

# NC SOFT IR PRESENTATION

Apr 2024





## I. Overview

1. Industry Overview
2. Company Overview

## II. Financials

3. Financial Highlights
4. Sales Breakdown
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## III. Investment Points

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## Appendix

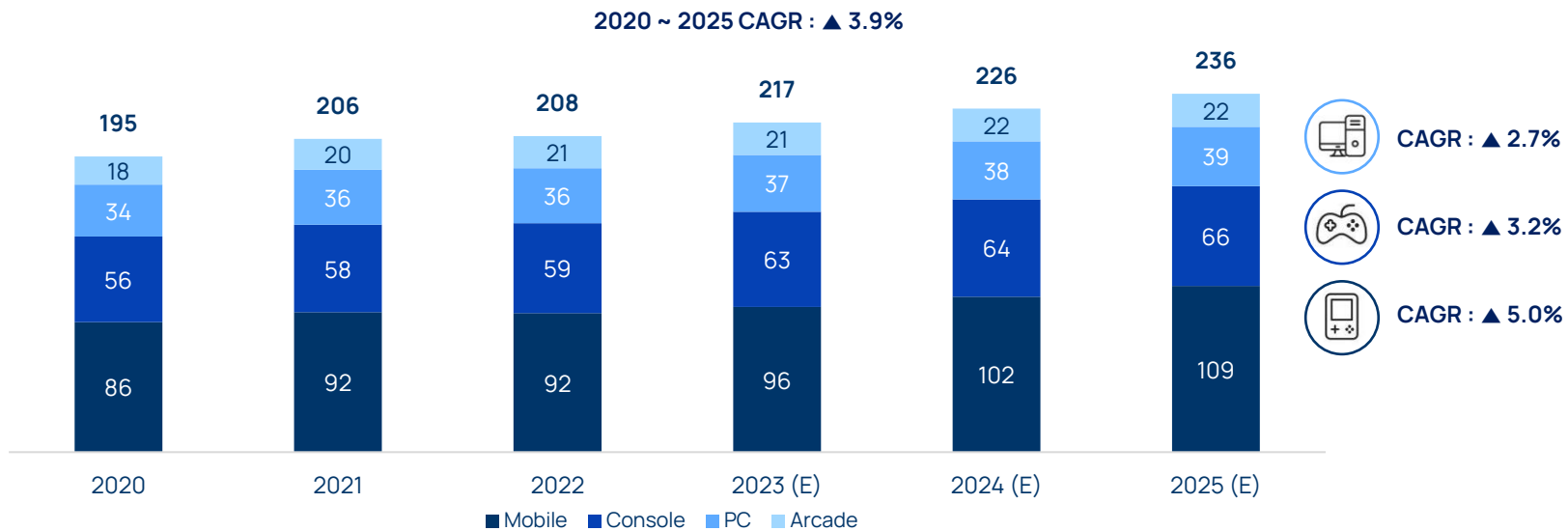
8. Summarized Financial Statements
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# 1. Industry Overview : Global Games Market Growth

- The global games market is projected to continue growing steadily, reaching a market size of USD 236 billion in 2025
- Mobile platform is expected to account for 46% of the global games market in 2025

## Global Games Market Size (2020 ~ 2025)

(Unit : USD BN)



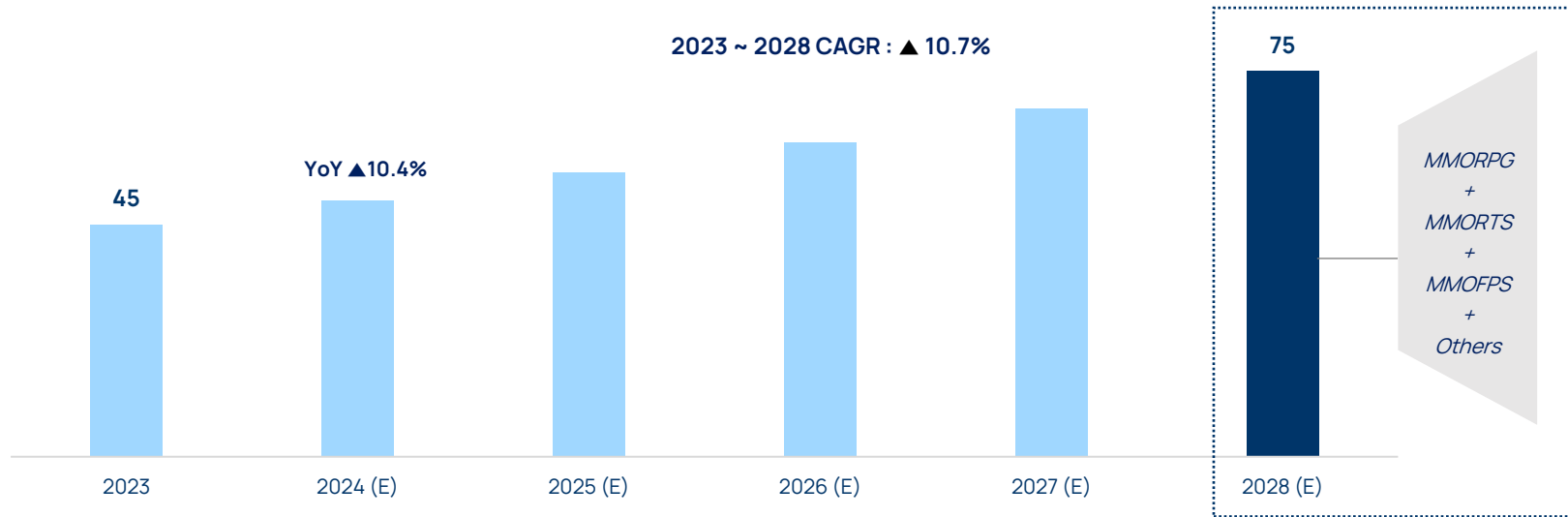
(Source : 2023 White paper on Korean Games)

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

- The global MMO games market is anticipated to be worth USD 75 billion in 2028 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)



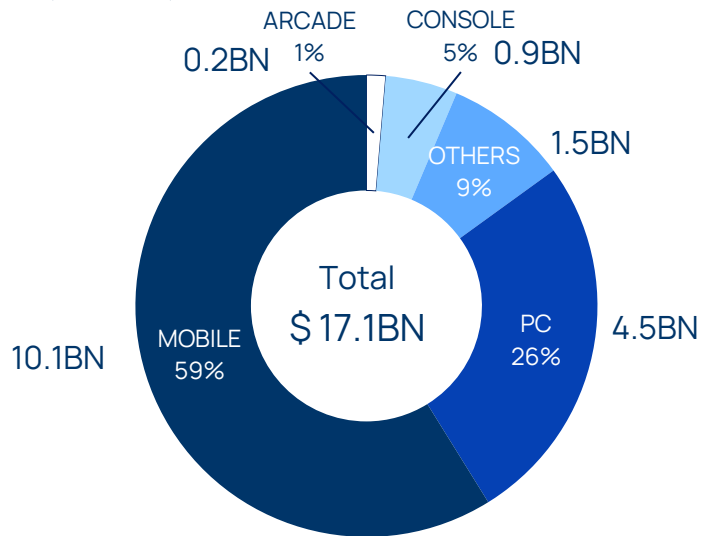
(Source : technavio MMO Games Market Research Report)

