

# NCSoft IR PRESENTATION

Nov 2023



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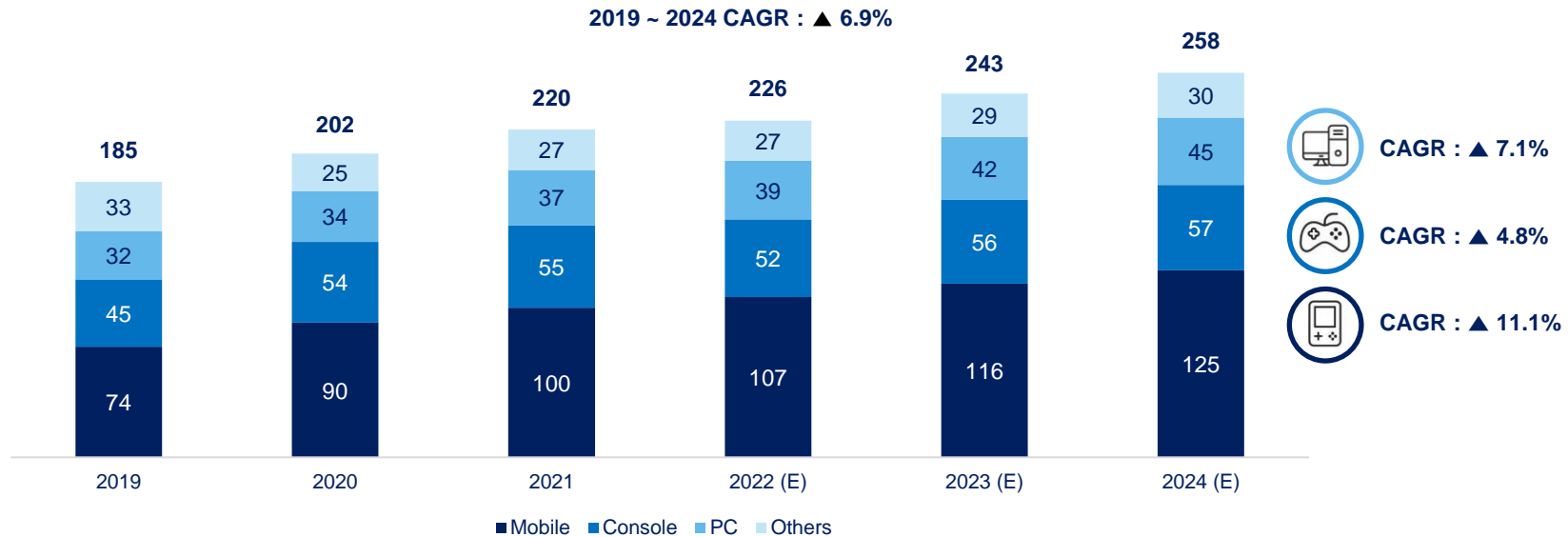
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# 1. Industry Overview : Global Games Market Growth

- The global games market is projected to continue growing steadily, reaching a market size of USD 258 billion in 2024
- Mobile platform is expected to account for 48% of the global games market in 2024

## Global Games Market Size (2019 ~ 2024)

(Unit : USD BN)



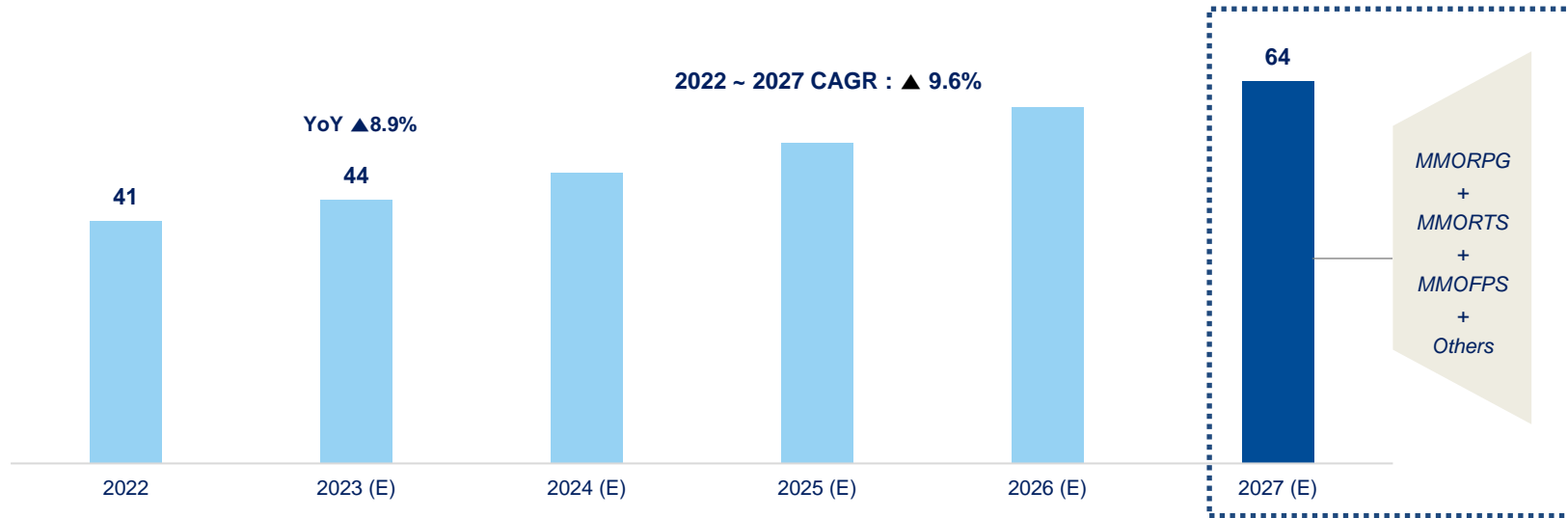
(Source : 2022 White paper on Korean Games)

# 1. Industry Overview : Global Games Market (MMO Market)

- The global MMO games market is anticipated to be worth USD 64 billion in 2027 with increased demand across all regions
- It is anticipated to grow through various sub-genres such as MMORPG, MMORTS, and MMOFPS

## Global MMO Games Market Outlook

(Unit : USD BN)



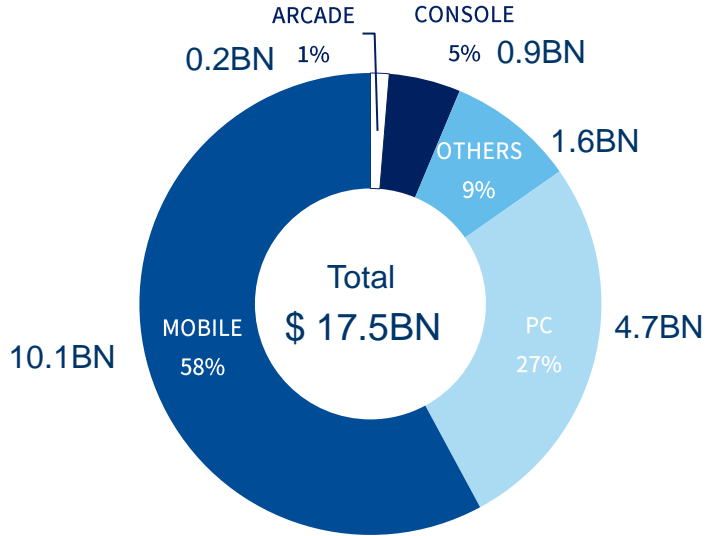
(Source : technavio MMO Games Market Research Report)

