
NCSoft

IR PRESENTATION

Nov 2022

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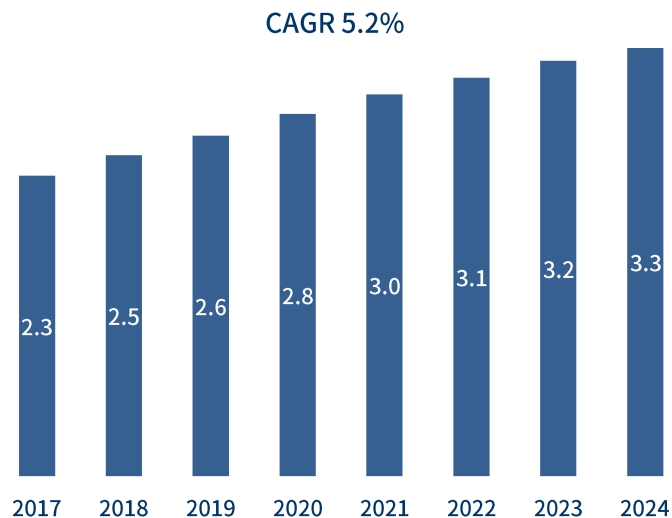
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1. Industry Overview : Global Games Market

- As the global games market continues to grow, the number of players is also expected to increase going forward
- The APAC region is expected to account for 55% of the global games market in 2021 in terms of the number of players

Global Games Players Forecast (2017 ~ 2024)

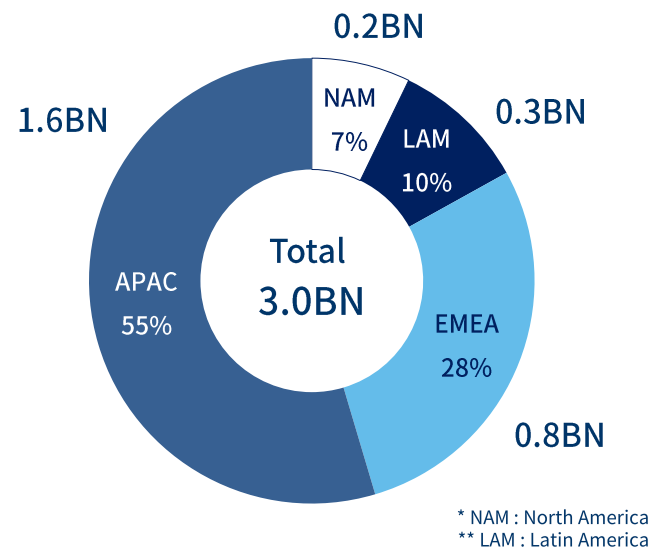
(Unit : BN)



(Source : Newzoo)

Global Games Players Per Region – 2021

(Unit : BN)



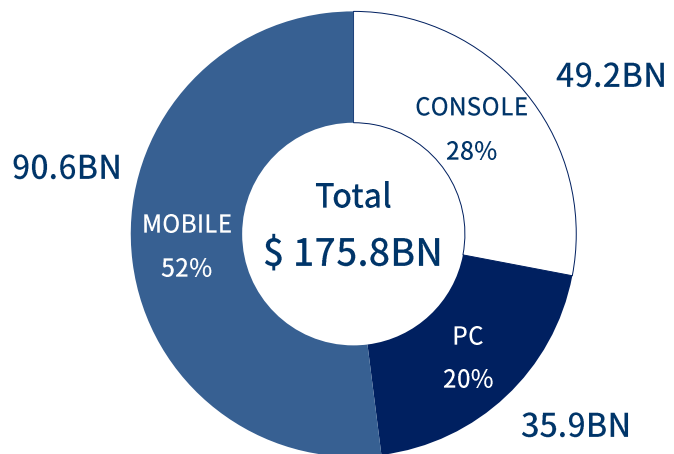
(Source : Newzoo)

1. Industry Overview : Global Games Market (Platform)

- Mobile games remain as the largest segment in 2021, accounting for 52% of the global games market
- Global mobile games market has shown over 12% of growth throughout the past 4 years

Global Games Market Per Platform – 2021

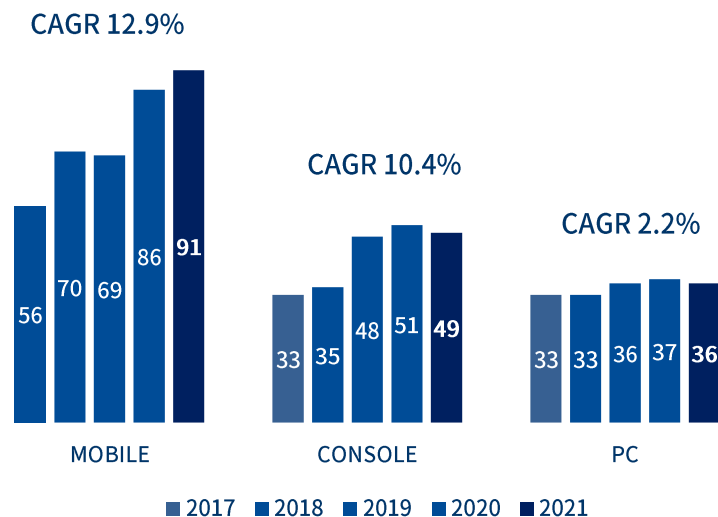
(Unit : USD BN)



(Source : Newzoo)

Global Games Market Per Platform (2017~2021)

(Unit : USD BN)



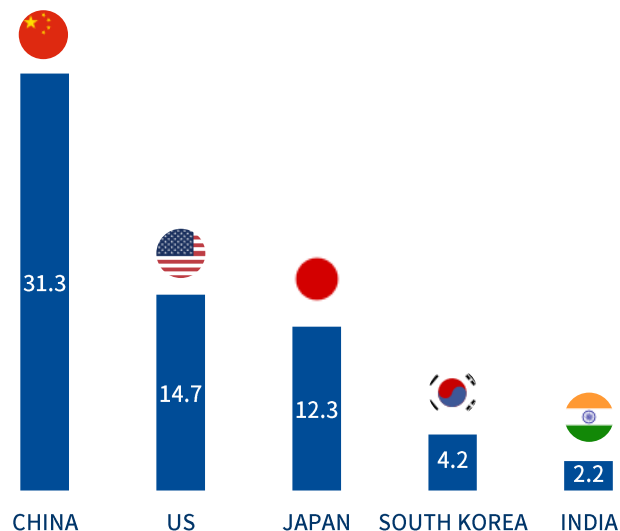
(Source : Newzoo)

1. Industry Overview : Global Mobile Games Market

- China, US, Japan, South Korea and India are expected to claim top 5 mobile games market worldwide in terms of revenues
- Due to the COVID-19 outbreak, the number of mobile gamers significantly increased across the globe
- The new gamers have tendency to have multiplayer experiences and the rise of MMORPG is expected to be continued going forward

Global Top 5 Mobile Games Market – 2021

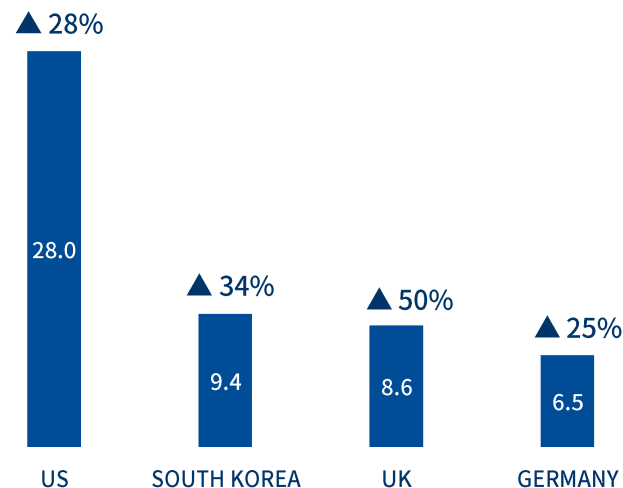
(Unit : USD BN)