# 1. Industry Overview : South Korea Games Market

- Mobile games remain as the largest segment in 2022, accounting for 59% of South Korea's games market
- South Korean mobile games market has shown over 19% of growth throughout the past 3 years

South Korean Games Market Per Platform (2022)

(Unit : USD BN)

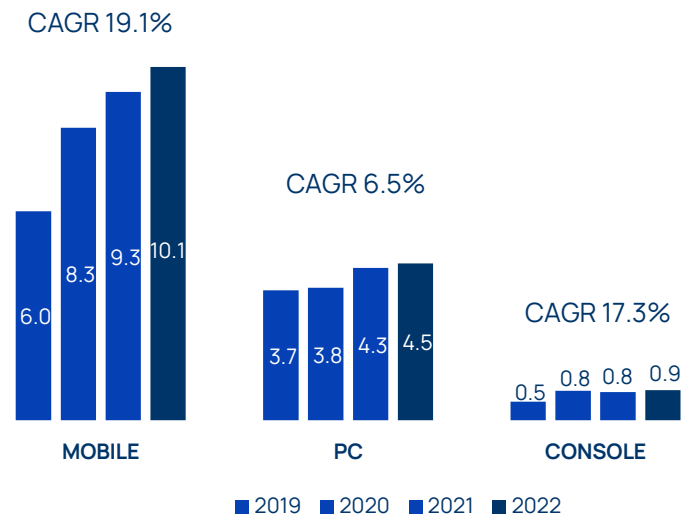


\*USD/KRW=1,300

(Source : 2023 White paper on Korean Games)

South Korean Games Market Per Platform (2019 ~ 2022)

(Unit : USD BN)



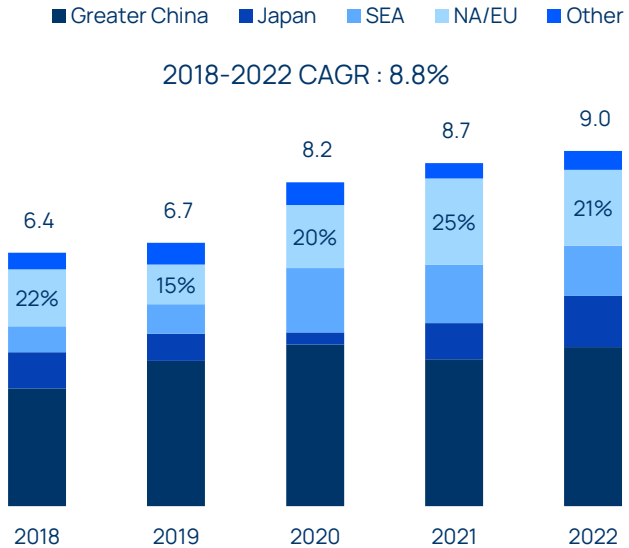
(Source : 2023 White paper on Korean Games)

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

- The value of South Korea's games exports has grown 9% 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

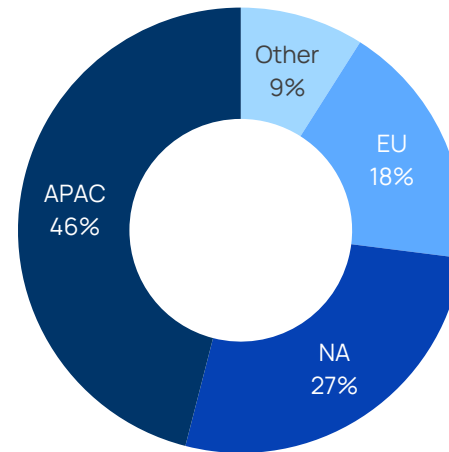
South Korean Games Export Value (2018 ~ 2022)

(Unit : USD BN)



(Source : 2023 White paper on Korean Games)

Global Gaming Market Share Per Region (2023E)

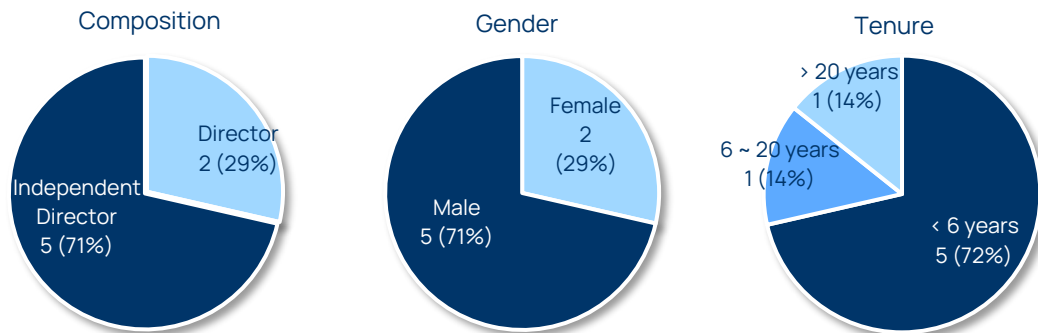


(Source : Newzoo's Global Games Market Report 2023)

## 2. Company Overview : Corporate Governance

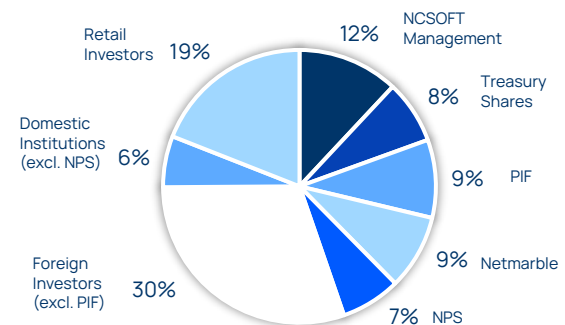
- NCSOFT's board of directors comprises 7 members, each contributing to the board's independence, diversity, and expertise

### Board Composition & Skills Matrix



### Ownership Structure

(As of Dec 2023)



### Board Skills Matrix

Director	Management	Investment	Accounting / Tax	Law / Risk Management	Industrial Technology	HR	ESG
Taek-Jin Kim (Co-CEO, Chair of the Board)	●				●		
Byung-Moo Park (Co-CEO)	●	●		●			
Sang-Hoon Baek	●		●				
Young-Ju Choie (Chair of the Outside Director Nomination Committee)					●		
Kyo-Hwa Chung (Chair of the Audit Committee)				●			
Jae-Chun Choe						●	●
Jae-Ho Lee (Chair of the Compensation Committee)	●		●				

## 2. Company Overview : Yearly Revenues Trend (1998 ~ 2023)

- Since 1998, launching quality MMORPGs regularly has driven persistent growth over the past 25 years
- Expecting another quantum jump with successful launch of new titles and overseas expansion