# 1. Industry Overview : South Korea Games Market

- Mobile games remain as the largest segment in 2021, accounting for 58% of South Korea's games market
- South Korean mobile games market has shown over 18% of growth throughout the past 3 years

South Korean Games Market Per Platform (2021)

(Unit : USD BN)

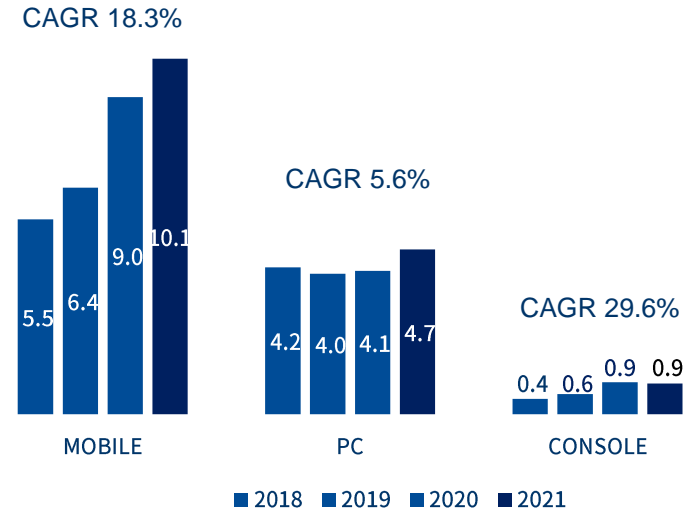


\*USD/KRW=1,200

(Source : 2022 White paper on Korean Games)

South Korean Games Market Per Platform (2018 ~ 2021)

(Unit : USD BN)



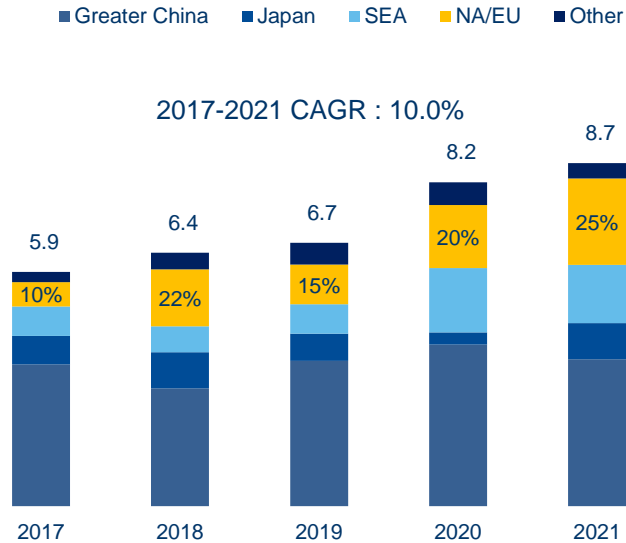
(Source : 2022 White paper on Korean Games)

# 1. Industry Overview : Next Growth Opportunity in the Western Market

- The value of South Korea's games exports has grown 10% per annum for the past 4 years
- Given the size of the gaming markets in NA and EU, expansion into the western region represents an opportunity for South Korean games to grow

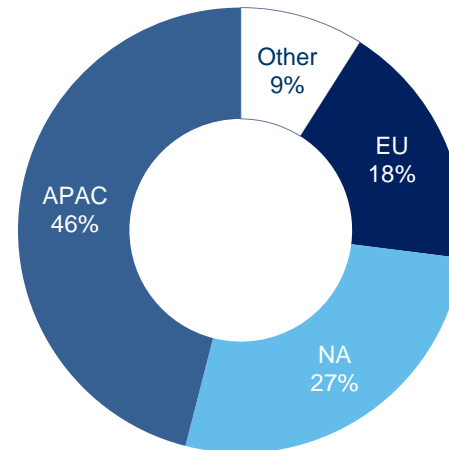
South Korean Games Export Value (2017 ~ 2021)

(Unit : USD BN)



(Source : 2022 White paper on Korean Games)

Global Gaming Market Share Per Region (2023E)

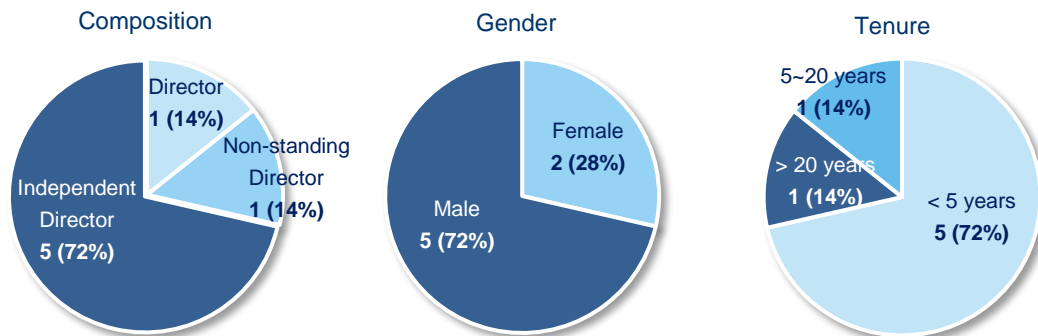


(Source : Newzoo's Global Games Market Report 2023)

## 2. Company Overview : Corporate Governance

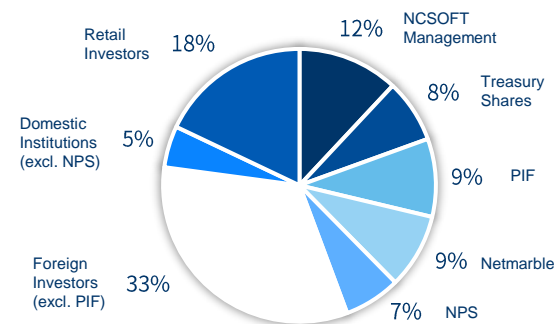
- NCSOFT's board of directors comprises 7 members, each contributing to the board's independence, diversity, and expertise

### Board Composition & Skills Matrix



### Ownership Structure

(As of Sep 2023)



### Board Skills Matrix

Director	Management	Investment	Accounting / Tax	Law / Risk Management	Industrial Technology	HR	ESG
Taek-Jin Kim (Chair of the Board)	●				●		
Chan-Hyun Hwang (Chair of the Audit Committee)	●			●			
Sang-Hoon Baek	●		●				
Kyo-Hwa Chung				●			
Young-Ju Choie					●		
Jae-Chun Choe						●	●
Byeong-Mu Park (Chair of the Compensation Committee)	●	●		●			

## 2. Company Overview : Yearly Revenues Trend (1998 ~ 2022)

- Since 1998, launching quality MMORPGs regularly has driven persistent growth over the past 24 years
- Expecting another quantum jump with successful launch of new titles and overseas expansion

