

INVESTOR RELATIONS

September 2021

KRAFTON

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Our Vision

WHY

We believe **games** will become the world's most **powerful medium**.

HOW

Based on our **creativity**, steadfast dedication toward **new challenges** and **technological development**,

WHAT

We will **further expand our original IPs** and build **immersive, virtual worlds**, where our fans play together and share fun moments.

We will meet everyone in the world we are building.

WHO WE ARE

Who We Are

What Made it Possible

The Future We Envision

Financials

Appendix



PUBG BATTLEGROUNDS



IP Owner



Developer



Publisher



Service
Provider



PUBG BATTLEGROUNDS

Creator of the Open World Battle Royale Genre



100-Person Multiplayer

Open World



Free-for-all

1% Chance to Win



Battle & Survival Based

Game of Decisions



Realistic

Gunplay & Sound



PUBG: Blockbuster Hit Across the Developed and Emerging Markets

REACHED NO.1 GAME IN **90% OF 174 COUNTRIES** SERVICED GLOBALLY⁽¹⁾

Countries Where PUBG Has Reached No.1⁽¹⁾





Beyond a Genre-Defining Title That Reshaped the Gaming Industry



No.1 PC Game

Best-Selling PC Game of All Time⁽¹⁾
67mn Copies Sold
(75+mn Including Console)⁽²⁾



No.1 Mobile Game

Worldwide Gross Revenue
in 2020⁽³⁾
No.1 Downloads in
150+ Countries⁽⁴⁾



1+ Billion Downloads

of Cumulative Downloads
Globally as of March
2021⁽⁶⁾




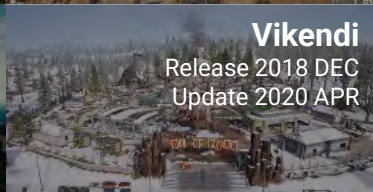

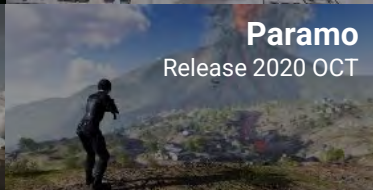
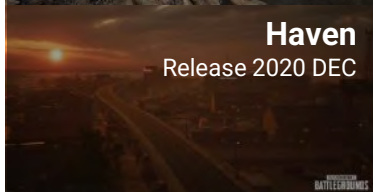
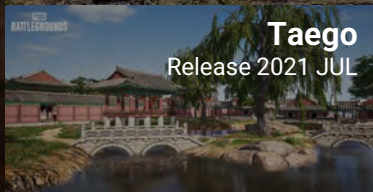

Only Game in History to Top the Charts in US & China Concurrently⁽⁵⁾

Who We Are



GAMES-AS-A-SERVICE


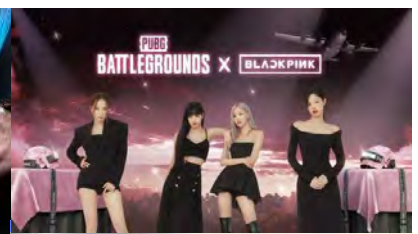
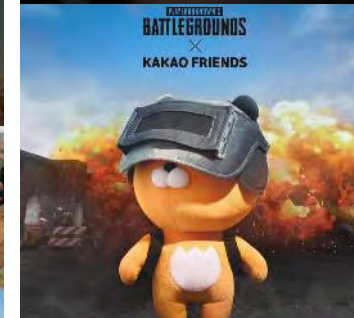