(Source :Newzoo)

New Mobile gamers in major countries since March 2020

(Unit : M)



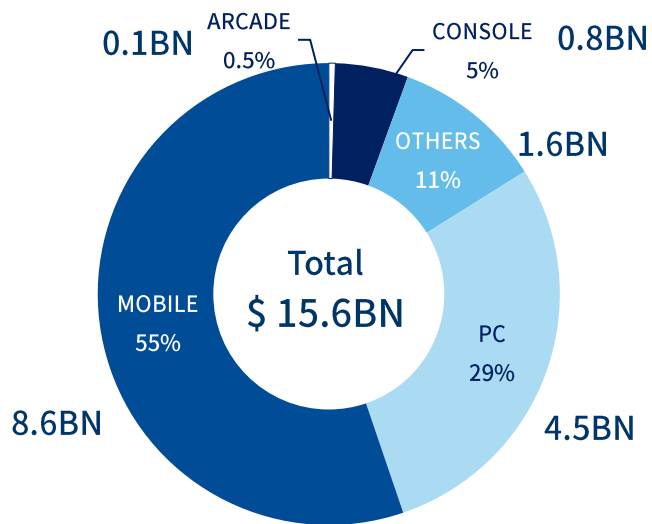
(Source : Facebook Games Marketing Insights for 2021)

1. Industry Overview : South Korea Games Market

- Mobile games remain as the largest segment in 2020, accounting for 55% of South Korea games market
- South Korea mobile games market has shown over 14% of growth throughout the past 3 years

South Korea Games Market Per Platform – 2020

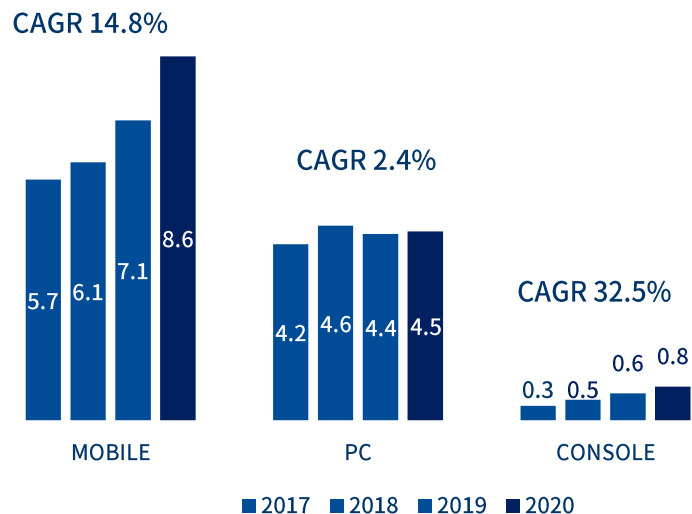
(Unit : USD BN)



(Source : 2020 White paper on Korean Games)

South Korea Games Market Per Platform (2017~ 2020)

(Unit : USD BN)



(Source : 2020 White paper on Korean Games)

2. Company Overview : Corporate Governance

Company Details

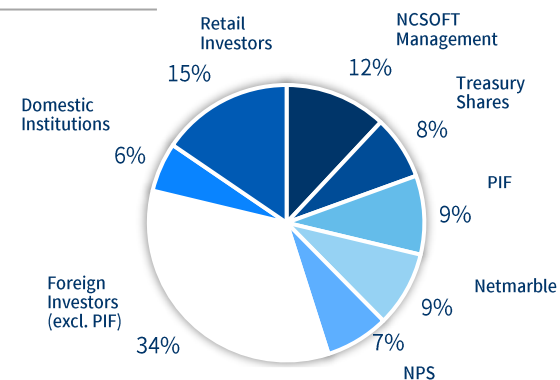
Established	March 11, 1997
CEO	KIM Taek-jin
Employees	5,450
Stock Listing	KOSPI (Ticker : A036570)
Global Network	Korea(HQ), North America, Europe, Japan, Taiwan, Vietnam

Board of Directors

Directors	Outside Directors
KIM Taek-jin CEO	HWANG Chan-hyun Attorney-at-law, Law firm Class
	BAEK Sang-hoon Chairman, BnH Taxation Services Company
	CHUNG Kyo-hwa Legal Director, Netflix Korea
	CHO Guk-hyun Professor of Business Administration, Hawaii Pacific University
	CHOI Young-ju Professor of Mathematics, POSTECH
Non-standing Director	
PARK Byeong-mu CEO, VIG Partners	

Ownership Structure

As of Sep 2022

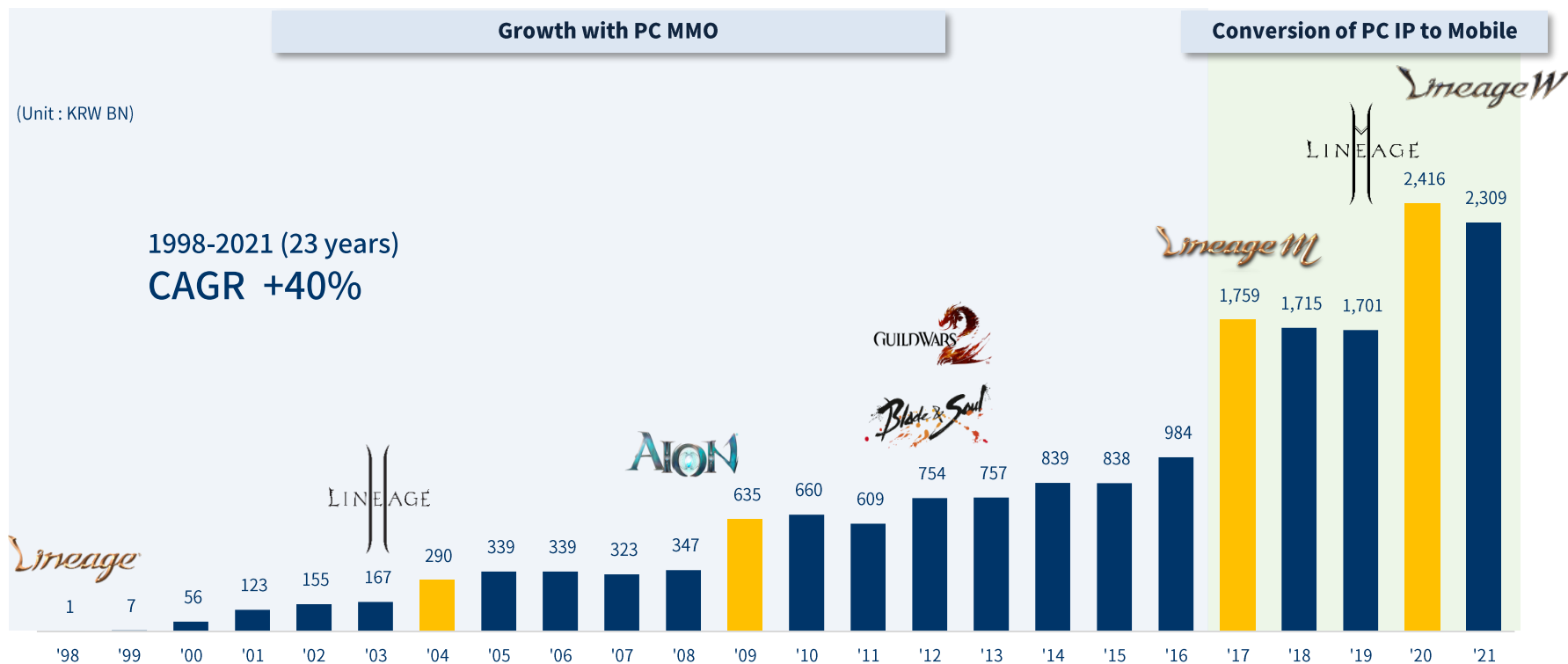


Board Committees

Audit Committee	Compensation Committee	Outside Director Nomination Committee
HWANG Chan-hyun (Chair)	PARK Byeong-mu (Chair)	HWANG Chan-hyun (Chair)
BAEK Sang-hoon	BAEK Sang-hoon	CHOI Young-ju
CHO Guk-hyun	CHOI Young-ju	CHUNG Kyo-hwa