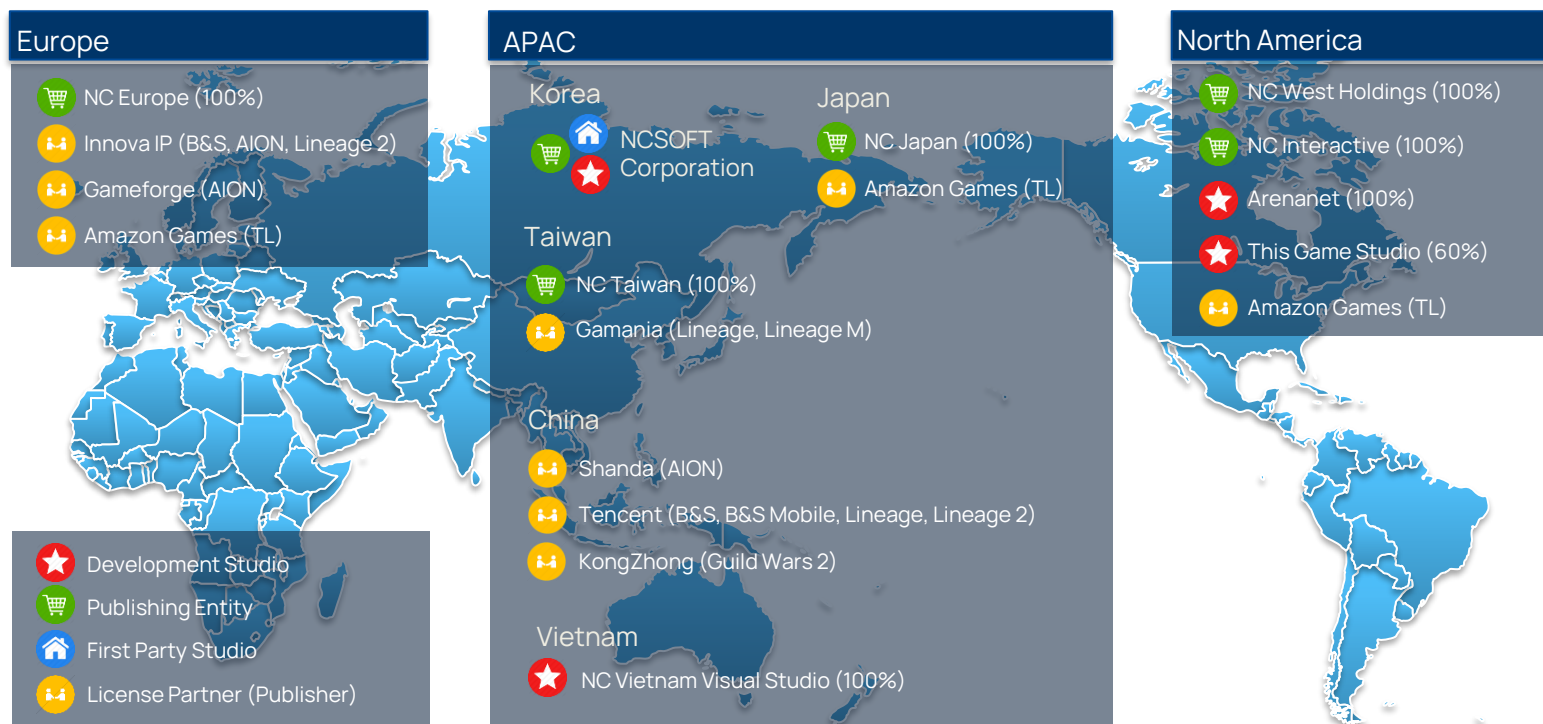




## 2. Company Overview : Development & Publishing Network

- 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



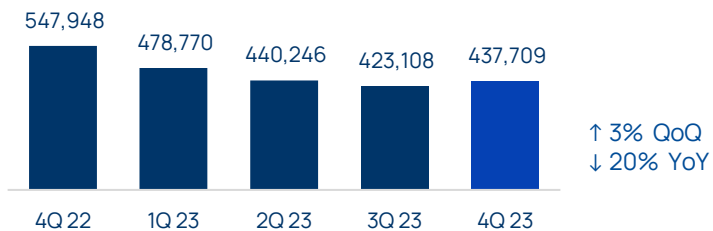
### 3. Financial Highlights (Quarterly)

- Sales posted KRW 437.7 billion, up by 3% qoq and 20% yoy
- Operating profit came in at KRW 3.9 billion, a decline of 77% qoq and 92% yoy

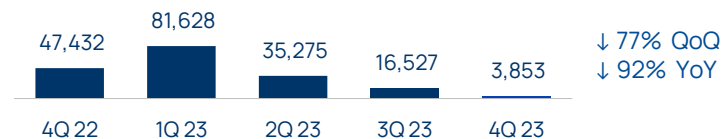
#### Quarterly Performance

(Unit: KRW MN)

