



**NCSoft**  
**IR PRESENTATION**

June 2024





## I. Overview

1. Industry Overview
2. Company Overview

## II. Financials

3. Financial Highlights
4. Sales Breakdown
5. Cost Breakdown

## III. Investment Points

6. Strength
7. Strategy

## Appendix

8. Game Pipeline
9. Consolidated Financial Statements
10. NCSOFT ESG Performances

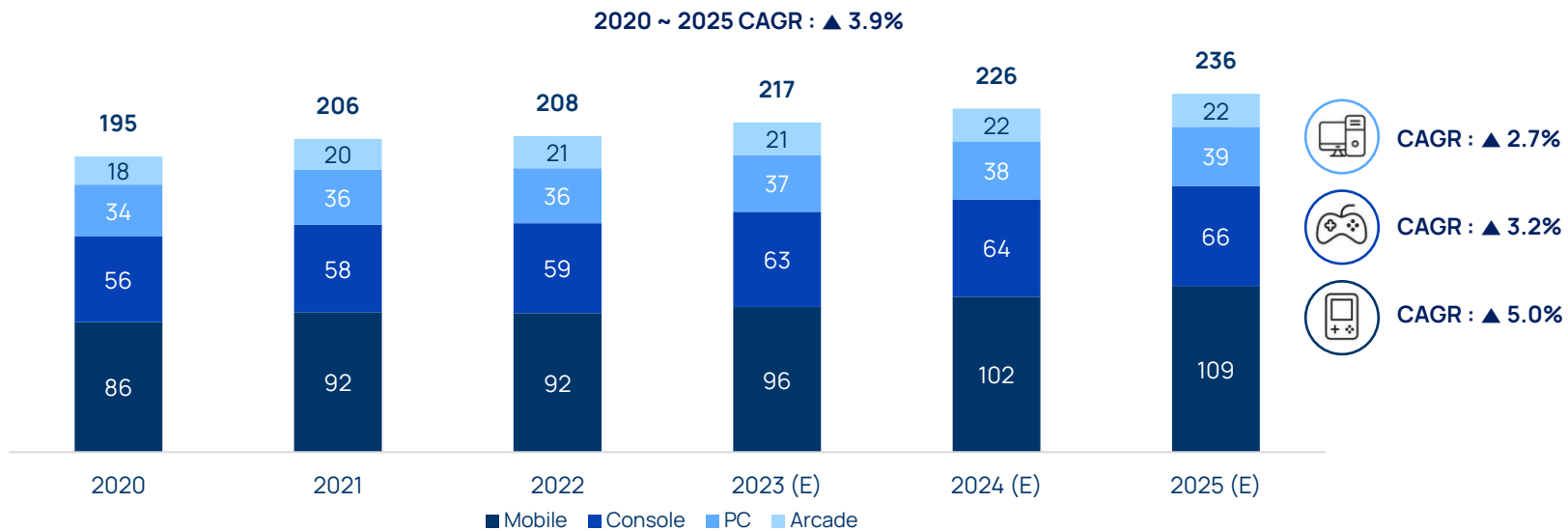


# 1. Industry Overview : Global Games Market Growth

- 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)



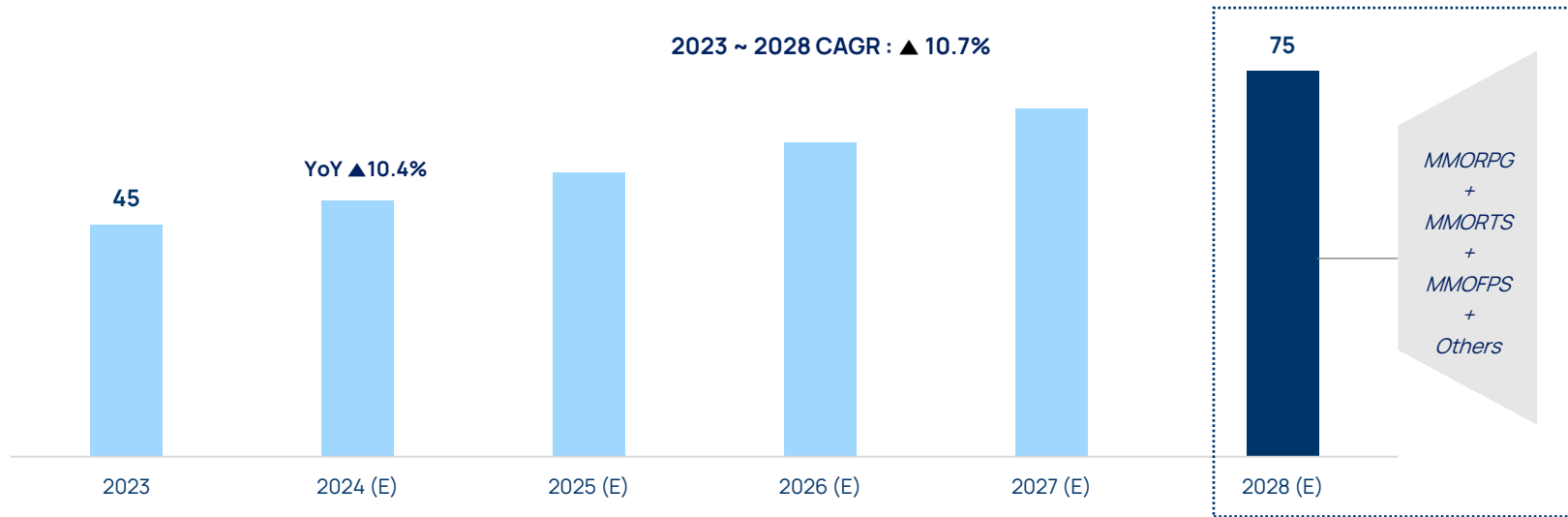
(Source : 2023 White paper on Korean Games)

# 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)



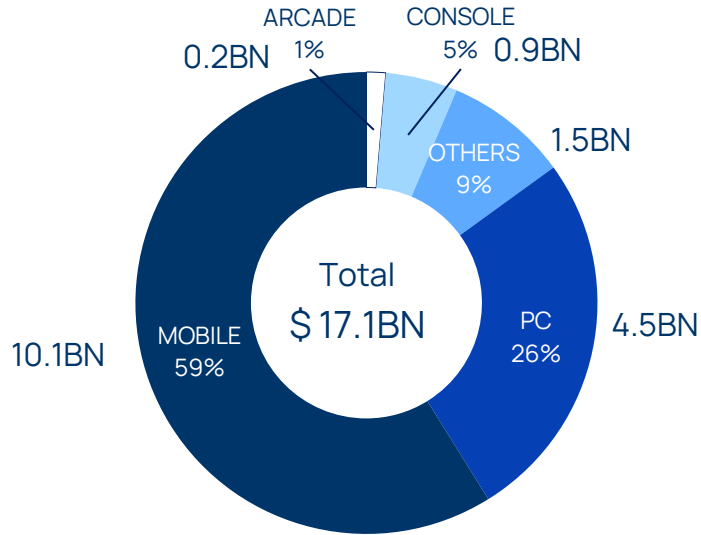
(Source : technavio MMO Games Market Research Report)

# 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 presented over 19% of growth throughout the past 3 years

## South Korean Games Market Per Platform (2022)

(Unit : USD BN)