2. Company Overview : Yearly Revenues Trend (1998 ~2021)

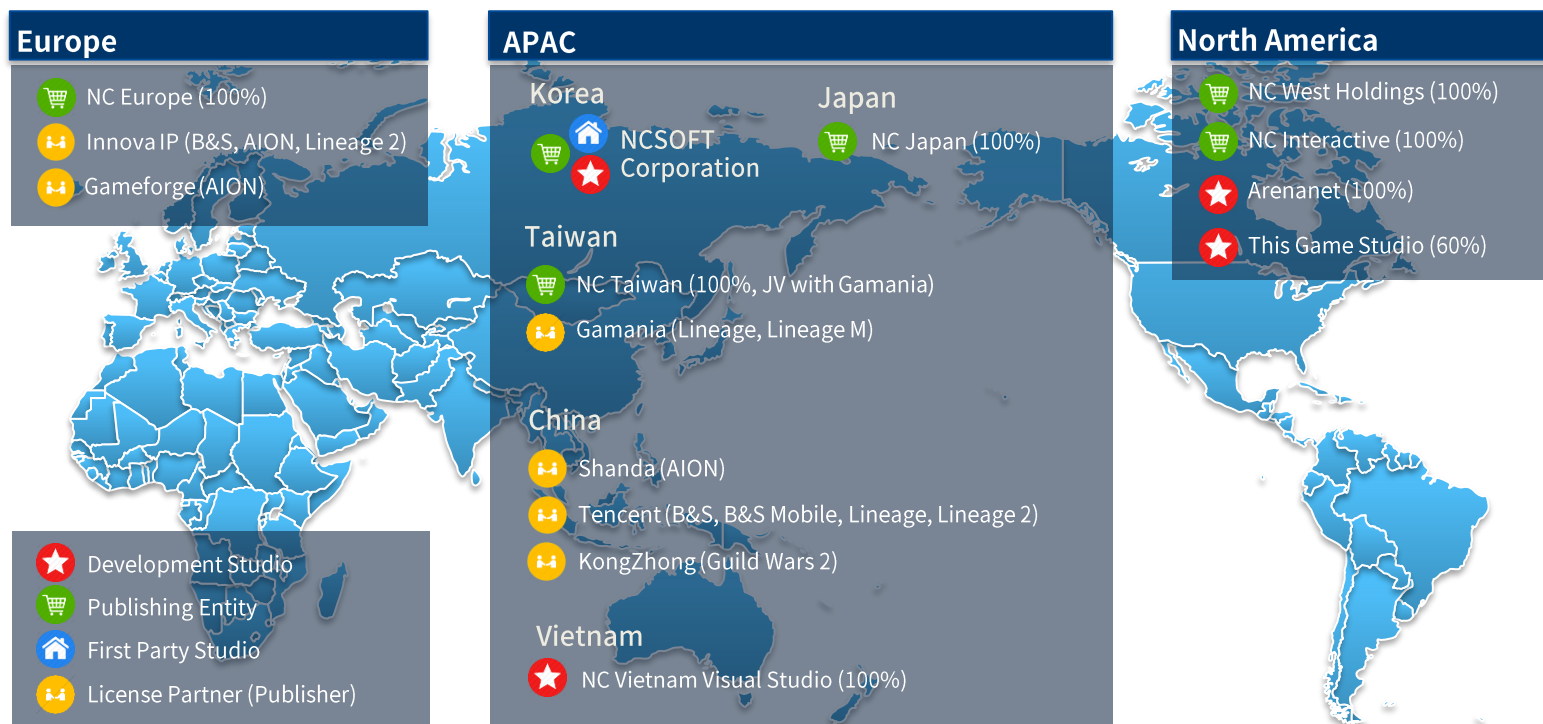
- Since 1998, launching quality MMORPGs on a regular basis has driven persistent growth over the past 22 years
- Expecting another quantum jump with successful launch of new titles and overseas expansion



2. Company Overview : Development & Publishing Network

- Online and mobile game development studios in Korea and North America
- Well-organized publishing arms in major markets such as US, Taiwan, Japan and Europe

Globalized Development & Publishing Network



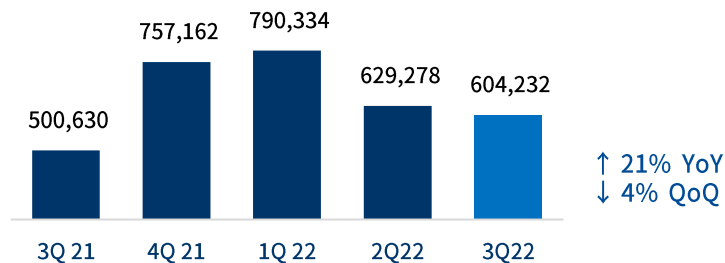
3. Financial Highlights (Quarterly)

- Sales was KRW 604.2 billion, up 21% yoy, but down 4% qoq
- Operating profit was KRW 144.4 billion, up 50% yoy and 17% qoq

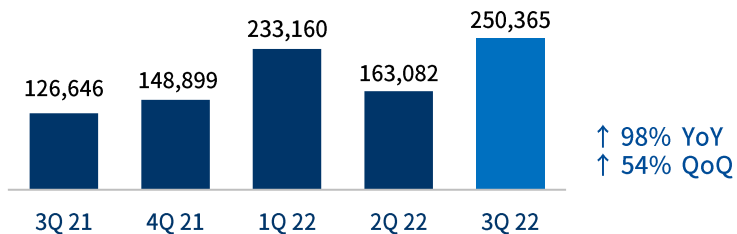
Quarterly Financials

(Unit: KRW MN)

