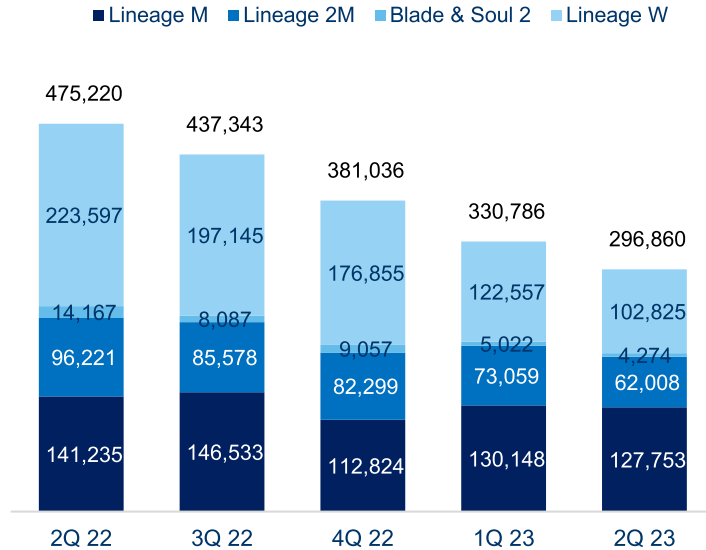


2. Sales Breakdown (by Game)

- Mobile game sales posted KRW 296.9 billion, down 10% qoq due to weaker Lineage W and Lineage 2M sales
- Legacy PC online games came in at KRW 88.2 billion, declined 4% qoq as the level of business activity was adjusted

Mobile Games

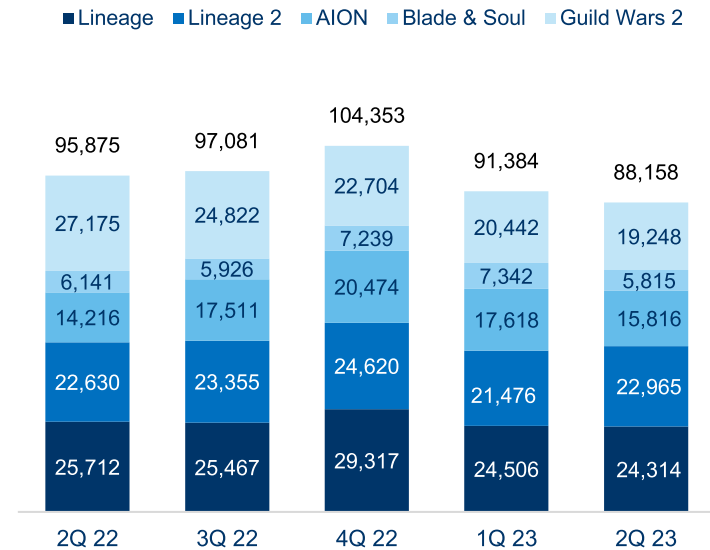
(Unit: KRW MN)



* Not including other mobile games

PC Online Games

(Unit: KRW MN)



