

3Q 2019 Earnings Release

NCSOFT IR November 14, 2019

NCSOFT

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Disclaimer

The financial results for 3Q 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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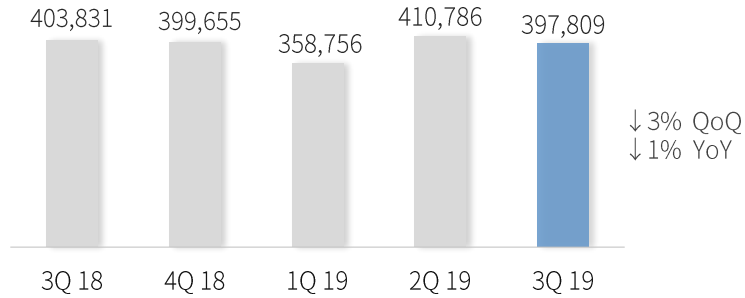
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1. Financial Highlights (Quarterly)

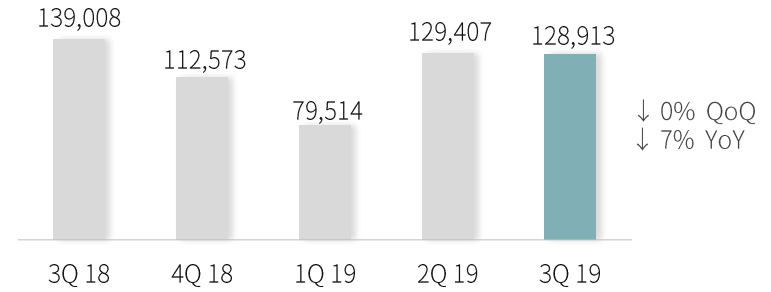
- Sales totaled KRW 397.8 billion, slightly declining 3% qoq and 1% yoy
- Operating profit was KRW 128.9 bn, similar to 2Q, due to less labor cost and marketing

(Unit : KRW MN)