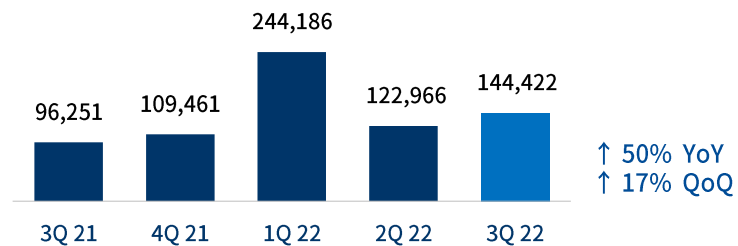
Sales



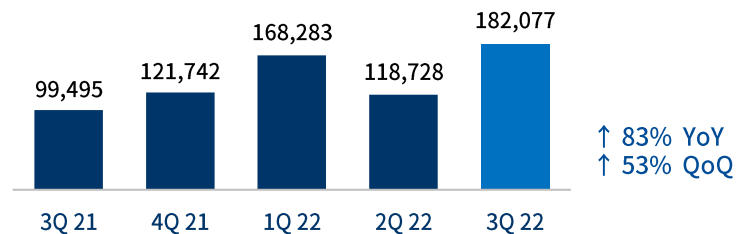
Pre-tax Income



Operating Profit

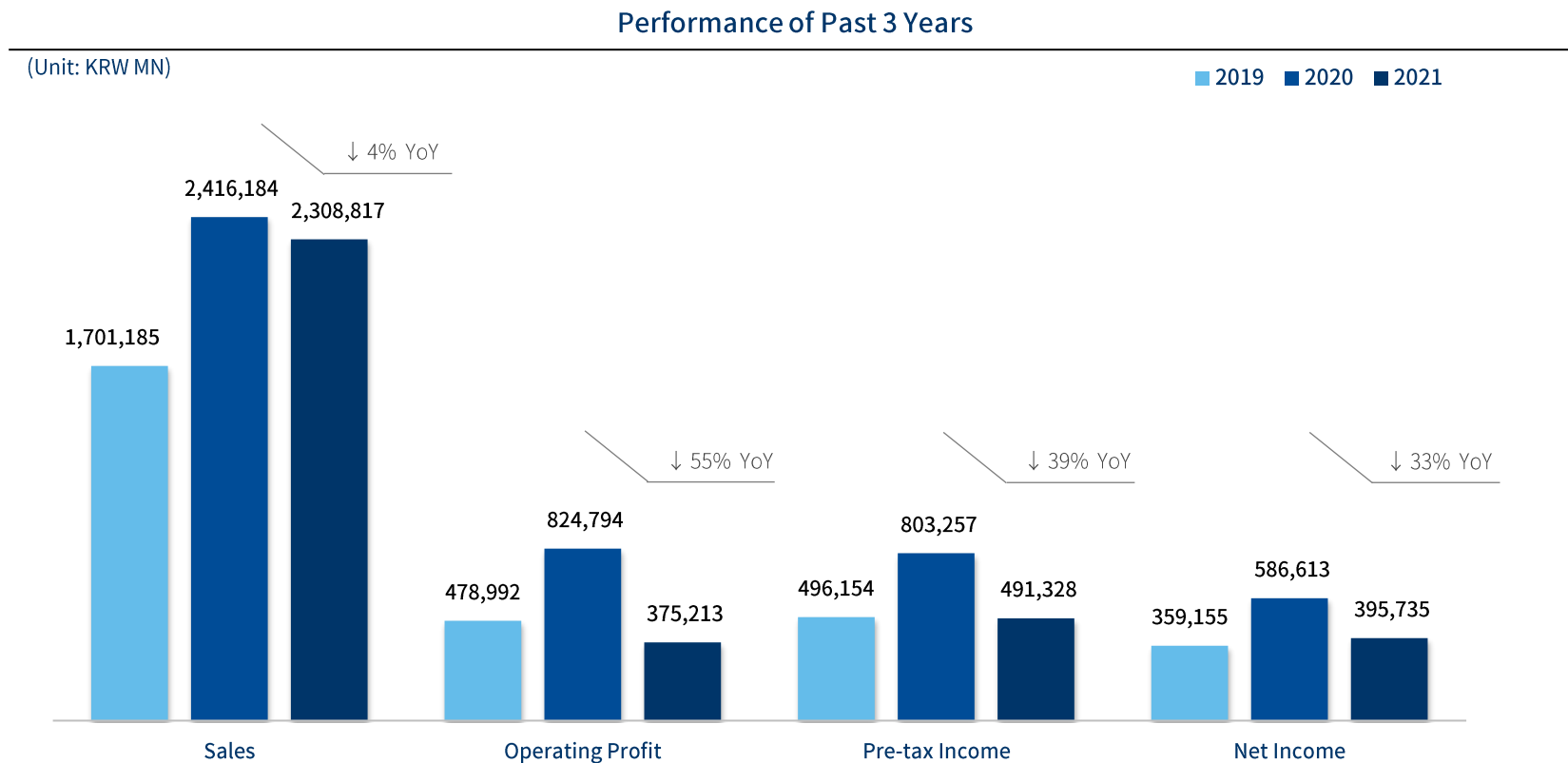


Net Income



3. Financial Highlights (Yearly)

- Full year 2021 sales was KRW 2,308.8 billion (YoY -4%), Operating profit was KRW 375.2 billion (YoY -55%)



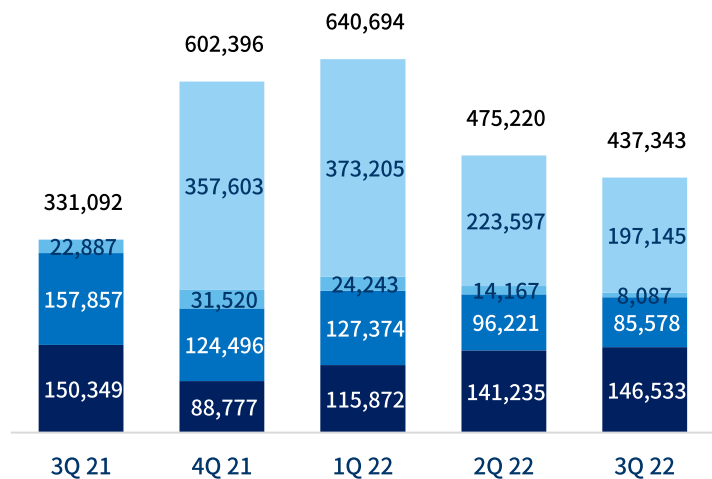
4. Sales Breakdown (Quarterly by Game)

- Mobile game sales was KRW 437.3 billion, down 8% qoq, due to the stabilization of Lineage W sales and decline in Lineage 2M sales
- Legacy PC online game revenue was up 1% qoq recording KRW 97.1 billion driven by rise in Lineage 2 and AION sales

Mobile Games

(Unit: KRW MN)

■ Lineage M ■ Lineage 2M ■ Blade & Soul 2 ■ Lineage W

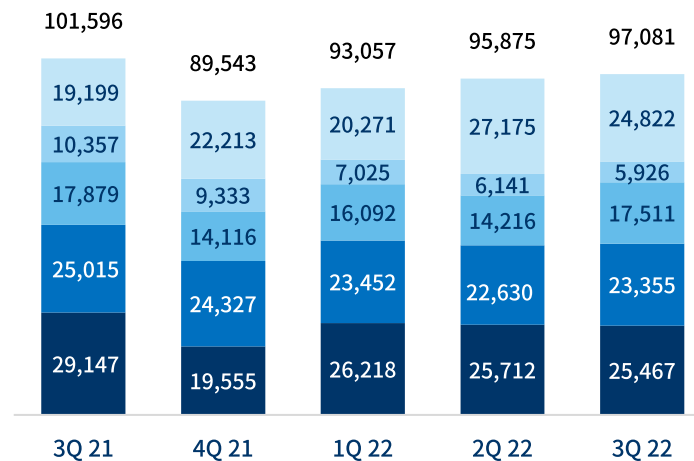


* Not including other mobile games

PC Online Games

(Unit: KRW MN)

■ Lineage ■ Lineage 2 ■ AION ■ Blade & Soul ■ Guild Wars 2



* Not including other PC online games

4. Sales Breakdown (Yearly by Game)

- Mobile games recorded KRW 1,610.5 billion, down by 4% yoy, representing 70% of total sales
- AION recorded KRW 74.9 billion, increase of 64% yoy due to opening of the classic server
- Guild Wars 2 posted KRW 73.7 billion, up by 21% yoy on the back of expectations on the new expansion pack