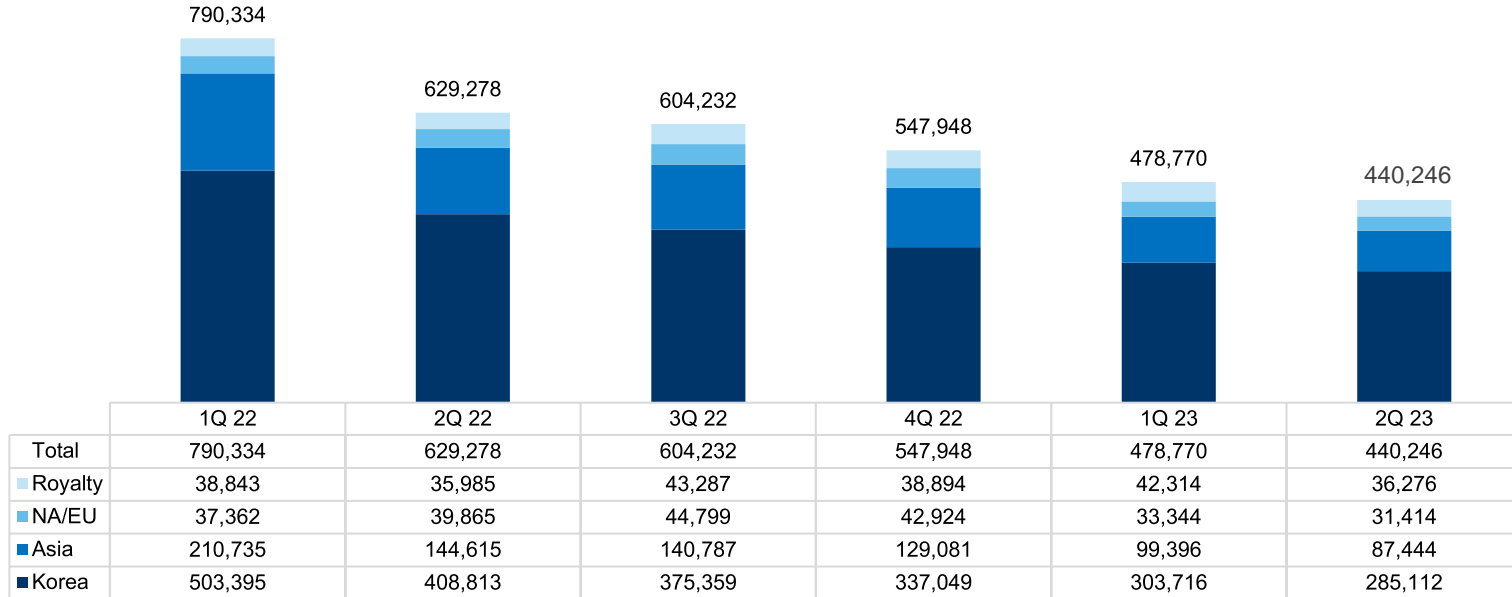
* Not including other PC online games

2. Sales Breakdown (by Region)

- Korea sales declined 6% qoq due to weaker mobile game sales
- Royalty and overseas sales generated 35% of total sales

Sales by Region

(Unit: KRW MN)

