4Q 2011 Earnings Release

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Disclaimer

The financial results for 4Q 2011 have been prepared on an un-audited basis, and may be subject to change during independent auditing process.

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

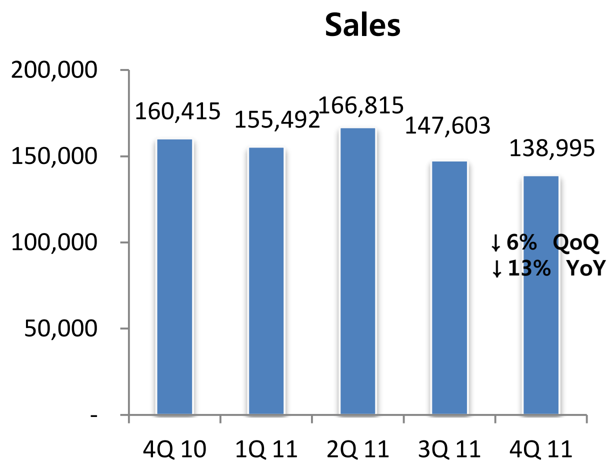
※ Consolidated subsidiaries (K-IFRS based) :
NC Interactive(100%, US), Arenanet(100%, US), NC Europe(100%, UK),
NC Japan(60%, JP), NCsoft Japan(100%, JP), NC Taiwan(85%, TW),
NCsoft Corporation(Parent, KR), Next Play(65%, KR), NCsoft Service(100%, KR),
NC Dinos Baseball Club(100%, KR), Hotdog Studio(58%, KR), Oraion Soft(100%, KR)

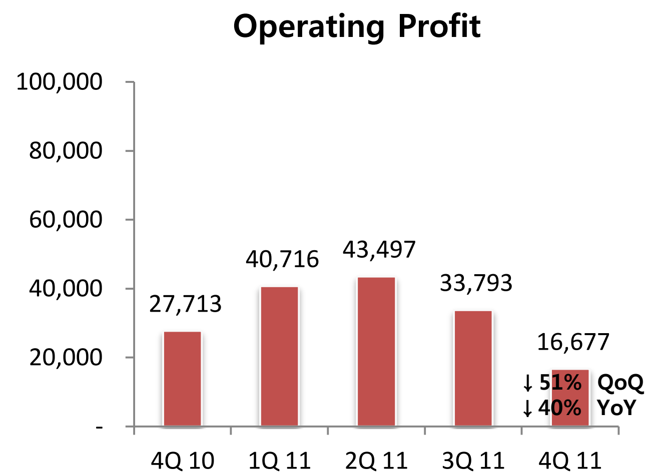
Contents

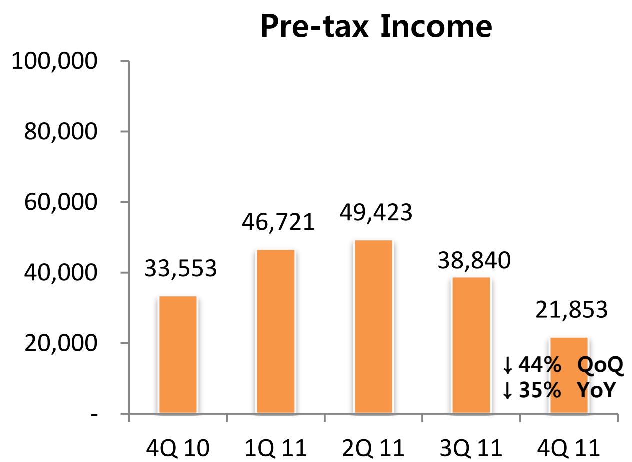
1. Financial Highlights (Quarterly)

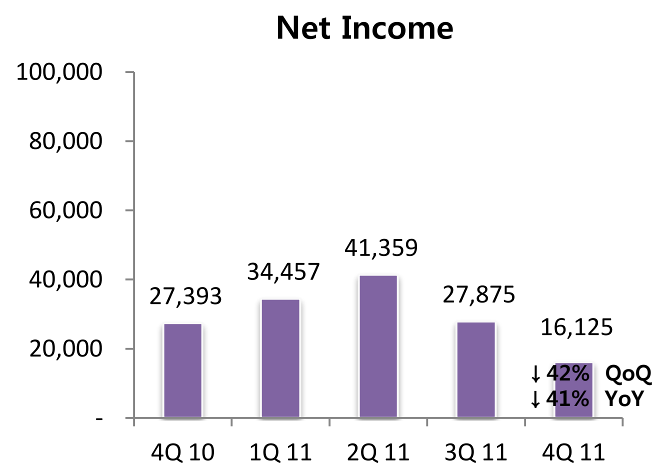
Sales and profit declined due to scaled back in-game item sales in 4Q

(Unit : KRW in MN)