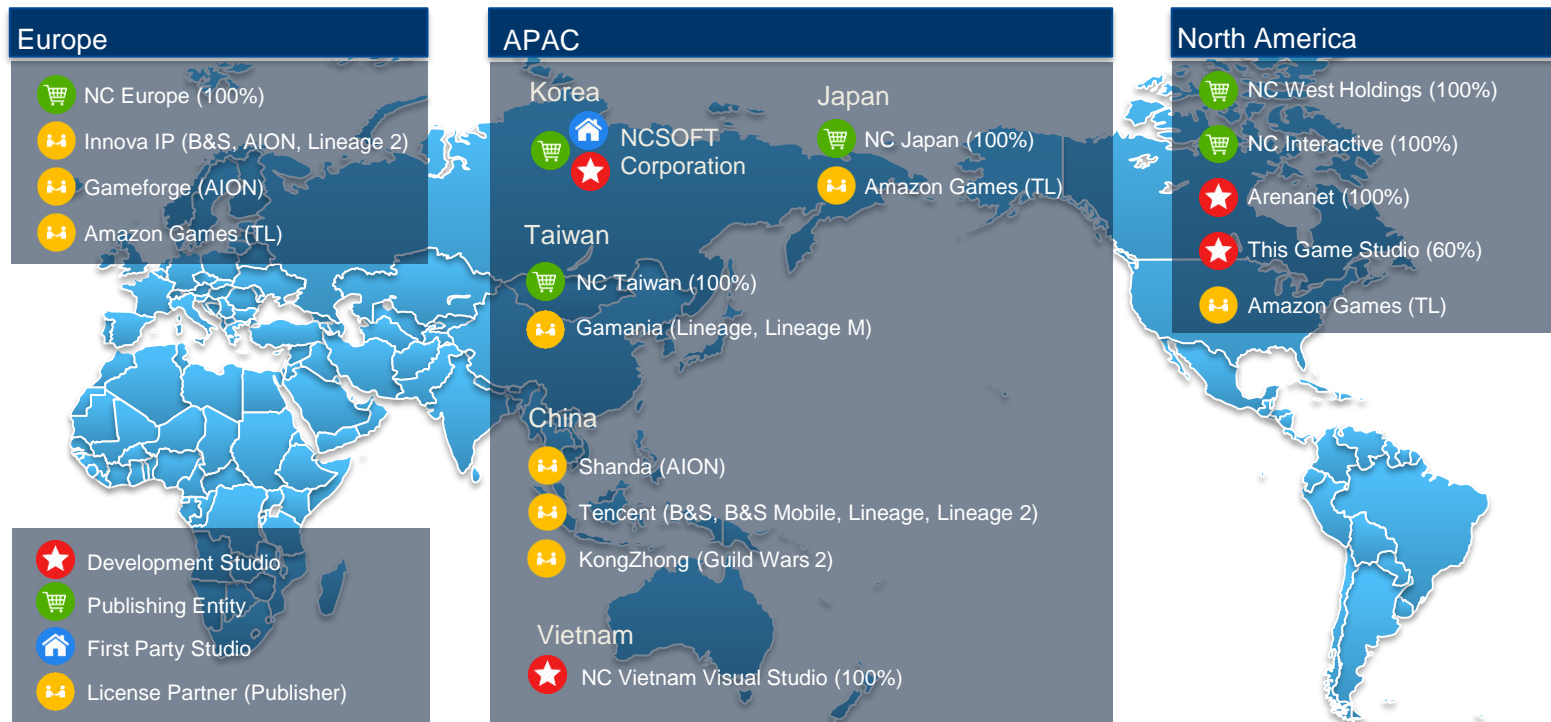




## 2. Company Overview : Development & Publishing Network

- Development studios in Korea and North America
- Well-organized publishing arms in major markets such as US, Taiwan, Japan and Europe

### Globalized Development & Publishing Network



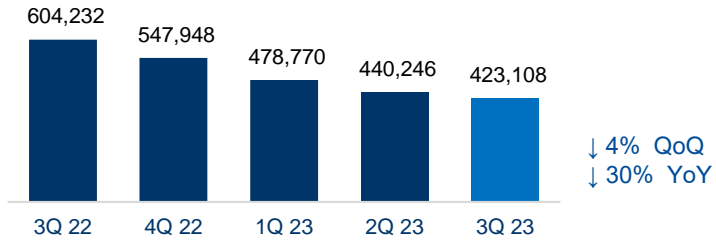
### 3. Financial Highlights (Quarterly)

- Sales totaled KRW 423.1 billion, down 4% qoq and 30% yoy
- Operating profit posted KRW 16.5 billion, down 53% qoq and 89% yoy

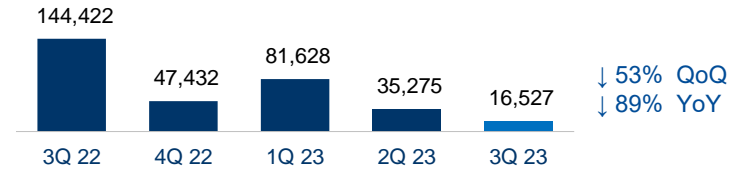
#### Quarterly Financials

(Unit: KRW MN)

