



NCSOFT IR PRESENTATION

August 2024



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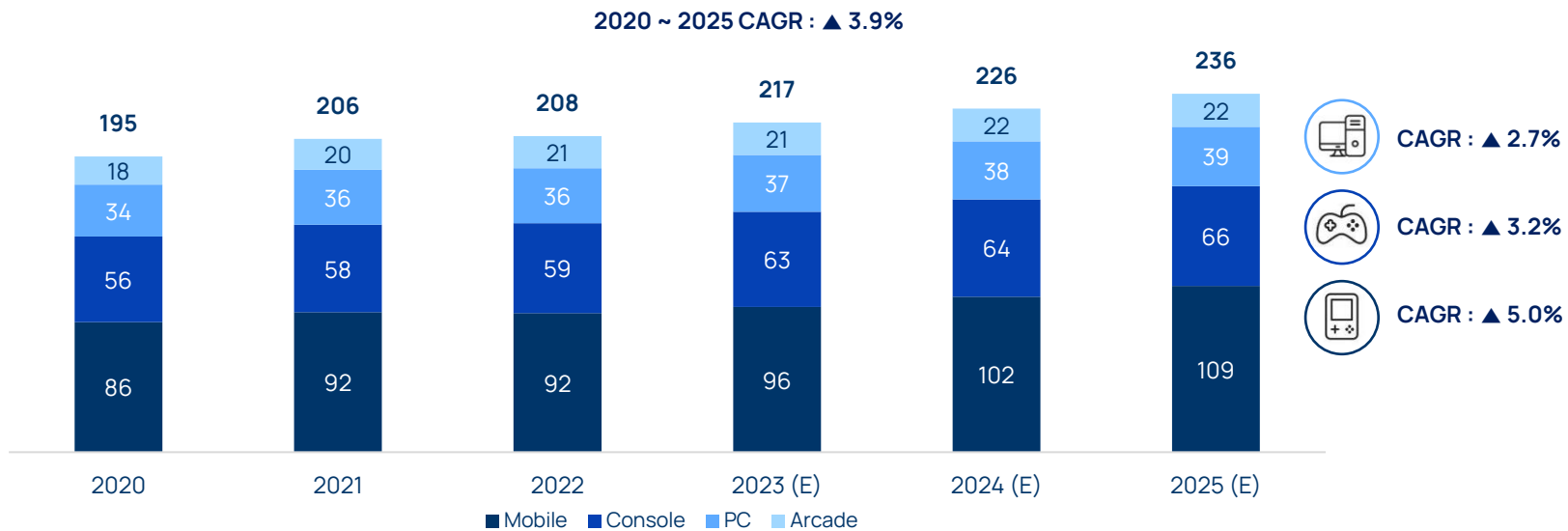


1. Industry Overview : Global Games Market Growth

- 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)



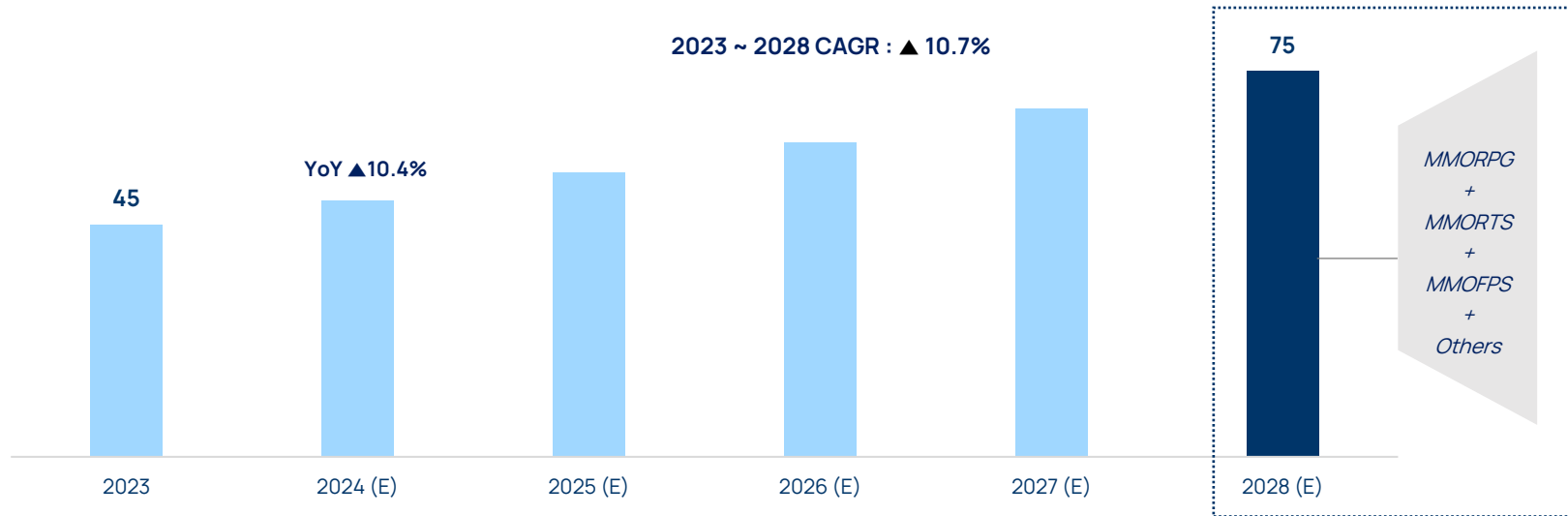
(Source : 2023 White paper on Korean Games)

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)



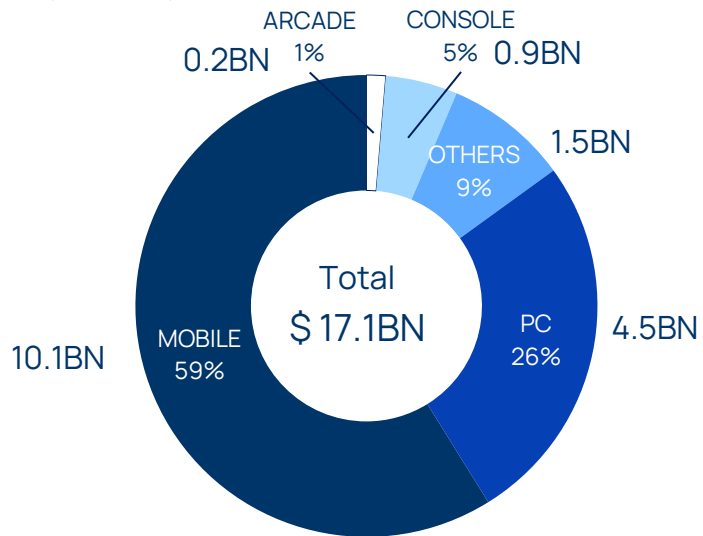
(Source : technavio MMO Games Market Research Report)