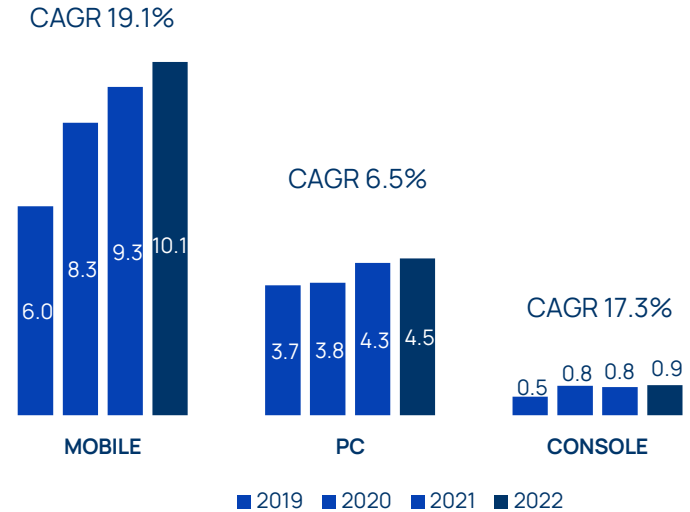


\*USD/KRW=1,300

(Source : 2023 White paper on Korean Games)

## South Korean Games Market Per Platform (2019 ~ 2022)

(Unit : USD BN)



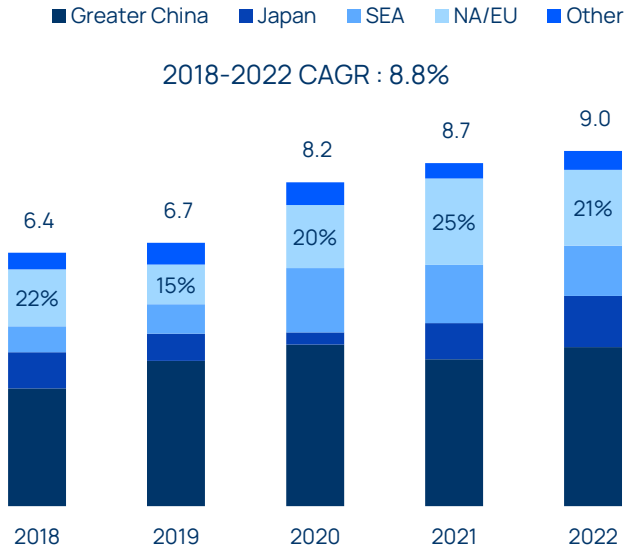
(Source : 2023 White paper on Korean Games)

# 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

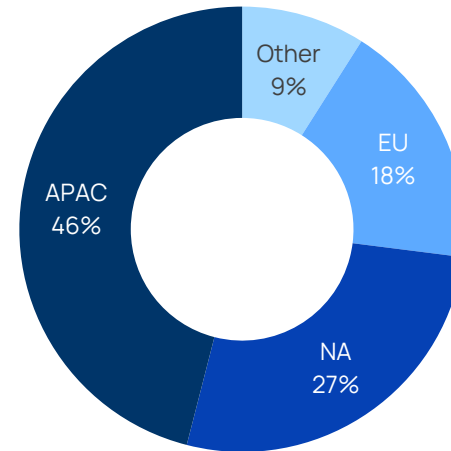
## South Korean Games Export Value (2018 ~ 2022)

(Unit : USD BN)



(Source : 2023 White paper on Korean Games)

## Global Gaming Market Share Per Region (2023E)

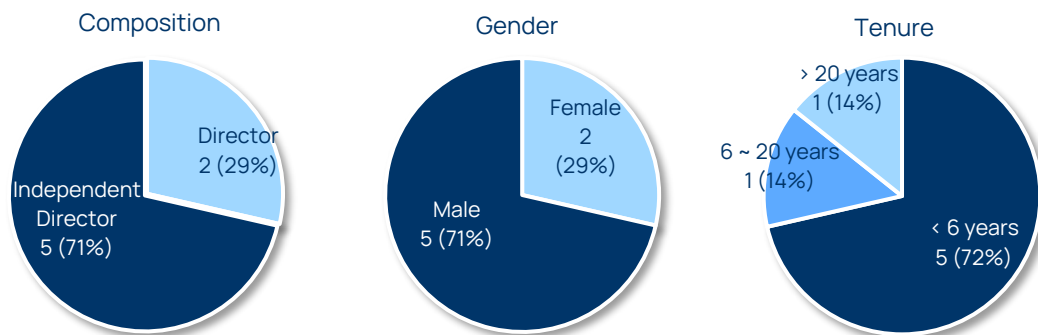


(Source : Newzoo's Global Games Market Report 2023)

## 2. Company Overview : Corporate Governance

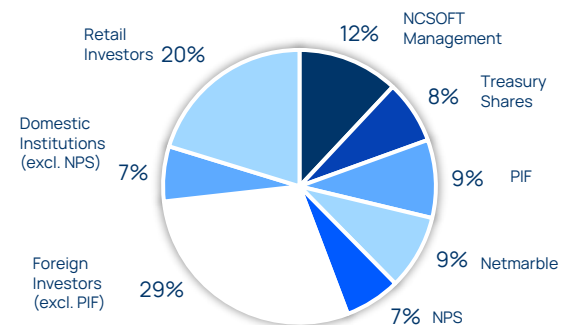
- NCSOFT's board of directors comprises 7 members, each contributing to the board's independence, diversity, and expertise

### Board Composition & Skills Matrix



### Ownership Structure

(As of Mar 2024)