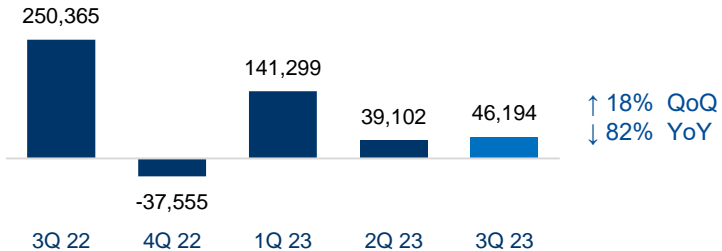
##### Sales



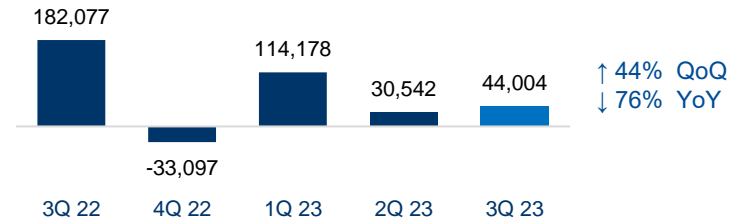
##### Operating Profit



##### Pre-tax Income

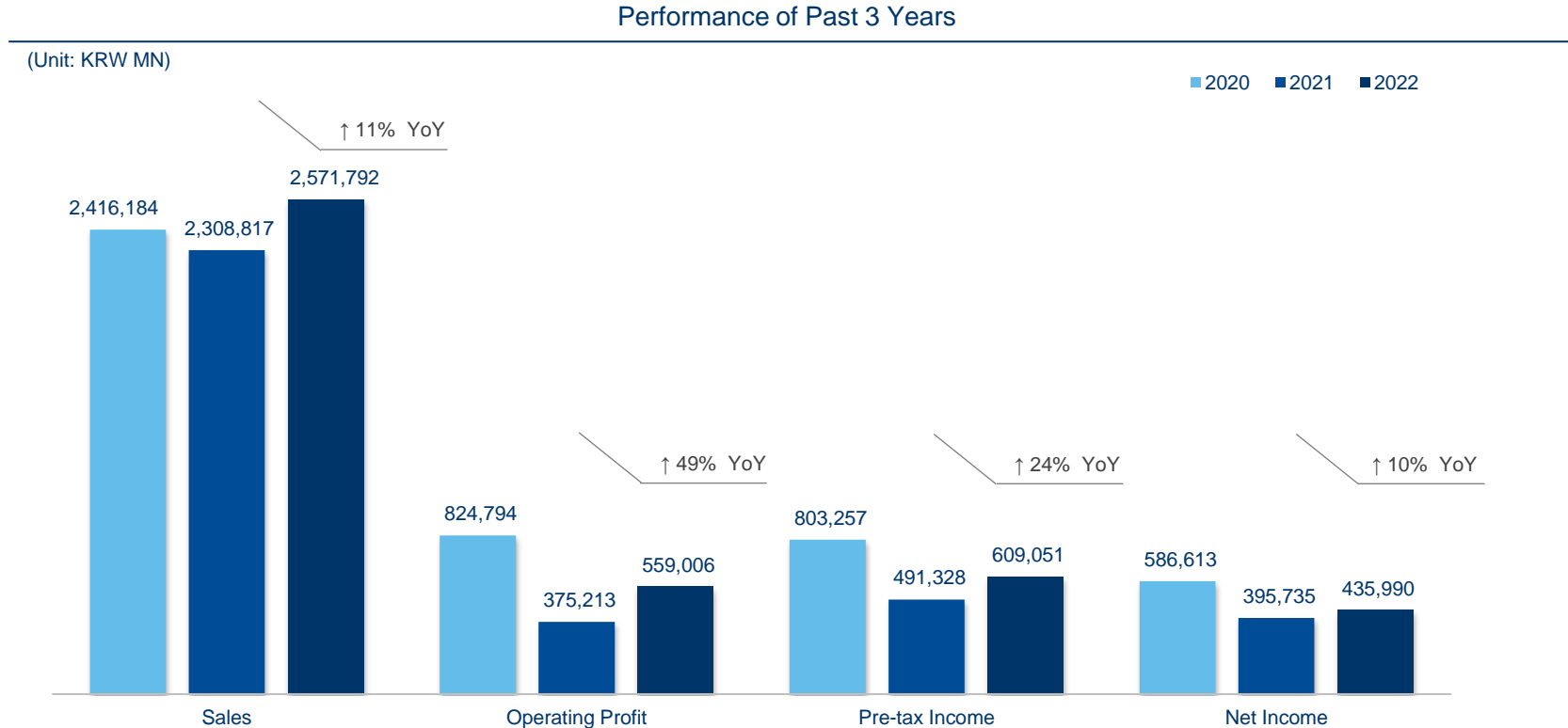


##### Net Income



### 3. Financial Highlights (Yearly)

- Full year 2022 sales recorded KRW 2,571.8 billion (YoY +11%), and operating profit was KRW 559.0 billion (YoY +49%)

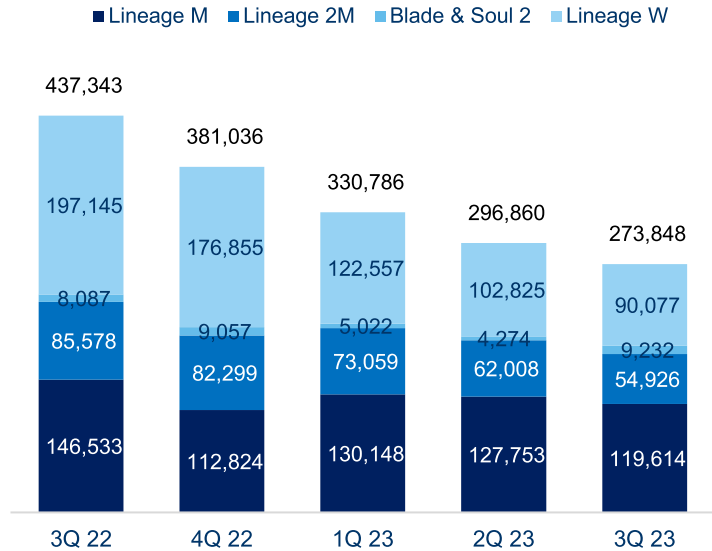


## 4. Sales Breakdown (Quarterly by Game)

- Mobile game sales posted KRW 273.8 billion, down 8% qoq
- Legacy PC online games posted KRW 93.2 billion, up 6% qoq with various content updates and expansion pack launching effect

### Mobile Games

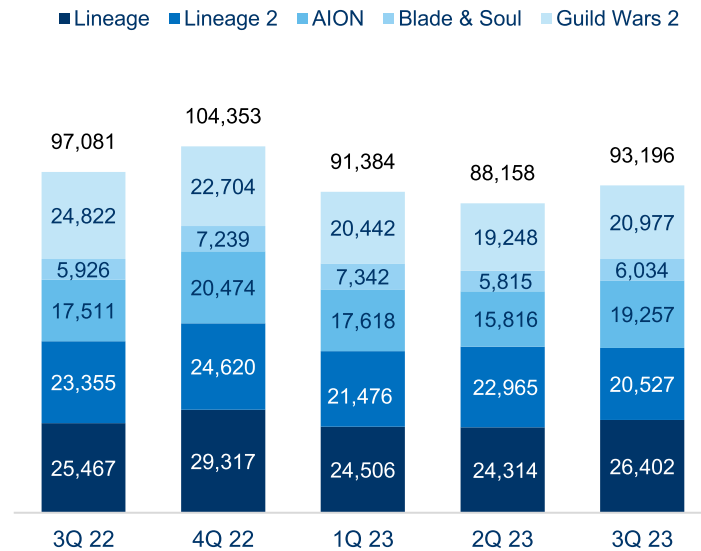
(Unit: KRW MN)



\* Not including other mobile games

### PC Online Games

(Unit: KRW MN)

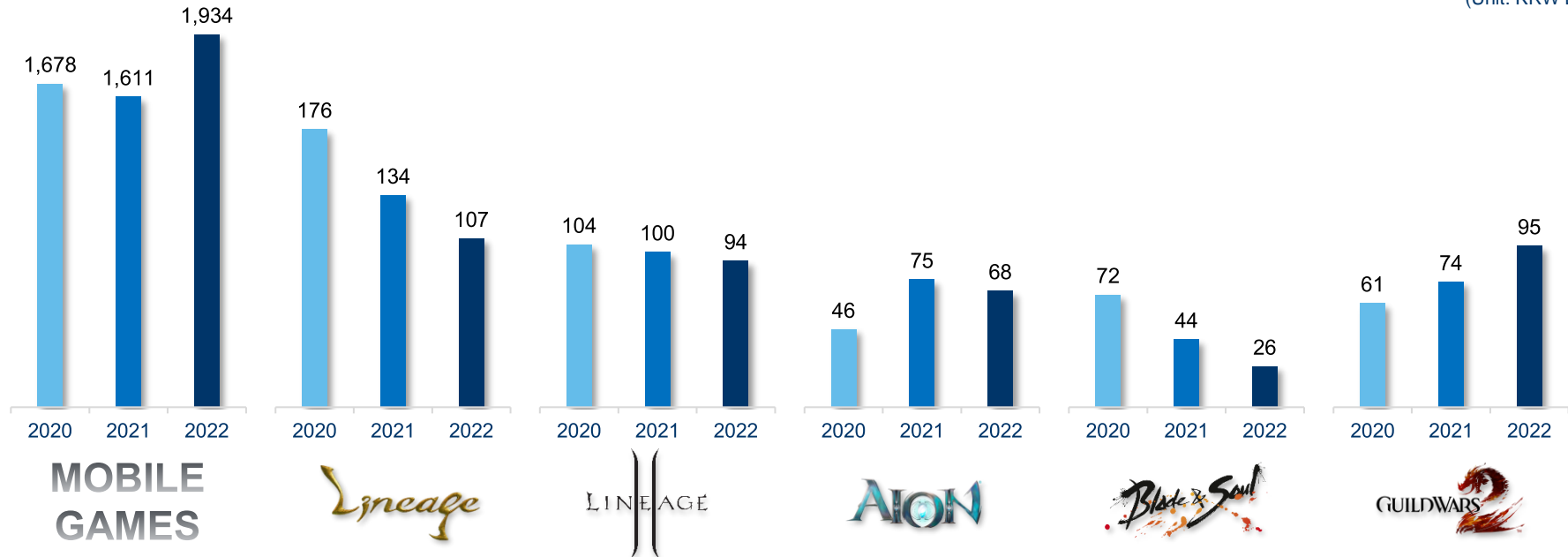


\* Not including other PC online games

## 4. Sales Breakdown (Yearly by Game)

- Mobile game sales accounted for 75% of total sales at KRW 1,934.3 billion, an increase of 20% yoy, with the full-year recognition of Lineage W
- The 5 PC online games in total recorded KRW 390.4 billion, a decrease of 8% yoy
- Guild Wars 2 recorded KRW 95.0 billion, which was higher 29% yoy, due to the new expansion pack launch