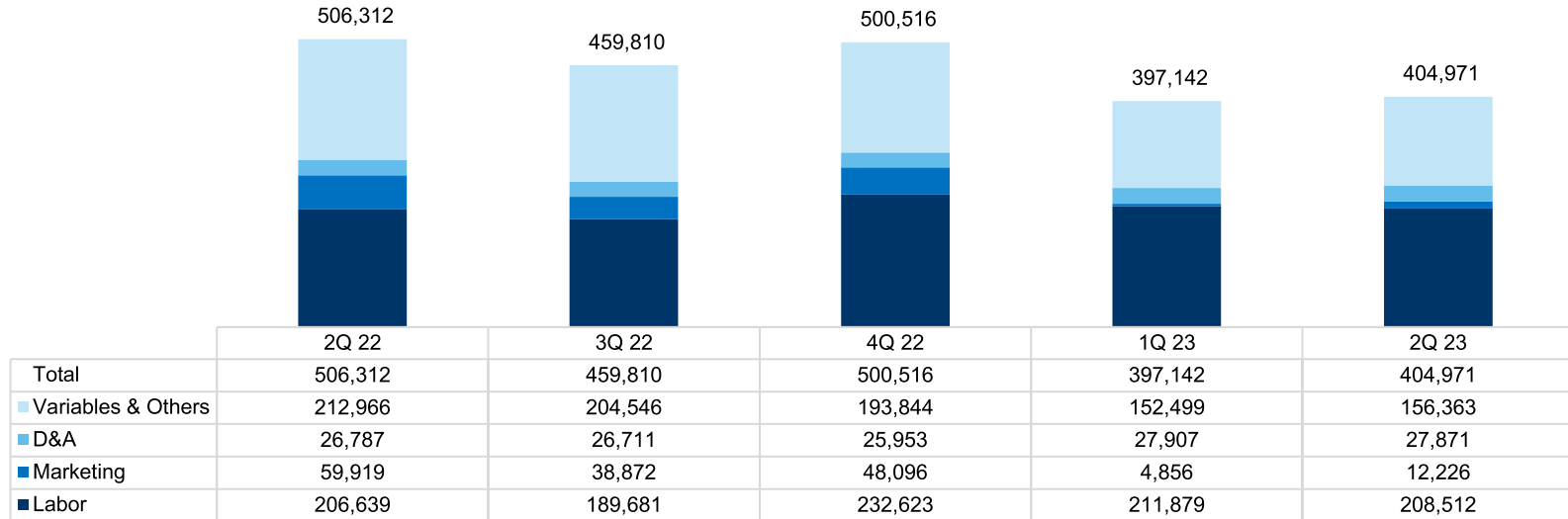


3. Cost Breakdown

- Total operating expenses totaled KRW 405.0 billion, an increase of 2% qoq, but a decrease of 20% yoy
- Labor cost was KRW 208.5 billion, a decline of 2% qoq
- Marketing expense was KRW 12.2 billion, which was an increase of 152% qoq driven by game updates, but represented a decline of 80% yoy, which was the result of enhanced marketing efficiency

Cost Breakdown

(Unit: KRW MN)



4. Consolidated Financial Statements

Statement of Financial Position

(Unit : KRW MN)

	FY 2022	2Q 23
Assets		
I. Current Assets	2,691,080	2,402,587
Cash and cash equivalents	285,574	419,265
Short-term financial instruments	1,088,608	1,008,871
Account receivables	175,463	139,490
Other receivables	43,894	49,014
Short-term investment assets	1,054,472	746,315
Others	43,068	39,631
II. Non-current Assets	1,746,552	1,945,921
Long-term loans	7,437	7,664
Other receivables	23,262	24,595
Long-term investment assets	504,265	540,967
Investment stock in associated companies	26,240	24,356
Investment property	90,227	89,638
Tangible assets	930,207	1,029,442
Intangible assets	43,399	120,943
Others	121,517	108,316
Total Assets	4,437,632	4,348,508

	FY 2022	2Q 23
Liabilities		
I. Current Liabilities	515,349	523,545
Borrowings	-	109,959
Account payables	86,555	135,911
Lease liabilities	35,287	38,060
Current tax liabilities	85,537	1,301
Other current liabilities	307,190	238,313
Other provisions	779	-
II. Non-current Liabilities	723,735	678,315
Debentures and borrowings	409,384	299,531
Defined benefit obligations	5,728	5,143
Long-term employee benefits	19,444	20,824
Lease liabilities	176,522	206,985
Others	112,657	145,833
Total Liabilities	1,239,084	1,201,860
Shareholders Equity		
I. Capital Stock	10,977	10,977
II. Other Paid-in Capital	(189,424)	(189,424)
III. Other Components of Equity	(34,751)	(83,191)
IV. Retained Earnings	3,409,409	3,405,222
V. Non-controlling Interest	2,338	3,063
Total Stockholders Equity	3,198,549	3,146,648
Total Liabilities and Shareholders Equity	4,437,632	4,348,508

4. Consolidated Financial Statements

Income Statement

(Unit: KRW MN)

	2Q 22	3Q 22	4Q 22	1Q 23	2Q 23
Sales	629,278	604,232	547,948	478,770	440,246
Operating Expenses	506,312	459,810	500,516	397,142	404,971
Operating Income	122,966	144,422	47,432	81,628	35,275
Non-operating Income	40,116	105,942	(84,987)	59,671	3,827
Pre-tax Income	163,082	250,365	(37,555)	141,299	39,102
Income Tax	44,354	68,288	(4,458)	27,121	8,561
Net Income	118,728	182,077	(33,097)	114,178	30,542
Equity Attribution to the Owners of the Parent Company	118,614	181,815	(33,615)	113,697	29,878
Non-controlling Interest	114	262	518	481	664