

# 2Q 2020 Earnings Release

NCSOFT IR

AUG 13, 2020



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## Disclaimer

The financial results for 2Q 2020 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),  
NC Vietnam Visual Studio (100%, VNM)

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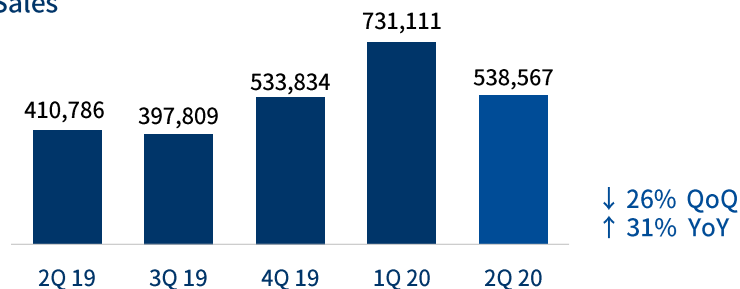
# 1. Financial Highlights (Quarterly)

- 2Q sales was KRW 538.6 billion, up 31% yoy, due to Lineage 2M (L2M) launch effects. On a qoq basis, the top-line decreased 26%, as L2M recorded a moderate decline in sales
- Reflecting the top-line trends, operating profit was KRW 209 billion, up 61% yoy and down 13% qoq

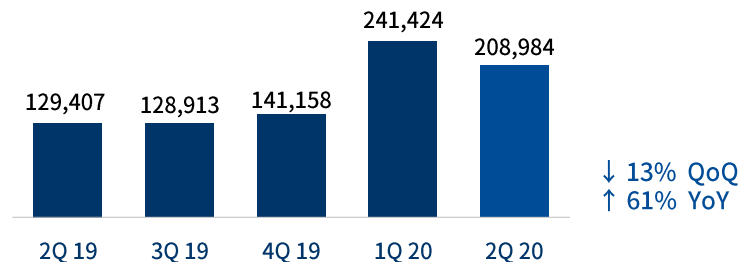
## Quarterly Financials

(Unit : KRW MN)