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 presented over 19% of growth throughout the past 3 years

South Korean Games Market Per Platform (2022)

(Unit : USD BN)

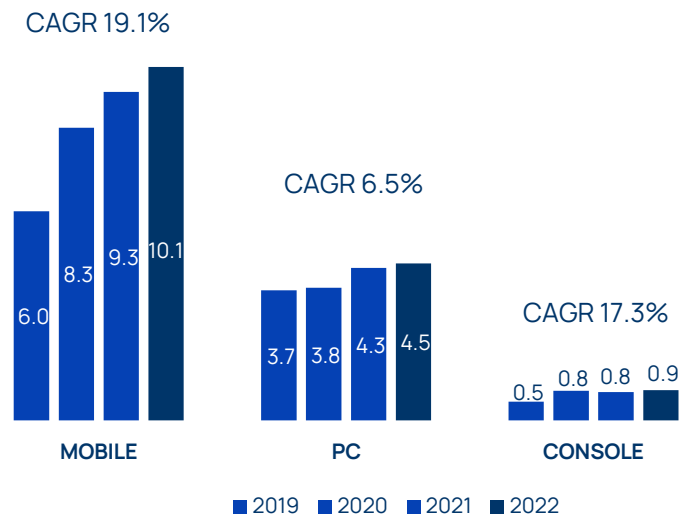


*USD/KRW=1,300

(Source : 2023 White paper on Korean Games)

South Korean Games Market Per Platform (2019 ~ 2022)

(Unit : USD BN)



■ 2019 ■ 2020 ■ 2021 ■ 2022

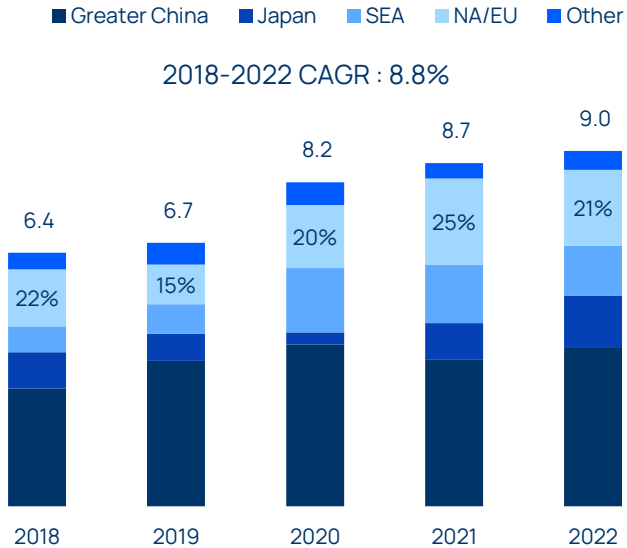
(Source : 2023 White paper on Korean Games)

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

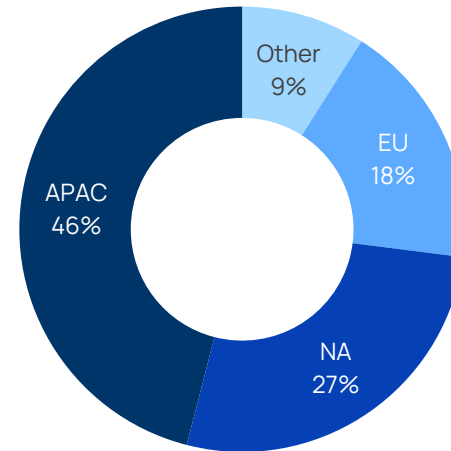
South Korean Games Export Value (2018 ~ 2022)

(Unit : USD BN)



(Source : 2023 White paper on Korean Games)

Global Gaming Market Share Per Region (2023E)

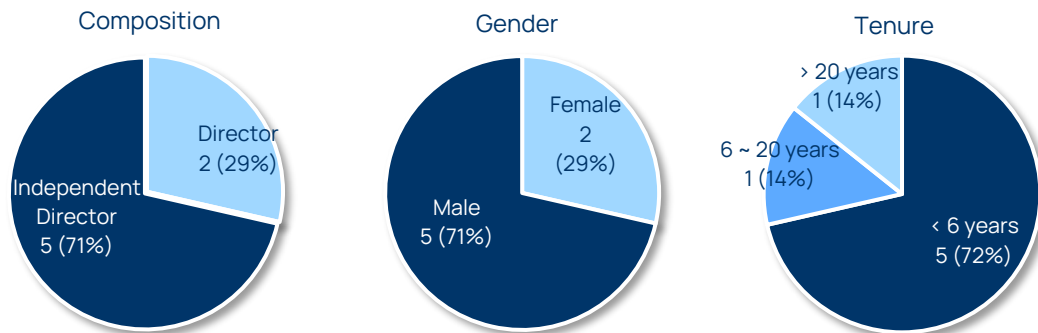


(Source : Newzoo's Global Games Market Report 2023)

2. Company Overview : Corporate Governance

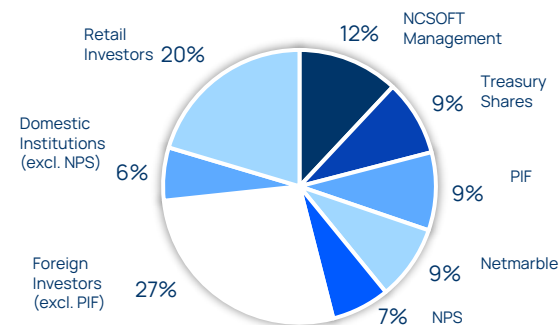
- NCSOFT's board of directors comprises 7 members, each contributing to the board's independence, diversity, and expertise

Board Composition & Skills Matrix



Ownership Structure

(As of Jun 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)