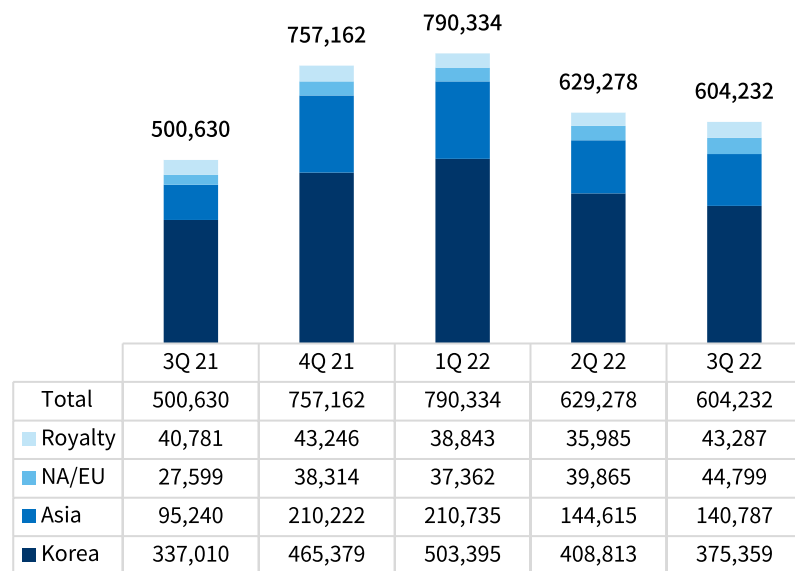


4. Sales Breakdown (by Region)

- Korea sales declined 8% qoq with stabilization of mobile game sales
- Overseas and royalty sales was KRW 228.9 billion, up 40% yoy, representing 38% of total sales

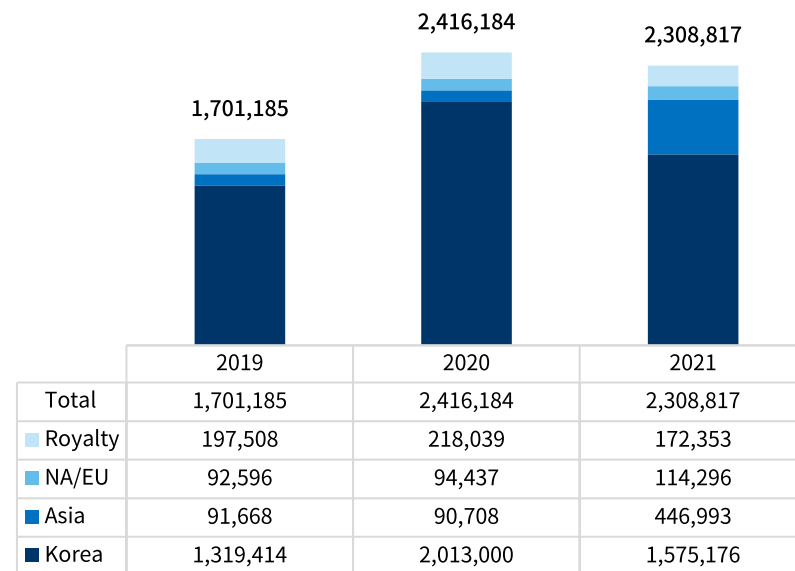
Quarterly Sales by Region

(Unit: KRW MN)



Yearly Sales by Region (FY 2021)

(Unit: KRW MN)

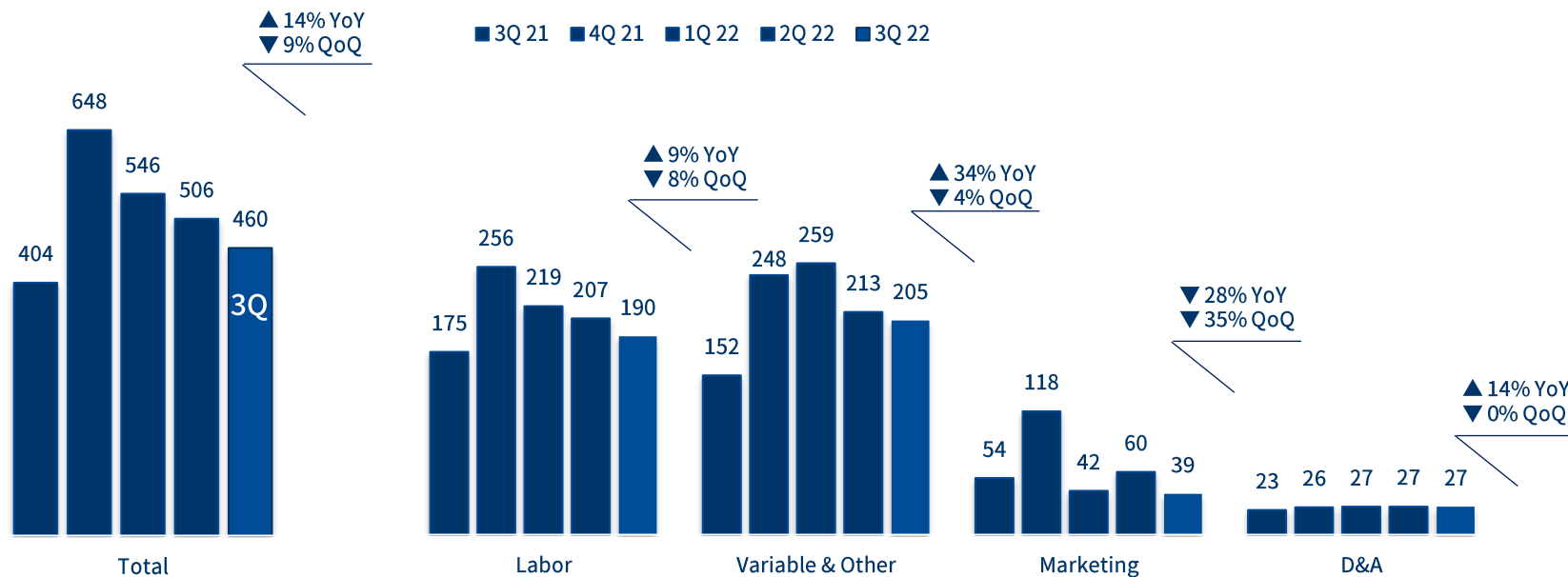


5. Cost Breakdown (Quarterly)

- 3Q operating expenses totaled KRW 459.8 billion, up 14% yoy but down 9% qoq
- 3Q labor cost was KRW 189.7 billion, down 8% qoq driven by decline in welfare benefits and adjustment in size of long-term performance-based incentive booked
- 3Q marketing was KRW 38.9 billion, down 35% qoq on efficient marketing spend across games

Quarterly Operating Cost Breakdown

(Unit : KRW BN)

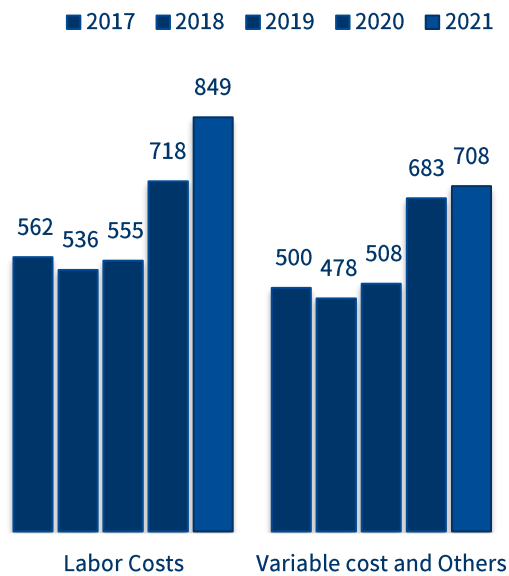


5. Cost Breakdown (Yearly)

- FY 2021 total expenses increased 22% yoy, FY 2021 marketing increased 123% yoy, FY 2021 labor cost increased 18% yoy

