

# Q4 FY2015 Earnings Release

**NCSOFT IR**

Feb 11, 2016

## Disclaimer

The financial results for 4Q 2015 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.

※ Consolidated subsidiaries (K-IFRS based) :

NC West Holdings(100%, USA), NC Europe(100%, GBR), NC Japan(60%, JPN),  
NC Taiwan(85%, TWN), NCSoft Corporation(HQ, KOR),  
NCSoft Service(100%, KOR), NC Dinos Baseball Club(100%, KOR),  
NC ITS(100%, KOR), Ntreev Soft(87%, KOR), This Game Studio(54%, CAN)

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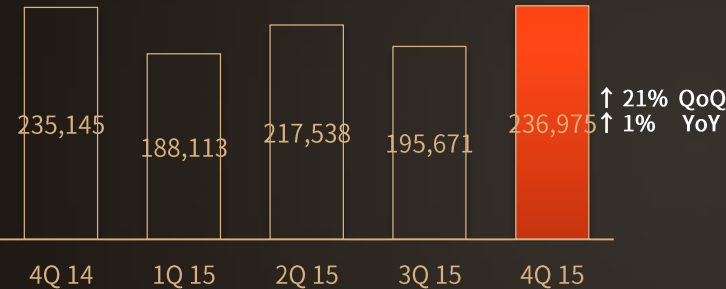
4. Consolidated Financial Statements

# 1. Financial Highlights (Quarterly)

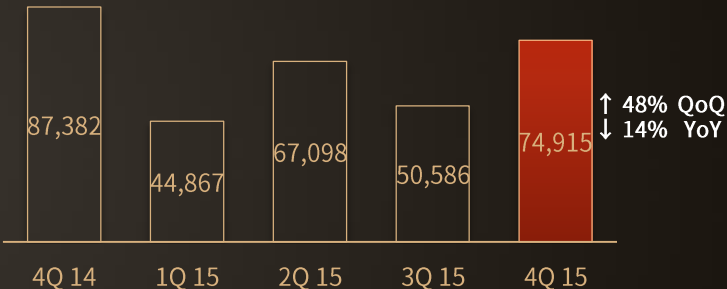
- Sales and profits increased qoq due to balanced growth from all major IPs
- Operating margin reached 32% driven by an increase in high-margin overseas royalty revenue

(Unit : KRW MN)