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

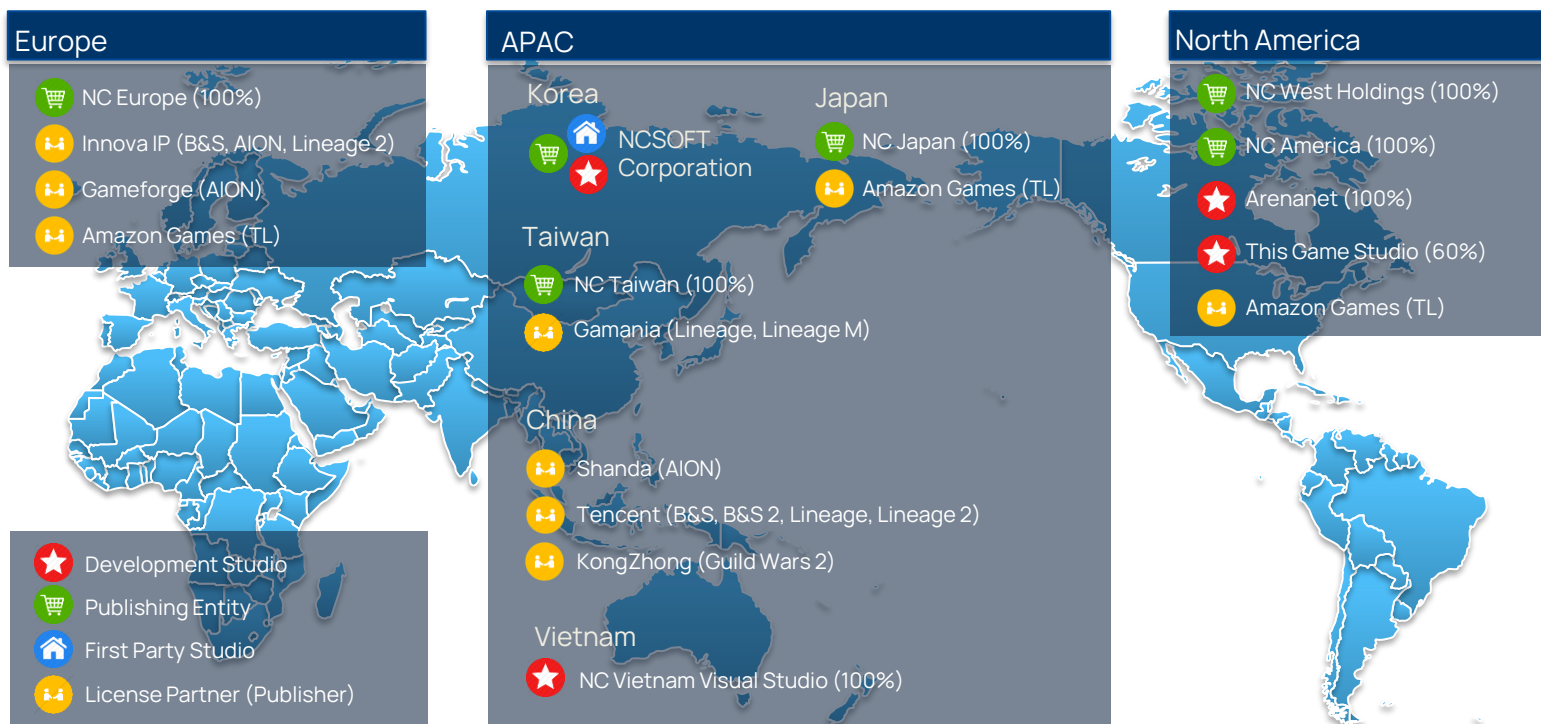




## 2. Company Overview : Development & Publishing Network

- 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



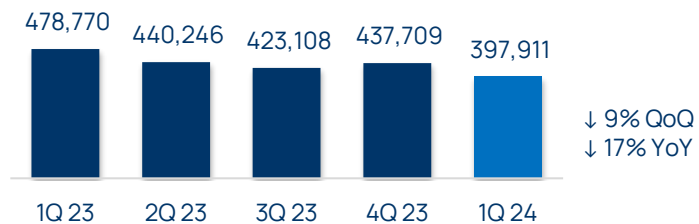
### 3. Financial Highlights (Quarterly)

- Sales totaled KRW 397.9 billion, down 9% qoq and 17% yoy
- Operating profit was KRW 25.7 billion, an increase of 568% qoq but a decrease of 68% yoy

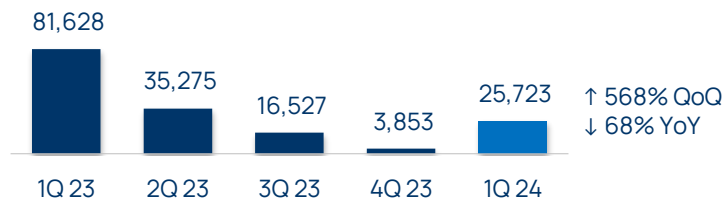
#### Quarterly Performance

(Unit: KRW MN)