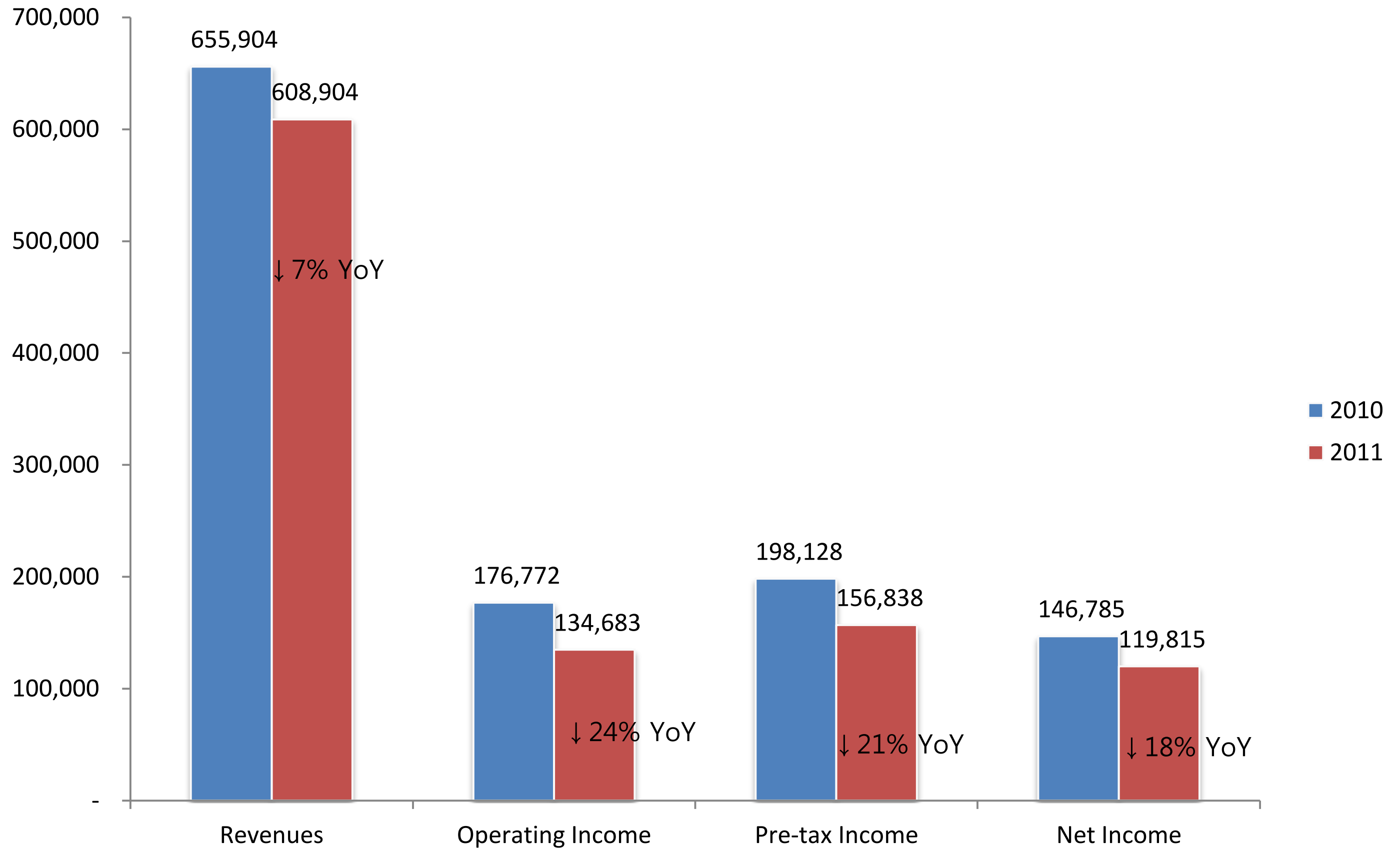




1. Financial Highlights (Yearly)

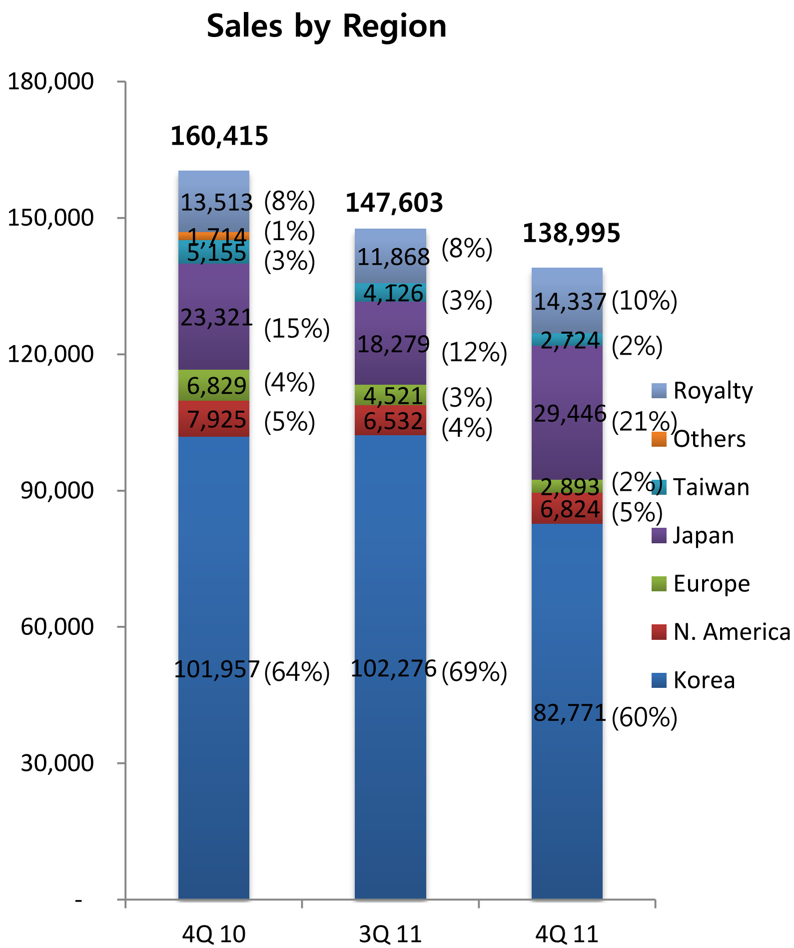
Revenues reduced YoY due to weakened user base
Profits shrank reflecting decreased revenues and R&D expansion