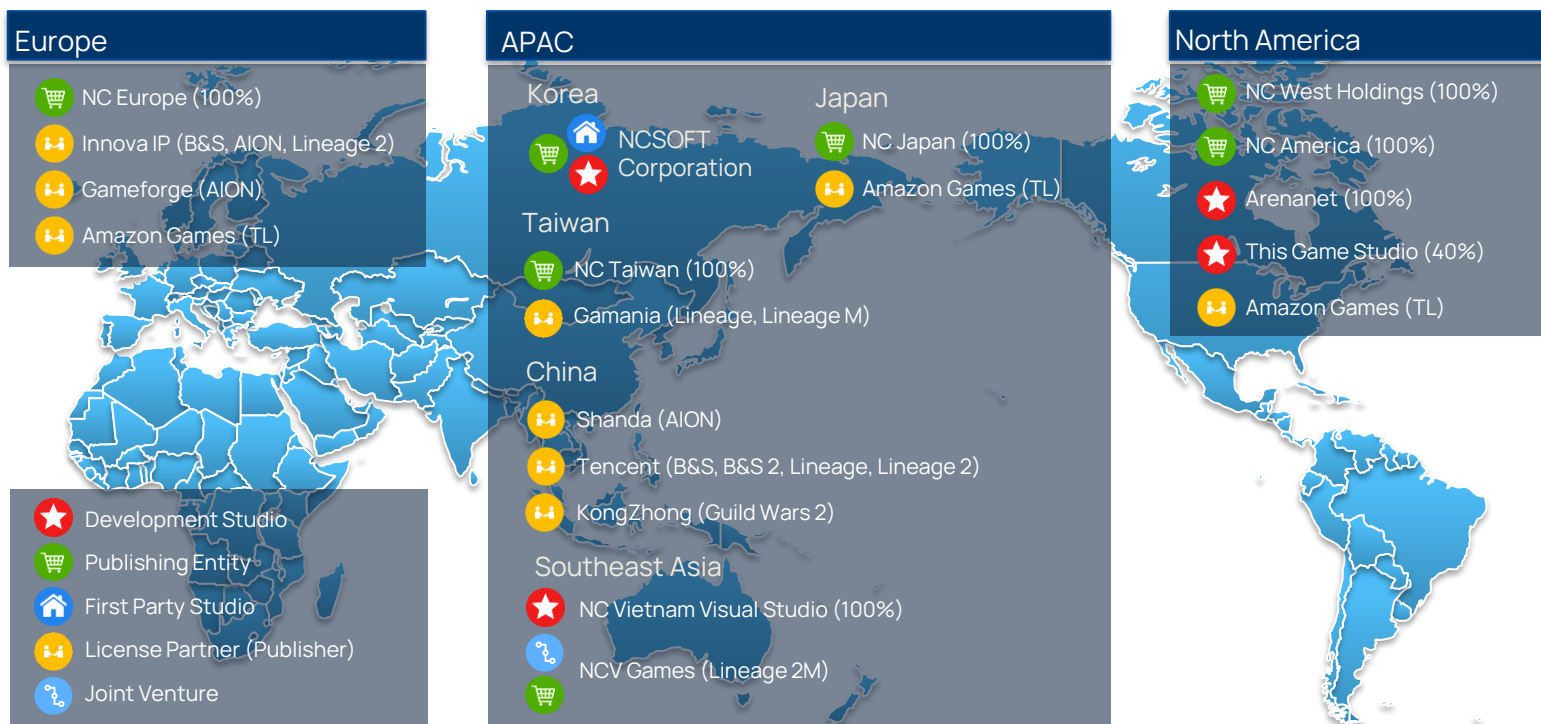
- Since 1998, launching quality MMORPGs regularly has driven persistent growth over the past 25 years
- Expecting another quantum jump with successful launch of new titles and overseas expansion



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



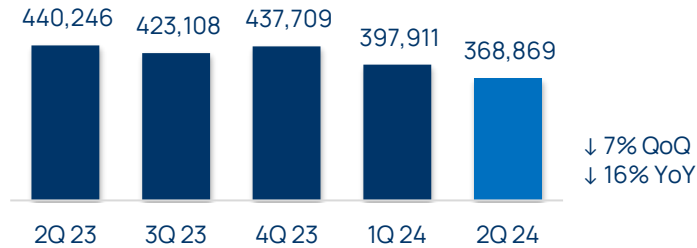
3. Financial Highlights (Quarterly)

- Sales totaled KRW 368.9 billion, down 7% qoq and 16% yoy
- Operating profit was KRW 8.8 billion, a decrease of 66% qoq and 75% yoy

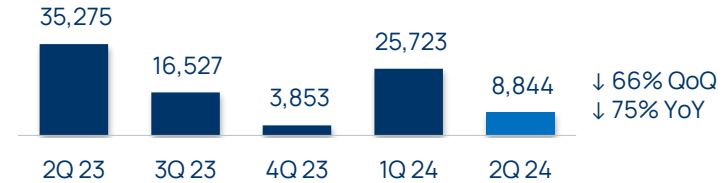
Quarterly Performance

(Unit: KRW MN)