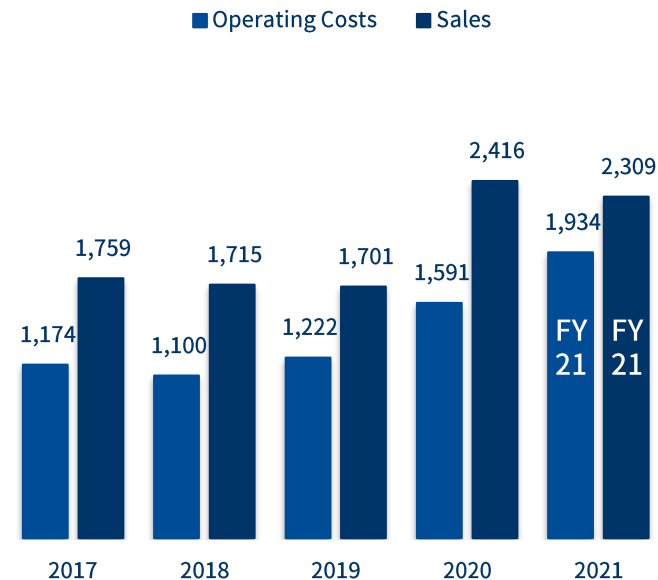
Yearly Operating Cost Breakdown

(Unit : KRW BN)



Yearly Operating Cost Vs Revenues

(Unit : KRW BN)



6. Strengths : Multiple Successful IPs

- Multiple flagship IPs; Diversified across various product lines and platforms
- Active R&D for new IPs

Cumulative Revenue by IP (~3Q22)

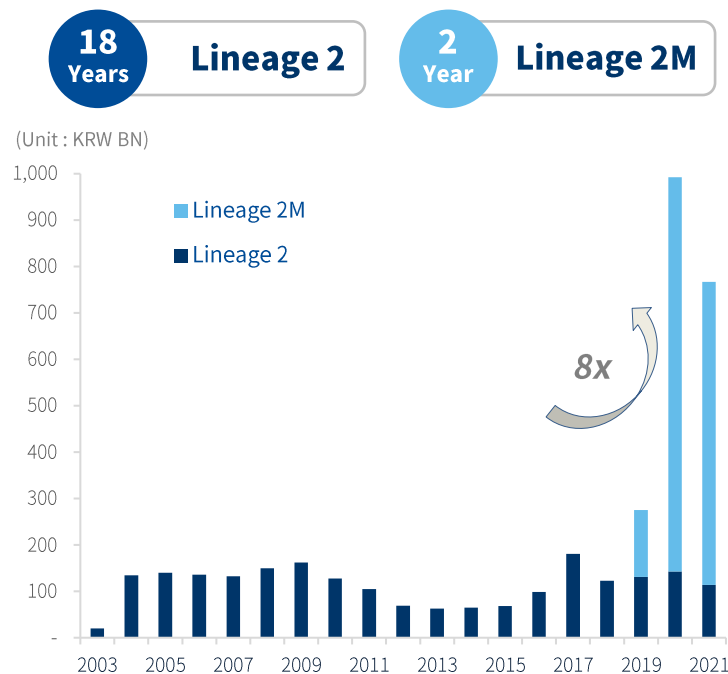
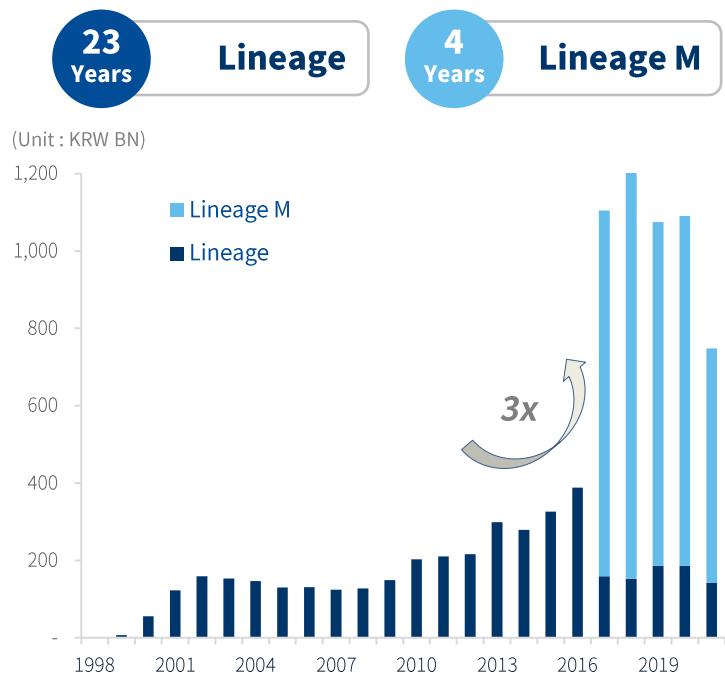
(Unit : KRW TN)



6. Strengths : Sustainable Longevity

- Continuous growth bolstered by diverse game portfolio with longevity
- Lifecycle extension witnessed by IP utilization across various platforms

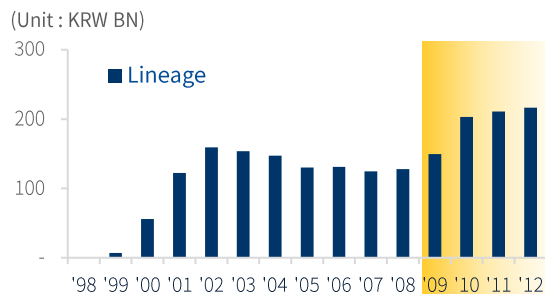
Annual Revenue by IP (~2021)



6. Strengths : Driving Innovation

- Leading innovation in online gaming space by prioritizing user experience

Paid Item System



- ✓ The first PC MMORPG to adopt paid item system (sell in-game items)

Massively Multi-player Experience on Mobile



- ✓ The first mobile game to enable 1,000 vs.1,000 real-time battle

Cross Play Platform



- ✓ The first game company to develop and support PC/mobile cross play platform for MMORPG

6. Strengths : Our Technology

AI Research



Since 2011, when NC became the first game company in Korea to establish an AI research department, NC has become a global leader in AI R&D, with a team of more 200 people. We focus on enhancing AI capabilities in gaming, culture and society, as well as setting ethical standards for AI use. For gaming, we offer:

- Voice Synthesis
- Voice Conversion & In-Game Commands
- NPC Decision-making
- World Simulation & Generation
- Physics Simulation & Animation
- Video Processing
- Real-time AI translation engine

Visual Production



NC was the first game company in Korea to build visual production facilities in-house. Our team of 150 engineers improve our player experience and visual fidelity using these state-of-the-art facilities, including:

- Motion capture studio
- 3D scanning chamber
- Environmental mapping studio
- MONA (Museum of NC Assets)

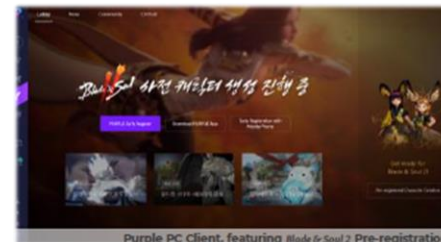
Audio Production



NC was also the first Korean game company to build audio facilities in-house, including a Foley studio and a 5.1 sound mixing studio. Our team of 70 audio technologists offer our game and music initiatives the following:

- Music & score composition
- Orchestration & performance recording
- Access to 700 Music IPs
- Immersive Sound Design:
 - Movement audio synced to joint animations
 - Dynamic environmental audio
 - Volumetric reverb using ray-tracing

NC PURPLE



Launched in June 2020, PURPLE is our new platform enabling seamless cross-play and cross-progression between mobile and PC for NC's newest titles, including Lineage M, Lineage 2M, Trickster M, and the upcoming Blade & Soul 2.