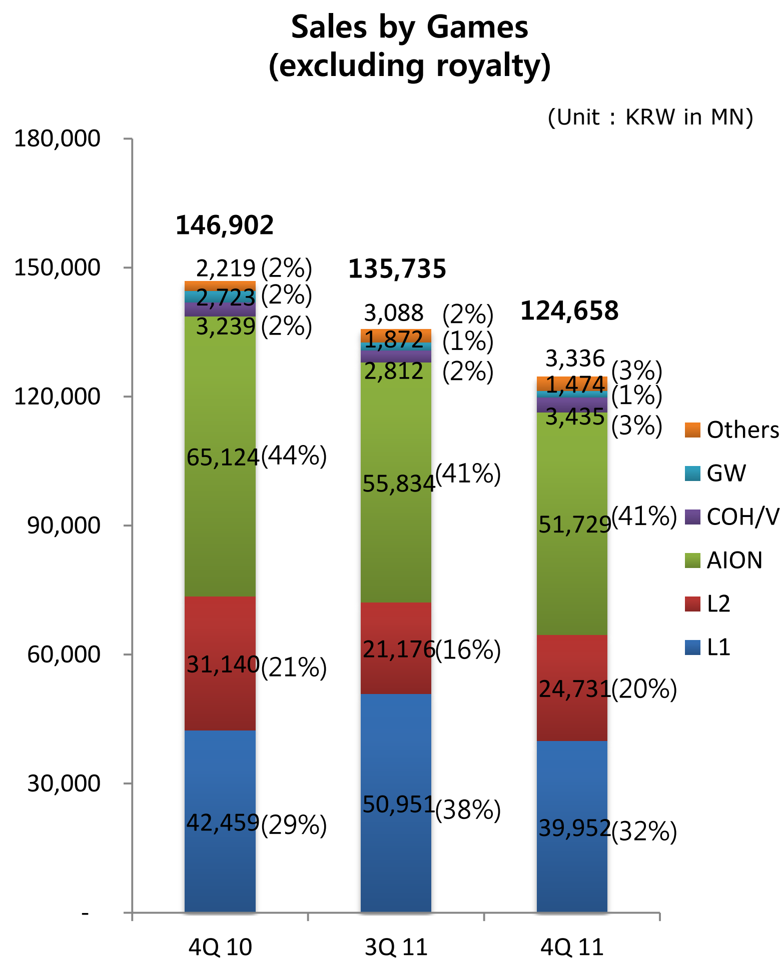
(Unit : KRW in MN)



2. Sales Breakdown (Quarterly)

Korea came down QoQ because of slow L1, while Japan grew thanks to year-end promotion
L1 decreased QoQ due to lack of in-game item sales, where as L2 rose thanks to roust sales in Japan



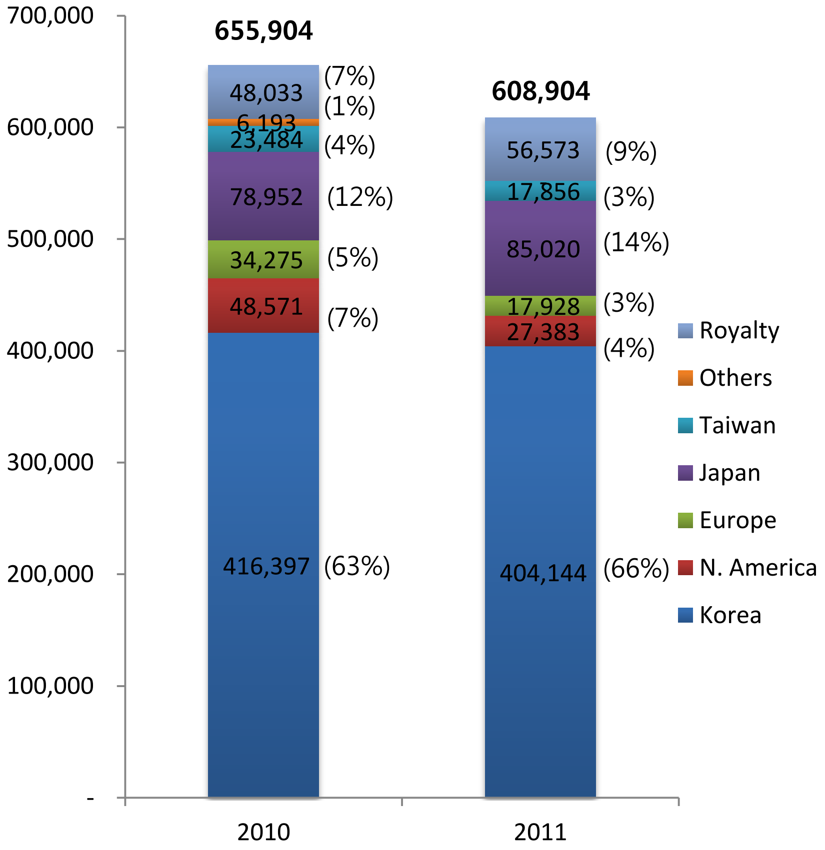


L1 : Lineage 1 COH/V : City of Heroes/Villains
L2 : Lineage 2 GW : Guild Wars

2. Sales Breakdown (Yearly)

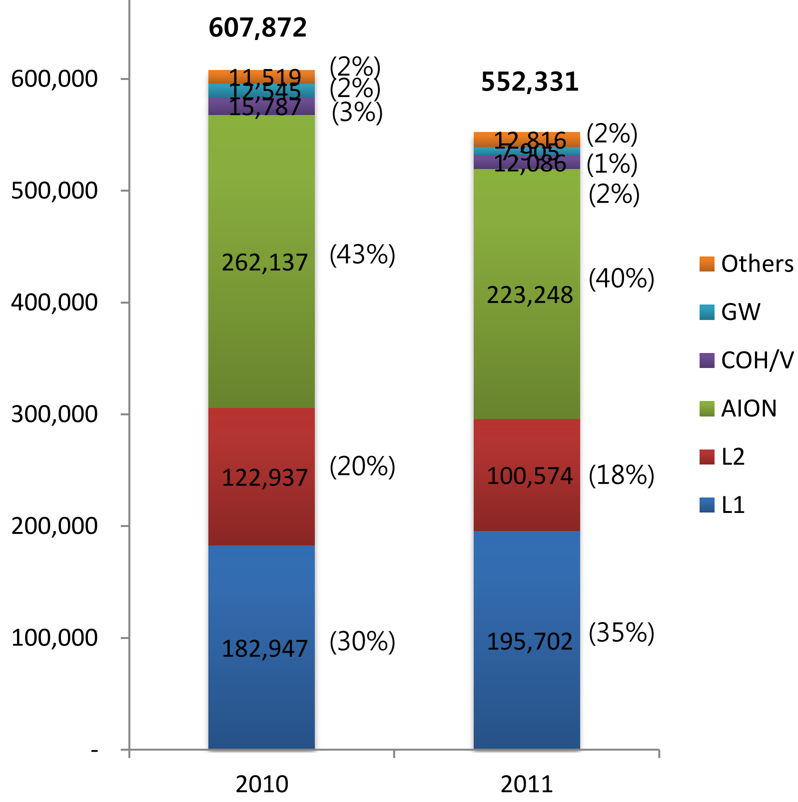
Korea was flat YoY on the back of strong user base, while US & EU came down with user attrition
L1 recorded historical high annual revenues, but L2 declined YoY due to weakened user base