(Unit: KRW BN)

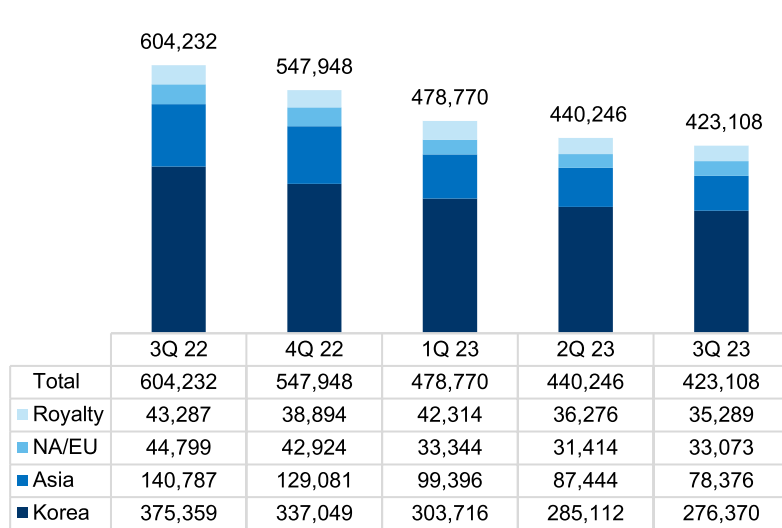


## 4. Sales Breakdown (by Region)

- Korea sales posted 276.4 billion won, down 3% qoq
- Overseas and royalty sales posted 146.7 billion won, down 5% qoq, representing 35% of total sales

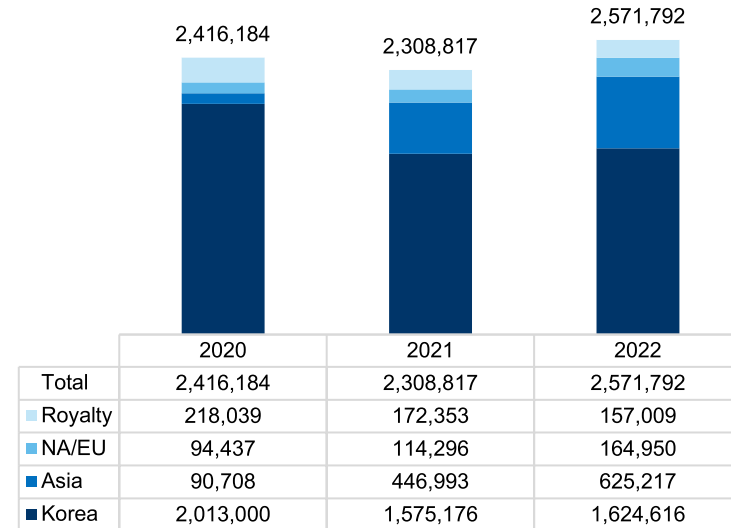
### Quarterly Sales by Region

(Unit: KRW MN)



### Yearly Sales by Region

(Unit: KRW MN)

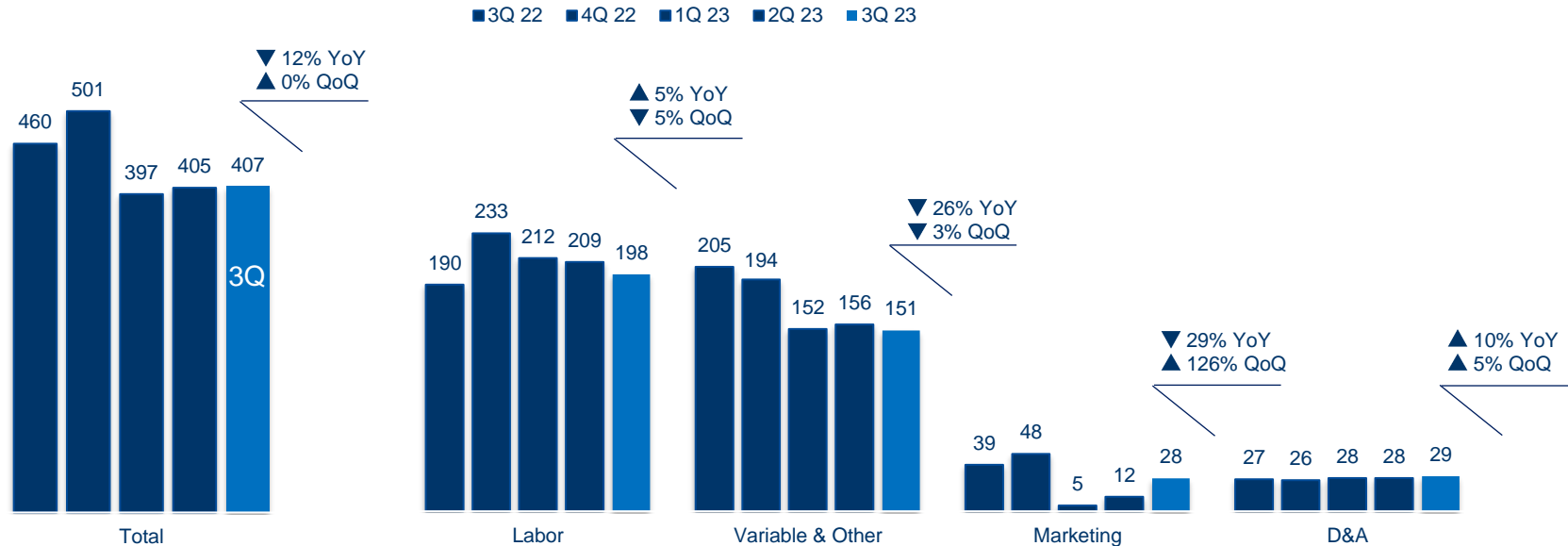


## 5. Cost Breakdown (Quarterly)

- 3Q total operating expenses totaled KRW 406.6 billion, similar to the previous quarter, and down 12% yoy
- 3Q labor cost was KRW 198.3 billion, a decline of 5% qoq with reduction in welfare expenses
- 3Q marketing expenses increased by 126% qoq, driven by advertising for the launch of new titles and expansion pack on a domestic and overseas basis, but decreased by 29% yoy as a result of enhanced marketing efficiency

### Quarterly Operating Cost Breakdown

(Unit : KRW BN)

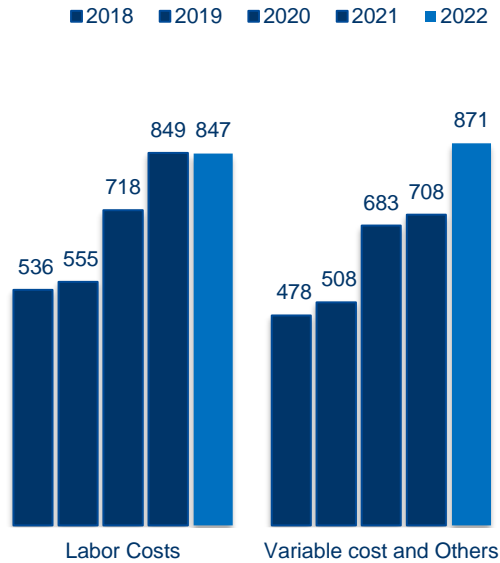


## 5. Cost Breakdown (Yearly)

- FY 2022 total expenses increased 4% yoy, FY 2022 marketing dropped 33% yoy, FY 2022 labor cost was flat yoy