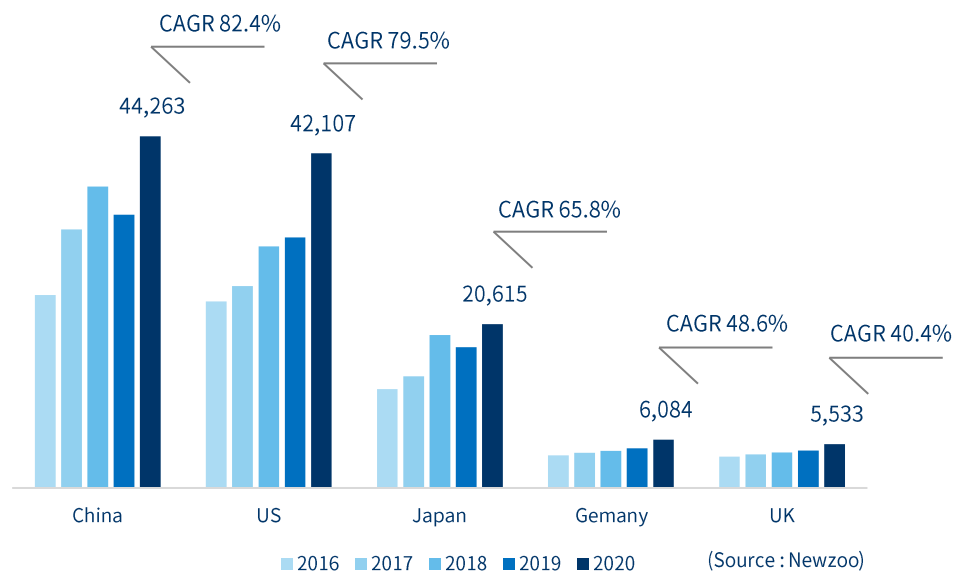
In addition to its transplatform support, PURPLE features built-in community elements and product announcements for each title, integrated cross-product chat, and streaming support to play NC titles on any screen in your home.

7. Strategy – Overseas Expansion

- Global games market has shown remarkable growth for the past few years
- Our strategy is to take this opportunity and expand our presence in global market through global IPs and new games designed for global market

Global Games Market Growth

(Unit : USD M)



NCSOFT Overseas Contribution

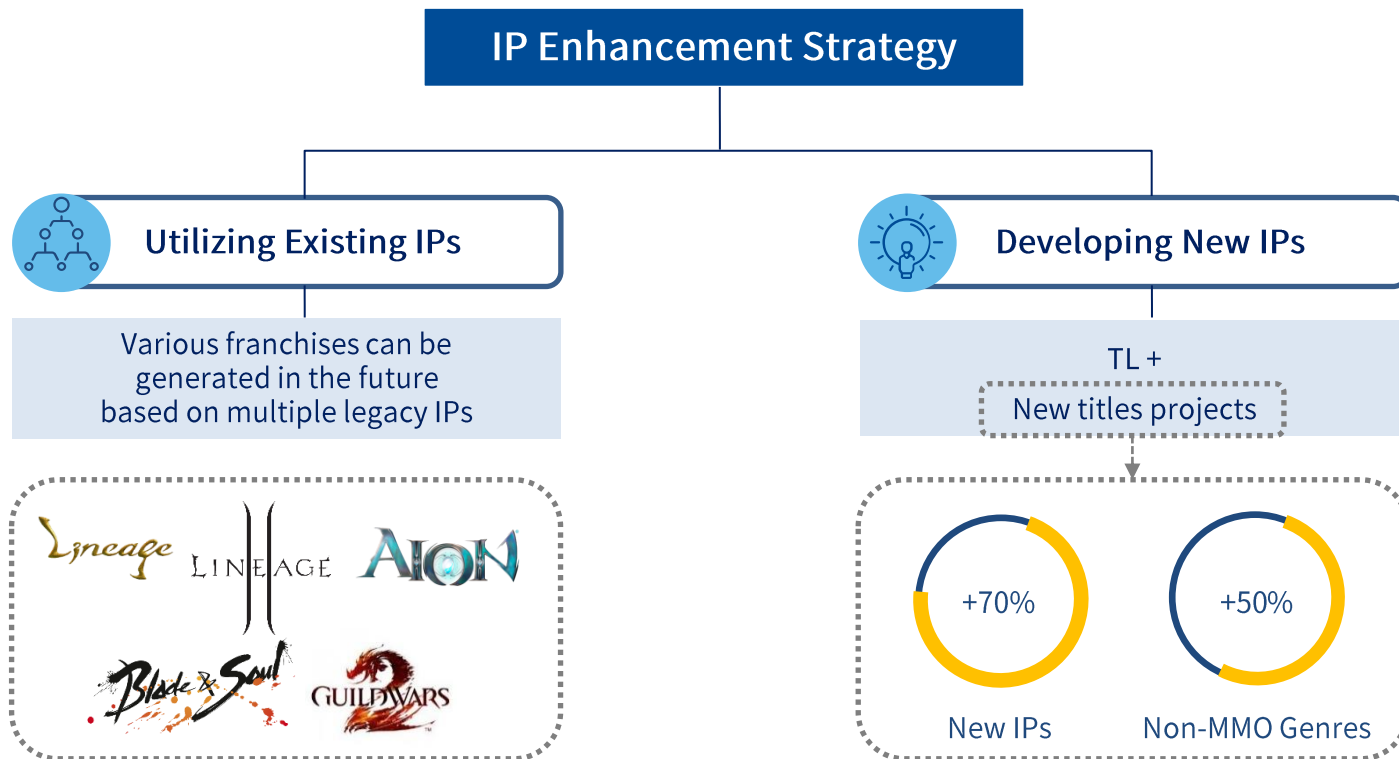
■ Overseas & Royalty
■ Domestic

“Aiming bigger overseas contribution with global IPs and new games designed for global market”