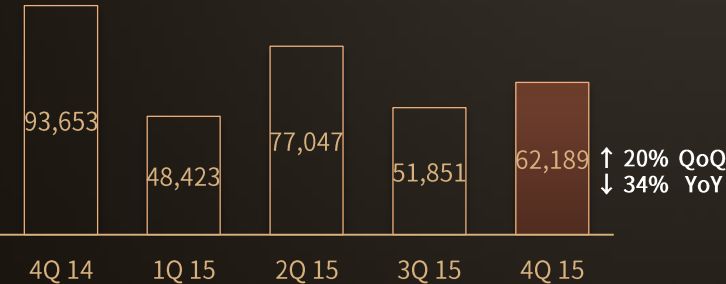
Sales



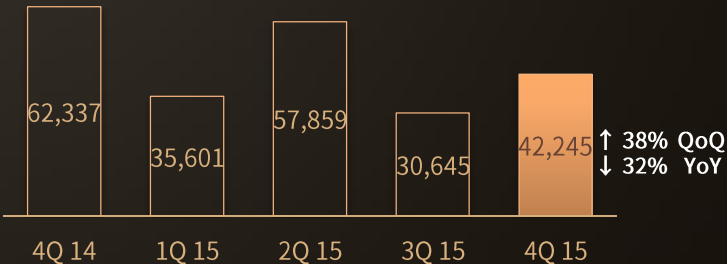
Operating Profit



Pre-tax Income

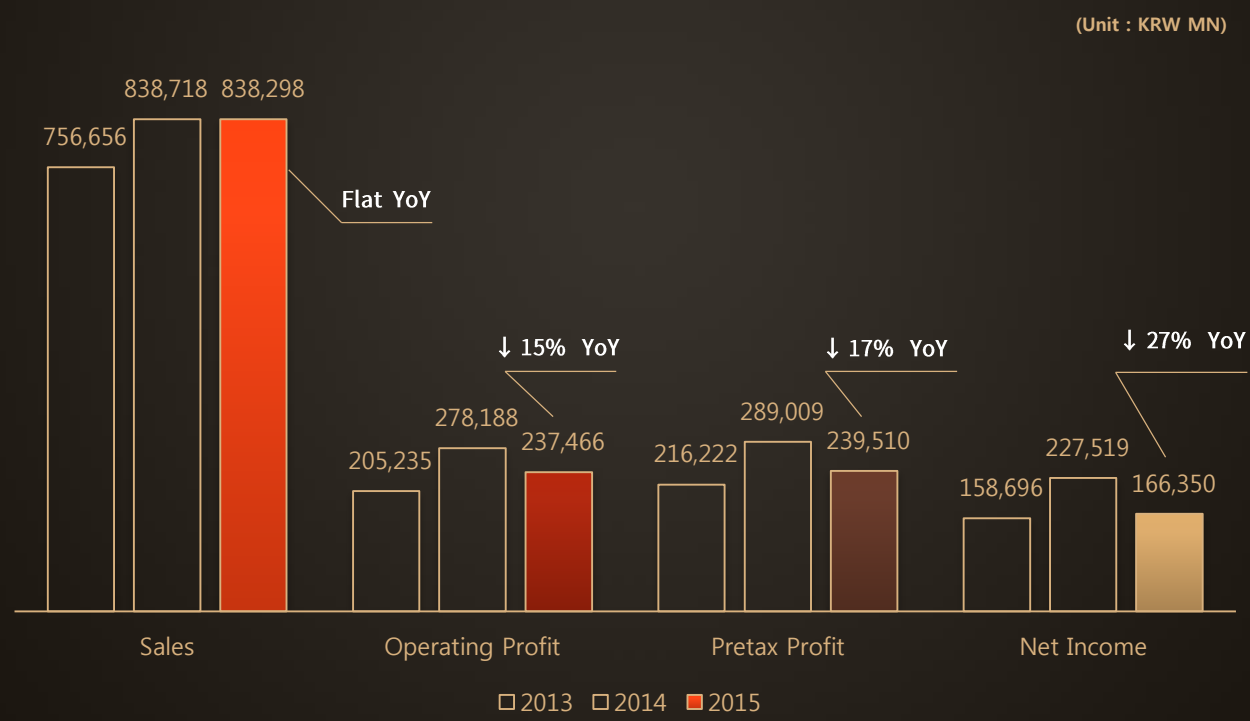


Net Income



# 1. Financial Highlights (Yearly)

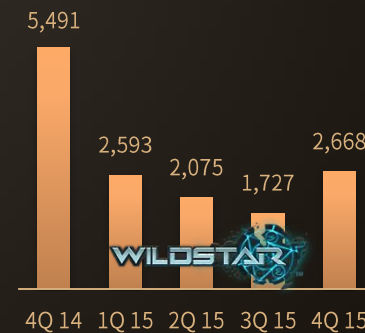
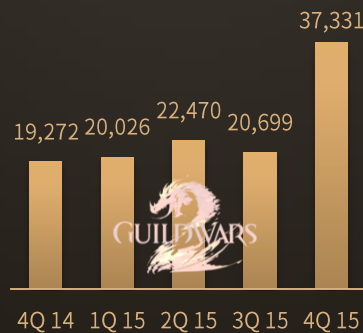
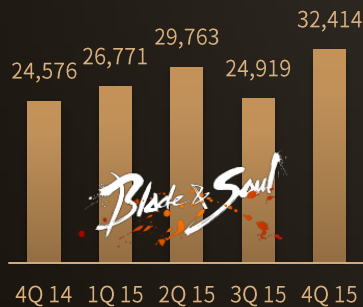
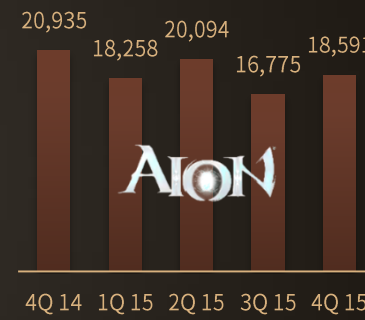
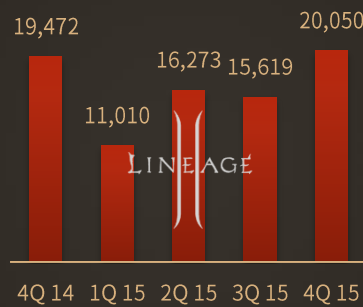
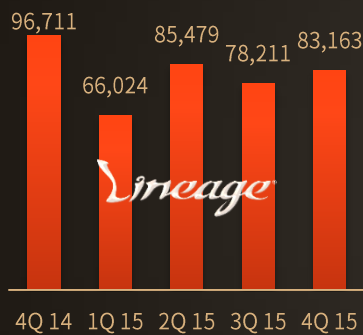
- 2015 total sales KRW 838.3 billion, equal to historic peak of 2014
- Operating profit KRW 237.5 billion is weaker yoy, due to less overseas royalty revenue, but still represents continuous profit growth