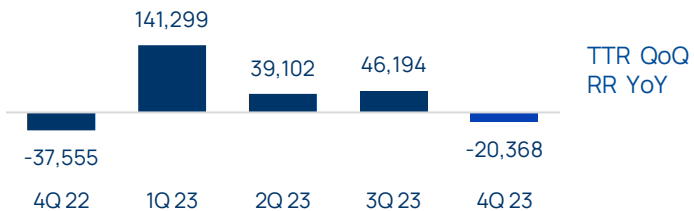
##### Sales



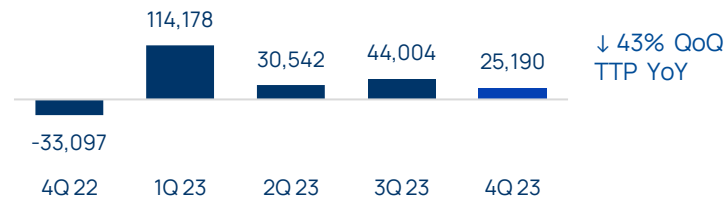
##### Operating Profit



##### Pre-tax Income

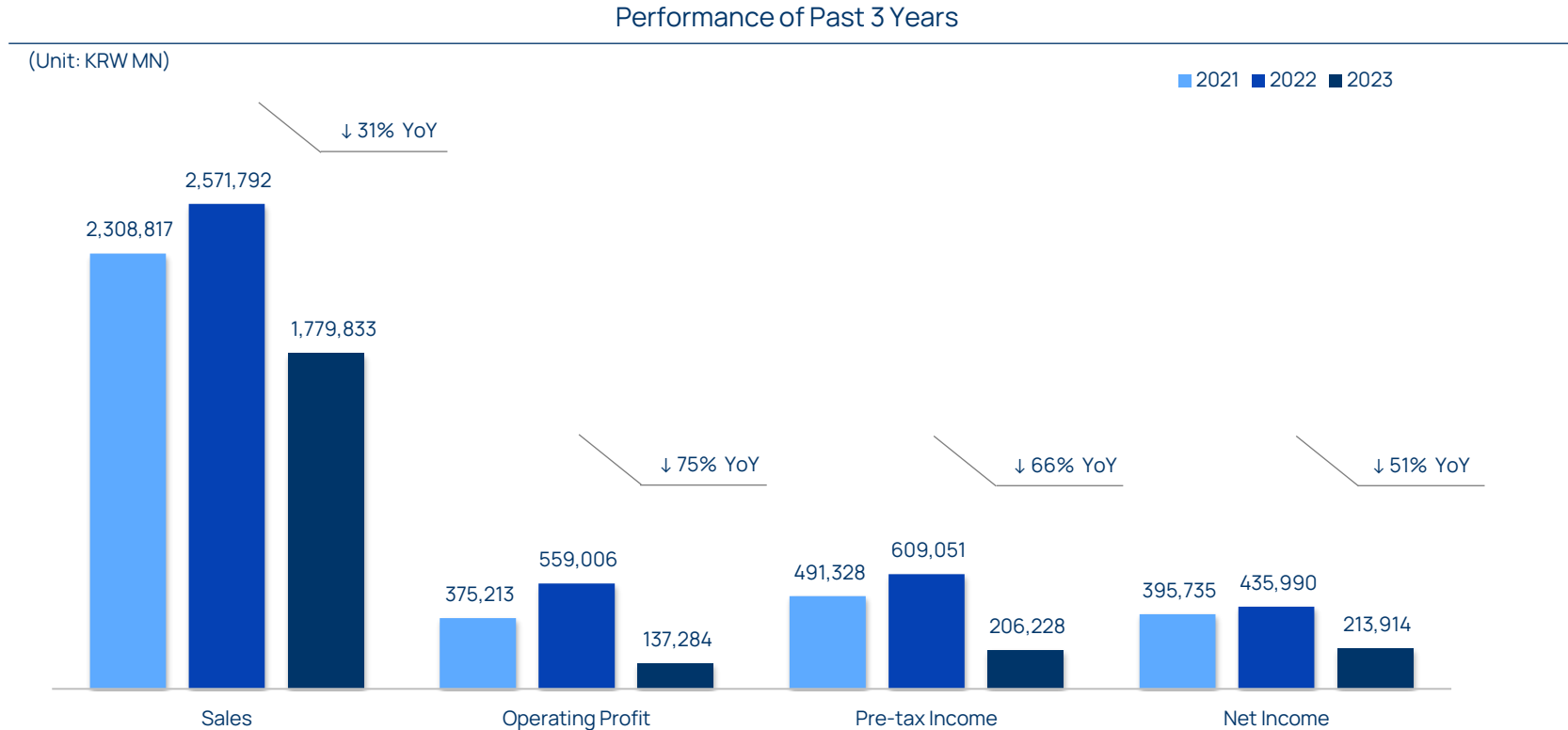


##### Net Income



### 3. Financial Highlights (Yearly)

- Full year 2023 sales recorded KRW 1,779.8 billion (YoY -31%), and operating profit was KRW 137.3 billion (YoY -75%)

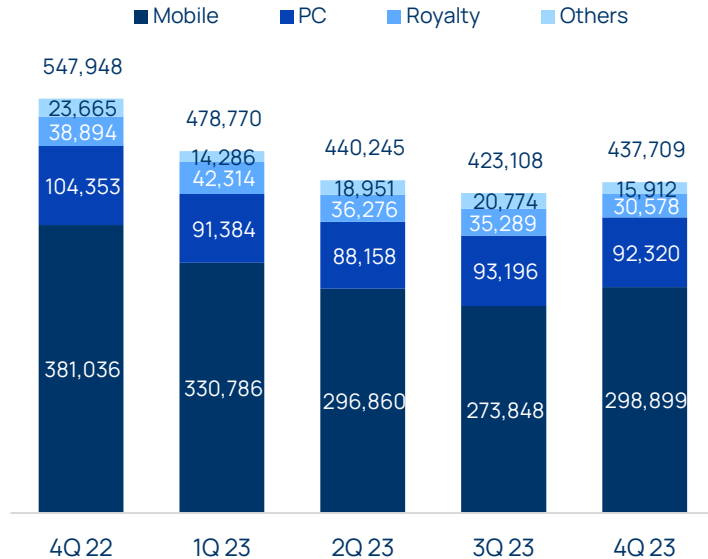


## 4. Sales Breakdown (by Platform)

- Q4 mobile game sales recorded KRW 298.9 billion, up by 9% qoq, driven by the solid performance of Lineage 2M and Lineage W
- For the full year of 2023, mobile game sales decreased by 38% yoy to KRW 1,200.4 billion, representing 67% of total sales
- PC game sales for Q4 was KRW 92.3 billion, down by 1% qoq, while the full-year figure was KRW 365.1 billion, down by 6% yoy, accounting for 21% of total sales

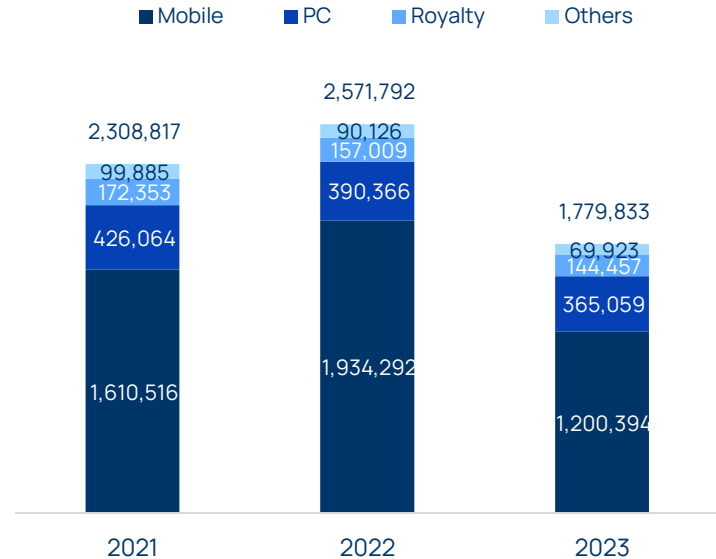
### Quarterly

(Unit: KRW MN)



### Yearly

(Unit: KRW MN)