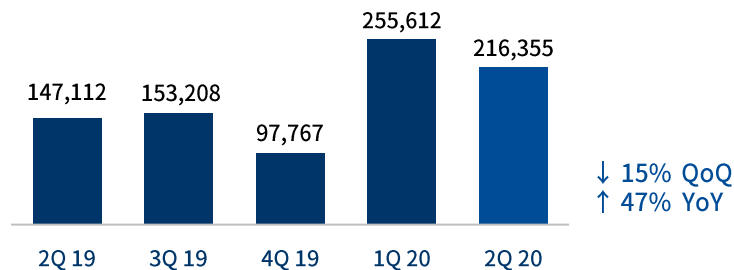
### Sales



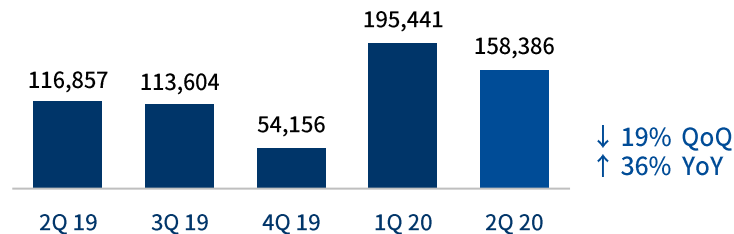
### Operating Income



### Pre-tax Income



### Net Income

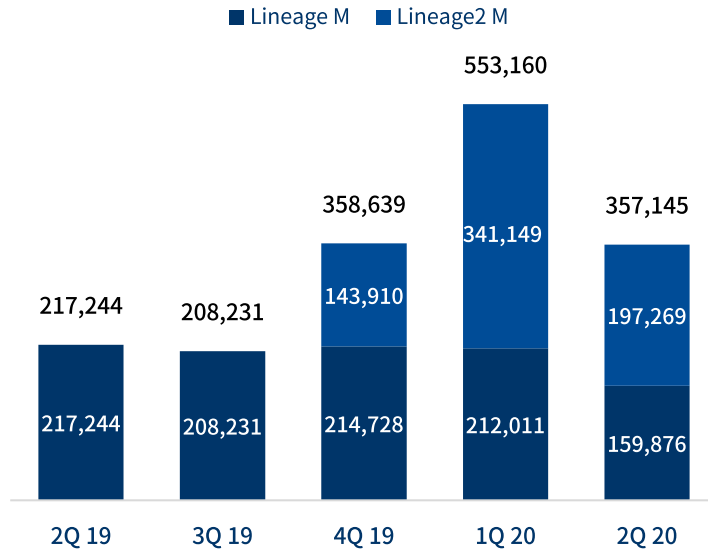


## 2. Sales Breakdown (by Game)

- Mobile game sales posted KRW 357.1 billion, a drop of 35% qoq, due to a moderate decline in L2M
- The sales of Lineage M and PC based games were softer than the previous quarter, due to planned less in-game item promotions leading into 2H major updates

### Mobile Game

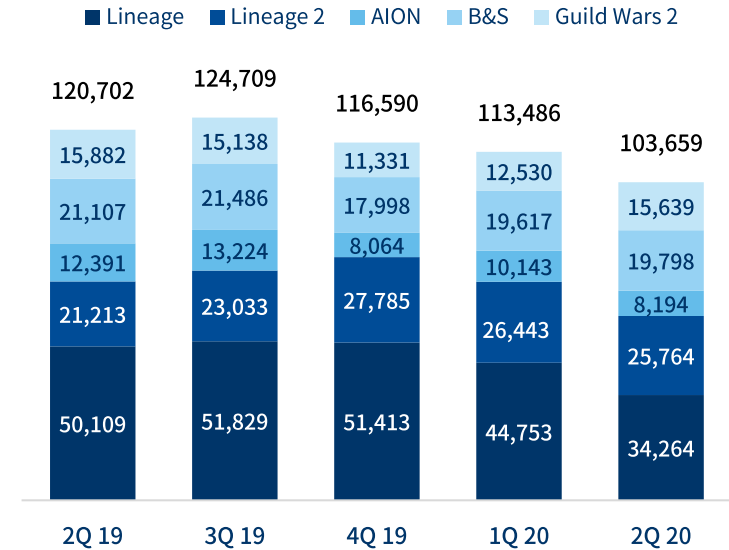
(Unit : KRW MN)



\* Others not included

### PC Online Game

(Unit : KRW MN)