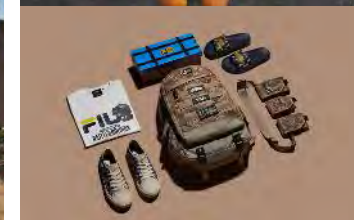

New Map Updates

 <p>Erangel Release 2017 MAR Update 2019 JUL</p>	 <p>Miramar Release 2017 DEC Update 2019 OCT</p>
 <p>Sanhok Release 2018 JUN Update 2020 JUL</p>	 <p>Vikendi Release 2018 DEC Update 2020 APR</p>
 <p>Karakin Release 2020 JAN</p>	 <p>Paramo Release 2020 OCT</p>
 <p>Haven Release 2020 DEC</p>	 <p>Taego Release 2021 JUL</p>
 <p>Kiki 2021 DEC</p>	

30+ Modes

 <p>Platoon</p>	 <p>Crash-Carnage</p>
 <p>Ghillie</p>	 <p>PRO</p>
 <p>One-Gun Warrior</p>	

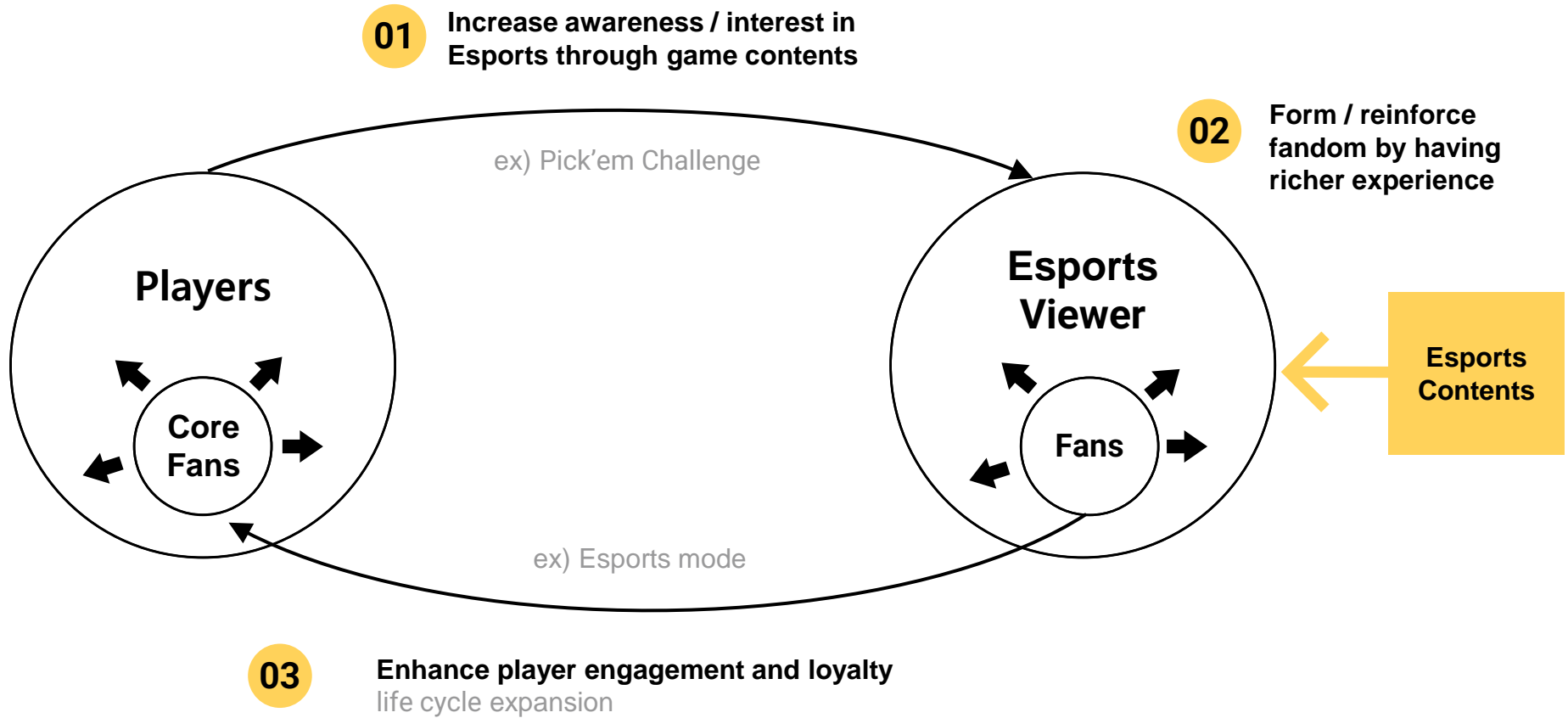
Collaborations with Leading Brands

 <p>SUICIDE SQUAD PUBG</p>	 <p>PUBG BATTLEGROUNDS x BLACKPINK</p>