Sales by Region



Sales by Games (excluding royalty)

(Unit : KRW in MN)



L1 : Lineage 1 COH/V : City of Heroes/Villains
L2 : Lineage 2 GW : Guild Wars

3. Costs Breakdown

Labor cost grew 9% YoY as efforts were made to acquire more talents for long term growth
Variable expense was up 7% YoY partly because of royalty increase
Marketing expense increased 25% YoY reflecting active marketing campaigns and corporate PR activities

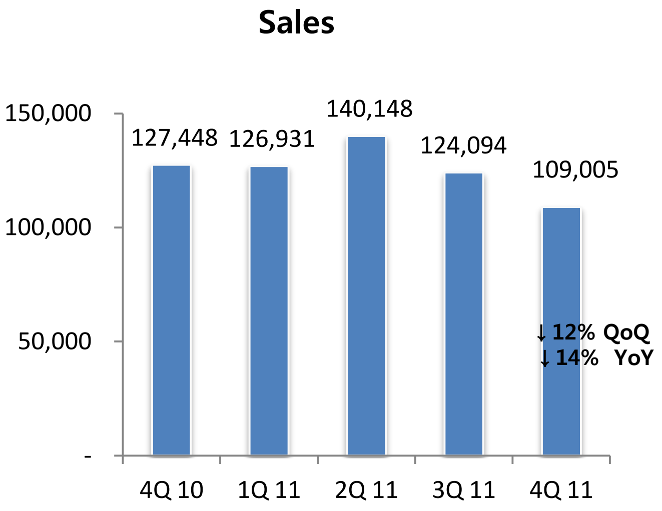
(Unit : KRW in MN)

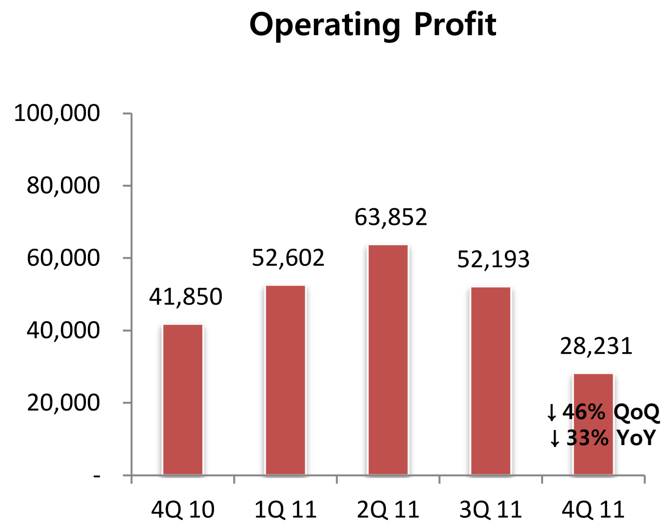
	4Q 10	1Q 11	2Q 11	3Q 11	4Q 11	QoQ	YoY	2010	2011	YoY
Labor Cost	68,442	69,317	68,634	65,355	66,062	1%	-3%	246,995	269,368	9%
Variable expense	9,261	8,884	9,838	9,402	10,885	16%	18%	36,581	39,009	7%
- Payment processing fee	6,433	6,006	6,352	6,168	7,247	17%	13%	24,612	25,773	5%
- Royalty expense	1,539	1,678	1,366	1,538	1,880	22%	22%	4,896	6,461	32%
- Box production fee	1,069	228	1,121	974	1,257	29%	18%	3,761	3,580	-5%
- Other variable	219	972	999	722	501	-31%	129%	3,312	3,195	-4%
Marketing expense	4,771	3,136	3,968	5,328	6,315	19%	32%	14,959	18,747	25%
D&A	6,432	7,081	6,658	7,002	7,885	13%	23%	22,620	28,626	27%
Others(*)	31,660	26,554	28,014	30,020	32,758	9%	3%	111,532	117,346	5%
Sub Total	**120,567**	**114,972**	**117,112**	**117,107**	**123,906**	**6%**	**3%**	**432,686**	**473,097**	**9%**
Other Income	**4,034**	**2,989**	**4,478**	**4,527**	**4,173**	**-8%**	**3%**	**13,922**	**16,166**	**16%**
Other Expense	**16,169**	**2,793**	**10,684**	**1,230**	**2,584**	**110%**	**-84%**	**60,369**	**17,290**	**-71%**
Total	**132,702**	**114,776**	**123,318**	**113,810**	**122,317**	**7%**	**-8%**	**479,133**	**474,222**	**-1%**

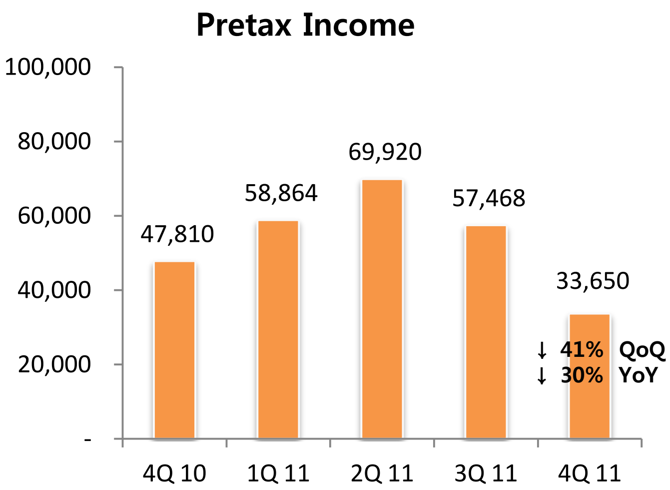
* 4Q11 Others : Bandwidth costs(4,618), Rent(3,660), Wage for outsourced staff(2,912), Outsourced R&D(2,894), etc.