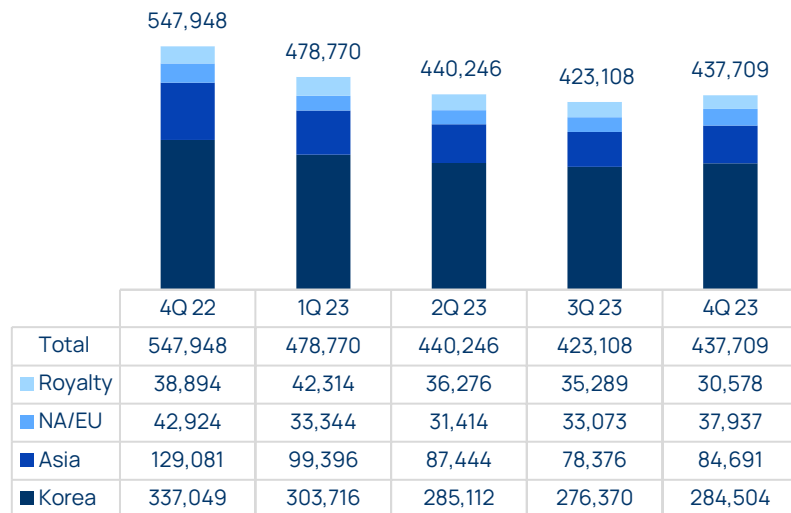


## 4. Sales Breakdown (by Region)

- Q4 Korea and Asia sales increased by 3% and 8% qoq respectively, backed by the growth of mobile game sales
- Q4 NA/EU sales grew by 15% qoq due to strong sales of GW2
- Overseas and royalty sales generated 35% of total sales for both Q4 and the full year of 2023

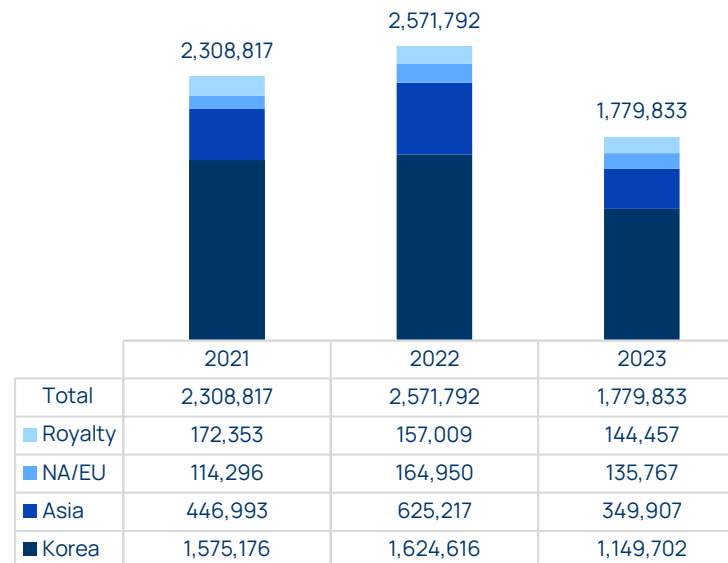
### Quarterly

(Unit: KRW MN)



### Yearly

(Unit: KRW MN)

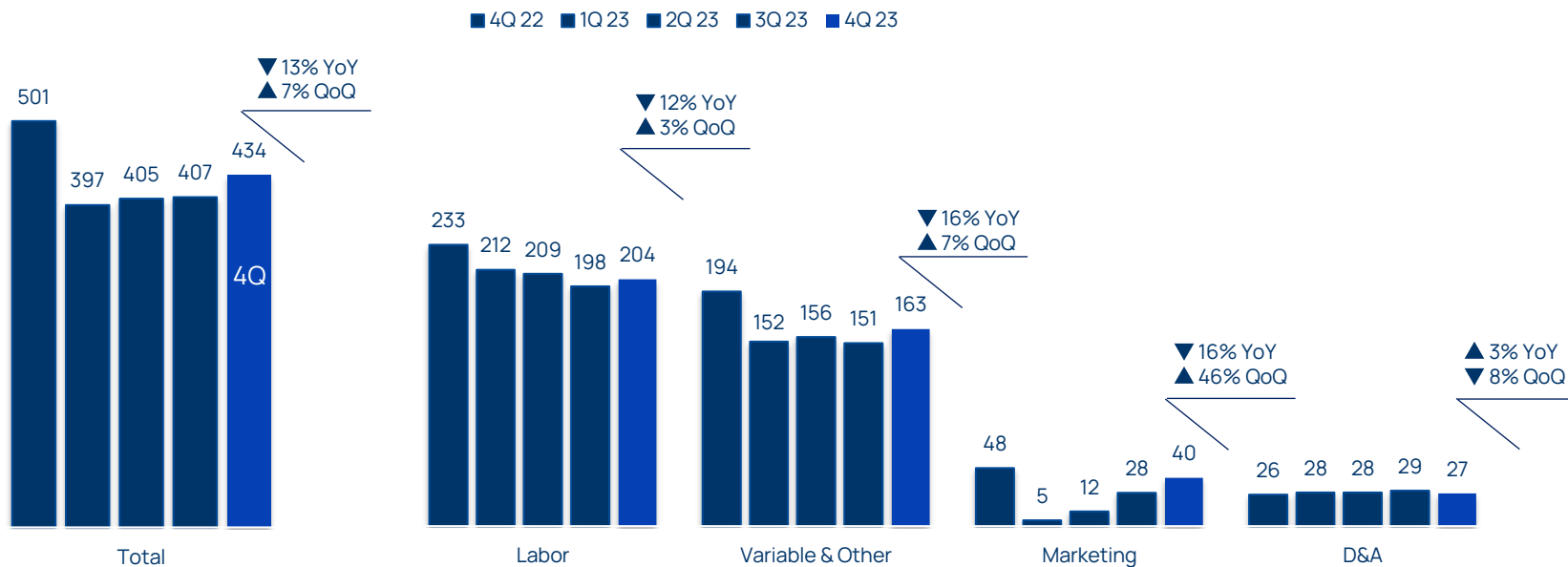


## 5. Cost Breakdown (Quarterly)

- 4Q total operating expenses recorded KRW 433.9 billion, a decline of 13% yoy
- 4Q labor cost was KRW 204.2 billion, a decline of 12% yoy
- 4Q marketing expenses KRW 40.3 billion, a decline of 16% yoy, but increased by 46% qoq, due to the new title launch and participation in the gaming expo

### Quarterly Operating Cost Breakdown

(Unit : KRW BN)

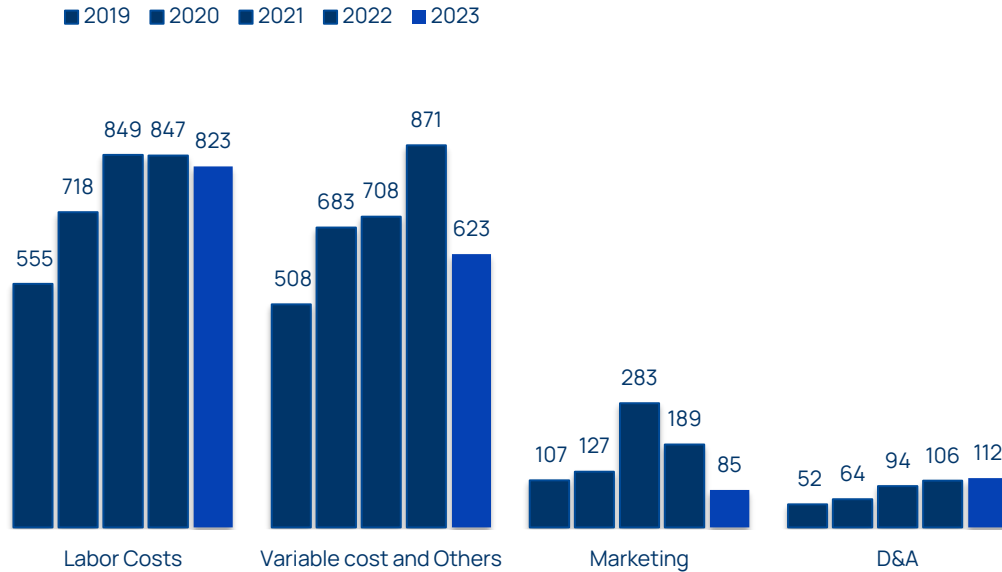


## 5. Cost Breakdown (Yearly)

- FY 2023 operating expenses totaled KRW 1,642.5 billion, down by 18% yoy
- In 2023, labor cost dropped by 3% yoy to KRW 822.9 billion, while marketing expenses fell by 55% yoy to KRW 85 billion, due to company-wide efforts to drive cost efficiency.