 <p>PUBG BATTLEGROUNDS x KAKAO FRIENDS</p>	 <p>SON x PUBG COMING</p>
 <p>FILA PUBG</p>	 <p>PUBG UNIVERSE GROUND ZERO PUBG BATTLEGROUNDS x HYUNDAI</p>

Who We Are



Extend Life Cycle of the Game by Creating a Virtuous Cycle with Viewers and Players



Who We Are



Successfully Pioneering New Form of Esports

Regional Leagues



1st Official Esports Competition by PUBG



2017

2018

2019

2020

2021



G-Star



Gamescom



G-STAR



FACEIT



MET

Major 3rd Party Competitions

WHAT MADE IT POSSIBLE

Who We Are

What Made it Possible

The Future We Envision

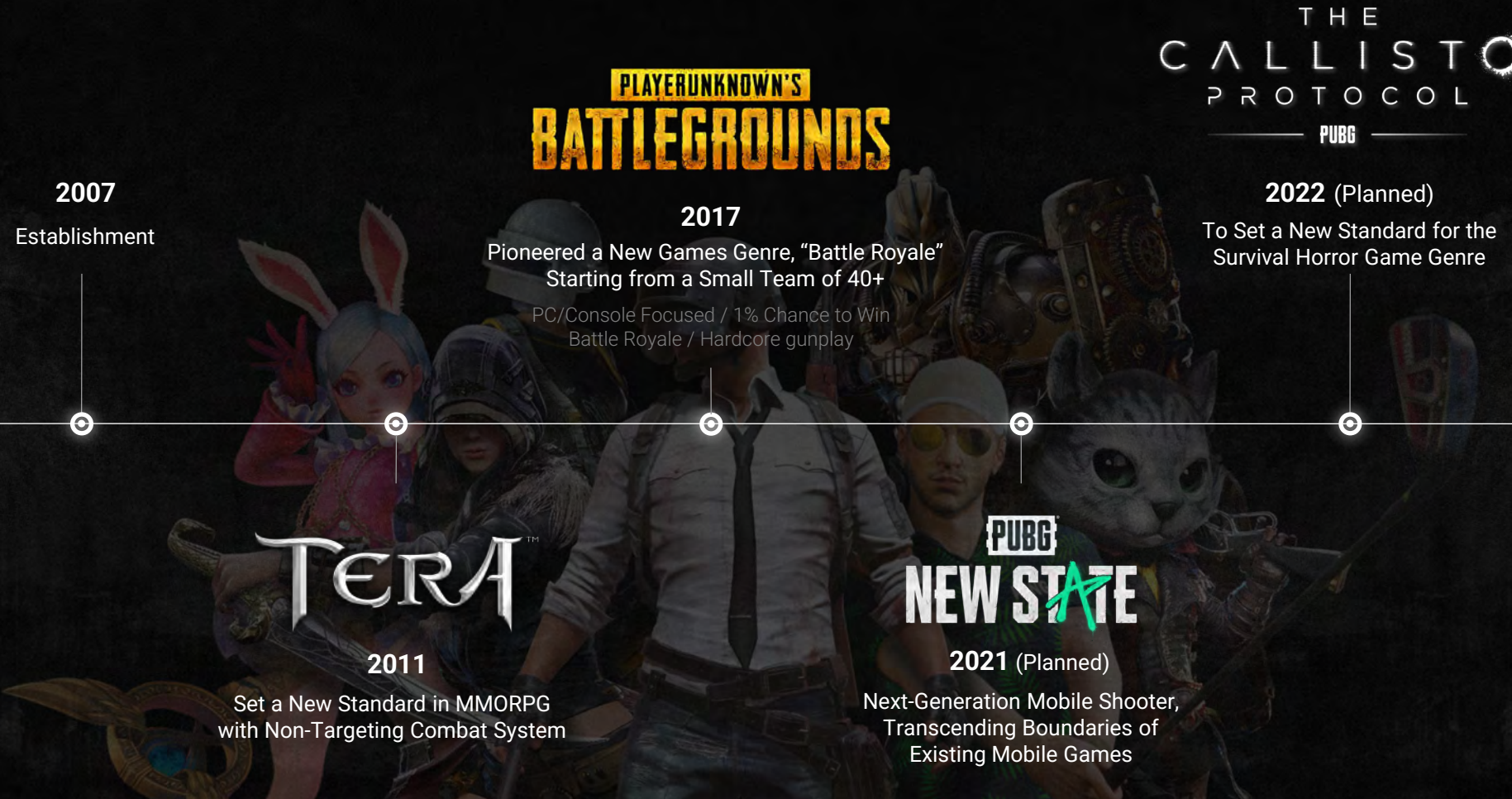
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What Made It Possible



