

# 2Q 2016 Earnings Release

**NCSOFT IR**

August 11, 2016

## Disclaimer

The financial results for 2Q 2016 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(100%, 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(40%, CAN)

# Contents

## I. Consolidated Earnings

1. Financial Highlights

2. Sales Breakdown

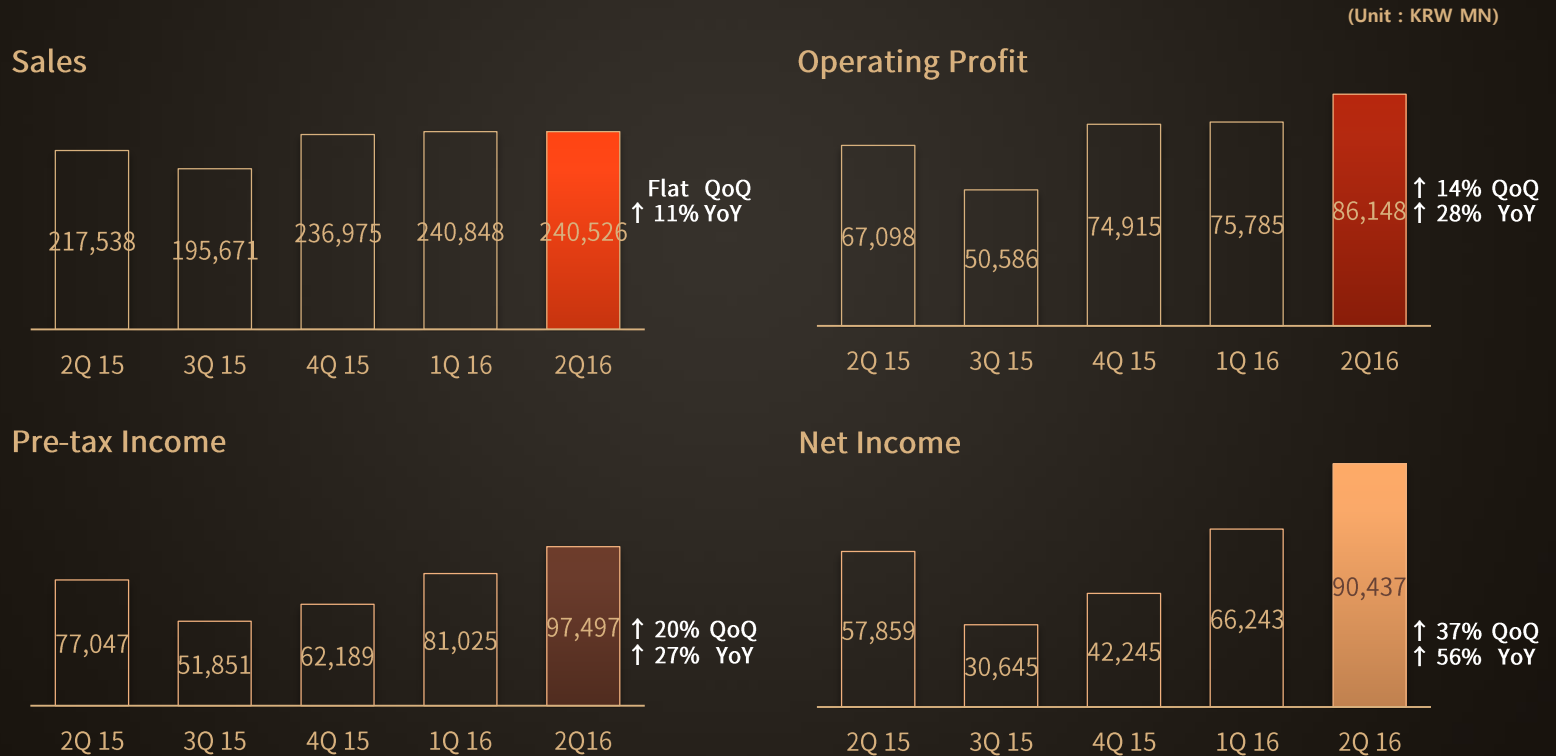
3. Costs Breakdown

## II. Appendix

4. Consolidated Financial Statements

# 1. Financial Highlights

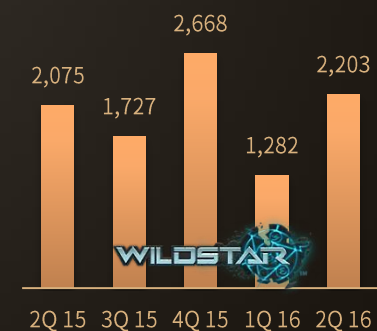
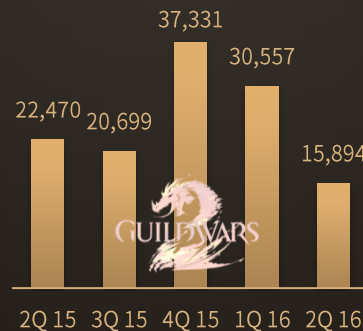
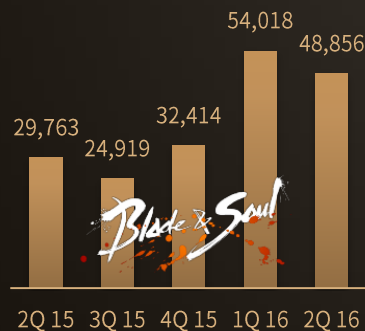
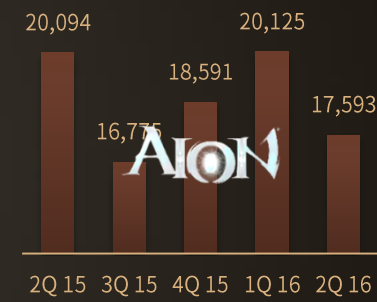