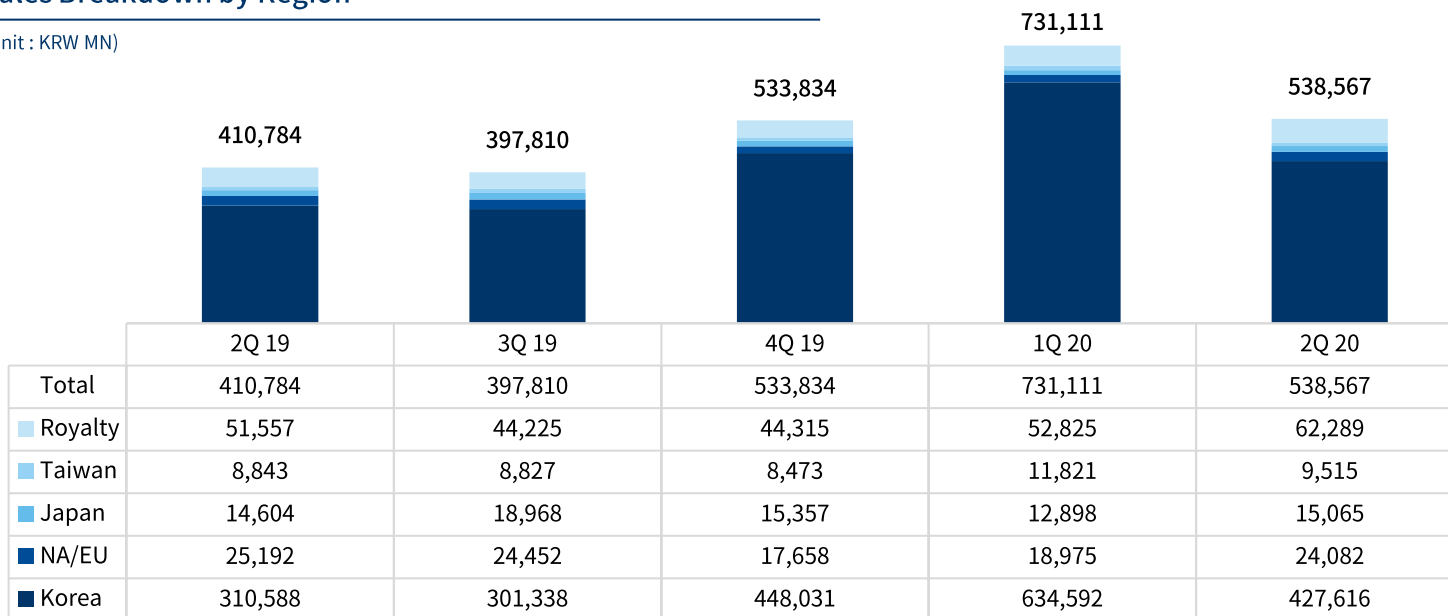
\* Others not included

## 2. Sales Breakdown (by Region)

- Korea sales dropped 33% qoq, due to less emphasis on key games prior to major updates
- North America sales increased 27% qoq, driven by GW2 sales due to COVID 19
- Royalty sales increased 18% qoq, because of LM Taiwan updates and the Asia launch of a B&S IP-based mobile game

### Sales Breakdown by Region

(Unit : KRW MN)