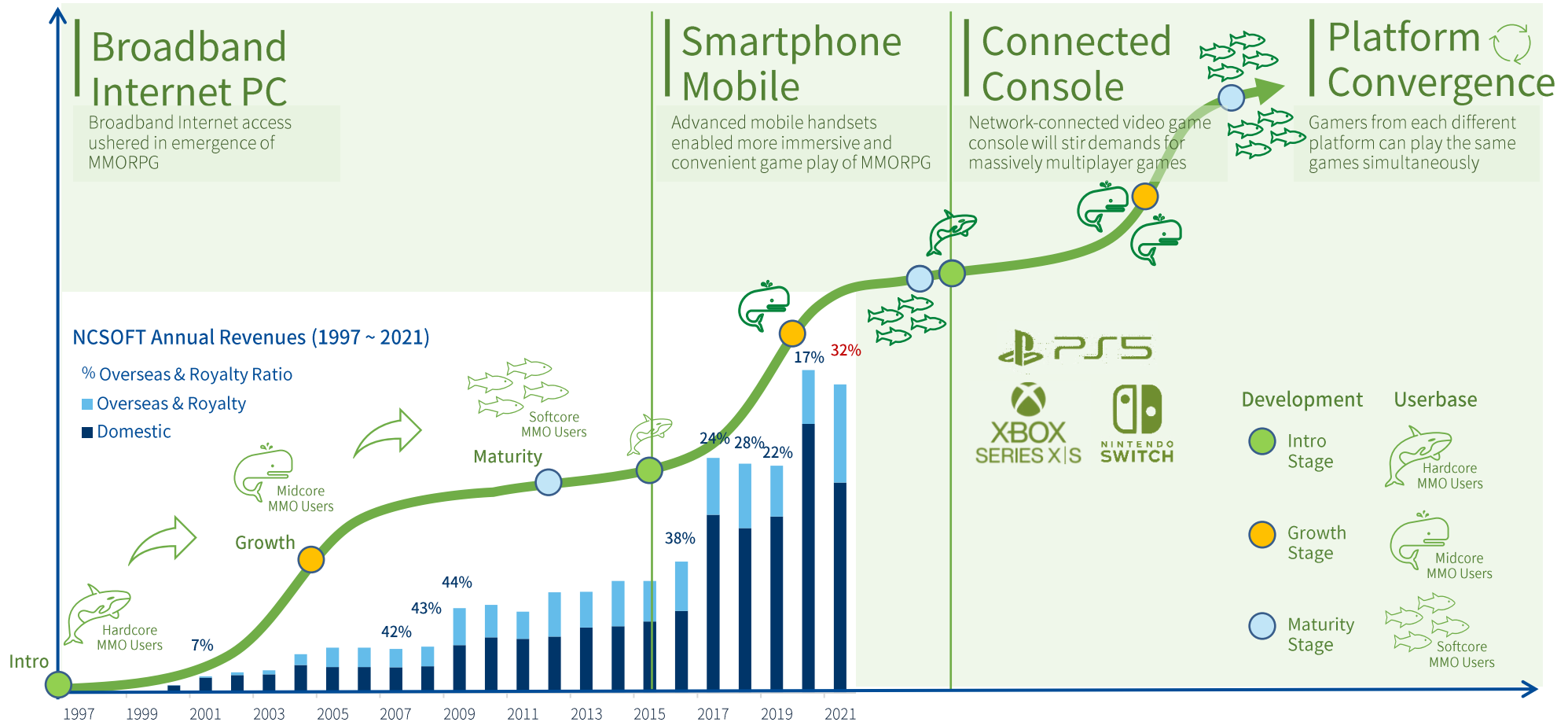


7. Strategy – IP Enhancement

- Our strategy is to enhance IP competitiveness through keep utilizing our legacy IPs and developing new IPs to generate more diverse sources of revenue



7. Strategy – Expansion to Mid-core Users through Platform Convergence



8. Consolidated Financial Statements

Statement of Financial Position

	FY 2021	3Q 22
Assets		
I. Current Assets	2,452,606	2,834,277
Cash and cash equivalents	255,942	277,628
Short-Term financial instruments	420,420	725,111
Account receivables	277,920	216,642
Other receivables	48,889	44,693
Short-Term investment assets	1,385,155	1,523,864
Others	64,280	46,339
II. Non-current Assets	2,129,283	1,615,198
Long-Term loans	7,228	8,274
Other receivables	20,312	22,205
Long-Term investment assets	1,139,532	439,482
Investment stock in Affiliated companies	54,644	42,726
Investment property	91,055	90,070
Tangible assets	747,288	888,593
Intangible assets	42,322	43,287
Others	26,901	80,561
Total Assets	4,581,889	4,449,475

(UNIT : KRW MN)

	FY 2021	3Q 22
Liabilities		
I. Current Liabilities	663,361	520,925
Borrowings	145,137	-
Account payables	74,026	54,068
Lease liabilities	36,058	39,248
Current tax liabilities	63,520	107,151
Other current liabilities	344,620	320,458
Other provisions	-	-
II. Non-current liabilities	767,302	730,786
Borrowings	409,120	409,302
Defined benefit obligations	6,041	6,004
Long-Term employee benefits	20,231	19,723
Lease liabilities	182,481	188,829
Others	149,428	106,929
Total Liabilities	1,430,663	1,251,711
Shareholders Equity		
I. Capital Stock	10,977	10,977
II. Other Paid-in Capital	(189,424)	(189,424)
III. Other Components of Equity	255,838	(65,958)
IV. Retained Earnings	3,071,454	3,440,113
V. Non-controlling Interest	2,382	2,056
Total Shareholders Equity	3,151,227	3,197,764
Total Liabilities and Shareholders Equity	4,581,889	4,449,475

8. Consolidated Financial Statements

Income Statement

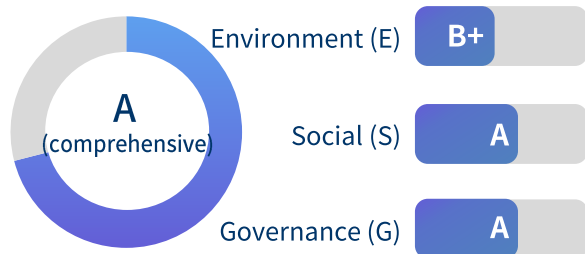
(UNIT : KRW MN)

	3Q 21	4Q 21	1Q 22	2Q 22	3Q 22
Sales	500,630	757,162	790,334	629,278	604,232
Operating Expenses	404,379	647,701	546,148	506,312	459,810
Operating Income	96,251	109,461	244,186	122,966	144,422
Non-operating Income	30,395	39,438	(11,026)	40,116	105,942
Pre-tax Income	126,646	148,899	233,160	163,082	250,365
Income Tax	27,150	27,157	64,876	44,354	68,288
Net Income	99,495	121,742	168,283	118,728	182,077
Equity Attribution to the Owners of the Parent Company	99,749	121,868	168,902	118,614	181,815
Non-controlling Interest	(254)	(126)	(619)	114	262

9. NCSoft ESG Performances

KCGS ESG Ratings

■ Comprehensive Rating 2020 [B+] → 2021 [A]



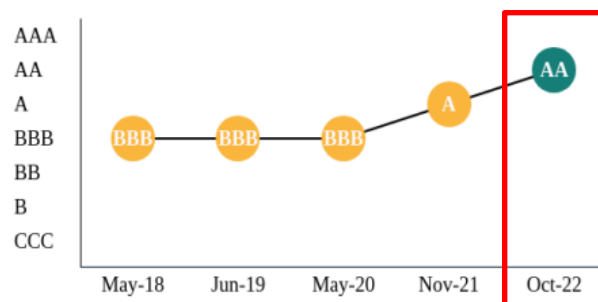
[Ref] ESG Ratings: S, A+, A, B+, B, C, D

■ Improvement Factors

- Environment (D → B+)
 - Very first disclosure of environmental data (GHGs, energy, etc.) among gaming companies
- Social (B+ → A)
 - Disclosure of HR Data (diversity, education, etc.), Declaration of human rights policy, etc.

MSCI ESG Ratings

■ Comprehensive Rating 2020 [BBB] → 2022 [AA]



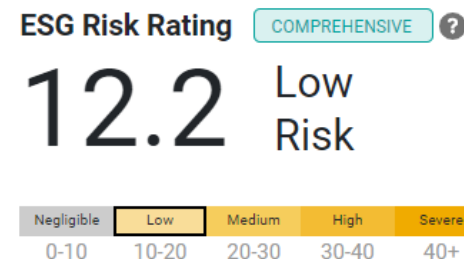
[Ref] ESG Ratings : 7 Ratings range from AAA to CCC

■ Improvement Factors

- Data privacy & Information Security
 - Information security policy of global standard
- Human Resource Development
 - Talent recruitment, gender diverse workforce

Sustainalytics ESG Risk Rating

■ Risk Rating 2021 [16.8] → 2022 [12.2]



[Ref] ESG Ratings : Indicated by risk score between 0 and 50. The lower the score, the lower the company's ESG risk

■ Improvement Factors

- Data privacy & Information security
 - Data privacy governance (education, regular audit, etc.)
- Human Resource Development
 - Disclosure of HR data (diversity, turnover rate, etc.)



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