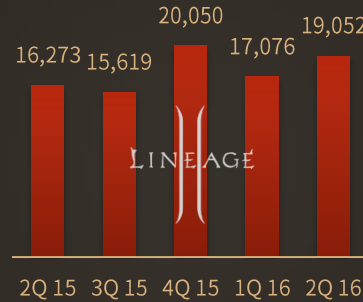
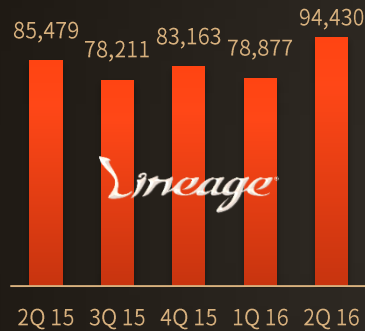
- Sales totaled KRW 240.5 billion or 11% yoy on the back of strong performance across all major IPs
- Operating profit was KRW 86.1 billion (and OPM 36%), up 28% yoy, driven by global business diversification and efficient cost management



## 2. Sales Breakdown (by IP)

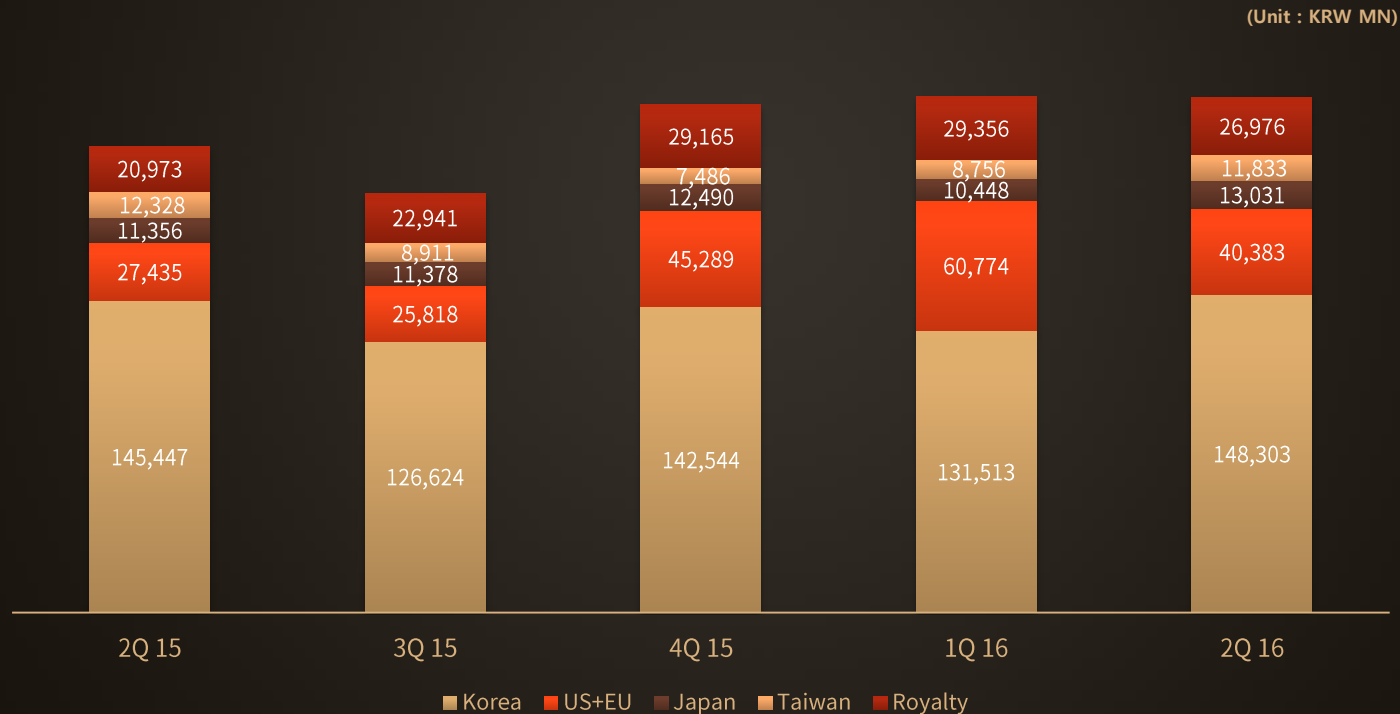
- All key IPs have posted stable sales, due to continuous content updates and marketing events, with strong performance from Lineage 1
- B&S jumped 64% yoy due to momentum created by the launch in US/Europe