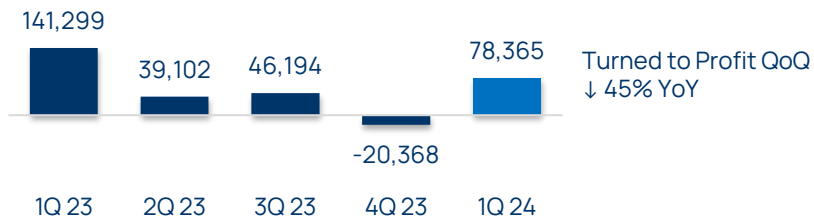
##### Sales



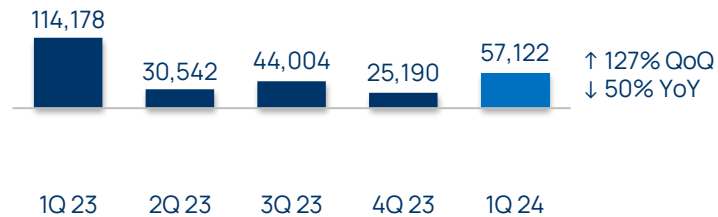
##### Operating Profit



##### Pre-tax Income

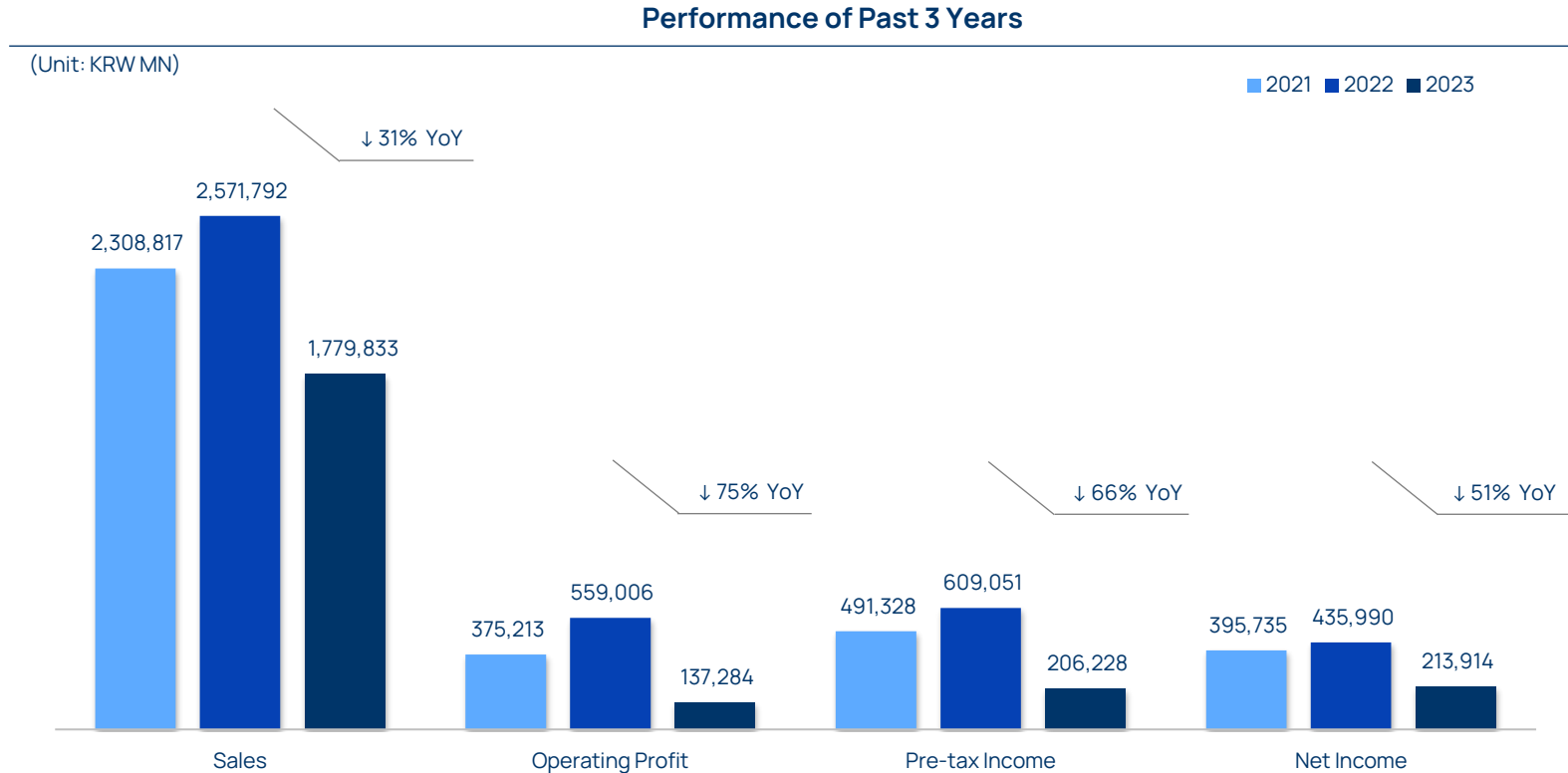


##### Net Income



### 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%)

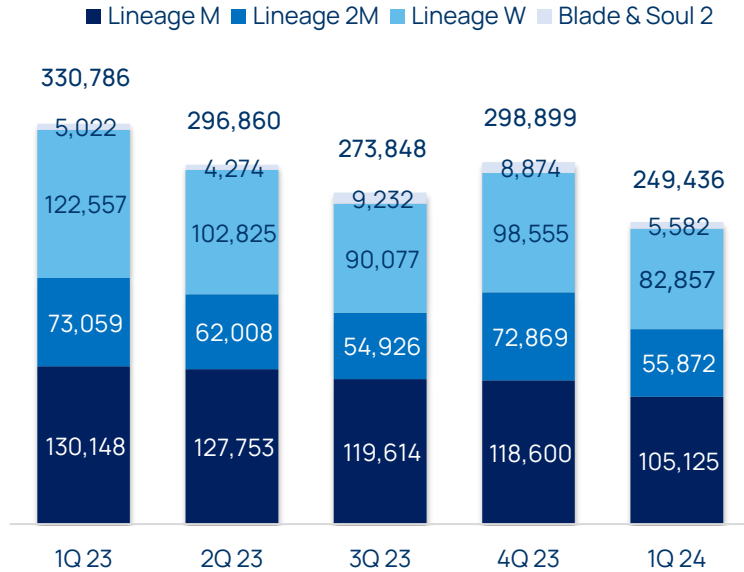


## 4. Sales Breakdown (Quarterly by Game)

- Mobile game sales amounted to KRW 249.4 billion, down 17% qoq, due to the high base established by Lineage 2M and Lineage W. Mobile games generated 63% of total sales
- PC online games posted KRW 91.5 billion in sales, up 4% qoq, lifted by various updates. PC online games accounted for 23% of total sales

### Mobile Games

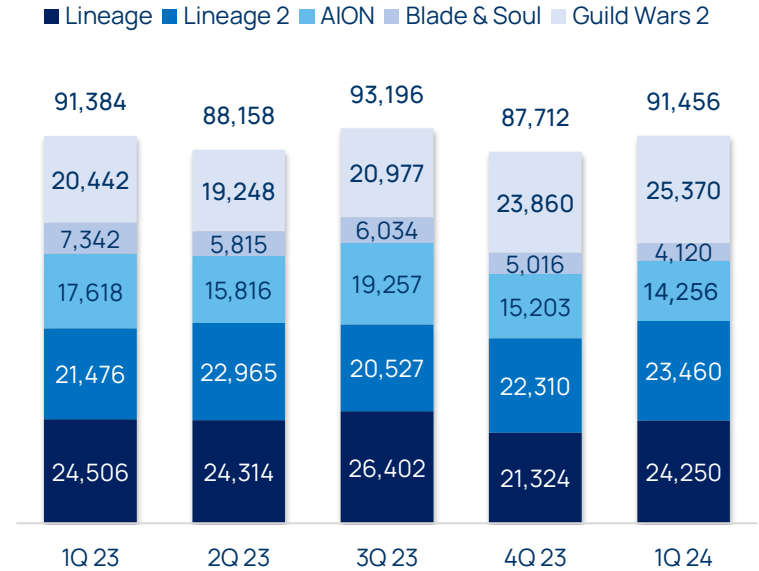
(Unit: KRW MN)



\* Not including other mobile games

### PC Online Games

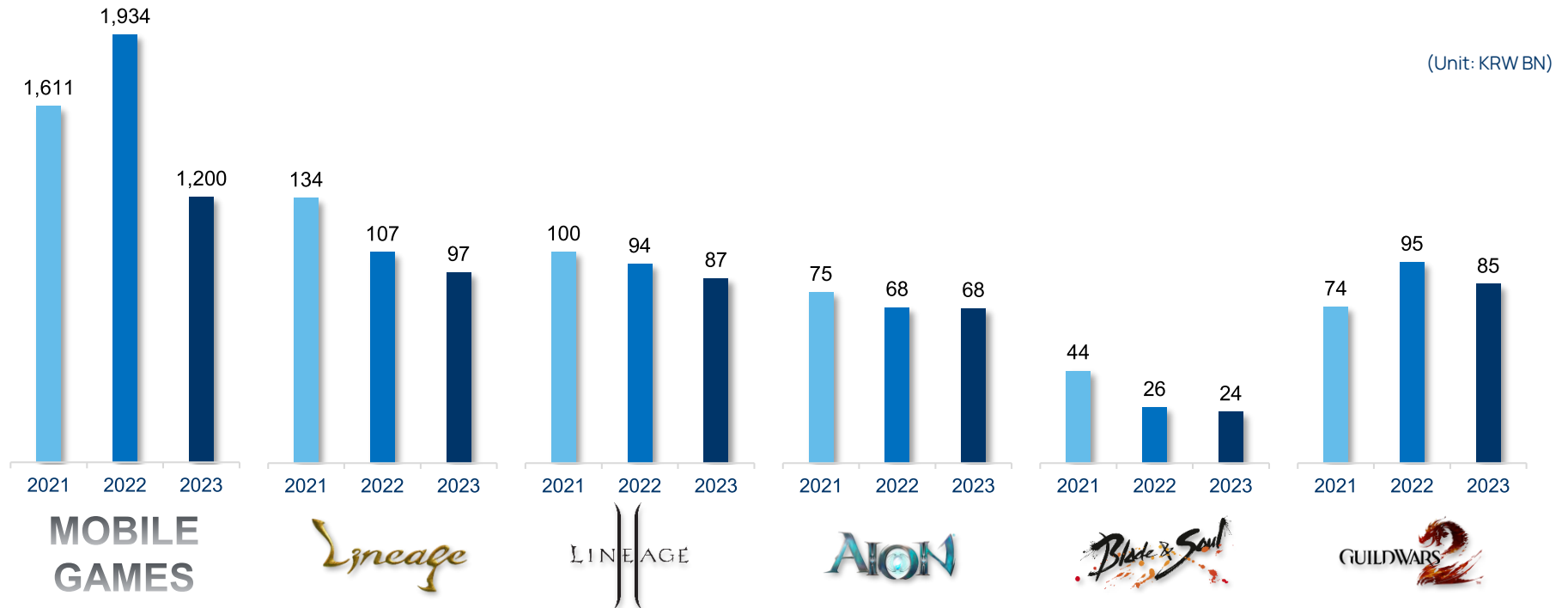
(Unit: KRW MN)



\* Not including other PC online games

## 4. Sales Breakdown (Yearly by Game)

- Mobile game sales accounted for 67% of total sales at KRW 1,200.4 billion, a decrease of 38% yoy
- The 5 PC online games in total recorded KRW 360.5 billion, a decrease of 8% yoy



