

WEMADE

3Q FY2019 Earnings Results

INVESTOR RELATIONS

2019. 11. 6.

Disclaimer

The financial information under this document is the sales performance of Wemade Co., Ltd. (the "Company") written in accordance with K-IFRS. The result of 3Q 2019 is provided as reference to investors, and some parts of this document are subject to change due to result of external audit.

This document contains forward-looking statements regarding financial situation and performance, as well as information related to plans and goals of the executives of the Company and its subsidiaries. Forward-looking statements include predictive information of the Company, and it may be changed by unknown risks, uncertainties and other factors which may influence the actual results or performance of the Company.

This document is written based on the current financial status. Please note that the actual results and performance of the Company may be materially different than those expressed in this document. The Company has no liability to outwardly perform based on new information or incidents which may be occurred in the future.

● Wemade (Consolidated)

Wemade Next Co., Ltd., Wemade Plus Co., Ltd., Wemade XR Co., Ltd. (Wemade Icarus Co., Ltd.), ChuanQi IP Co., Ltd., Wemade Tree Co., Ltd., Wemade M Co., Ltd. (Wemade Rexue Chuanqi HD Co., Ltd.), JOYMAX Co., Ltd., FLERO Games Co., Ltd., Joy Studio Co., Ltd., IDLE idea factory Co., Ltd., Wemade Service Co., Ltd., Wemade Online Co., Ltd., Wemade Entertainment USA Inc., WEMADE HONG KONG LIMITED, Wemade Science Technology (Yinchuan) Co., Ltd., Wemade Entertainment Digital Technology (Shanghai) Co., Ltd., Beijing Wemade ChuanQi Science Technology Co., Ltd., Shenzhen Wemade ChuanQi Science Technology Co., Ltd., Shangrao Wemade ChuanQi Science Technology Co., Ltd., Suizhou Wemade Science Technology Co.,Ltd., Chongqing Wemade ChuanQi IP Service Co., Ltd, Wemade Tree Pte. Ltd.

3Q FY 2019 Earnings Results

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1. Key Results and Plans

3Q 2019 Results

- In the process of enforcing the arbitral award in China as a result of winning 'Mir' IP license agreement dispute case against Zhejiang Huanyou Network Technology at the ICC International Court of Arbitration in Singapore
- Appeal in progress regarding an intellectual property right infringement case of 'Mir' IP against 37 games (Won the initial case on 28th of Dec., 2018)
- Rolled out three new license games based on 'Mir' IP including two games in China (<Wangzhebaye>, <Huangzubaye>) and one game in Korea (<Legend of Mir2 Again>)
- Created a teaser page (<https://www.mirtrilogy.com>) for new games under development named 'Mir Trilogy' including <Mir 4>, <Mir M>, and <Mir W>
- JOYMAX released a casual game, <WIND RUNNER RE>, in Japan

4Q 2019 Updates and Plans

- Expecting to receive the award from the ICC International Court of Arbitration in Singapore on 'Mir' IP copyright infringement case against SHENGQU GAMES(formerly Shanda Games)
- Awaiting the final court ruling regarding copyright infringement case of 'Mir' IP against 37 games
- Preparing to set up a joint venture to establish 'ChuanQi Game Platform' for the expansion of 'Mir' IP business in China
- Anticipating four to five new 'Mir' IP license games in China in 4Q 2019
- Preparing for pre-launch tests(CBT/OBT) for domestic service of <Mir 4> (developed by Wemade Next and published by Wemade Service), and developing <Mir M> and <Mir W> as scheduled
- XL Games* successfully launched a new mobile MMORPG game <The Legendary Moonlight Sculptor> on October 10th

* Wemade holds stakes as a strategic investor

2. 3Q 2019 Summary Consolidated Results

- Revenue (-15% QoQ, -9% YoY) : Due to high base effect from revenue recognition of unpaid royalty in 2Q 2019
- Operating Income (-92% QoQ, Turn to profit YoY) : Decreased -92% QoQ but turned to profit YoY
- Net Income (Deficit continues QoQ, Deficit continues YoY) : Continued deficit QoQ and YoY mainly on income tax

[Unit: Million won]

	3Q'19	2Q'19	QoQ	3Q'18	YoY
Revenue	28,946	33,873	-15%	31,791	-9%
Operating Expenses	28,723	31,096	-8%	36,209	-21%
Operating Income	223	2,777	-92%	-4,418	Turn to profit
Non-operating Income(loss)	-20	131	-	66	-
Financial Income(loss)	2,284	-92	-	-1,370	-
Income before tax	2,486	2,817	-12%	-5,722	Turn to profit
Income tax	2,967	2,927	1%	1,707	74%
Net Income	-480	-110	Deficit continues	-7,429	Deficit continues

* Any discrepancies in any table between the totals and the sums of the amounts listed are due to rounding

By Platform and License

- License (-16% QoQ, +23% YoY) : Driven by high base effect from revenue recognition of unpaid royalty in 2Q 2019
- Mobile (-18% QoQ, -41% YoY) : Mainly on decrease in sales of several existing mobile games
- Online (+8% QoQ, +9% YoY) : Thanks to contents updates and promotional events of existing games

[Unit: Million won]

	3Q'19	2Q'19	QoQ	3Q'18	YoY
Mobile	8,398	10,258	-18%	14,239	-41%
Online	4,455	4,107	8%	4,102	9%
License	15,986	19,055	-16%	12,983	23%
Others	107	453	-76%	467	-77%
Total	28,946	33,873	-15%	31,791	-9%