## 2. Sales Breakdown (Quarterly by IPs)

- L1, L2, and B&S recorded strong sales on the back of contents updates and in-game item promotions
- GW2 sales surged, driven by the launch of the expansion pack

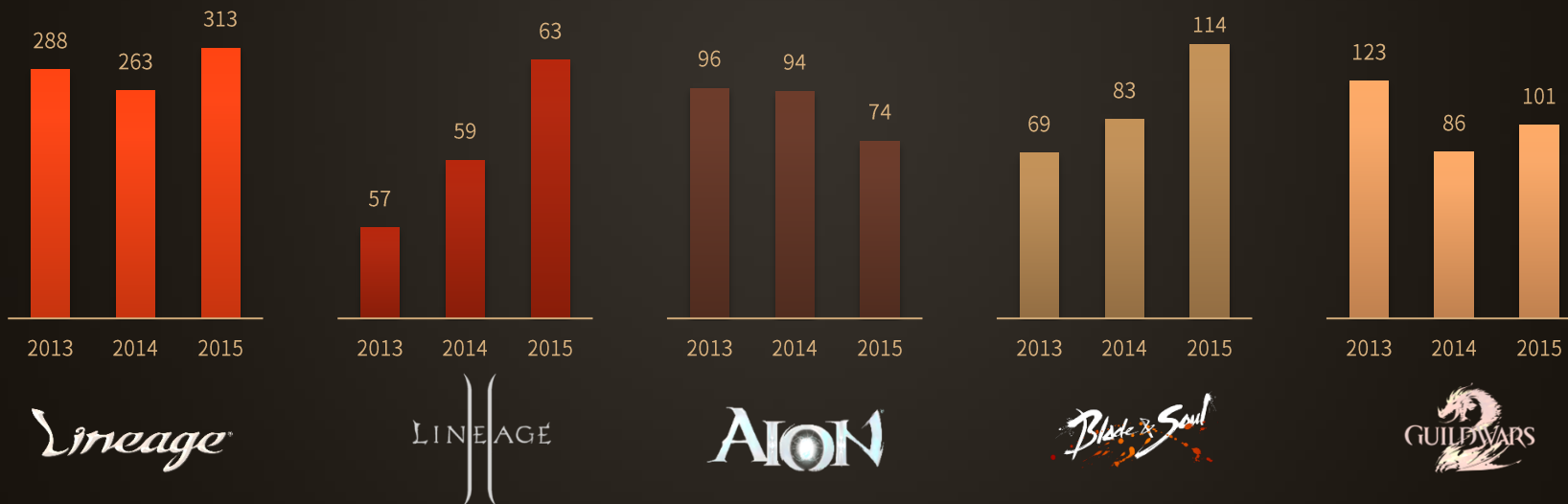
(Unit : KRW MN)