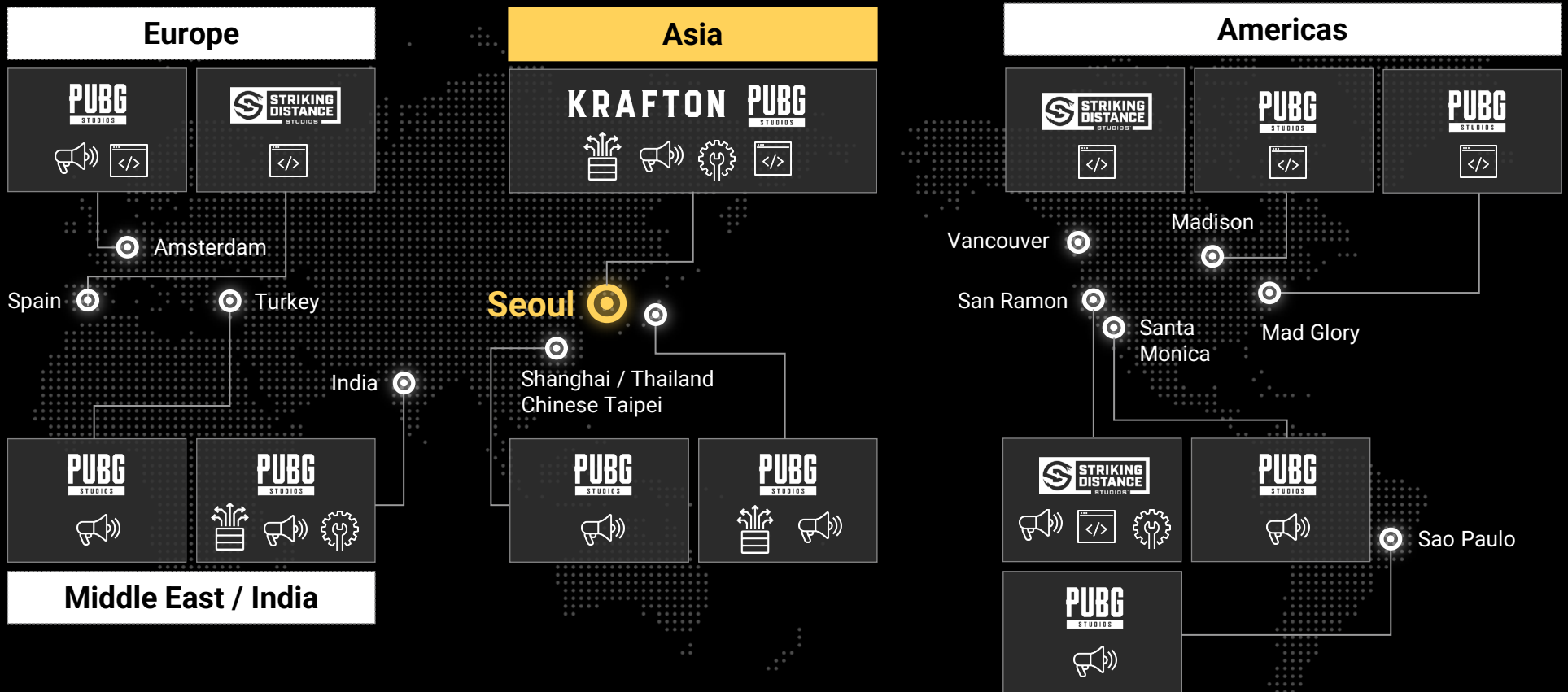
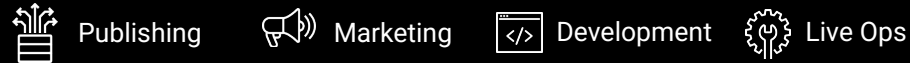
Unwavering Focus on Developing Masterpieces and Original Creatives