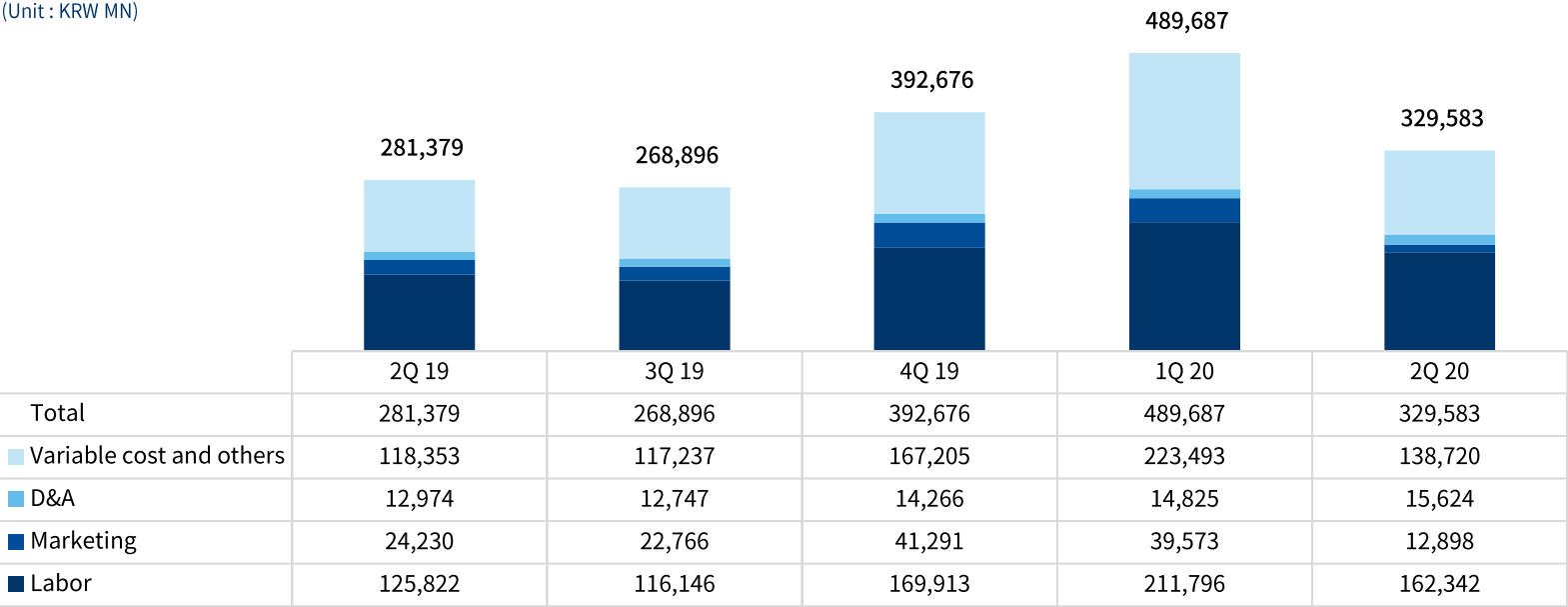


### 3. Cost Breakdown

- Total operating costs dropped 33% qoq to KRW 329.6 billion
- Labor cost declined 23% qoq, due to absence of L2M incentives
- Marketing decreased 67% qoq because of less advertisement related to new game launches

#### Operating Cost Breakdown

(Unit : KRW MN)



## 4. Consolidated Financial Statements

### Statement of Financial Position

(Unit : KRW MN)

	31 DEC 2019	30 JUN 2020
<b>Assets</b>		
<b>I. Current Assets</b>	2,076,674	2,323,935
Cash & Cash Equivalents	303,443	200,157
Short-Term Financial Instruments	676,810	895,618
Account receivables	254,438	178,848
Other receivables	16,118	35,421
Short-Term Investment Assets	791,802	970,769
Others	34,063	43,122
<b>II. Non-Current Assets</b>	1,269,863	1,320,467
Long-Term Loans	4,588	4,545
Other Receivables	10,836	12,988
Long-Term Investment Assets	698,726	752,613
Investments in Affiliated Companies	43,614	43,094
Investment Properties	93,685	93,027
Tangible Assets	350,409	352,424
Intangible Assets	49,739	49,517
Others	18,265	12,258
<b>Total Assets</b>	3,346,537	3,644,402

	31 DEC 2019	30 JUN 2020
<b>Liabilities</b>		
<b>I. Current Liabilities</b>	449,765	414,665
Borrowings	11,310	10,044
Other Debts Payables	52,863	35,638
Lease Liabilities	31,381	31,945
Current Income Tax Payables	83,392	109,501
Other provisions	2	2
Others	270,817	227,535
<b>II. Non-Current Liabilities</b>	384,447	440,168
Borrowings	249,364	249,474
Defined Benefit Obligations	12,320	35,650
Employee Benefit Obligations	7,810	14,096
Lease Liabilities	65,715	61,484
Others	49,238	79,464
<b>Total Liabilities</b>	834,212	854,833
<b>Stockholders' Equity</b>		
<b>I. Paid-in Capital</b>	10,977	10,977
<b>II. Other paid-up capital</b>	(2,245)	(2,245)
<b>III. Other Capital Components</b>	108,350	145,755
<b>IV. Retained earnings</b>	2,382,246	2,621,446
<b>V. Non-controlling interests</b>	12,997	13,636
<b>Total Stockholders' Equity</b>	2,512,325	2,789,569
<b>Total Liabilities and Stockholders' Equity</b>	3,346,537	3,644,402



## 4. Consolidated Financial Statements

### Comprehensive Income Statement

(Unit : KRW MN)

	2Q 19	3Q 19	4Q 19	1Q 20	2Q 20
Sales	410,786	397,809	533,834	731,111	538,567
Operating Expenses	281,379	268,896	392,676	489,687	329,583
Operating Income	129,407	128,913	141,158	241,424	208,984
Non-operating Income	17,705	24,295	(43,391)	14,188	7,371
Income Before Income Tax Expense	147,112	153,208	97,767	255,612	216,355
Income Tax Expense	30,255	39,604	43,612	60,172	57,969
Net Income	116,857	113,604	54,156	195,441	158,386
Equity Attribution to the Owners of the Parent Company	116,423	113,339	54,382	195,459	158,210
Non-controlling Interest	434	265	(226)	(18)	177