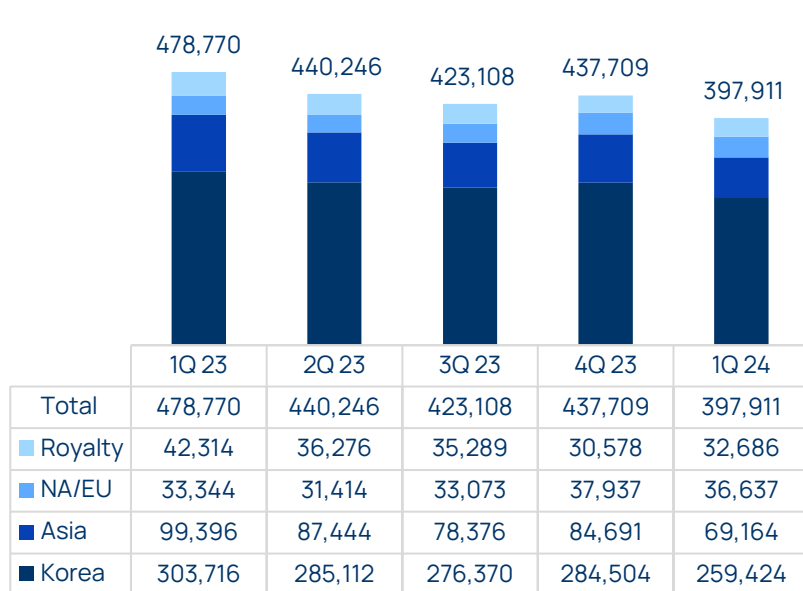


## 4. Sales Breakdown (by Region)

- Korea sales posted KRW 259.4 billion, representing a 9% decline qoq
- Overseas and royalty sales dropped 10% qoq to KRW 138.5 billion, accounting for 35% of total sales

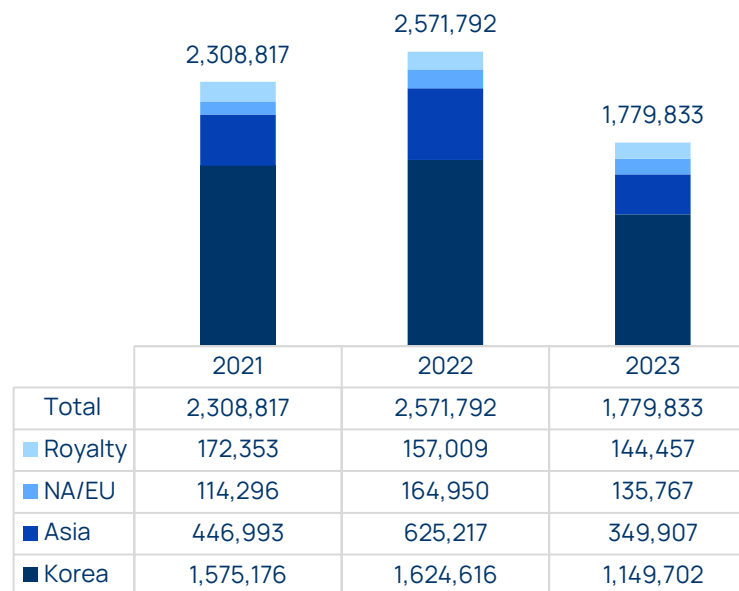
### Quarterly

(Unit: KRW MN)



### Yearly

(Unit: KRW MN)

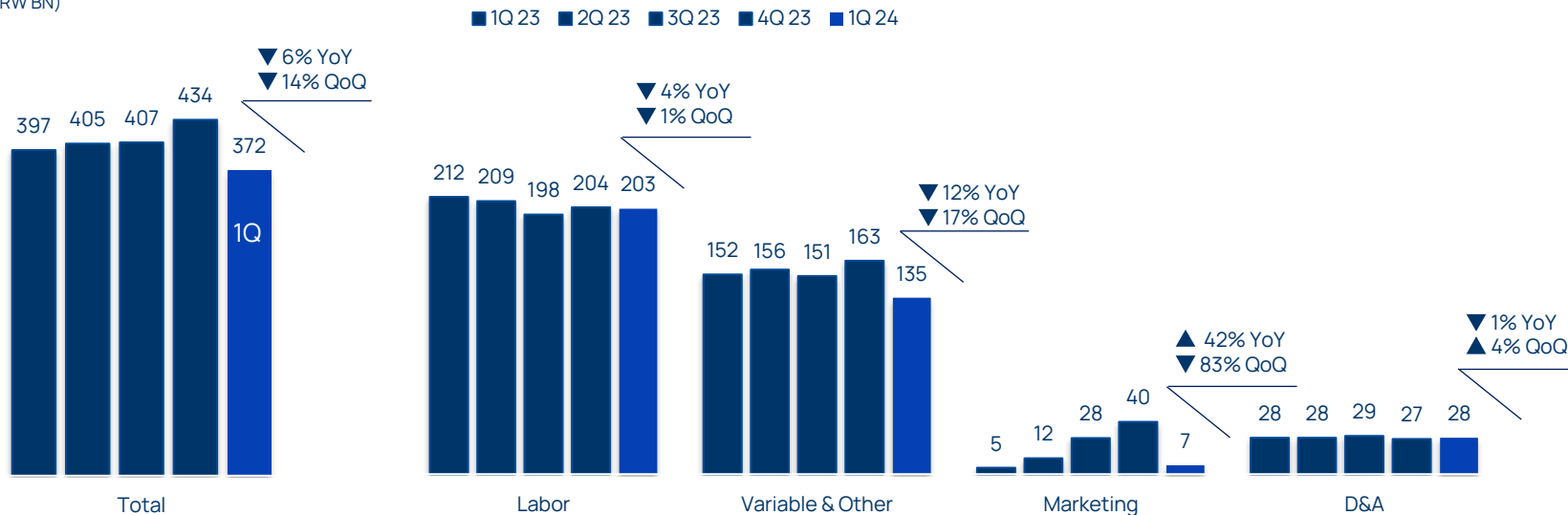


## 5. Cost Breakdown (Quarterly)

- 1Q total operating expenses reported KRW 372.2 billion, down 14% qoq and 6% yoy
- 1Q labor cost was KRW 202.8 billion, declining 1% qoq and 4% yoy
- 1Q marketing expenses dropped 83% qoq to KRW 6.9 billion, driven by efforts to optimize marketing spending including reduced ad campaigns for major game updates and new title releases in Korea
- 1Q variables and other costs dropped 17% qoq to KRW 134.7 billion, on decreased distribution fees due to a decline in mobile game sales

### Quarterly Operating Cost Breakdown

(Unit : KRW BN)

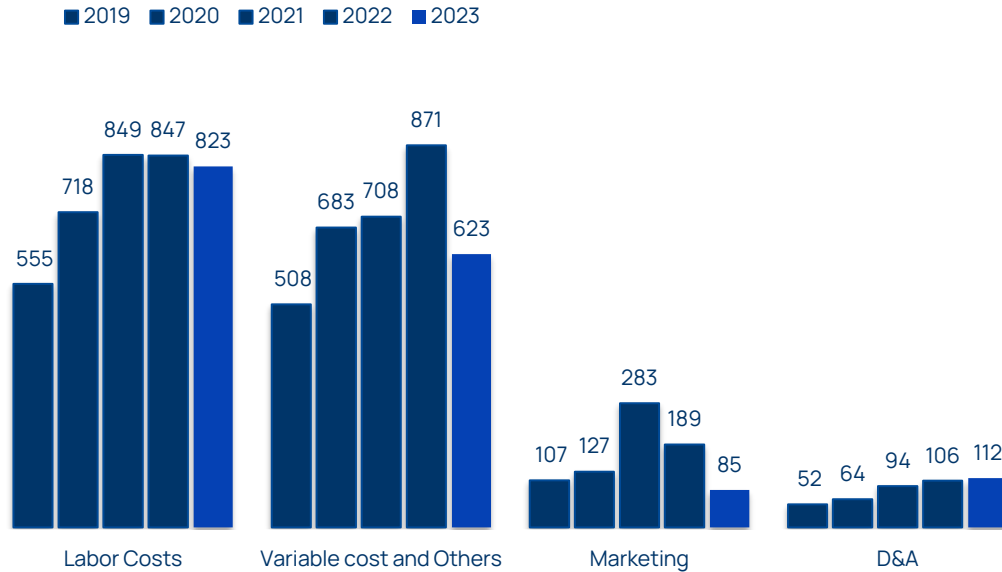


## 5. Cost Breakdown (Yearly)

- FY 2023 operating expenses totaled KRW 1,642.5 billion, down by 18% yoy
- 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