What Made It Possible



Reinforcing Global Collaboration System for Development of Masterpiece & Service



What Made It Possible



KRAFTON: A Magnet for Global Creative Talents



GLEN SCHOFIELD

Striking Distance Studios
Chief Executive Officer

CALL OF DUTY **DEAD SPACE**



DAVE CURD

PUBG Creative Director

PLAYERUNKNOWN'S BATTLEGROUNDS **CALL OF DUTY**



JENNY RYU

Head of Art Department of Krafton

CALL OF DUTY **THE LORD OF THE RINGS**



STEVE PAPOUTSIS

Striking Distance Studios
Chief Development Officer

DEAD SPACE **BATTLEFIELD HARDLINE**



PAWEL SMOLEWSKI

Thunder Tier One
Executive Producer

PLAYERUNKNOWN'S BATTLEGROUNDS **ARMA**



KEVIN LIN

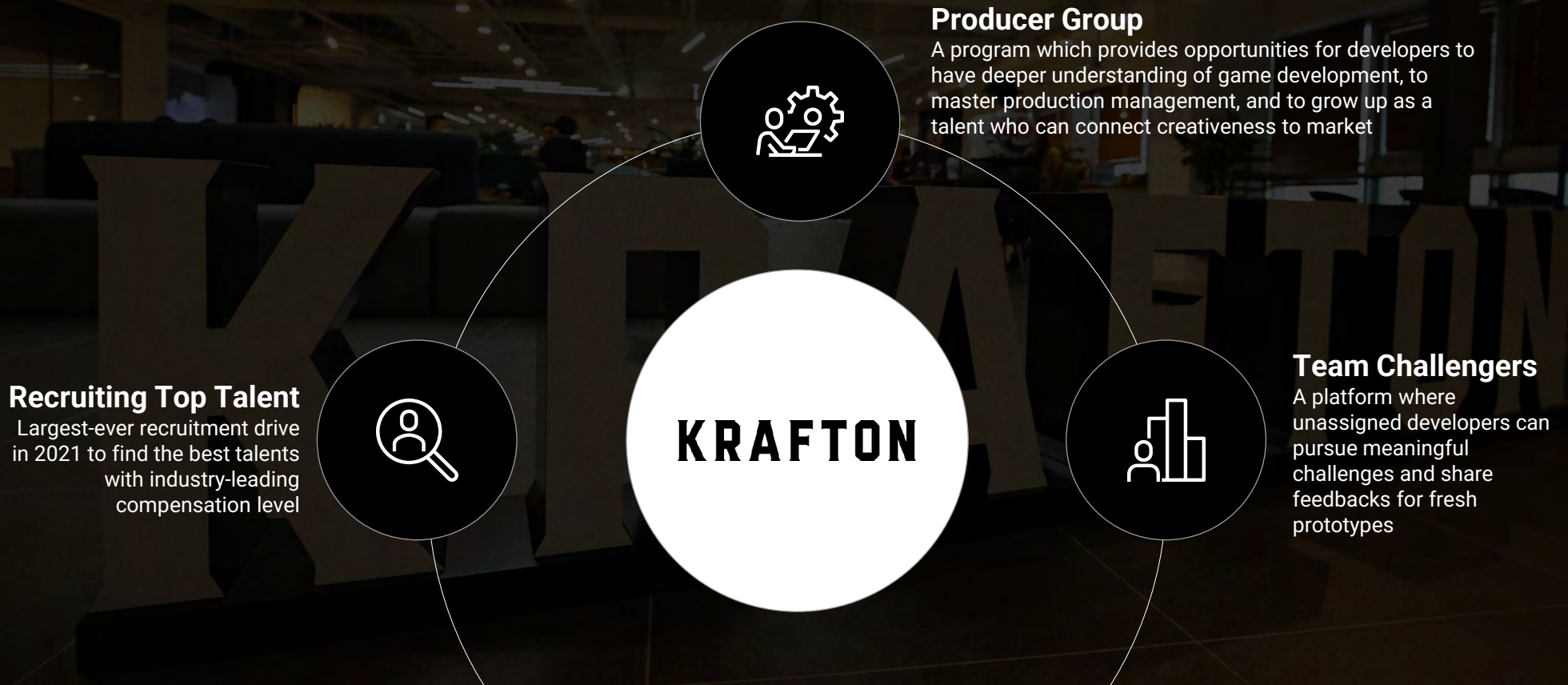
Non-Standing Director
Member of the Strategy Committee

twitch

What Made It Possible



"Talent-Centered" Principles to Establish Sustainable Creative Platform



What Made It Possible



Best-in-Class Mobile Game Development Capabilities, Amid Heavy Reliance on Chinese Developers for most AAA Games in Mobile Transition

Graphic Rendering

Global Illumination: Lighting effect for realistic graphics beyond limitation on mobile devices

Auto-Instancing Draw: Drawing hundred-thousand objects in a massive open-world map at high speed

Auto Exposure: Implementing human eyes' adaptation to darkness

Grand Atlas Texturing: Caching optimized for mobile devices for max. efficiency in processing

Platform Server

Development / Operation of Cloud platform Server Systems: Covering tens of millions of DAUs worldwide

Implementation of Micro-service Platform Architecture: Parallel processing / auto-scaling with latest cloud technology stack

Operating Global Servers with AWS + Azure Data Pipeline and Analysis Tools: Real-time storage of massive-scale game data



Mobile CPU & GPU Optimization

Character Multi-part Mesh Runtime Merging: Parallel processing of character details to optimize CPU load

Parallel Processing of Movement Logics for multiple characters to optimize CPU load

Optimized Physical Processing: Enabling detailed physical processing on mobile devices (e.g. destroy effect for windows)

Optimized Operation Sensitivity: Minimized input delay on touchscreen

Optimized Heat Control for Mobile Devices: Real-time monitoring and optimization of CPU load

Network Sync. / Optimization

Network Replication Graph: Rapid synchronization with the calculation of update frequency per object characteristics, broadcasting of correlations, and scaling

Synchronization and Storage Method for Real-time Packet Delay: Movement, physics, and ballistic trajectory calculation

Network Packet Compression Algorithm

Encryption of Security Packet

Anti-Cheat

Implementation of Multi-factor Anti-Cheat Technology for Detection / Prevention of System Abusers