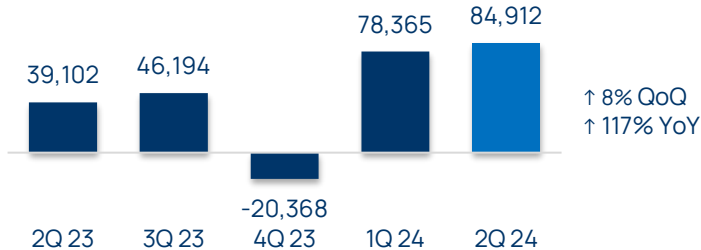
Sales



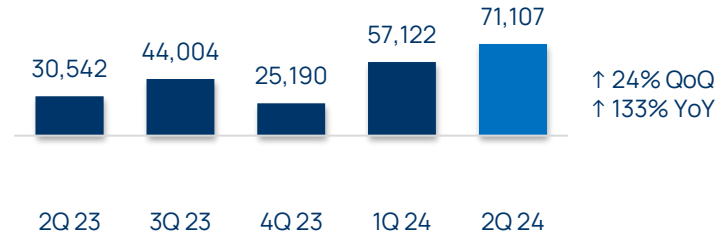
Operating Profit



Pre-tax Income

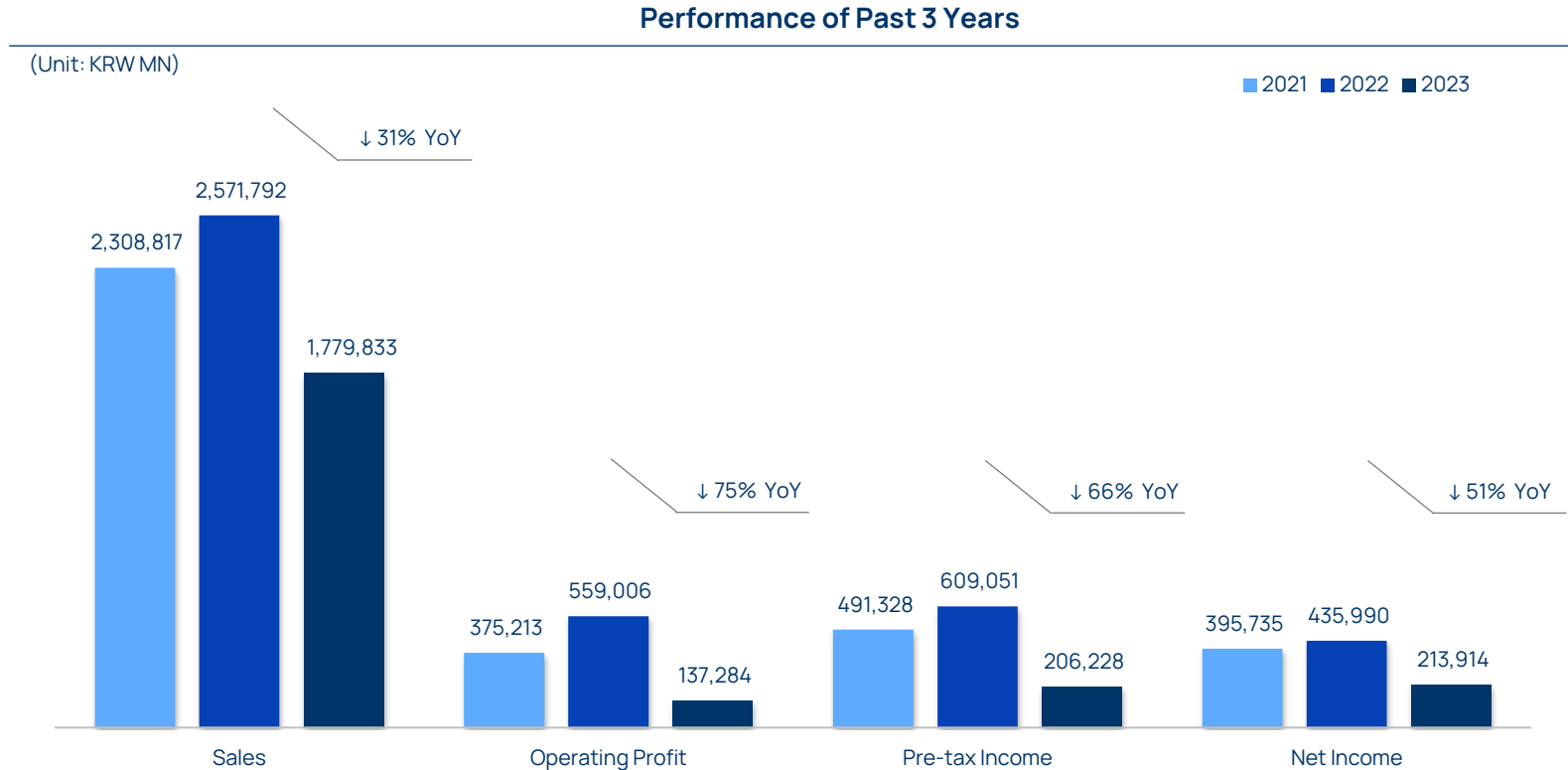


Net Income



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%)



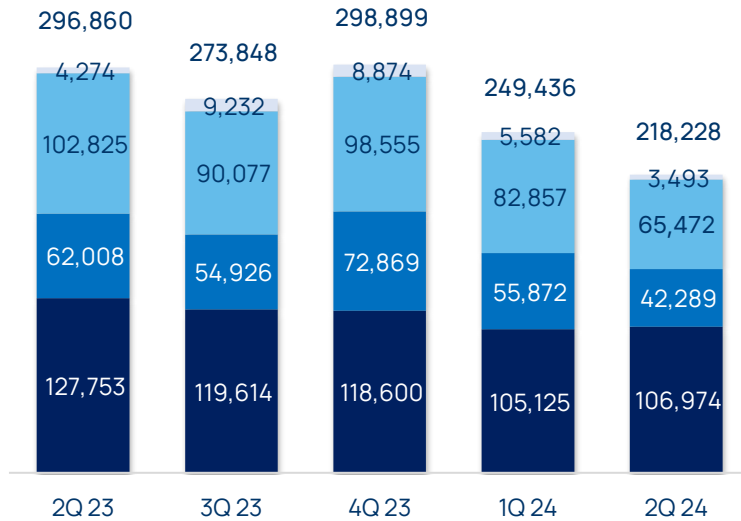
4. Sales Breakdown (Quarterly by Game)

- Mobile games sales amounted to KRW 218.2 billion, down 13% qoq, due to adjustments in business activities.
Mobile games generated 59% of total sales
- Legacy PC online games posted KRW 86.2 billion in sales, down 6% qoq. PC online games accounted for 23% of total sales

Mobile Games

(Unit: KRW MN)

■ Lineage M ■ Lineage 2M ■ Lineage W ■ Blade & Soul 2

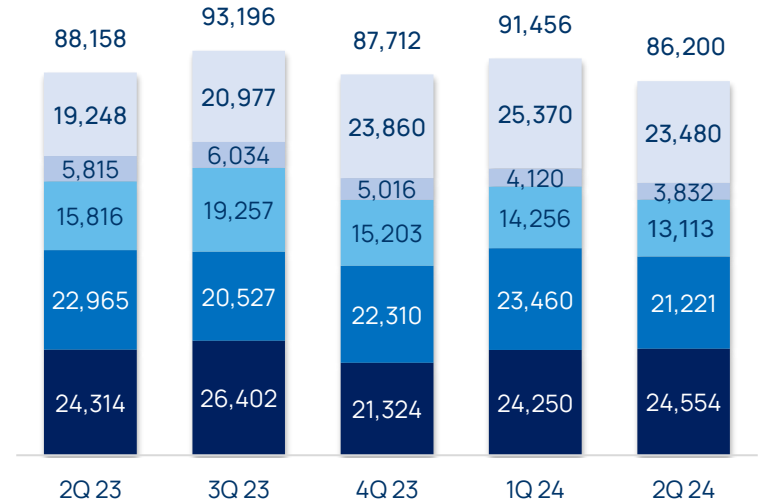


* Not including other mobile games

PC Online Games

(Unit: KRW MN)