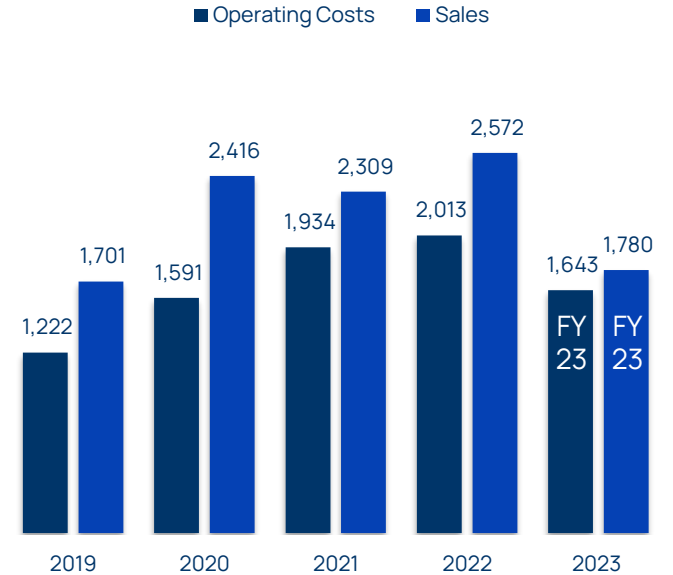
### Yearly Operating Cost Breakdown

(Unit : KRW BN)



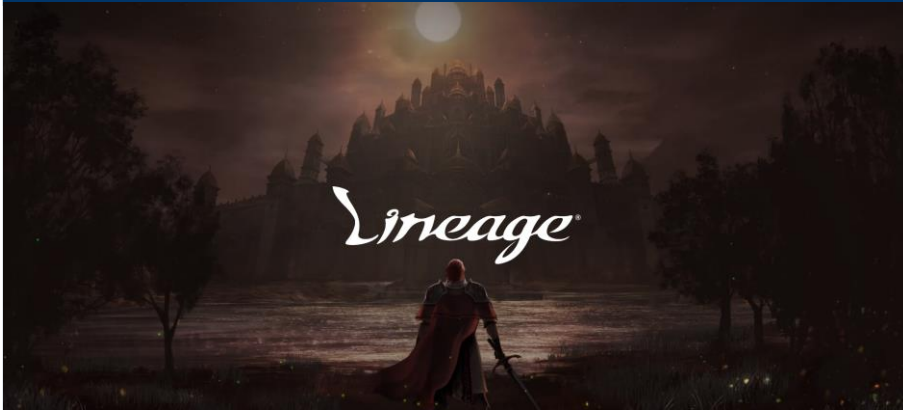
### Yearly Operating Cost Vs Revenues

(Unit : KRW BN)



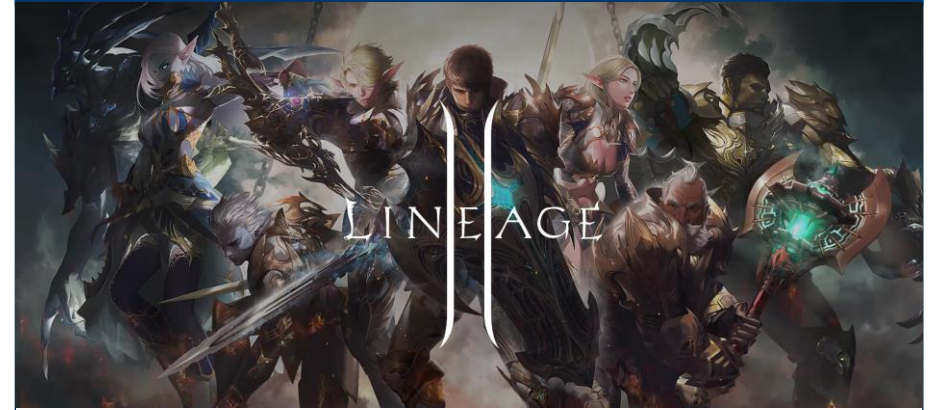
## 6. Strength : Multiple Successful IPs

### 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 11.8 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 4.8 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 1.8 trillion**

### Guild Wars 2



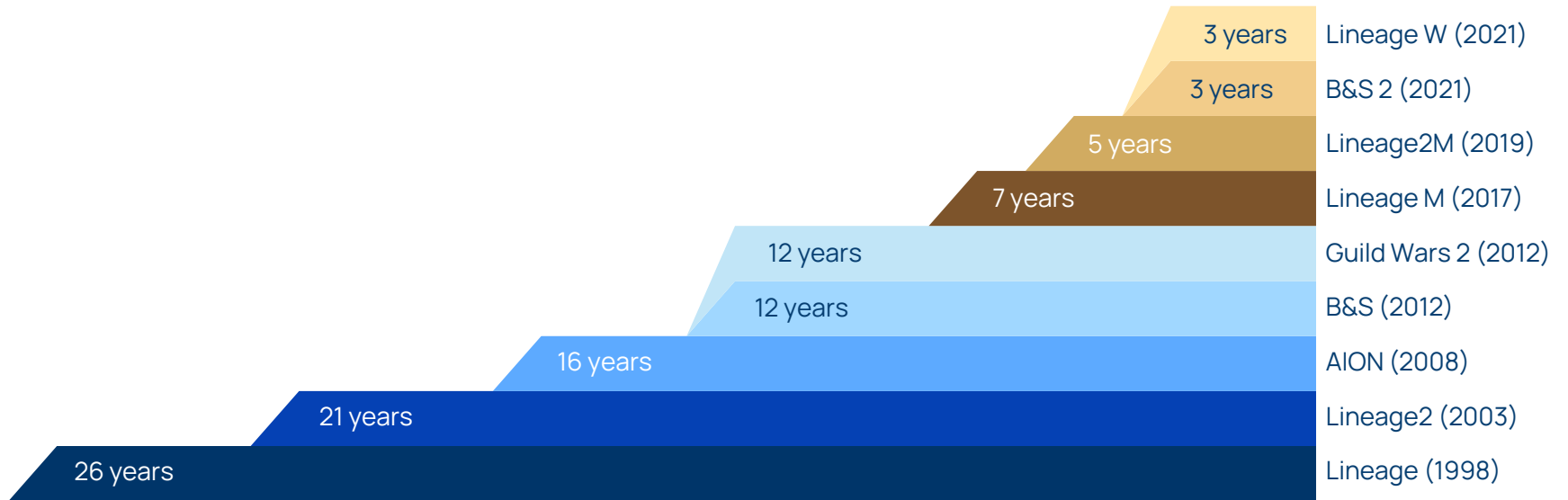
- ✓ Launched in 2012
- ✓ Released 4 expansion packs
- ✓ Offered distinct story-driven content called Living World, with a strategic combat system
- ✓ Acquired more than 20 million users globally since its launch
- ✓ **IP cumulative revenue: KRW 1.4 trillion**



## 6. Strength : Expertise in Live Services

- Expanding life cycle of liver service games by providing timely and continuous content update
- Achieving sustainable growth through portfolio diversification