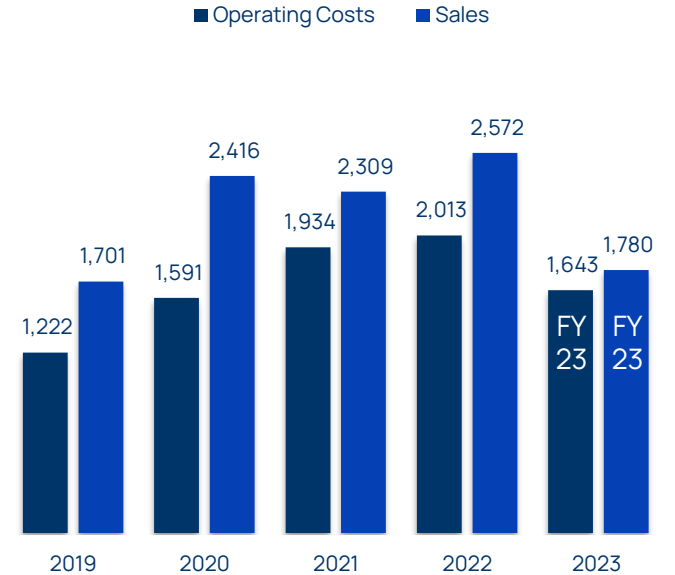
### Yearly Operating Cost Breakdown

(Unit : KRW BN)



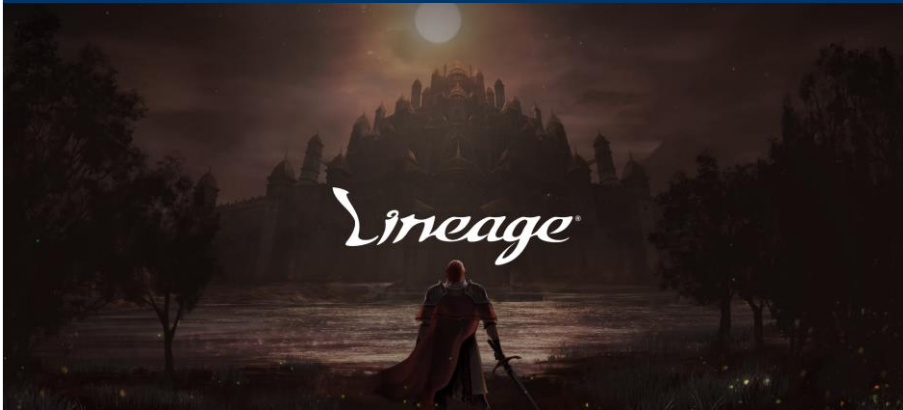
### Yearly Operating Cost Vs Revenues

(Unit : KRW BN)



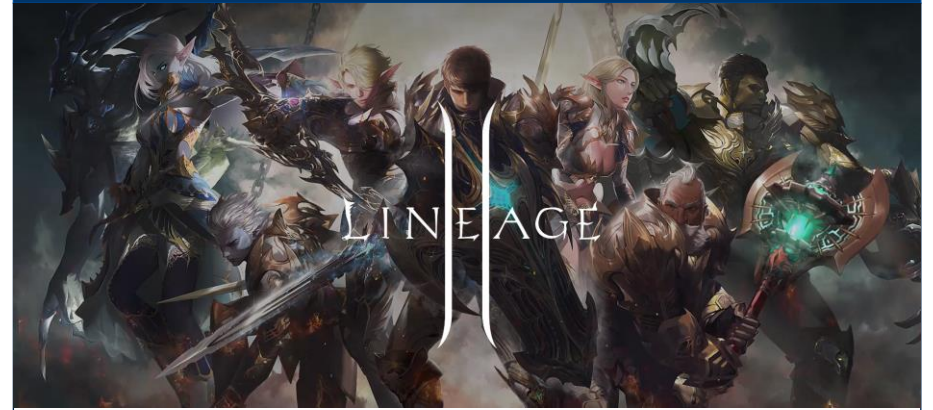
## 6. Strength : Multiple Successful IPs

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 11.6 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 4.7 trillion**



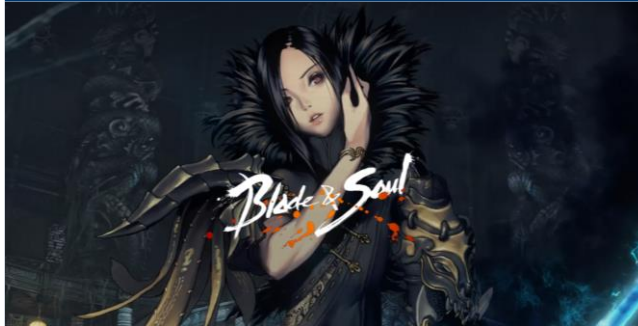
## 6. Strength : Multiple Successful IPs