## 2. Sales Breakdown (Yearly by IPs)

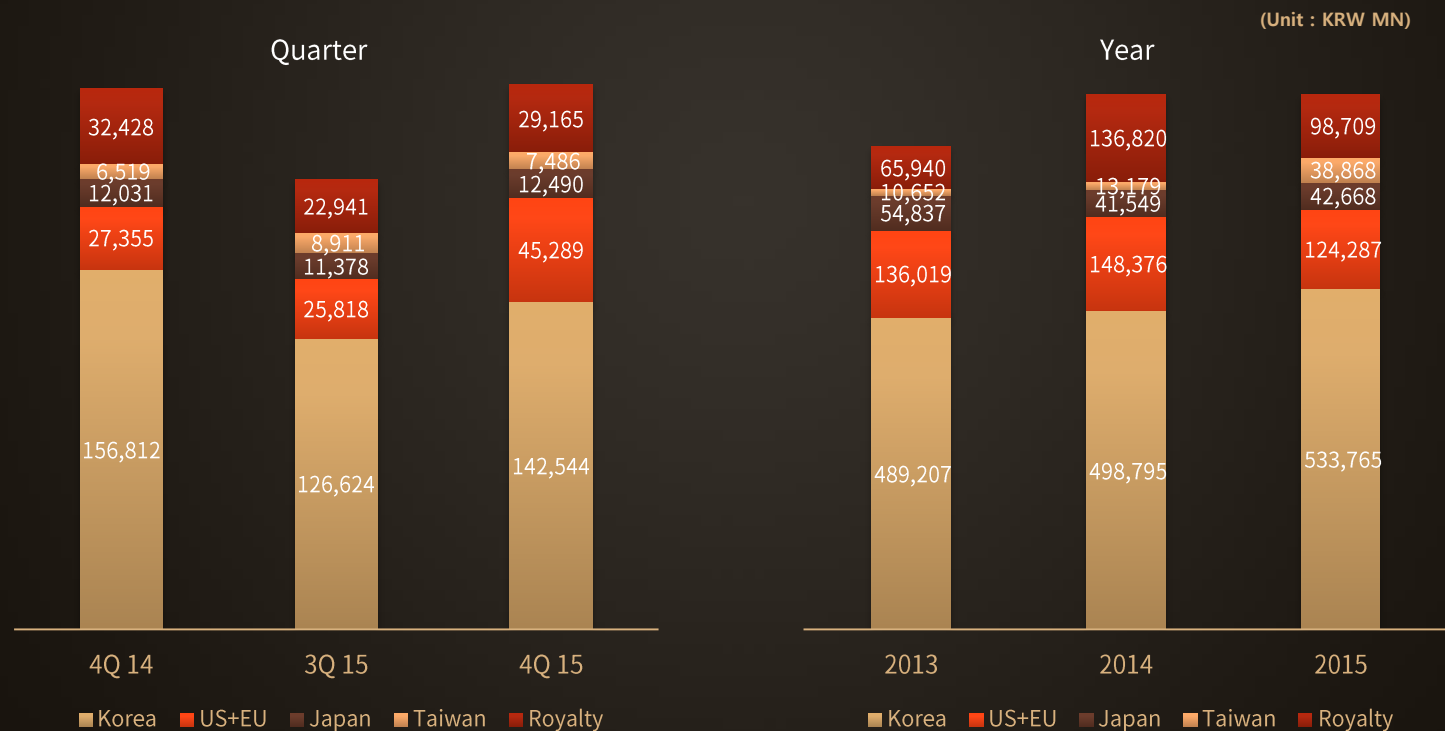
- L1 and B&S both hit a new full-year sales record, fueled by contents development and global expansion respectively
- GW2 solidified its position as a main revenue driver, by adding on expansion pack sales to stable in-game item sales

(Unit : KRW BN)



## 2. Sales Breakdown (by Regions)

- In 4Q, Korea sales increased on the back of across-the-board growth by all major IPs; while royalty revenue enhancement was driven by B&S China and GW2 China
- In 2015, Korea's contribution grew, due to L1 growth; while Taiwan sales increased from the successful B&S launch





### 3. Costs Breakdown

- Labor Cost: 4Q declined qoq, due to an adjustment in incentives, while full 2015 increase was limited to 5% yoy as a result of efficient cost management
- Variable Costs: 4Q was up qoq, as a result of stronger sales, and full 2015 increased, due to the addition of higher-fee payment options, such as culture gift certificates
- Marketing: 4Q increased qoq, due to GW2 expansion pack launch and game show participation; 2015 total spend was similar yoy due to GW2 expansion pack and WS launch in 2015 and 2014 respectively
- Others: 4Q and 2015 total both grew due to an increase in baseball team related expenses and in fees paid