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



## 6. Strength : Our Technology

### Massive scale live service



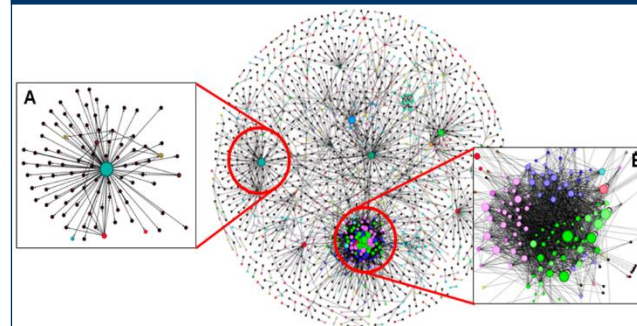
- ✓ NCSOFT strives to develop technologies for better stability and connectivity, which are essential for MMORPGs
- ✓ For example, NCSOFT's various efforts, such as applying the RIO (registered I/O) API (to reduce CPU usage and stabilize connectivity) and the Level segment graph (to decrease load time significantly), led to Lineage W being released successfully with 1.9 million concurrent users on the first day

### AI-powered development



- ✓ NCSOFT established AI research department in 2011 and launched internal AI development tool called 'Varco Studio' to drive AI utilization in the development process in 2023
- ✓ NCSOFT is leveraging artificial intelligence to streamline its game development processes, optimizing production workflows and delivering more engaging and responsive gaming experiences

### Data-driven approach



- ✓ A data-driven approach, which includes data analysis, project management, ROI, and cost management, has been the focus of NCSOFT's efforts to improve organizational efficiency and manage costs effectively
- ✓ With this approach, NCSOFT strives to solidify the user base of our established games, and to comply with release schedules and meet external expectations with our pipelines in development

## 7. Strategy : Strengthen Legacy IPs

- Strengthening of legacy IPs is one of our strategies for building solid foundations
- Along with efforts to extend the life cycle of our live services, regional expansion and genre diversification of our legacy IPs are also on track

### Strategy with Legacy IPs



Stabilizing legacy IPs



Expanding the global presence of legacy IPs



Diversifying genre of legacy IPs

## 7. Strategy : Diversify Portfolio Through New IPs

- We aim to continuously diversify our offerings across IP, genre, platform, and region

R&D efforts on new IPs to diverse portfolio

< Battle Crush >



< Hoyeon >



< Project G >



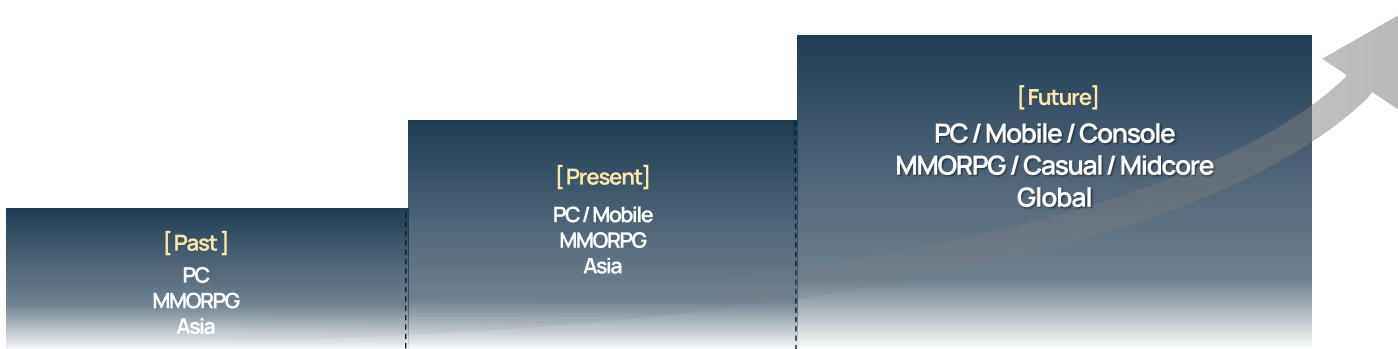
< AION 2 >



< LLL >



< Project M >





## 7. Strategy : Collaboration With Global Partners

- Collaborating with partners is one of the most effective ways to deliver our products around the world
- We plan to reinforce our global presence by strengthening global partnerships

Global partnership for regional expansion



Throne and Liberty to be published by Amazon Games in North and South America, Europe, and Japan



Blade & Soul 2 to be co-published by Tencent Games in China



Sony Interactive Entertainment



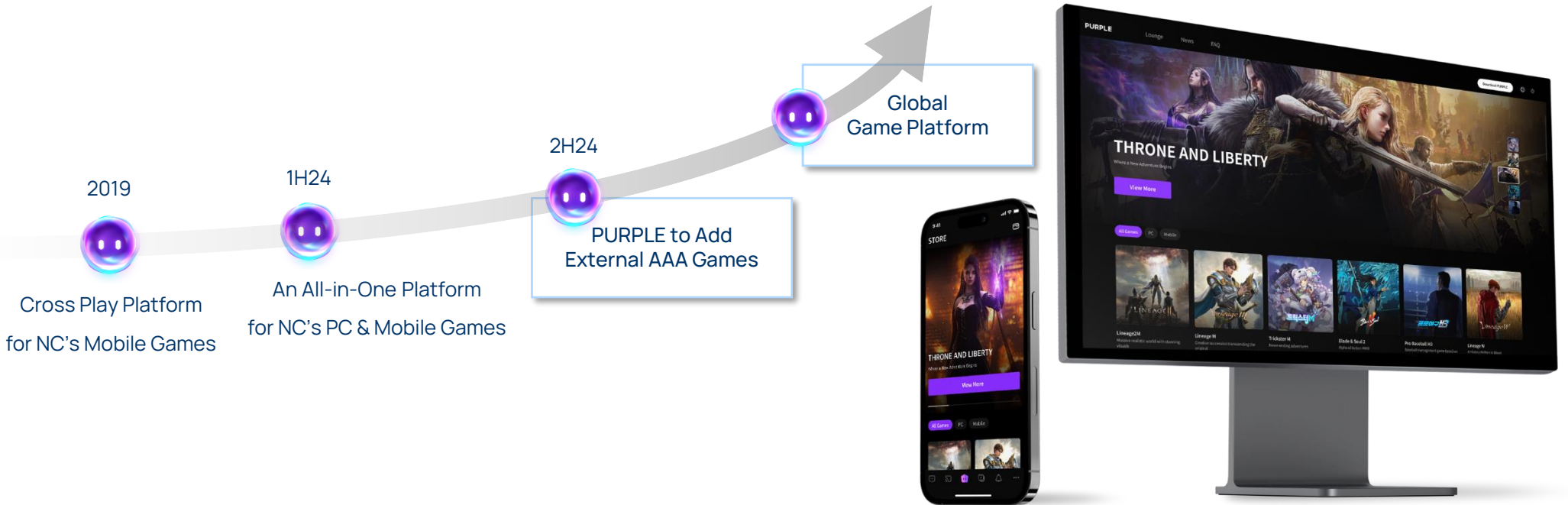
Strategic partnership with Sony Interactive Entertainment