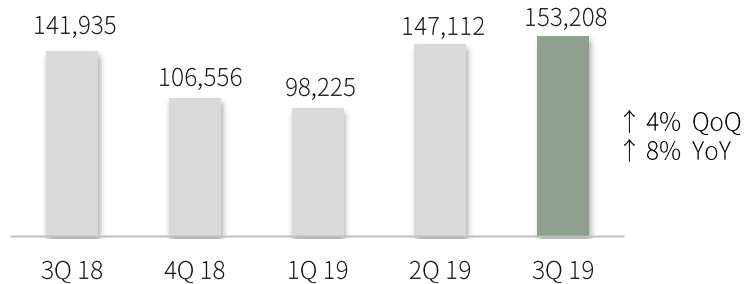
Sales



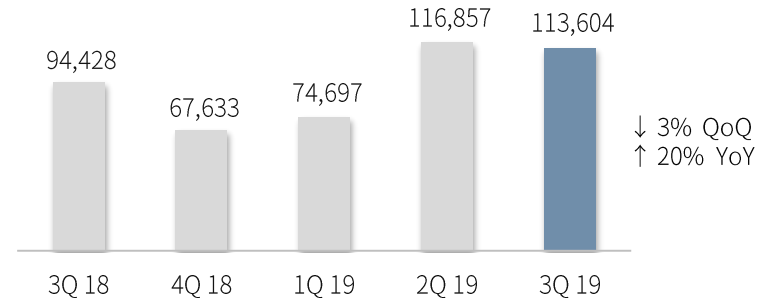
Operating Profit



Pre-tax Income



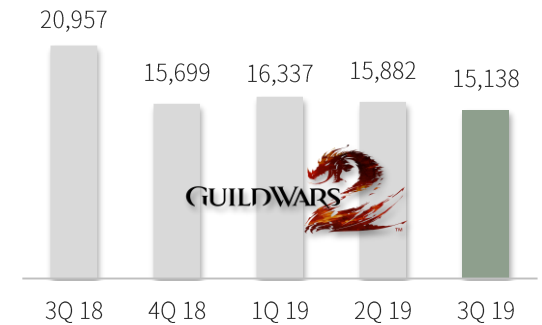
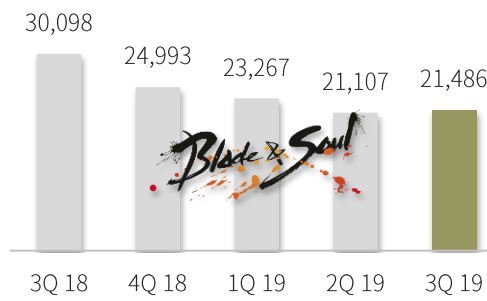
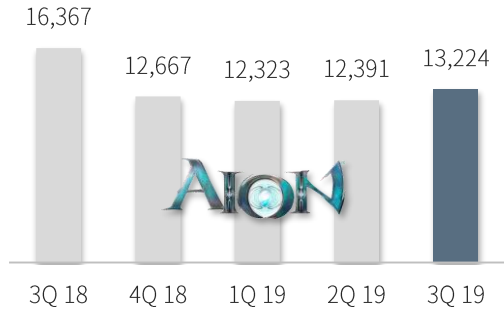
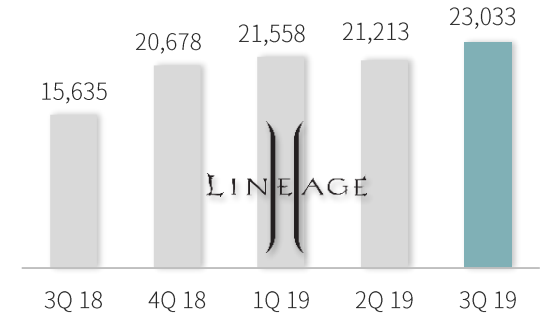
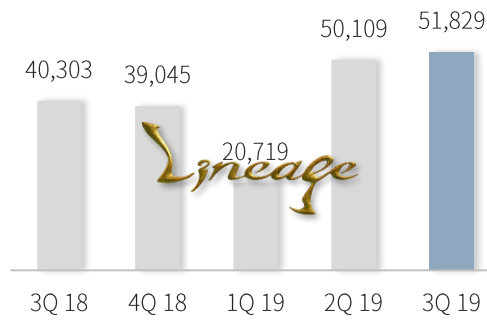
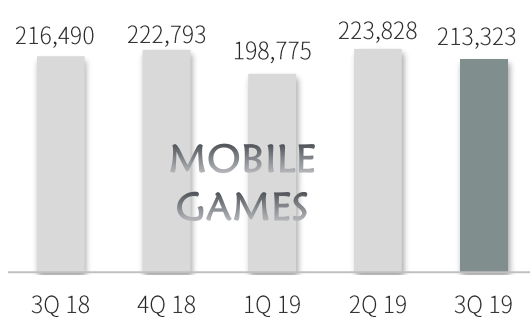
Net Income



2. Sales Breakdown (Quarterly by Game)

- Mobile games declined 5%, due to limited in-game item promotions, in light of the Lineage M large-scale update in 4Q
- The five PC online games posted KRW 124.7 bn, up 3% qoq with Korea sales growing qoq for all games

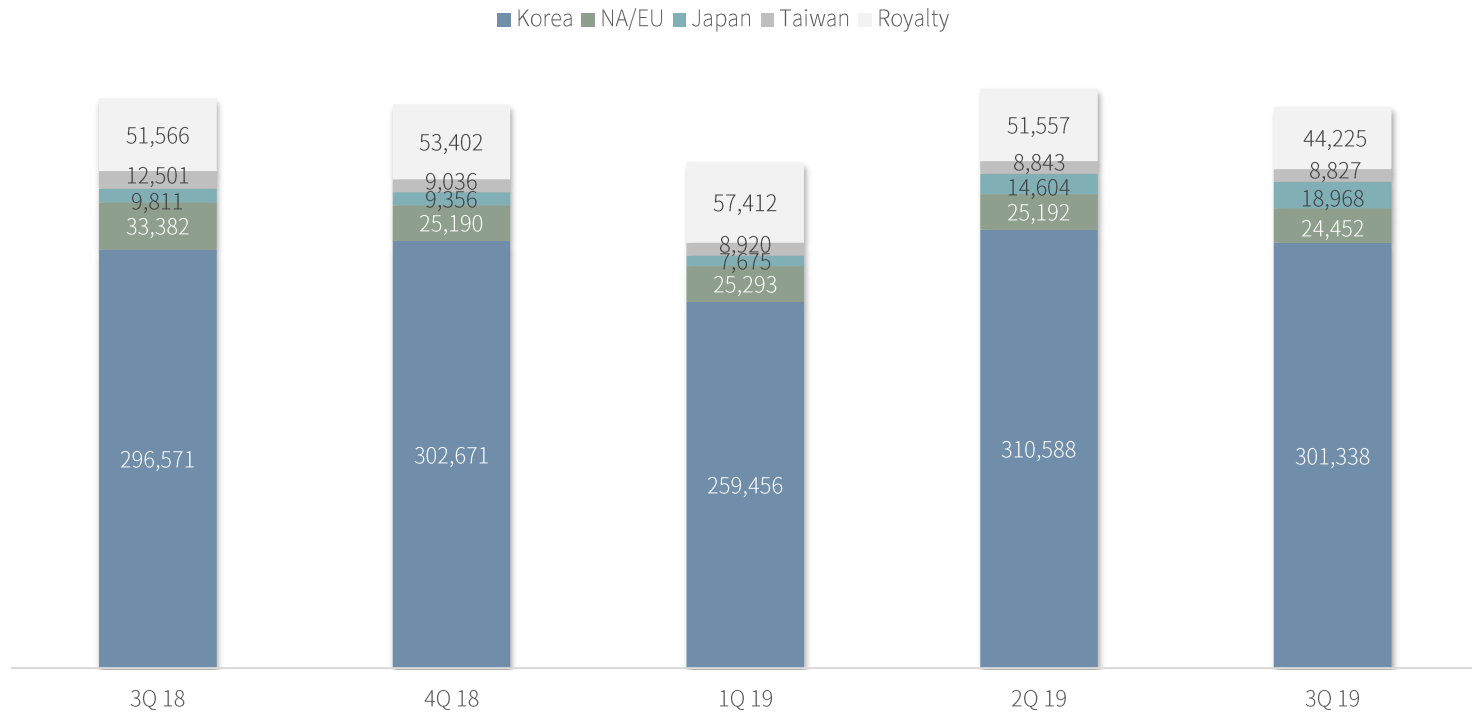
(Unit : KRW MN)