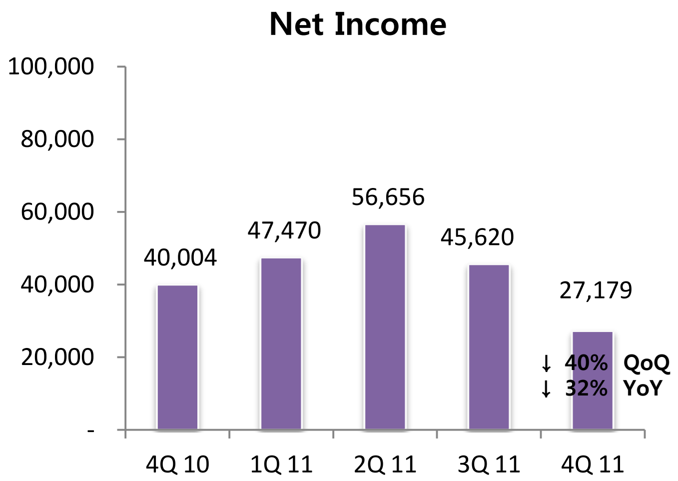
4-1. Financial Highlights (Parent - Quarterly)

(Unit : KRW in MN)

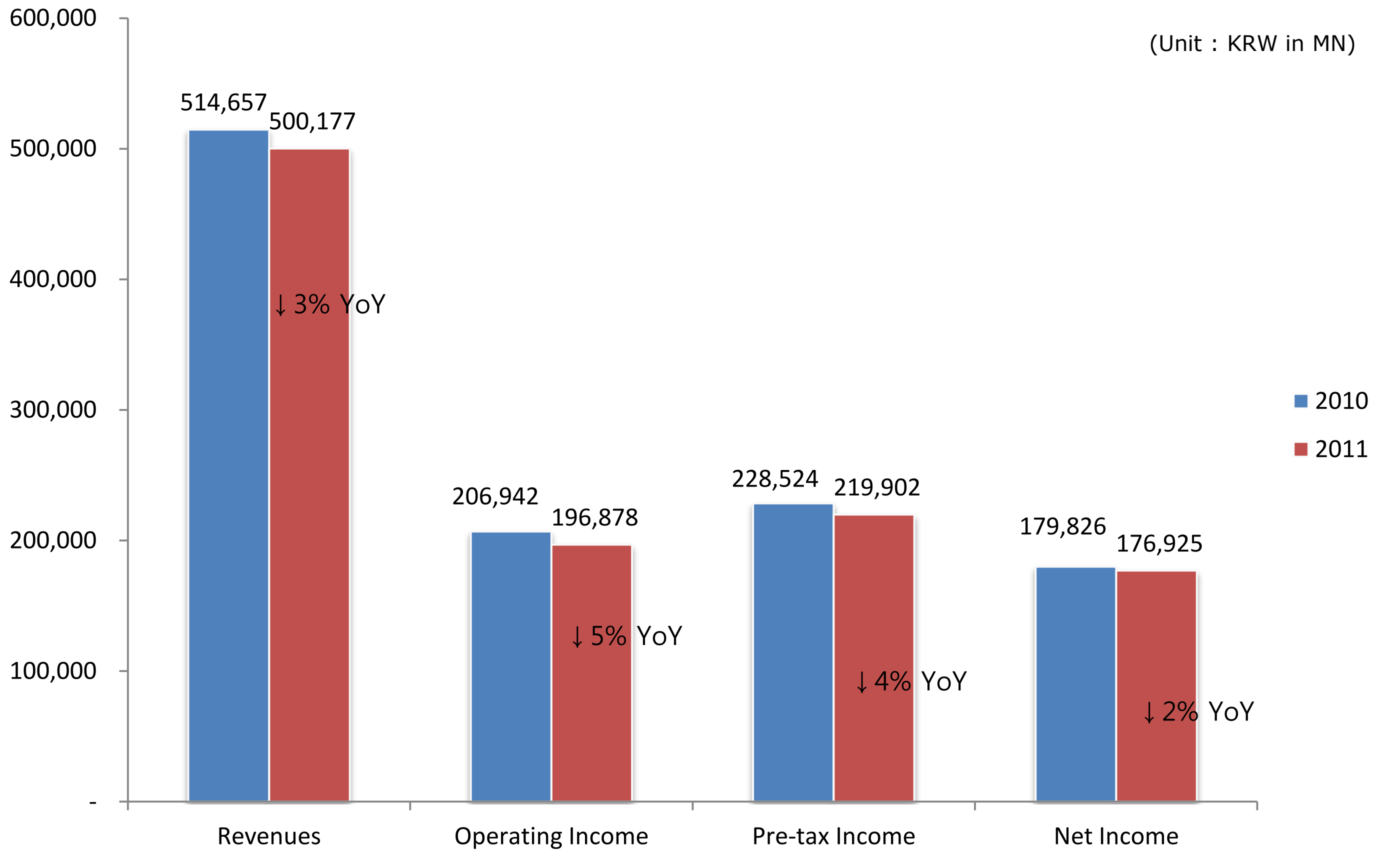