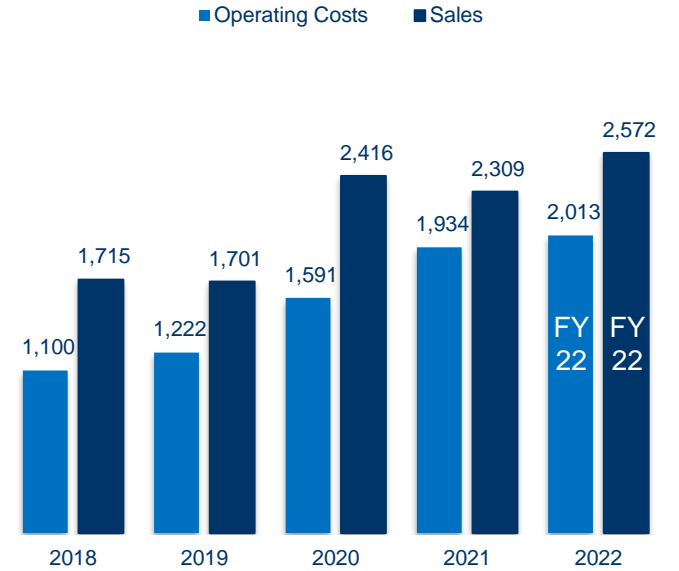
### Yearly Operating Cost Breakdown

(Unit : KRW BN)



### Yearly Operating Cost Vs Revenues

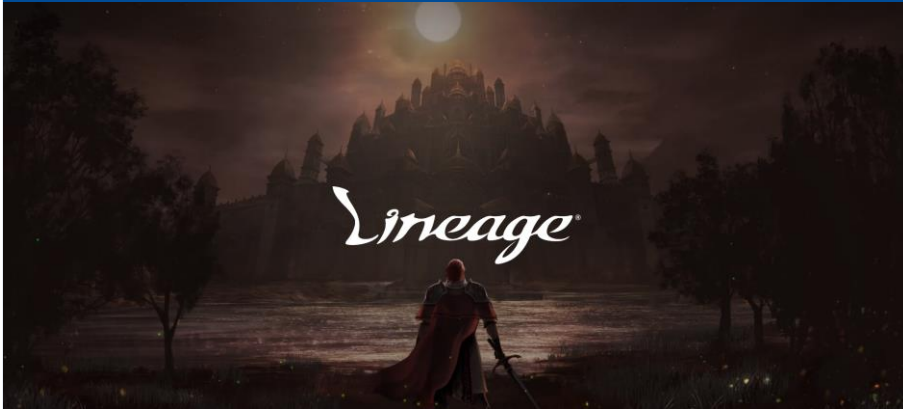
(Unit : KRW BN)





## 6. Strength : Multiple Successful IPs

Lineage



- ✓ Launched in 1998 (remastered in 2019)
- ✓ Set the standard for Korean MMORPGs by pioneering RvR content, specifically castle siege wars
- ✓ Expanded to a mobile platform with Lineage M and Lineage W
- ✓ **IP cumulative revenue: KRW 11.3 trillion**

Lineage 2



- ✓ Launched in 2003
- ✓ Full 3D graphics MMORPG with 'seamless open world'
- ✓ Ranked first in PC cafés in Japan
- ✓ Expanded to a mobile platform with Lineage 2M
- ✓ **IP cumulative revenue: KRW 4.6 trillion**

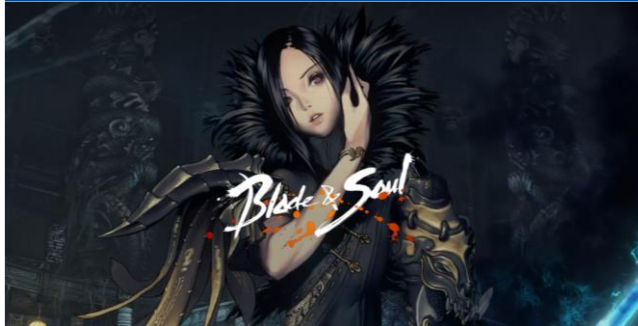
## 6. Strength : Multiple Successful IPs

AION



- ✓ Launched in 2008
- ✓ The first Korean game to introduce aerial PvP
- ✓ Retained no.1 ranking in Korean PC cafés for 160 weeks in a row
- ✓ Won the Best Online Game award at Gamescom, and the Best MMO Game award at Pax (2009)
- ✓ **IP cumulative revenue: KRW 1.9 trillion**

Blade & Soul



- ✓ Launched in 2012
- ✓ An action MMORPG featuring oriental martial arts (e.g. wind-walking and water dash) and a distinctive storyline and characters
- ✓ Expanded to a mobile platform with B&S 2
- ✓ **IP cumulative revenue: KRW 1.7 trillion**

Guild Wars 2

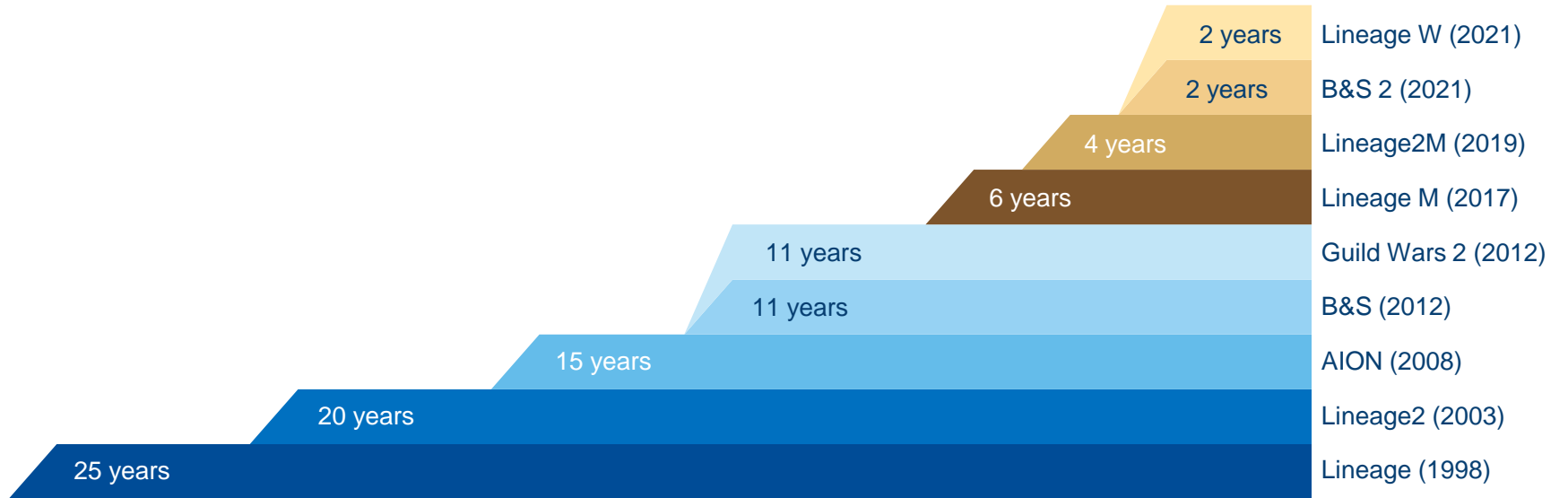


- ✓ Launched in 2012
- ✓ Released 4 expansion packs
- ✓ Offered distinct story-driven content called Living World, with a strategic combat system
- ✓ Acquired more than 20 million users globally since its launch
- ✓ **IP cumulative revenue: KRW 1.4 trillion**

## 6. Strength : Expertise in Live Services

- Expanding life cycle of our games by providing timely and continuous content update
- Sustainable growth achieved by diversifying portfolio by adding new live service games

Live services for life cycle extension (The number of years after its launch, by title)



## 6. Strength : Driving Innovation

### Successful transformation (from PC to Mobile)



- ✓ NCSOFT successfully have delivered massive and guild-based content of PC MMORPGs to mobile platforms since Lineage M launch.
- ✓ Lineage 2M set a standard in a mobile MMORPG area with technical superiority, including full 3D 4K UHD graphics, collision detection, and one-channel open world where more than 10,000 players can gather.