(Unit : KRW MN)



## 2. Sales Breakdown (by Region)

- Korea sales was the result of all key IPs performing well, with particular strength from Lineage 1
- The decline in royalty sales reflects the slight weakness of B&S China royalty in the quarter



### 3. Costs Breakdown

- Labor cost dropped 8% qoq with the absence of one-off items, such as special bonuses included in 1Q
- Variable costs decreased 2% qoq due to a decline in Lineage action figure production costs
- Marketing cost declined 42% qoq with less major marketing events related to new title launches

(Unit : KRW MN)

	2Q 15	3Q 15	4Q 15	1Q 16	2Q 16	QoQ	YoY
<b>Labor cost</b>	81,407	80,855	76,658	99,291	91,386	-8%	12%
<b>Variable costs</b>	14,838	12,741	14,473	13,683	13,408	-2%	-10%
Payment processing fee	9,290	9,223	9,447	10,136	9,923	-2%	7%
Royalty	2,482	2,031	1,853	788	659	-16%	-73%
Box & Merchandise production fee	445	159	1,378	1,677	696	-58%	57%
Others	2,621	1,329	1,795	1,082	2,130	97%	-19%
<b>Marketing</b>	8,371	8,030	13,526	8,815	5,136	-42%	-39%
<b>D&amp;A</b>	8,295	9,180	7,850	8,202	7,880	-4%	-5%
<b>Others(*)</b>	37,529	34,278	49,554	35,072	36,568	4%	-3%
<b>Total</b>	150,441	145,085	162,060	165,063	154,378	-6%	3%

\* 2Q16 Others include Bandwidth costs (4,240), Rent (1,761), Wage for outsourced staff (4,190), and Outsourced R&D (2,324)

## 4. Consolidated Financial Statements

### Statement of Financial Position

(Unit: KRW MN)

	31 DEC 2015	30 Jun 2016
<b>Assets</b>		
<b>I. Current Assets</b>	<b>1,082,774</b>	<b>1,071,096</b>
Cash & cash equivalents	248,092	168,729
Short-term financial Instruments	306,198	251,187
Account receivables	88,963	106,663
Others	439,520	544,517
<b>II. Non-Current Assets</b>	<b>1,136,423</b>	<b>1,135,096</b>
Investment assets	797,343	795,535
Tangible assets	233,822	230,540
Intangible assets	64,226	63,272
Others	41,033	28,830
<b>Total Assets</b>	<b>2,219,197</b>	<b>2,206,192</b>

	31 DEC 2015	30 Jun 2016
<b>Liabilities</b>		
<b>I. Current Liabilities</b>	<b>337,541</b>	<b>241,663</b>
Payables	31,338	24,713
Current tax liabilities	105,851	34,846
Other provisions	490	5
Others	199,862	182,099
<b>II. Non-Current Liabilities</b>	<b>92,721</b>	<b>251,160</b>
Defined benefit obligations	64,247	74,675
Long-term employee benefits	5,058	5,091
Long-term borrowings	-	149,566
Others	23,416	21,828
<b>Total Liabilities</b>	<b>430,262</b>	<b>492,823</b>
<b>Stockholders Equity</b>		
I. Capital stock	10,965	10,965
II. Other paid-up Capital	431,516	278,543
III. Other Components of Equity	(3,312)	(3,464)
IV. Retained Earnings	1,330,351	1,423,049
V. Non-Controlling Interests	19,416	4,277
<b>Total Stockholders Equity</b>	<b>1,788,935</b>	<b>1,713,369</b>
<b>Total Liabilities and Stockholders Equity</b>	<b>2,219,197</b>	<b>2,206,192</b>



## 4. Consolidated Financial Statements

### Comprehensive Income Statement

(Unit: KRW MN)

	2015	1H 2016
Sales	838,298	481,374
Cost of Sales	202,683	96,927
Gross Profit	635,614	384,447
Selling & Administrative Expense	398,148	222,514
Operating Profit	237,466	161,933
Other Income	40,020	27,815
Other Expense	37,977	(11,227)
Income before Income Tax Expense	239,510	178,521
Income Tax Expense	73,159	21,841
Net Income	166,350	156,681
Non-Controlling Interests	957	(165)
Equity Attribution to the owners of the Parent Company	165,393	156,846