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

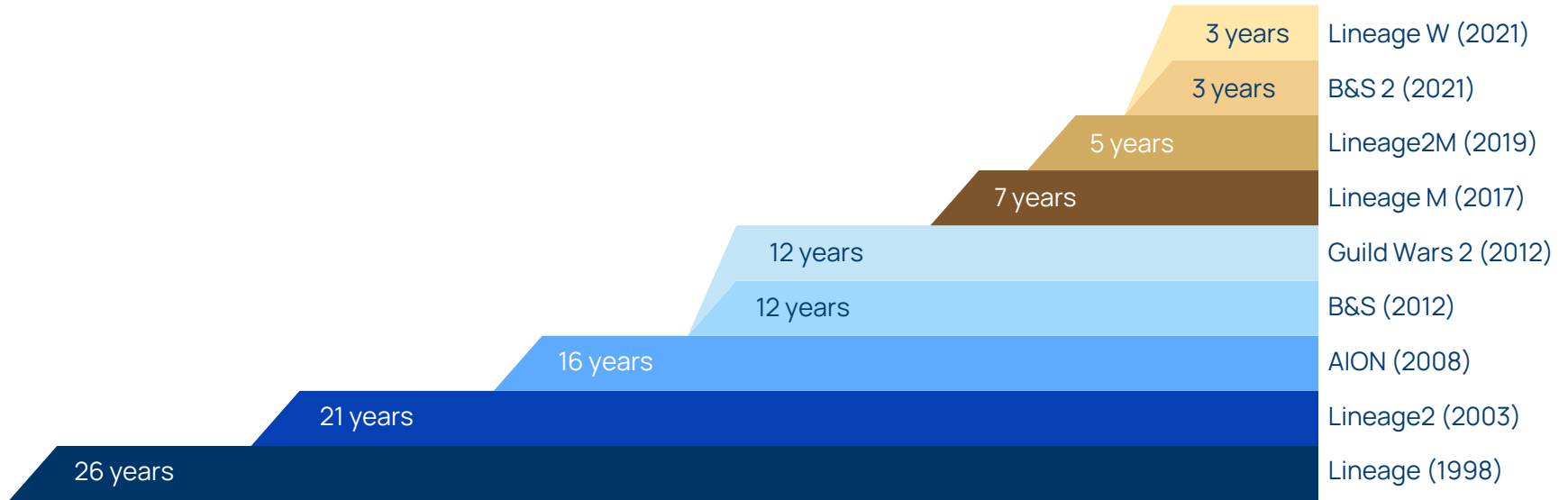


- ✓ Launched in 2012
- ✓ Released 4 expansion packs
- ✓ Offered distinct story-driven content called Living World, with a strategic combat system
- ✓ Acquired more than 20 million users globally since its launch
- ✓ **IP cumulative revenue: KRW 1.4 trillion**

## 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.

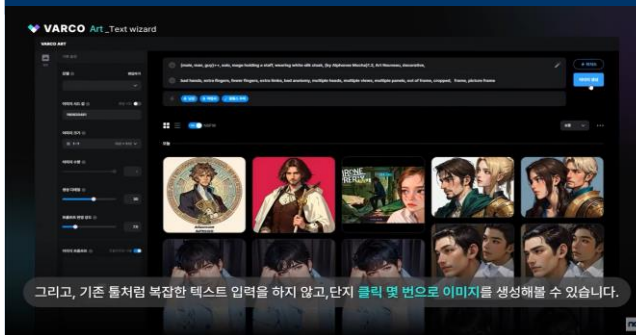
## 6. Strength : Our Technology

### 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 and has developed and utilized various AI technologies for its gaming services
- ✓ In 2023, NCSOFT launched internal AI development tool called 'Varco Studio' to drive AI utilization in the development process
- ✓ NCSOFT aims to enhance labor productivity and develop game services by automating repetitive tasks and visualizing their creative ideas through AI

### Motion capture studio

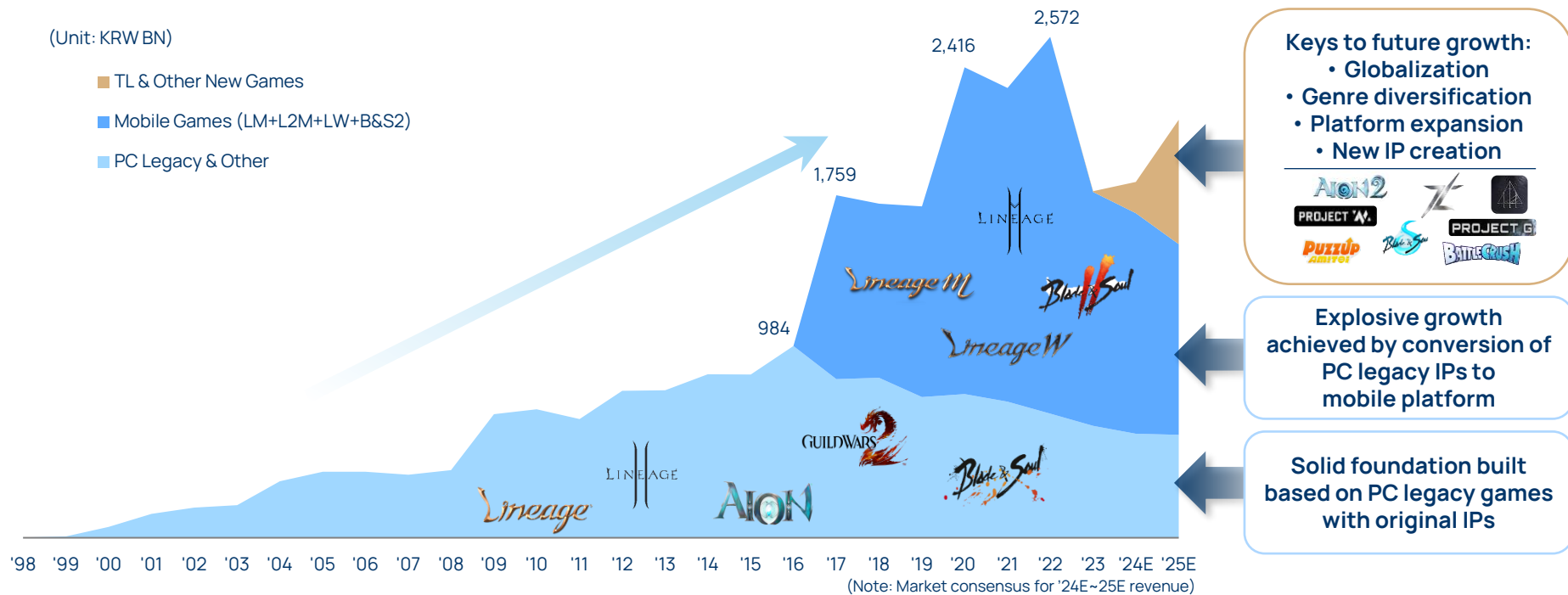


- ✓ NCSOFT has been operating in-house motion capture studio to deliver more realistic and detailed characters' animation in games
- ✓ The competency of our system has been honed through continuous research and development efforts, bolstered by gears for optical, gyroscopic, facial, and finger motion capture.
- ✓ NC's virtual production environment enables actors and developers to review performances visualized within a game in real-time.