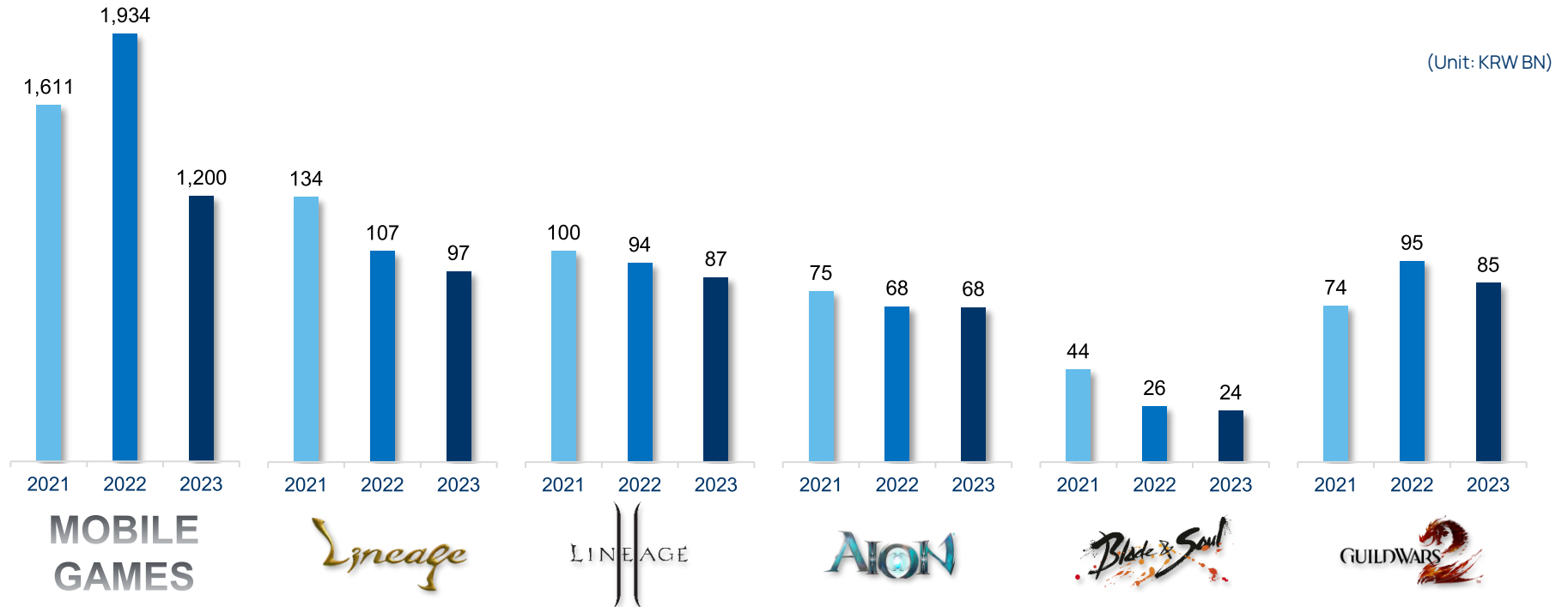
■ Lineage ■ Lineage 2 ■ AION ■ Blade & Soul ■ Guild Wars 2



* 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

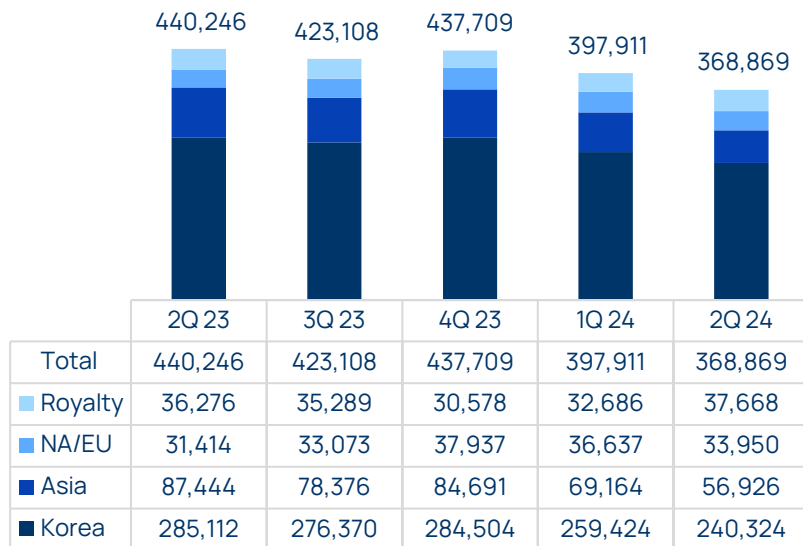


4. Sales Breakdown (by Region)

- Korea sales posted KRW 240.3 billion, representing a 7% qoq decline
- Overseas and royalty sales dropped 7% qoq to KRW 128.5 billion, accounting for 35% of total sales

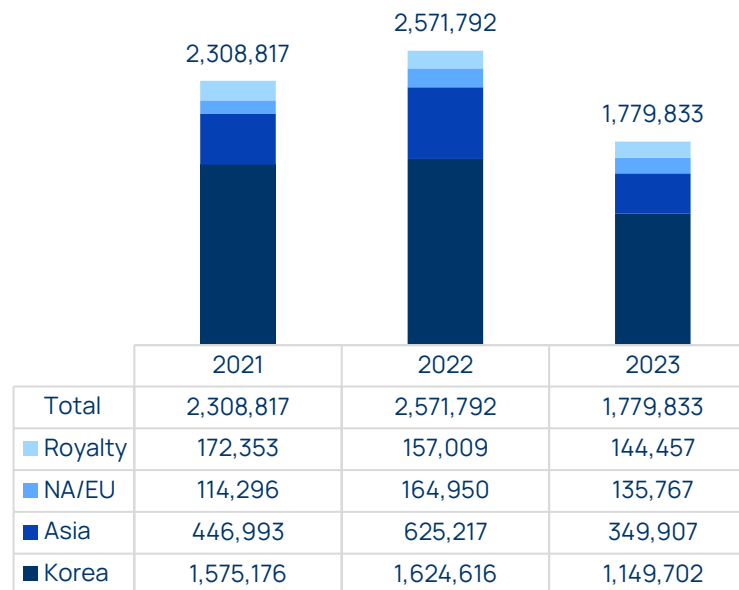
Quarterly

(Unit: KRW MN)



Yearly

(Unit: KRW MN)