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3. Sales Breakdown

By Region

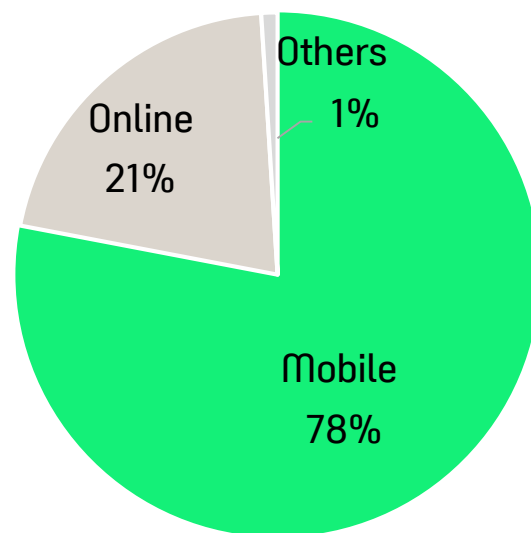
- Domestic (-15% QoQ, -34% YoY) : Due to decrease in sales of several existing games
- Overseas (-14% QoQ, +17% YoY) : Mainly on high base effect from revenue recognition of unpaid royalty in 2Q 2019 despite the roll-out of three new license games

[Unit: Million won]

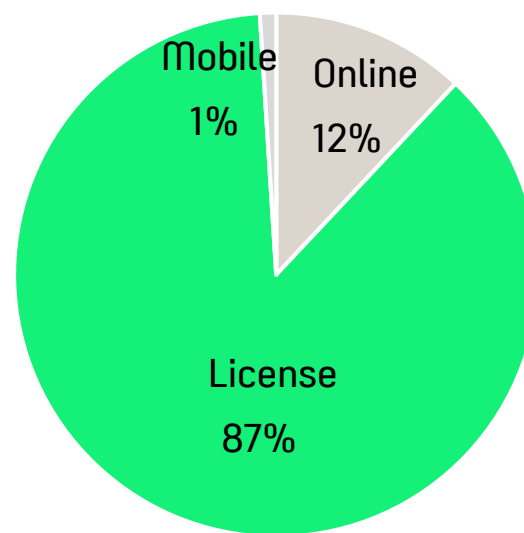
	3Q'19	2Q'19	QoQ	3Q'18	YoY
Domestic	10,614	12,546	-15%	16,171	-34%
Overseas	18,332	21,328	-14%	15,620	17%
Total	28,946	33,873	-15%	31,791	-9%

* Any discrepancies in any table between the totals and the sums of the amounts listed are due to rounding

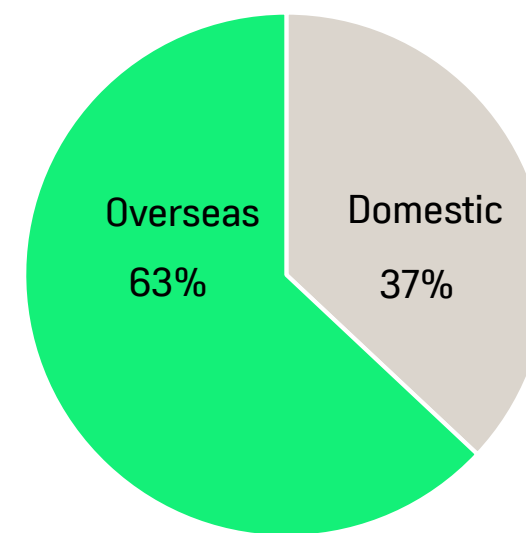
• Domestic



• Overseas



• Total



4. Operating Expenses

- Operating Expenses (-8% QoQ, -21% YoY) : Fell 8% QoQ thanks to 7% and 38% QoQ declines in labor and marketing expenses respectively

- 3Q'19 Operating Expenses

[Unit: Million won]

	3Q'19	2Q'19	QoQ	3Q'18	YoY
Labor*	14,012	15,049	-7%	13,996	0%
Service Fee	9,822	10,199	-4%	11,358	-14%
Marketing	1,140	1,830	-38%	6,498	-82%
Depreciation	1,163	1,025	13%	1,139	2%
Taxes	772	949	-19%	674	15%
Others	1,815	2,044	-11%	2,544	-29%
Total	28,723	31,096	-8%	36,209	-21%

* Includes wage, retirement benefits, employee benefits, stock compensation cost.

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5. Summary Consolidated Financial Statements

• Consolidated Balance Sheet

[Unit: KRW Bn]

	2017	2018	3Q'19
Total Assets	453.3	350.8	317.6
Current Assets	322.1	177.9	143.9
Non-current Assets	131.2	173.0	173.7
Total Liabilities	111.3	75.2	59.6
Current Liabilities	93.6	73.0	59.0
Non-current Liabilities	17.7	2.3	0.7
Total Equity	342.0	275.6	257.9
Capital Stock	8.7	8.7	8.7
Retained Earnings	137.3	114.0	108.2
Total Liabilities & Equity	453.3	350.8	317.6

• Consolidated Income Statement

[Unit: KRW Bn]

	2017	2018	3Q'19
Revenue	109.6	127.1	89.5
Operating Expenses	103.6	163.2	93.8
Operating Profit	6.0	-36.2	-4.3
Non-operating Income(loss)	8.6	0.8	4.7
Income before tax	14.5	-35.4	0.4
Income tax	15.4	13.1	8.2
Net Income	-0.9	-48.5	-7.8
Controlling Interest	9.7	-13.1	4.1
Non-controlling Interest	-10.6	-35.3	-11.9

* Above consolidated Income Statement figures are YTD figures

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