## 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

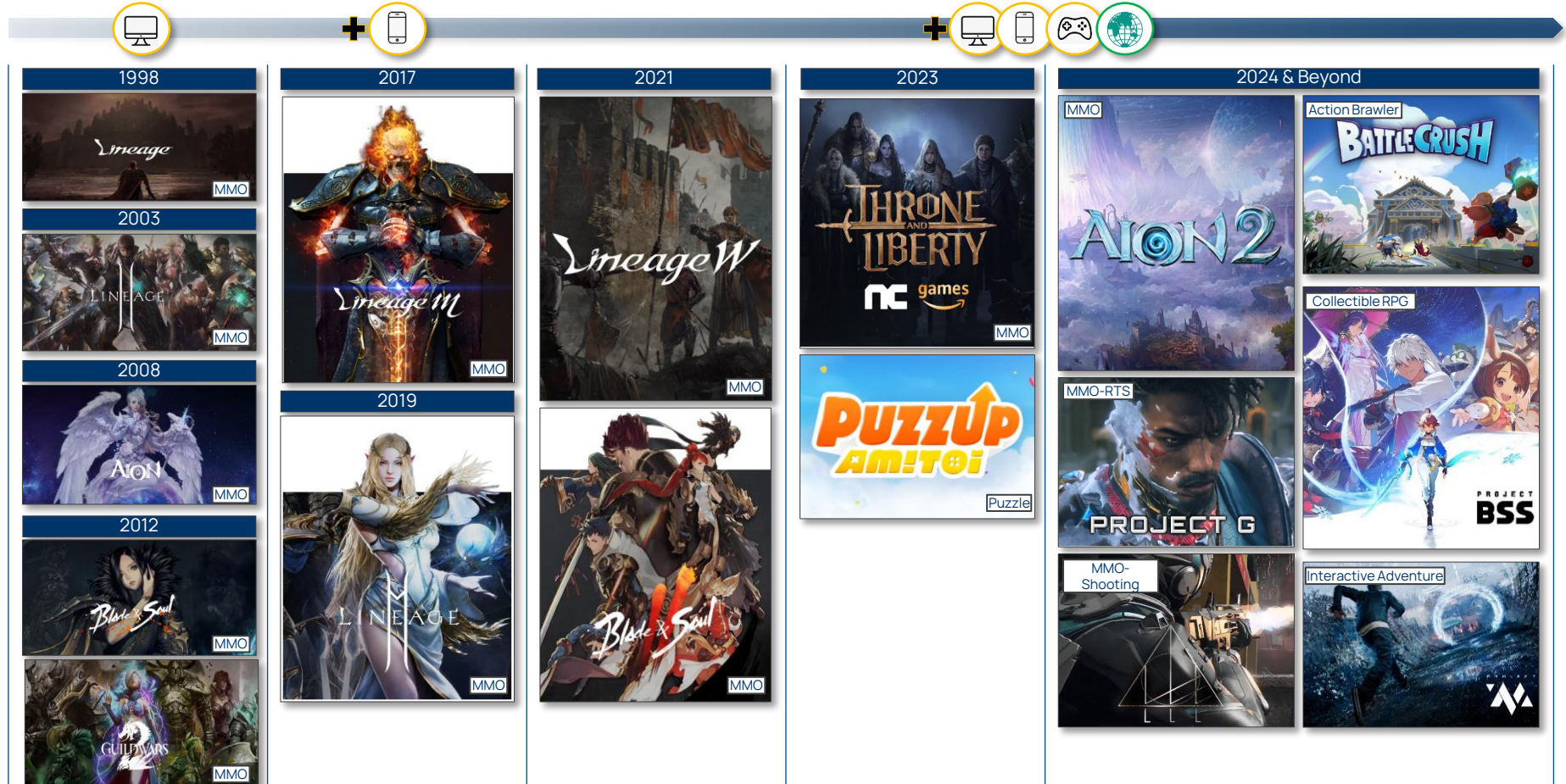


# 7. Strategy : Expansion into the Global Market

- 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	FY 2023
<b>Assets</b>		
I. Current Assets	2,691,080	2,336,839
Cash and cash equivalents	285,574	365,200
Short-term financial instruments	1,088,608	1,167,467
Account receivables	175,463	132,703
Other receivables	43,894	39,637
Short-term investment assets	1,054,472	585,401
Others	43,068	46,431
II. Non-current Assets	1,746,552	2,056,962
Long-term loans	7,437	7,347
Other receivables	23,262	21,281
Long-term investment assets	504,265	640,388
Investment stock in associated companies	26,240	24,887
Investment property	90,227	88,900
Tangible assets	930,207	1,000,513
Intangible assets	43,399	96,109
Others	121,517	177,537
<b>Total Assets</b>	<b>4,437,632</b>	<b>4,393,800</b>

(UNIT : KRW MN)

	FY 2022	FY 2023
<b>Liabilities</b>		
I. Current Liabilities	515,349	614,287
Borrowings	-	239,954
Account payables	86,555	78,084
Lease liabilities	35,287	39,958
Current tax liabilities	85,537	1,537
Other current liabilities	307,190	254,754
Other provisions	779	-
II. Non-current Liabilities	723,735	526,484
Debentures and borrowings	409,384	169,691
Defined benefit obligations	5,728	5,819
Long-term employee benefits	19,444	23,075
Lease liabilities	176,522	192,673
Others	112,657	135,227
<b>Total Liabilities</b>	<b>1,239,084</b>	<b>1,140,772</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)	(44,503)
IV. Retained Earnings	3,409,409	3,472,647
V. Non-controlling Interest	2,338	3,332
<b>Total Stockholders Equity</b>	<b>3,198,549</b>	<b>3,253,029</b>
<b>Total Liabilities and Shareholders Equity</b>	<b>4,437,632</b>	<b>4,393,800</b>



## 8. Consolidated Financial Statements

### Income Statement

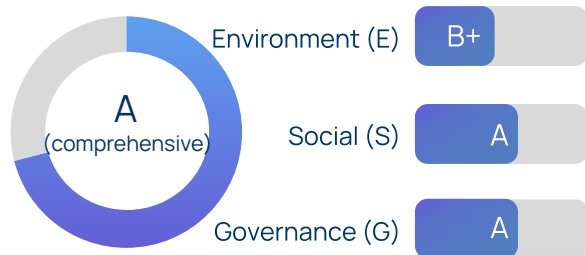
(UNIT : KRW MN)

	4Q 22	1Q 23	2Q 23	3Q 23	4Q 23	FY 2022	FY 2023
Sales	547,948	478,770	440,246	423,108	437,709	2,571,792	1,779,833
Operating Expenses	500,516	397,142	404,971	406,581	433,856	2,012,786	1,642,549
Operating Income	47,432	81,628	35,275	16,527	3,853	559,006	137,284
Non-operating Income	(84,987)	59,671	3,827	29,667	(24,221)	50,045	68,945
Pre-tax Income	(37,555)	141,299	39,102	46,194	(20,368)	609,051	206,228
Income Tax	(4,458)	27,121	8,561	2,190	(45,558)	173,061	(7,686)
Net Income	(33,097)	114,178	30,542	44,004	25,190	435,990	213,914
Equity Attribution to the Owners of the Parent Company	(33,615)	113,697	29,878	43,611	24,953	435,715	212,139
Non-controlling Interest	518	481	664	393	237	276	1,775

## 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]



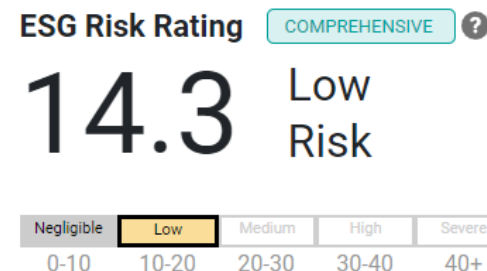
[Ref] ESG Ratings : 7 Ratings range from AAA to CCC

#### ■ 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.)