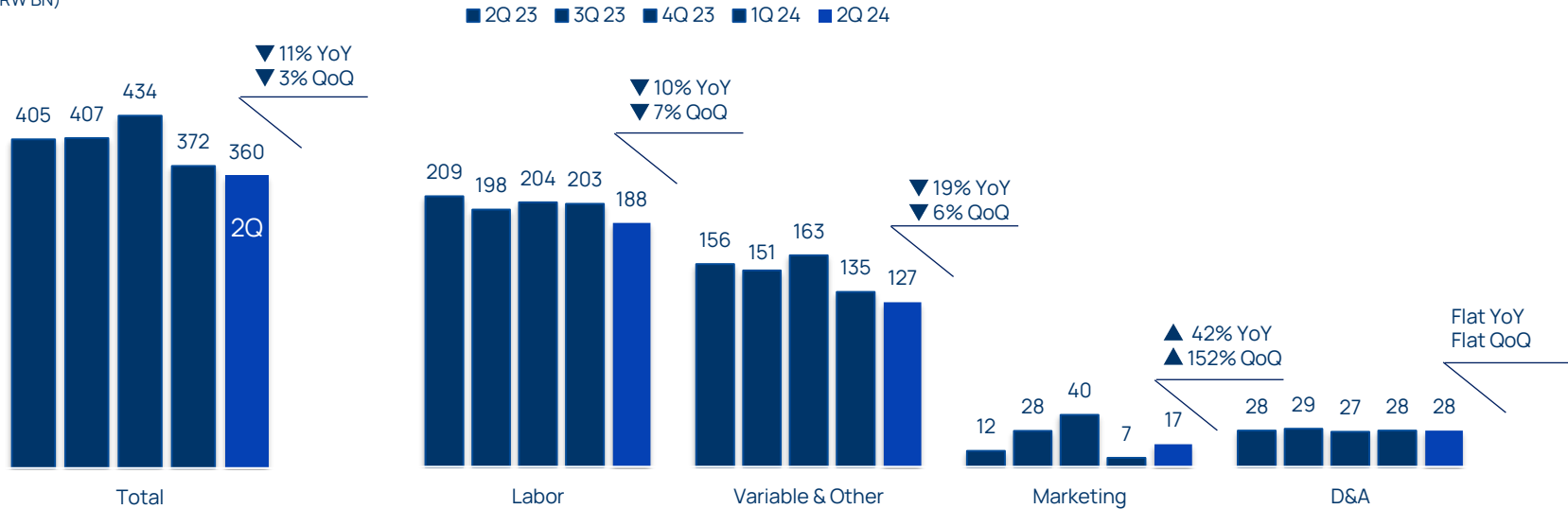


5. Cost Breakdown (Quarterly)

- 2Q total operating expenses reported KRW 360 billion, down 3% qoq and 11% yoy
- 2Q labor cost was KRW 188 billion, declining 7% qoq and 10% yoy on the reduction of long-term incentive reserves
- 2Q marketing expenses increased 152% qoq to KRW 17.4 billion, due to large-scale game updates and advertising for the new titles
- 2Q variables and other costs dropped 6% qoq to KRW 126.8 billion on decreased distribution fees due to a decline in mobile game sales

Quarterly Operating Cost Breakdown

(Unit : KRW BN)

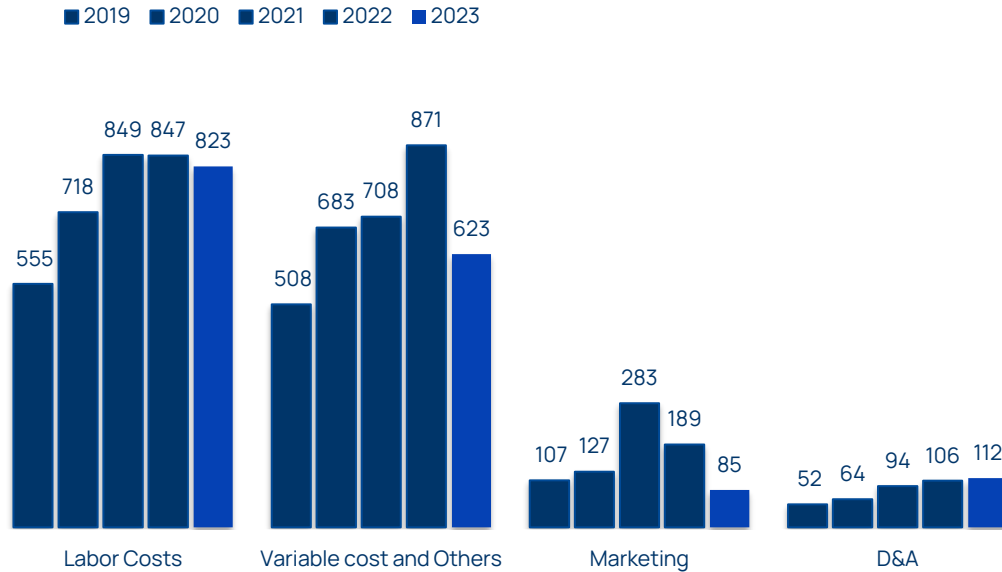


5. Cost Breakdown (Yearly)

- 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

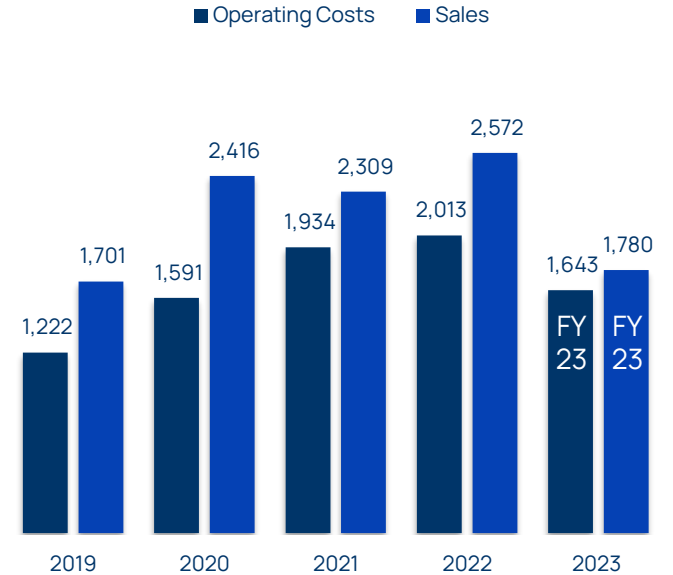
Yearly Operating Cost Breakdown

(Unit : KRW BN)



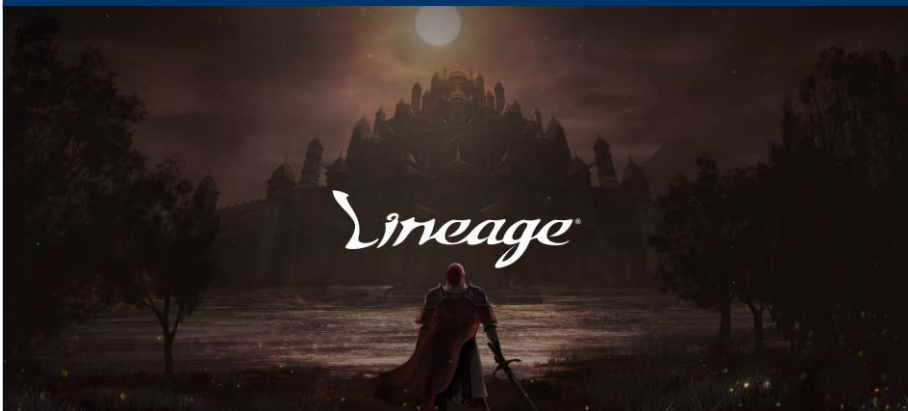
Yearly Operating Cost Vs Revenues

(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 12.0 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 4.9 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 5 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 1.5 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



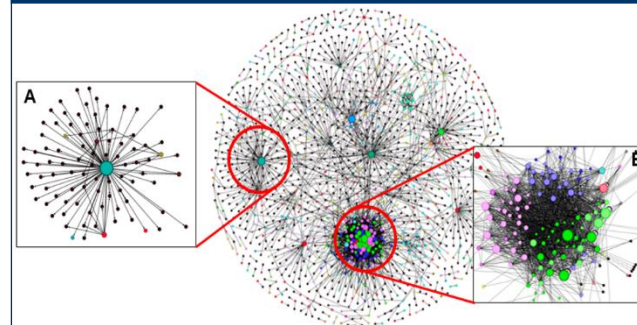
- ✓ NCSOFT strives to develop technologies for better stability and connectivity, which are essential for MMORPGs
- ✓ For example, NCSOFT's various efforts, such as applying the RIO (registered I/O) API (to reduce CPU usage and stabilize connectivity) and the Level segment graph (to decrease load time 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 : In-house R&D efforts for Portfolio Diversification