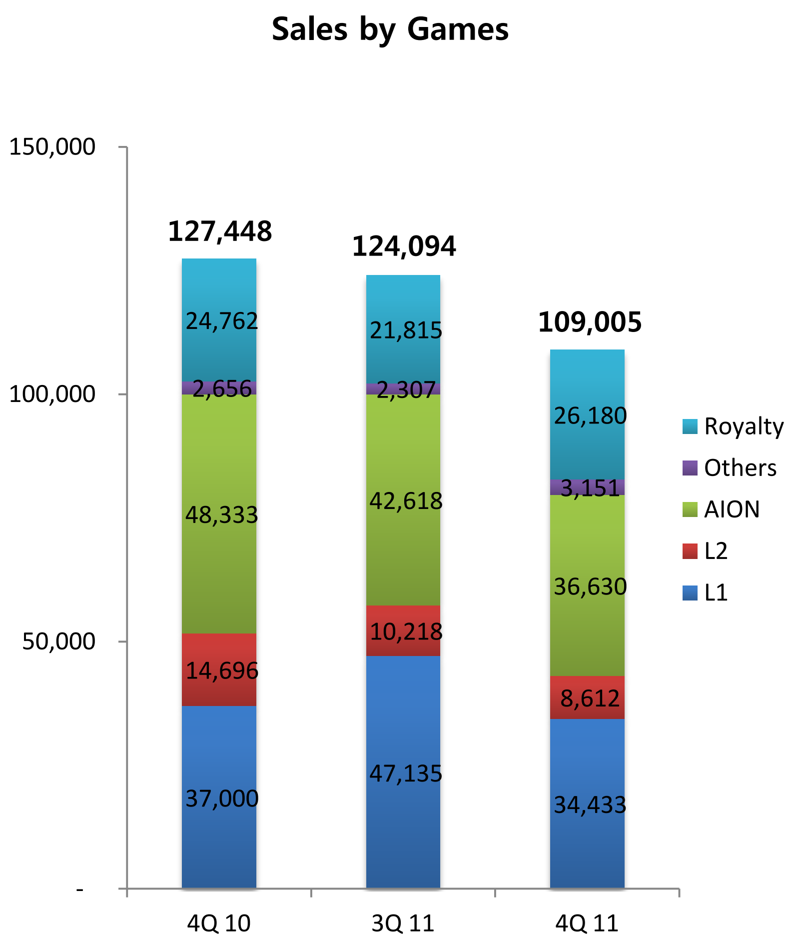


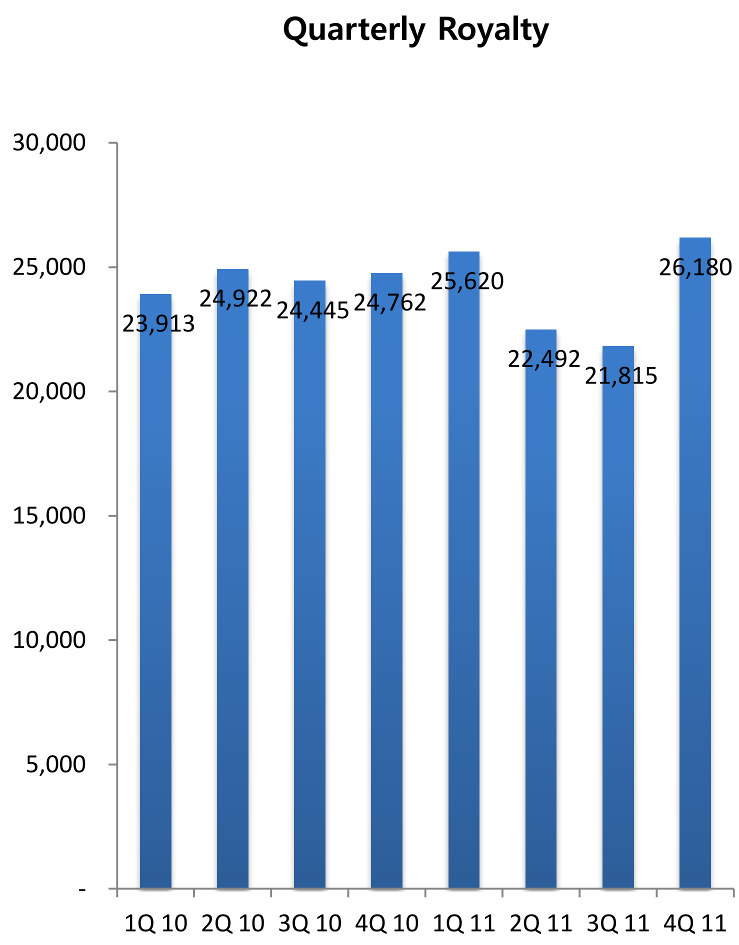
4-1. Financial Highlights (Parent - Yearly)



4-2. Sales Breakdown (Parent)