2. Sales Breakdown (by Region)

- Royalty revenue declined 14% qoq, due to less B&S IP-based mobile game and Lineage M Taiwan revenue

(Unit : KRW MN)



3. Costs Breakdown

- Labor cost declined 8% qoq because of a decrease in welfare benefit costs and one-off item change
- Variable cost dropped 5% qoq due to less distribution fees
- Marketing decreased 6% qoq from absence of Lineage M Japan launch and various event expenses

(Unit : KRW MN)

	3Q 18	4Q 18	1Q 19	2Q 19	3Q 19	QoQ	YoY
Labor cost	128,881	135,651	143,194	125,822	116,146	-8%	-10%
Variable cost	72,577	76,851	65,336	77,189	73,094	-5%	1%
Payment processing fees	5,972	6,002	5,000	5,920	5,839	-1%	-2%
Distribution fees	65,175	67,107	59,658	67,137	64,411	-4%	-1%
Royalty	986	839	921	1,323	972	-26%	-1%
Box & merchandise production fees	191	2,381	182	502	709	41%	272%
Others	253	522	-424	2,308	1,162	-50%	359%
Marketing	16,513	15,894	18,987	24,230	22,766	-6%	38%
D&A	7,635	6,863	11,982	12,974	12,747	-2%	67%
Others (*)	39,216	51,823	39,743	41,164	44,144	7%	13%
Total	264,822	287,083	279,242	281,379	268,896	-4%	2%

* 3Q19 Others include Bandwidth costs(2,914), Rent(1,133), Wage for outsourced staff(5,844), Outsourced R&D(1,699) etc.

4. Consolidated Financial Statements

Statement of Financial Position

(Unit : KRW MN)

	31 DEC 2018	30 SEP 2019
Assets		
I. Current Assets	1,576,409	1,918,281
Cash & cash equivalents	185,593	206,333
ST financial instruments	232,653	297,167
Account receivables	148,500	128,875
Other receivables	30,452	18,503
ST Investment assets	948,114	1,233,268
Others	31,098	34,134
II. Non-Current Assets	1,364,870	1,282,528
LT loans	56	4,581
Other receivables	10,930	10,383
LT Investment assets	895,022	704,587
Investments in affiliated companies	56,380	63,300
Investment property	95,006	94,014
Tangible assets	233,877	342,610
Intangible assets	54,377	54,601
Others	19,222	8,451
Total Asset	2,941,279	3,200,810

	31 DEC 2018	30 SEP 2019
Liabilities		
I. Current Liabilities	473,074	310,671
Bonds	155,051	13,866
Account payables	33,307	68,061
Lease Liabilities	-	24,251
Current tax liabilities	71,150	35,530
Other provisions	2	2
Others	213,566	168,962
II. Non-Current Liabilities	89,233	414,074
Bonds	-	249,296
Defined benefit obligations	4,101	14,227
LT employee benefits	7,121	7,850
Lease Liabilities	-	70,857
Others	78,011	71,844
Total Liabilities	562,307	724,746
Stockholders Equity		
I. Capital stock	10,970	10,977
II. Other paid-up capital	4,454	(2,247)
III. Other components of equity	188,477	115,997
IV. Retained earnings	2,163,816	2,337,965
V. Non-controlling interests	11,254	13,371
Total Stockholders Equity	2,378,971	2,476,064
Total Liabilities and Stockholders Equity	2,941,279	3,200,810

4. Consolidated Financial Statements

Comprehensive Income Statement

(Unit : KRW MN)

	3Q 18	4Q 18	1Q 19	2Q 19	3Q 19
Sales	403,831	399,655	358,756	410,786	397,809
Operating Expenses	264,822	287,083	279,242	281,379	268,896
Operating Income	139,008	112,573	79,514	129,407	128,913
Non-operating Income	2,927	(6,016)	18,711	17,705	24,295
Income Before Income Tax Expense	141,935	106,556	98,225	147,112	153,208
Income Tax Expense	47,507	38,923	23,528	30,255	39,604
Net Income	94,428	67,633	74,697	116,857	113,604
Equity Attribution to the Owners of the Parent Company	92,869	66,616	74,189	116,423	113,339
Non-controlling Interest	1,559	1,017	508	434	265