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

R&D efforts to develop new IPs

< Battle Crush >



< Hoyeon >



< Project G >



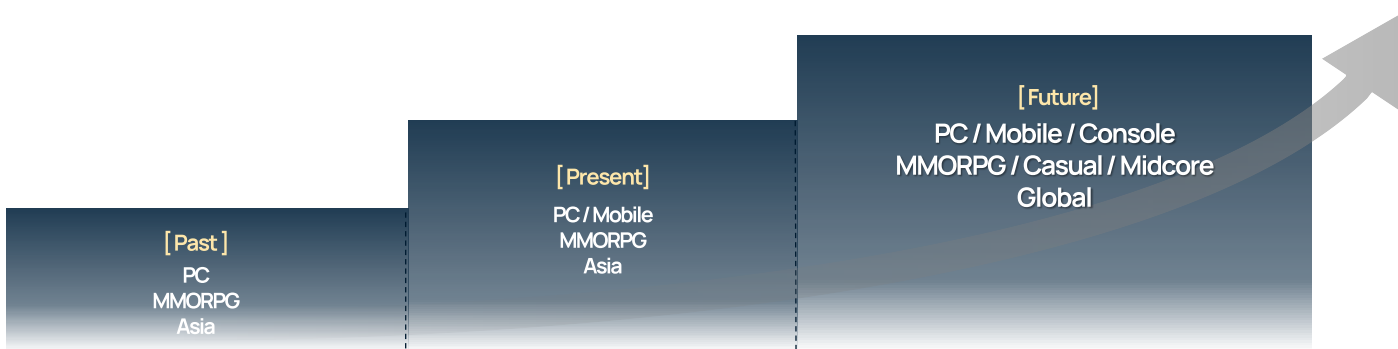
< AION 2 >



< LLL >



< Project M >



7. Strategy : Collaboration and Investment for Globalization

- Collaboration with global partners is one of the most effective ways to deliver our products around the world
- Equity and publishing rights investments in external developers will generate additional business opportunities and accelerate globalization

Global partnership to accelerate globalization



- Global publisher of 'Throne and Liberty'



- Local publisher of 'Blade & Soul 2' in China



- Equity investment in Swedish FPS development studio



- Signed a strategic partnership



- Established a joint venture company to penetrate Southeast Asian markets

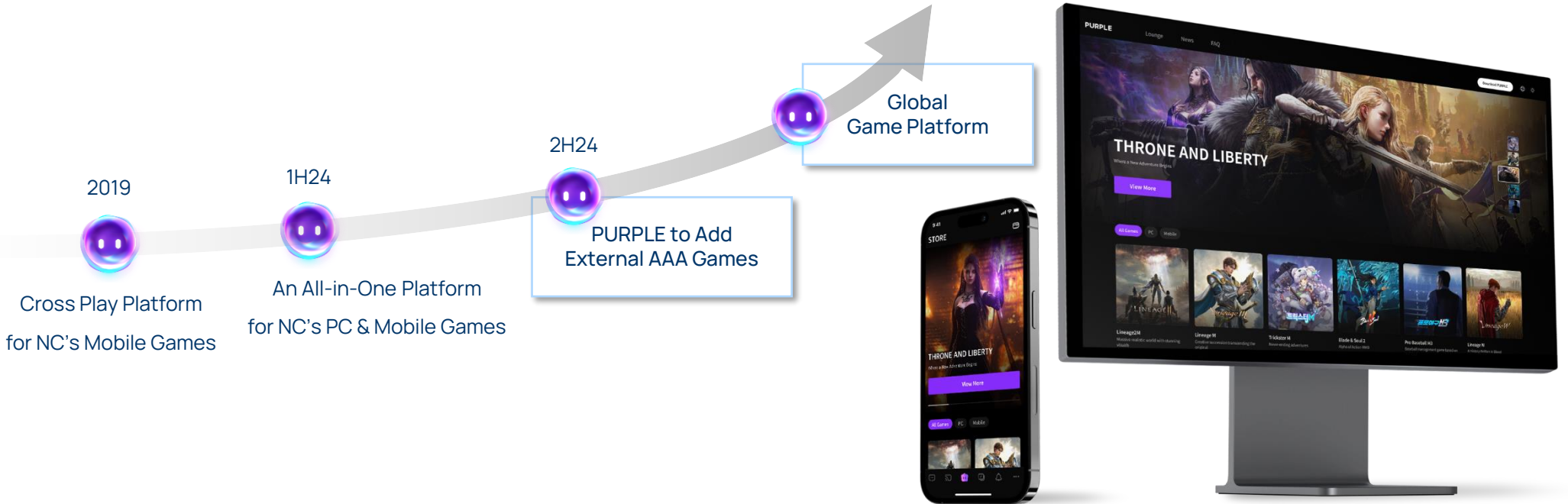


- Equity investment
- Global publishing right Investment for 'BREAKERS : Unlock The World'