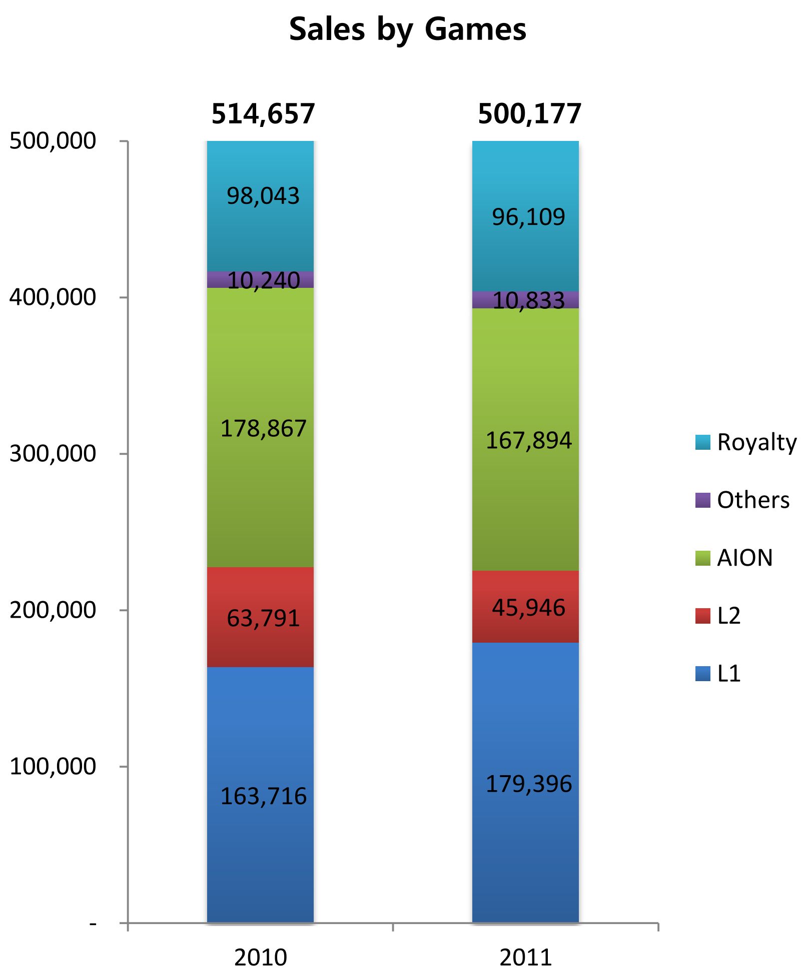
(Unit : KRW in MN)

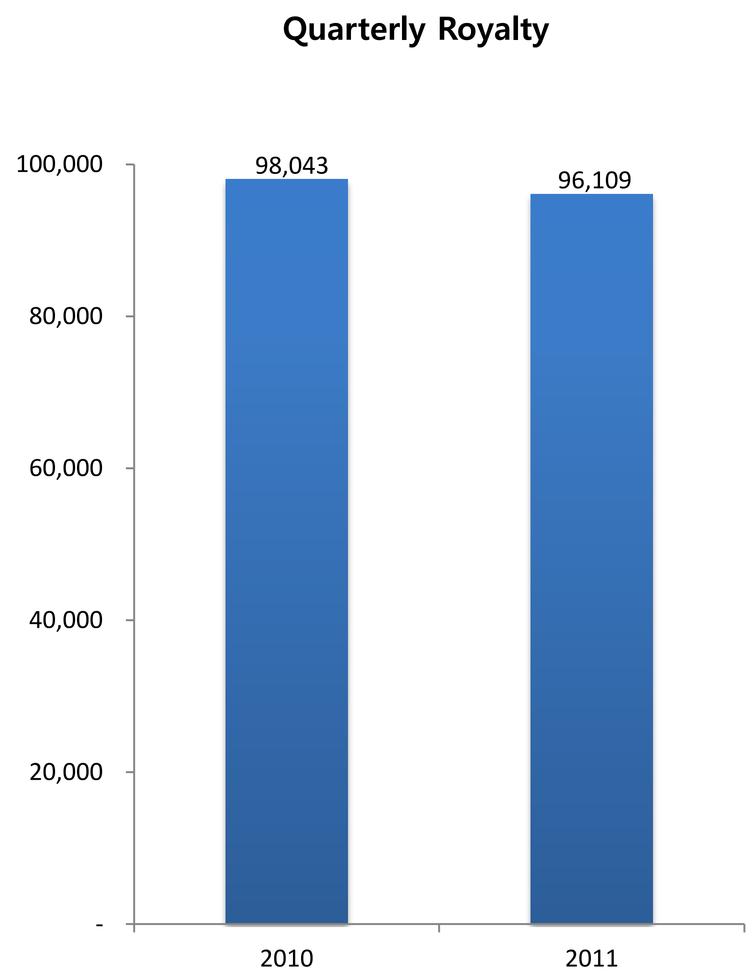




4-2. Sales Breakdown (Parent - Yearly)

(Unit : KRW in MN)





4-3. Costs Breakdown (Parent)

(Unit : KRW in MN)

	4Q 10	1Q 11	2Q 11	3Q 11	4Q 11	QoQ	YoY	2010	2011	YoY
Labor cost	47,416	48,649	49,304	45,846	42,200	-8%	-11%	167,353	185,998	11%
Variable expense	5,656	6,118	6,074	6,143	6,337	3%	12%	22,446	24,672	10%
- Payment processing fee	3,972	4,389	4,664	4,448	4,430	0%	12%	15,829	17,931	13%
- Royalty Expense	1,619	1,704	1,379	1,551	1,888	22%	17%	4,862	6,522	34%
- Other variable	65	24	32	144	19	-87%	-71%	1,755	219	-88%
Marketing expense	2,729	1,703	3,285	1,715	10,059	487%	269%	6,946	16,762	141%
D&A	2,694	2,911	3,138	3,298	3,424	4%	27%	9,109	12,770	40%
Others	16,160	13,995	15,557	17,535	17,902	2%	11%	56,846	64,990	14%
Sub Total	**74,655**	**73,375**	**77,359**	**74,536**	**79,921**	**7%**	**7%**	262,701	305,192	16%
Other Income	**618**	**1,552**	**3,276**	**2,988**	**1,589**	**-47%**	**157%**	7,146	9,405	32%
Other Expense	**11,561**	**2,506**	**2,213**	**351**	**2,442**	**595%**	**-79%**	52,160	7,512	-86%
Total	**85,598**	**74,329**	**76,296**	**71,900**	**80,774**	**12%**	**-6%**	307,714	303,299	-1%

4-4. Equity Method Gain/Loss (Parent)

(Unit : KRW in MN)