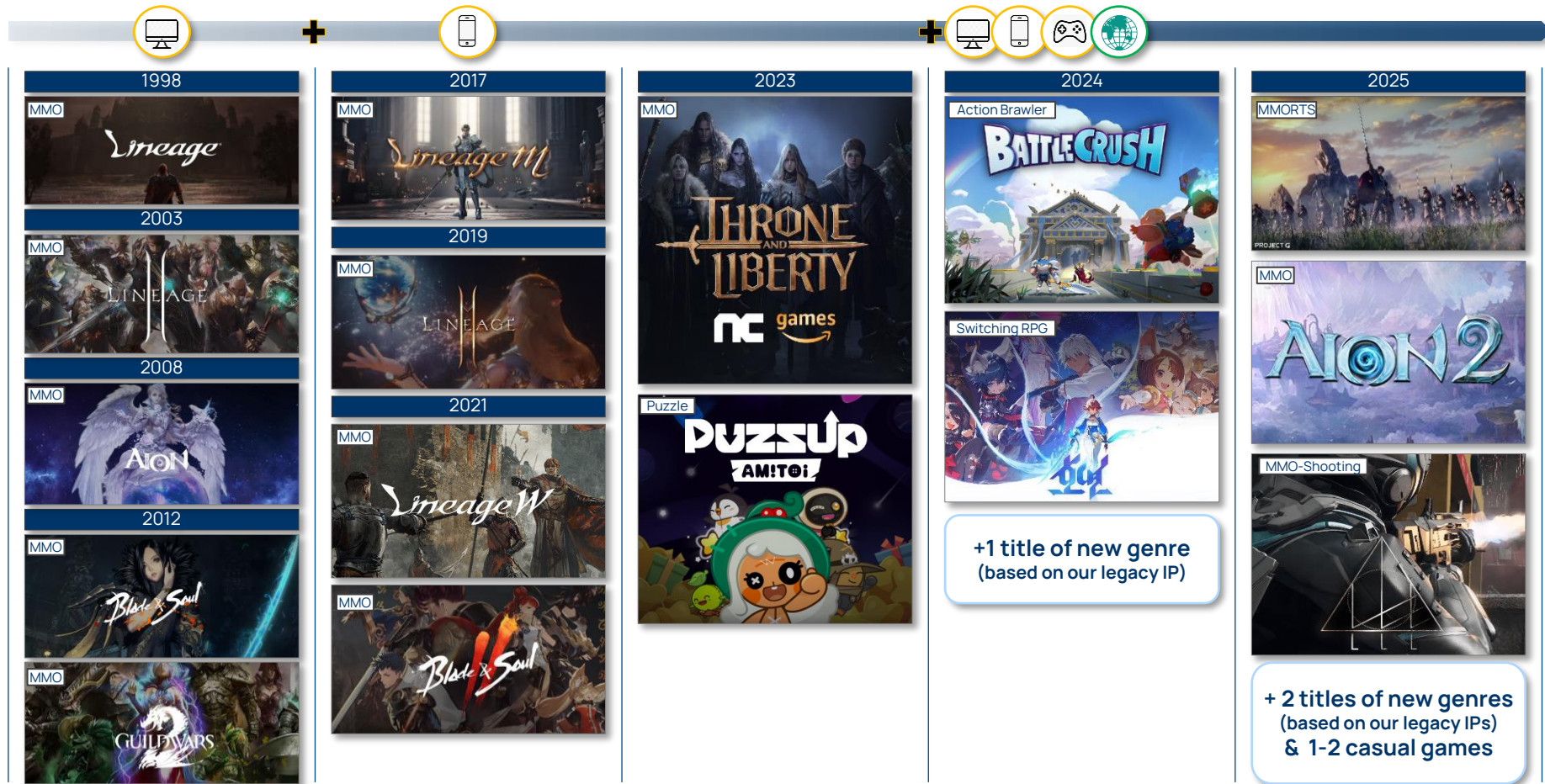
## 7. Strategy : Pursuing Business Opportunities with PURPLE

- NC's global game platform, PURPLE, has a potential to be expanded by offering 3rd parties' titles
- With launching external AAA games through PURPLE platform within this year, the business opportunities of PURPLE will be visualized

### PURPLE, NC's integrated game platform



# 8. Game Pipeline



## 9. Consolidated Financial Statements

### Statement of Financial Position

(UNIT : KRW MN)

	FY 2023	1Q 24
<b>Assets</b>		
I. Current Assets	2,336,839	2,140,938
Cash and cash equivalents	365,200	233,803
Short-term financial instruments	1,167,467	1,104,482
Account receivables	132,703	133,831
Other receivables	39,637	25,733
Short-term investment assets	585,401	595,275
Others	46,431	47,813
II. Non-current Assets	2,056,962	2,154,671
Long-term loans	7,347	7,534
Other receivables	21,281	22,110
Long-term investment assets	640,388	782,587
Investment stock in associated companies	24,887	24,162
Investment property	88,900	88,531
Tangible assets	1,000,513	983,105
Intangible assets	96,109	96,556
Others	177,537	150,086
<b>Total Assets</b>	<b>4,393,800</b>	<b>4,295,608</b>

	FY 2023	1Q 24
<b>Liabilities</b>		
I. Current Liabilities	614,287	516,794
Borrowings	239,954	129,980
Account payables	78,084	122,704
Lease liabilities	39,958	45,485
Current tax liabilities	1,537	1,469
Other current liabilities	254,754	217,157
Other provisions	-	-
II. Non-current Liabilities	526,484	513,590
Debentures and borrowings	169,691	169,714
Defined benefit obligations	5,819	947
Long-term employee benefits	23,075	23,911
Lease liabilities	192,673	182,998
Others	135,227	136,019
<b>Total Liabilities</b>	<b>1,140,772</b>	<b>1,030,384</b>
<b>Shareholders Equity</b>		
Capital Stock	10,977	10,977
Other Paid-in Capital	(189,424)	(189,424)
Other Components of Equity	(44,503)	(29,085)
Retained Earnings	3,472,647	3,469,396
Non-controlling Interest	3,332	3,361
<b>Total Stockholders Equity</b>	<b>3,253,029</b>	<b>3,265,224</b>
<b>Total Liabilities and Shareholders Equity</b>	<b>4,393,800</b>	<b>4,295,608</b>

## 9. Consolidated Financial Statements

### Income Statement

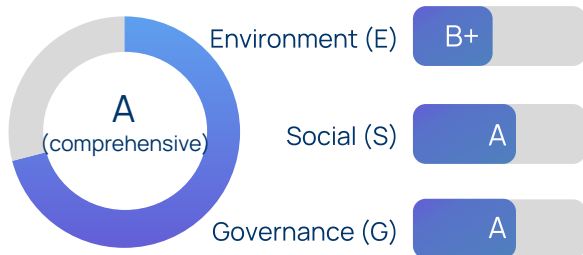
(UNIT : KRW MN)

	1Q 23	2Q 23	3Q 23	4Q 23	1Q 24	FY 2022	FY 2023
Sales	478,770	440,246	423,108	437,709	397,911	2,571,792	1,779,833
Operating Expenses	397,142	404,971	406,581	433,856	372,188	2,012,786	1,642,549
Operating Income	81,628	35,275	16,527	3,853	25,723	559,006	137,284
Non-operating Income	59,671	3,827	29,667	(24,221)	52,642	50,045	68,945
Pre-tax Income	141,299	39,102	46,194	(20,368)	78,365	609,051	206,228
Income Tax	27,121	8,561	2,190	(45,558)	21,244	173,061	(7,686)
Net Income	114,178	30,542	44,004	25,190	57,122	435,990	213,914
Equity Attribution to the Owners of the Parent Company	113,697	29,878	43,611	24,953	57,176	435,715	212,139
Non-controlling Interest	481	664	393	237	(55)	276	1,775

## 10. 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]



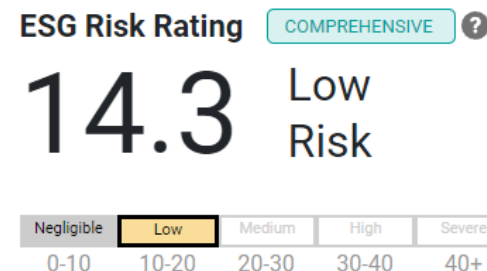
[Ref] ESG Ratings : 7 Ratings range from AAA to CCC

#### ■ 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.)