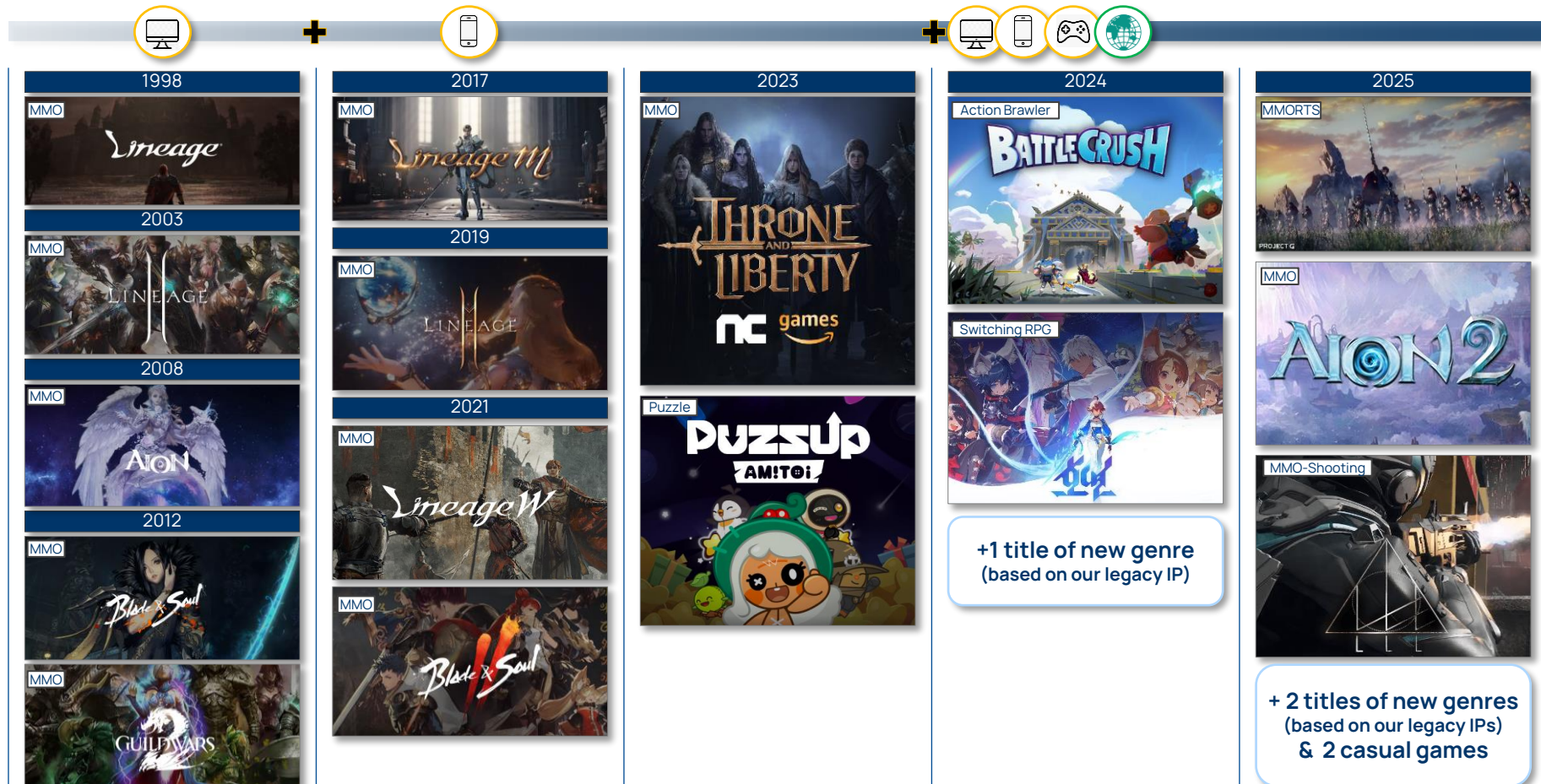
7. Strategy : Pursuing Business Opportunities with PURPLE

- 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	2Q 24
Assets		
I. Current Assets	2,336,839	2,001,832
Cash and cash equivalents	365,200	254,991
Short-term financial instruments	1,167,467	935,461
Account receivables	132,703	139,805
Other receivables	39,637	37,908
Short-term investment assets	585,401	589,543
Others	46,431	44,123
II. Non-current Assets	2,056,962	2,165,316
Long-term loans	7,347	7,746
Other receivables	21,281	22,136
Long-term investment assets	640,388	787,882
Investment stock in associated companies	24,887	22,576
Investment property	88,900	88,162
Tangible assets	1,000,513	995,404
Intangible assets	96,109	100,397
Others	177,537	141,013
Total Assets	4,393,800	4,167,147

	FY 2023	2Q 24
Liabilities		
I. Current Liabilities	614,287	447,191
Borrowings	239,954	129,999
Account payables	78,084	76,034
Lease liabilities	39,958	48,324
Current tax liabilities	1,537	970
Other current liabilities	254,754	191,864
Other provisions	-	-
II. Non-current Liabilities	526,484	504,192
Debentures and borrowings	169,691	169,738
Defined benefit obligations	5,819	1,010
Long-term employee benefits	23,075	24,845
Lease liabilities	192,673	172,725
Others	135,227	135,874
Total Liabilities	1,140,772	951,383
Shareholders Equity		
Capital Stock	10,977	10,977
Other Paid-in Capital	(189,424)	(258,128)
Other Components of Equity	(44,503)	(71,155)
Retained Earnings	3,472,647	3,529,795
Non-controlling Interest	3,332	4,275
Total Stockholders Equity	3,253,029	3,215,765
Total Liabilities and Shareholders Equity	4,393,800	4,167,147

9. Consolidated Financial Statements

Income Statement

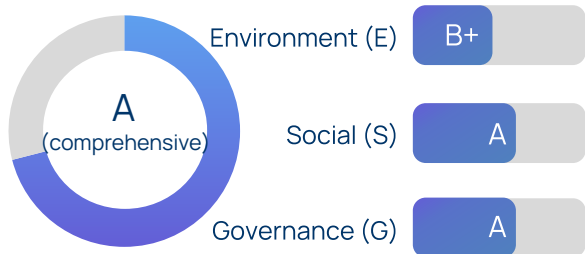
(UNIT : KRW MN)

	2Q 23	3Q 23	4Q 23	1Q 24	2Q 24	FY 2022	FY 2023
Sales	440,246	423,108	437,709	397,911	368,869	2,571,792	1,779,833
Operating Expenses	404,971	406,581	433,856	372,188	360,025	2,012,786	1,642,549
Operating Income	35,275	16,527	3,853	25,723	8,844	559,006	137,284
Non-operating Income	3,827	29,667	(24,221)	52,642	76,069	50,045	68,945
Pre-tax Income	39,102	46,194	(20,368)	78,365	84,912	609,051	206,228
Income Tax	8,561	2,190	(45,558)	21,244	13,806	173,061	(7,686)
Net Income	30,542	44,004	25,190	57,122	71,107	435,990	213,914
Equity Attribution to the Owners of the Parent Company	29,878	43,611	24,953	57,176	70,994	435,715	212,139
Non-controlling Interest	664	393	237	(55)	112	276	1,775

10. NCSOFT ESG Performances

KCGS ESG Ratings

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



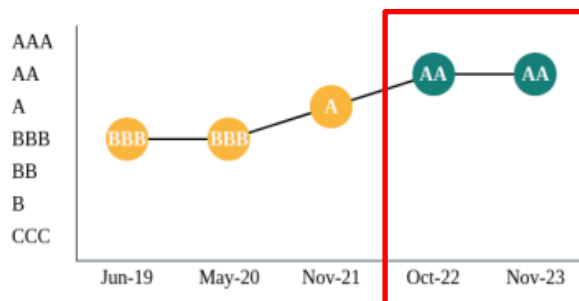
[Ref] ESG Ratings: S, A+, A, B+, B, C, D

■ 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]



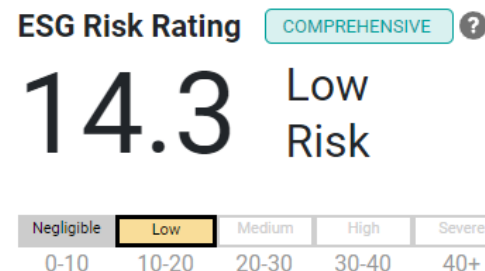
[Ref] ESG Ratings : 7 Ratings range from AAA to CCC

■ 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.)