	4Q 10	1Q 11	2Q 11	3Q 11	4Q 11	QoQ	YoY	2010	2011	YoY
Domestic Subsidiaries	(792)	642	568	471	**993**	111%	-	(4,169)	2,674	-
Orion Soft	(189)	140	(259)	446	**(133)**	-	-	(67)	193	-
Next Play	(1,159)	0	0	0	**0**	-	-	(5,614)	0	-
Crazy Diamond	14	73	18	(23)	**22**	-	56%	(23)	90	-
NCsoft Service	(204)	155	(18)	158	**168**	6%	-	208	463	122%
Zepetto	746	274	308	762	**963**	26%	29%	1,328	2,308	74%
NC Dinos Baseball Club	0	0	519	(731)	**164**	-	-	0	(48)	-
Hotdog Studio	0	0	0	(141)	**(191)**	-	-	0	(332)	-
Overseas Subsidiaries	(3,969)	(6,756)	(8,770)	(10,117)	**(3,393)**	-	-	(3,654)	(29,036)	-
NC Interactive	(3,982)	(5,874)	(5,235)	(7,844)	**(5,821)**	-	-	(13,691)	(24,774)	-
NC Europe	(2,186)	(2,410)	(2,437)	(3,484)	**793**	-	-	1,592	(7,538)	-
NC Japan	943	646	(3,067)	(206)	**1,286**	-	36%	2,646	(1,342)	-
Ncsoft Japan	(24)	0	(17)	93	**235**	152%	-	(467)	312	-
NC Taiwan	326	(76)	1,138	424	**(690)**	-	-	2,677	796	-70%
NC True	201	959	848	898	**804**	-10%	300%	2,198	3,510	60%
Total	(4,760)	(6,114)	(8,203)	(9,646)	**(2,400)**	-	-	(7,823)	(26,363)	-

4-5. Quarterly Sales by Subsidiaries (Parent)

(Unit : KRW in MN)

	4Q 10	1Q 11	2Q 11	3Q 11	4Q 11	QoQ	YoY
NC Interactive	8,016	7,214	6,972	6,606	**6,681**	1%	-17%
Arenanet	799	675	672	598	**381**	-36%	-52%
NC Europe	6,829	5,499	5,014	4,521	**2,893**	-36%	-58%
NC Japan	23,462	20,056	17,267	18,229	**29,895**	64%	27%
NC Taiwan	5,215	5,298	5,718	4,127	**2,724**	-34%	-48%
NCsoft Japan	2,202	1,407	1,364	482	**73**	-85%	-97%
NC True	4,060	4,629	4,292	4,532	**4,601**	2%	13%
Total	50,582	44,779	41,298	39,093	**47,248**	21%	-7%

2010	2011	YoY
48,952	27,472	-44%
3,625	2,327	-36%
34,275	17,928	-48%
79,377	85,446	8%
27,872	17,867	-36%
6,984	3,326	-52%
11,622	18,054	55%
212,706	172,419	-19%

5-1. Summarized B/S

Consolidated

(Unit : KRW in MN)

	2010	2011
Current Assets	729,025	650,829
Cash & cash equivalents	65,030	60,813
Short-term financial instruments	531,338	421,993
Account receivables	67,147	71,939
Others	65,510	96,084
Non-current Assets	305,149	470,183
Investment assets	49,546	32,116
Tangible assets	198,376	366,608
Intangible Assets	29,949	31,550
Others	27,278	39,909
Total Assets	1,034,174	1,121,012
Current Liabilities	189,666	188,761
Borrowings	2,019	-
Payables	16,189	16,342
Current tax liabilities	29,035	3,794
Others	142,423	168,624
Non-current Liabilities	75,387	65,795
Defined benefit obligations	23,961	34,115
Long-term employee benefits	8,541	5,391
Others	42,885	26,288
Total Liabilities	265,053	254,556
Capital Stock	10,903	11,425
Other Paid-up Capital	108,821	112,114
Other Components of Equity	3,804	- 4,614
Retained Earnings	632,453	734,432
Minority Interest	13,139	13,100
Total Stockholders Equity	769,121	866,457
Total Liabilities and Stockholders Equity	1,034,174	1,121,012

Parent

(Unit : KRW in MN)

	2010	2011
Current Assets	651,133	599,839
Cash & cash equivalents	9,794	21,497
Short-term financial instruments	530,000	416,000
Account receivables	58,546	59,674
Others	52,793	102,668
Non-current Assets	361,570	544,719
Investment assets	138,153	162,613
Tangible assets	179,639	341,851
Intangible assets	24,313	23,790
Others	19,465	16,465
Total Assets	1,012,703	1,144,558
Current Liabilities	143,222	139,899
Payables	9,567	19,160
Current tax liabilities	30,186	6,856
Others	103,469	113,883
Non-current Liabilities	65,408	40,593
Defined benefit obligations	22,425	32,928
Long-term employee benefits	8,541	5,265
Other allowance liablities	34,442	-
Other non-current liabilities	-	2,400
Total Liabilities	208,630	180,492
Capital Stock	10,903	10,925
Other Paid-up Capital	108,821	112,114
Other Components of Equity	3,804	- 4,580
Retained Earnings	680,544	845,608
Total Stockholders Equity	804,073	964,066
Total Liabilities and Stockholders Equity	1,012,703	1,144,558

5-2. Summarized P/L

Consolidated

(Unit : KRW in MN)

	2010	2011
Sales	655,904	608,904
Cost of Sales	144,809	139,100
Gross Profit	511,096	469,805
Selling & Administrative Expense	287,877	333,998
Other Income	13,922	16,166
Other Expense	60,369	17,290
Operating Income	176,772	134,683
Finance Income	21,979	23,617
Finance Expense	623	1,462
Income before Income Tax Expense	198,128	156,838
Income Tax Expenses	50,795	39,538
Minority Interest	548	(2,515)
Net income	146,785	119,815

Parent

(Unit : KRW in MN)

	2010	2011
Sales	514,657	500,177
Cost of Sales	78,991	94,932
Gross Profit	435,666	405,245
Selling & Administrative Expense	183,710	210,260
Other Income	7,146	9,405
Other Expense	52,160	7,512
Operating Income	206,942	196,878
Finance Income	21,582	23,524
Finance Expense	-	500
Income before Income Tax Expense	228,524	219,902
Income Tax Expenses	48,698	42,978
Net Income	179,826	176,925

Thank you