(Unit : KRW MN)

항 목	4Q 14	1Q 15	2Q 15	3Q 15	4Q 15	QoQ	YoY	FY14	FY15	YoY
Labor cost	81,712	85,932	81,407	80,855	76,658	-5%	-6%	308,830	324,851	5%
Variable expenses	13,302	12,612	14,838	12,741	14,473	14%	9%	47,481	54,665	15%
Payment processing fee	6,368	8,145	9,290	9,223	9,447	2%	48%	23,855	36,105	51%
Royalty	2,994	2,706	2,482	2,031	1,853	-9%	-38%	13,177	9,072	-31%
Box production fee	405	192	445	159	1,378	769%	240%	2,318	2,173	-6%
Others	3,534	1,569	2,621	1,329	1,795	35%	-49%	8,131	7,314	-10%
Marketing	8,556	4,291	8,371	8,030	13,526	68%	58%	32,741	34,218	5%
D&A	8,454	8,897	8,295	9,180	7,850	-14%	-7%	36,979	34,222	-7%
Others(*)	35,740	31,514	37,529	34,278	49,554	45%	39%	134,498	152,876	14%
Total	147,764	143,246	150,441	145,085	162,060	12%	10%	560,530	600,831	7%

\* 4Q15 Others includes Bandwidth costs(4,004), Rent(1,919), Wage for outsourced staff(15,028) and Outsourced R&D(2,360)

## 4. Consolidated Financial Statements

### Statement of Financial Position

	31 DEC 2014	31 DEC 2015
<b>Assets</b>		
<b>I. Current Assets</b>	<b>1,019,546</b>	<b>1,082,774</b>
Cash & cash equivalents	202,757	248,092
Short-term financial Instruments	498,597	306,198
Account receivables	89,755	88,963
Others	228,437	439,520
<b>II. Non-Current Assets</b>	<b>679,280</b>	<b>1,136,423</b>
Investment assets	290,628	797,343
Tangible assets	240,839	233,822
Intangible assets	94,559	64,226
Others	53,254	41,033
<b>Total Assets</b>	<b>1,698,826</b>	<b>2,219,197</b>

(Unit : KRW MN)

	31 DEC 2014	31 DEC 2015
<b>Liabilities</b>		
<b>I. Current Liabilities</b>	<b>245,386</b>	<b>337,541</b>
Payables	27,943	31,338
Current tax liabilities	34,787	105,851
Other provisions	490	490
Others	182,166	199,862
<b>II. Non-Current Liabilities</b>	<b>77,845</b>	<b>92,721</b>
Defined benefit obligations	54,045	64,247
Long-term employee benefits	4,776	5,058
Others	19,023	23,416
<b>Total Liabilities</b>	<b>323,232</b>	<b>430,262</b>
<b>Stockholders Equity</b>		
I. Capital stock	10,965	10,965
II. Other paid-up Capital	123,297	431,516
III. Other Components of Equity	(7,942)	(3,312)
IV. Retained Earnings	1,234,257	1,330,351
V. Non-Controlling Interests	15,018	19,416
<b>Total Stockholders Equity</b>	<b>1,375,595</b>	<b>1,788,935</b>
<b>Total Liabilities and Stockholders Equity</b>	<b>1,698,826</b>	<b>2,219,197</b>

## 4. Consolidated Financial Statements

### Comprehensive Income Statement

(Unit : KRW MN)

	2014	2015
Sales	838,718	838,298
Cost of Sales	220,277	202,683
Gross Profit	618,441	635,614
Selling & Administrative Expense	340,253	398,148
Operating Profit	278,188	237,466
Other Income	40,035	40,020
Other Expense	29,214	37,977
Income before Income Tax Expense	289,009	239,510
Income Tax Expense	61,490	73,159
Net Income	227,519	166,350
Non-Controlling Interests	(2,439)	957
Equity Attribution to the owners of the Parent Company	229,958	165,393