### Cross Play Platform (PURPLE)



- ✓ The first game company to develop and support PC/mobile cross play platform for MMORPG
- ✓ PURPLE also supports other convenience functions including real-time translation, live-streaming, and community systems.

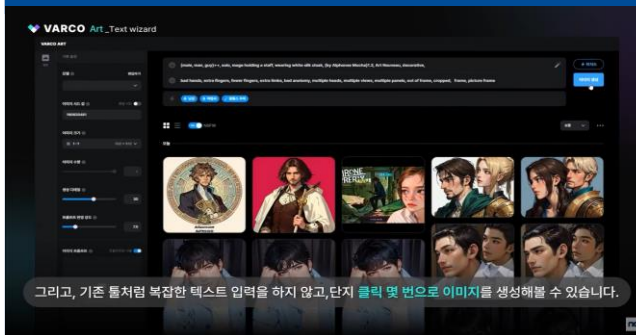
## 6. Strength : Our Technology

### Massive scale live service



- ✓ NCSOFT is striving to develop technologies for better stability and connectivity, which are the essentials of MMORPGs
- ✓ For instance, Lineage W, recorded 1.9 million concurrent users on the first day, was released successfully thanks to NC's various efforts such as applying RIO (registered I/O) API (for lowering CPU usage and stable connection) and Level segment graph (for lowering a load time significantly)

### AI



- ✓ NCSOFT established AI research department in 2011 for the first time among Korean game companies, and now has more than 300 AI-related talents
- ✓ NC aims to enhance internal development productivity and offer improved content using AI development platform, called 'Varco Studio' (to be launched internally in 2023)

### Digital Human

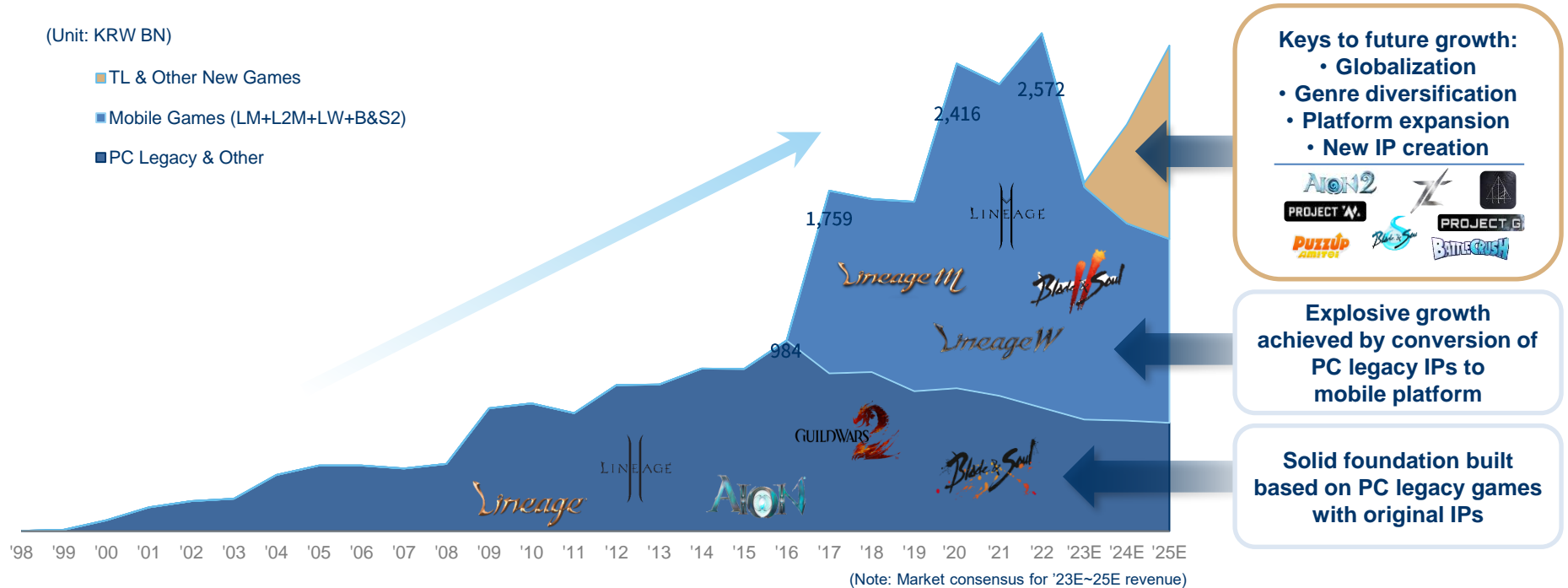


- ✓ Digital human is one of the digital content that NCSOFT is targeting to offer in the future
- ✓ NCSOFT plans to develop an interactive digital human, which can communicate with people on a real-time basis with NC's rich AI technologies
- ✓ Key technologies for creating digital human are: 1) In-house 4D scanning, 2) N Face (generating high-quality lip sync animation), and 3) NC TTS (text-to-speech, voice synthesis)

# 7. Strategy : Embark on a New Era of Interactive Online Gaming

- Online gaming has opened up a whole new world of multiplayer possibilities
- Multiple growth opportunities lie ahead on top of the core business

Yearly Revenue Trend

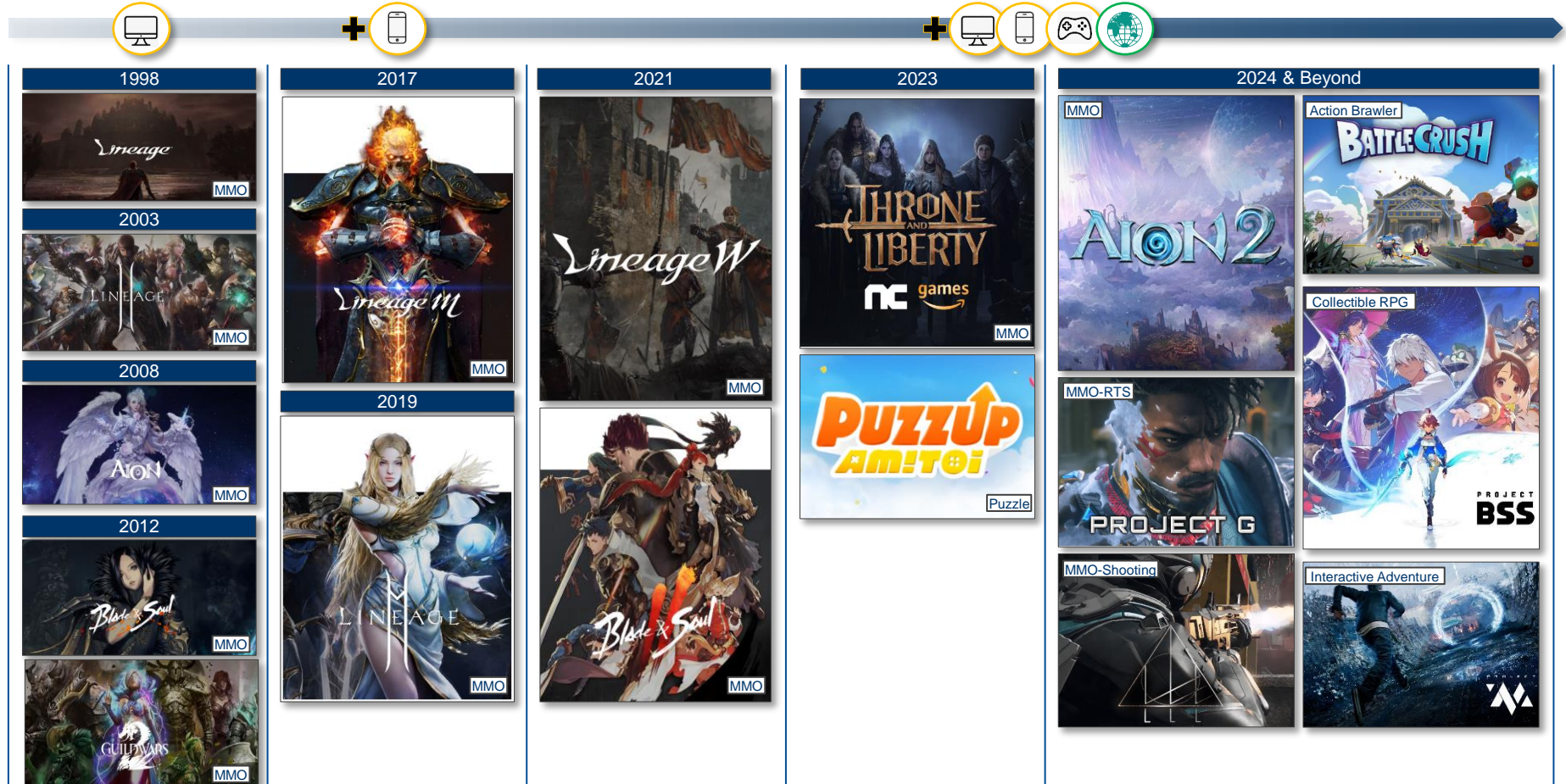


## 7. Strategy : Expansion into the Global Market

- Aim to strengthen our global market presence by making our products accessible to a wider audience and improving user engagement through genre diversification, new IP development, platform expansion, and partnerships



# 7. Strategy : Rich and Diversified Game Pipeline





## 8. Consolidated Financial Statements

### Statement of Financial Position

	FY 2022	3Q 23
<b>Assets</b>		
I. Current Assets	2,691,080	2,385,256
Cash and cash equivalents	285,574	362,346
Short-term financial instruments	1,088,608	1,081,598
Account receivables	175,463	179,151
Other receivables	43,894	36,708
Short-term investment assets	1,054,472	683,904
Others	43,068	41,549
II. Non-current Assets	1,746,552	1,949,283
Long-term loans	7,437	7,892
Other receivables	23,262	23,646
Long-term investment assets	504,265	530,325
Investment stock in associated companies	26,240	24,345
Investment property	90,227	89,269
Tangible assets	930,207	1,028,739
Intangible assets	43,399	121,507
Others	121,517	123,559
<b>Total Assets</b>	<b>4,437,632</b>	<b>4,334,539</b>

(UNIT : KRW MN)

	FY 2022	3Q 23
<b>Liabilities</b>		
I. Current Liabilities	515,349	638,305
Borrowings	-	239,914
Account payables	86,555	81,195
Lease liabilities	35,287	36,776
Current tax liabilities	85,537	2,071
Other current liabilities	307,190	278,349
Other provisions	779	-
II. Non-current Liabilities	723,735	535,542
Debentures and borrowings	409,384	169,657
Defined benefit obligations	5,728	5,142
Long-term employee benefits	19,444	21,989
Lease liabilities	176,522	198,735
Others	112,657	140,019
<b>Total Liabilities</b>	<b>1,239,084</b>	<b>1,173,847</b>
<b>Shareholders Equity</b>		
I. Capital Stock	10,977	10,977
II. Other Paid-in Capital	(189,424)	(189,424)
III. Other Components of Equity	(34,751)	(116,533)
IV. Retained Earnings	3,409,409	3,452,494
V. Non-controlling Interest	2,338	3,177
<b>Total Stockholders Equity</b>	<b>3,198,549</b>	<b>3,160,692</b>
<b>Total Liabilities and Shareholders Equity</b>	<b>4,437,632</b>	<b>4,334,539</b>

## 8. Consolidated Financial Statements

### Income Statement

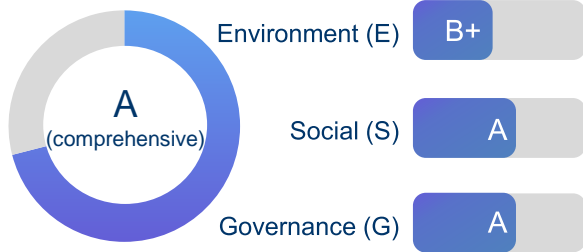
(UNIT : KRW MN)

	3Q 22	4Q 22	1Q 23	2Q 23	3Q 23
Sales	604,232	547,948	478,770	440,246	423,108
Operating Expenses	459,810	500,516	397,142	404,971	406,581
Operating Income	144,422	47,432	81,628	35,275	16,527
Non-operating Income	105,942	(84,987)	59,671	3,827	29,667
Pre-tax Income	250,365	(37,555)	141,299	39,102	46,194
Income Tax	68,288	(4,458)	27,121	8,561	2,190
Net Income	182,077	(33,097)	114,178	30,542	44,004
Equity Attribution to the Owners of the Parent Company	181,815	(33,615)	113,697	29,878	43,611
Non-controlling Interest	262	518	481	664	393

## 9. NCSoft ESG Performances

### KCGS ESG Ratings

#### ■ Comprehensive Rating 2020 [B+] → 2023 [A]



[Ref] ESG Ratings: S, A+, A, B+, B, C, D

#### ■ Improvement Factors

- Environment (D → B+)
  - Very first disclosure of environmental data (GHGs, energy, etc.) among gaming companies
- Social (B+ → A)
  - Disclosure of HR Data (diversity, education, etc.), Declaration of human rights policy, etc.

### MSCI ESG Ratings

#### ■ Comprehensive Rating 2020 [BBB] → 2023 [AA]



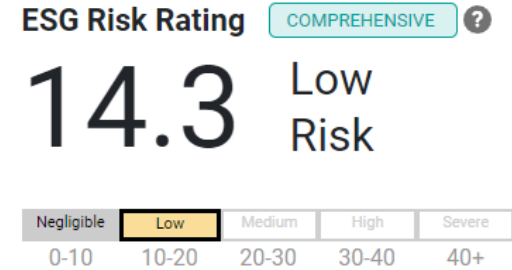
[Ref] ESG Ratings : 7 Ratings range from AAA to CCC

#### ■ Improvement Factors

- Data privacy & Information Security
  - Information security policy of global standard
- Human Resource Development
  - Talent recruitment, gender diverse workforce

### Sustainalytics ESG Risk Rating

#### ■ Risk Rating 2021 [16.8] → 2023 [14.3]



[Ref] ESG Ratings : Indicated by risk score between 0 and 50. The lower the score, the lower the company's ESG risk

#### ■ Improvement Factors

- Data privacy & Information security
  - Data privacy governance (education, regular audit, etc.)
- Human Resource Development
  - Disclosure of HR data (diversity, turnover rate, etc.)



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