- Anti-cheat based on code encryption
- Detection of hack tools based on pattern analysis
- Real-time detection based on log analysis and AI

THE FUTURE WE ENVISION

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The Future We Envision



Despite its Short History, Game Has Become the Largest Entertainment Segment

Size & Growth Outlook of Key Media / Entertainment Segments



“ Despite being the youngest of our three sectors (video, music, game), it is now by far the biggest. ”

- Chief executive of ERA, Kim Bayley

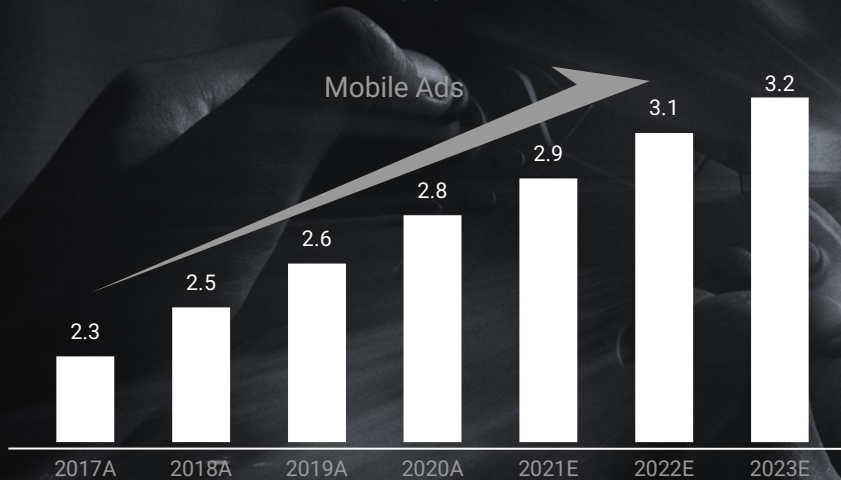
The Future We Envision



As a Mainstream Content with 2.8B Global Users, Game is Ever Expanding its Presence

Game: Mega Content Market with 2.8B Gamers

Number of Gamers in the World (bn)⁽¹⁾



Clear & consistent growth trajectory across all platforms (Mobile / PC / Console)

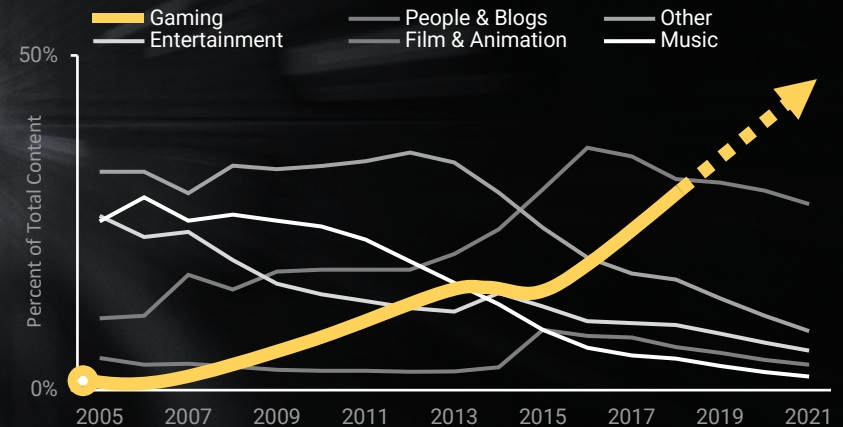
- Expected to further accelerate post COVID-19

75% of the population are gamers in the US⁽²⁾, a mecca of global entertainment & media

Growth to further expedite, mainly driven by emerging markets with continued **increase in smartphone penetration** and **young average population**

Generating Highest User Attraction among Other Content

% of Viewership by Major Category on YouTube



50B Hours

Hours Watched for Gaming Content per Annum on YouTube

665M

Number of Viewers of Gaming Videos in the World

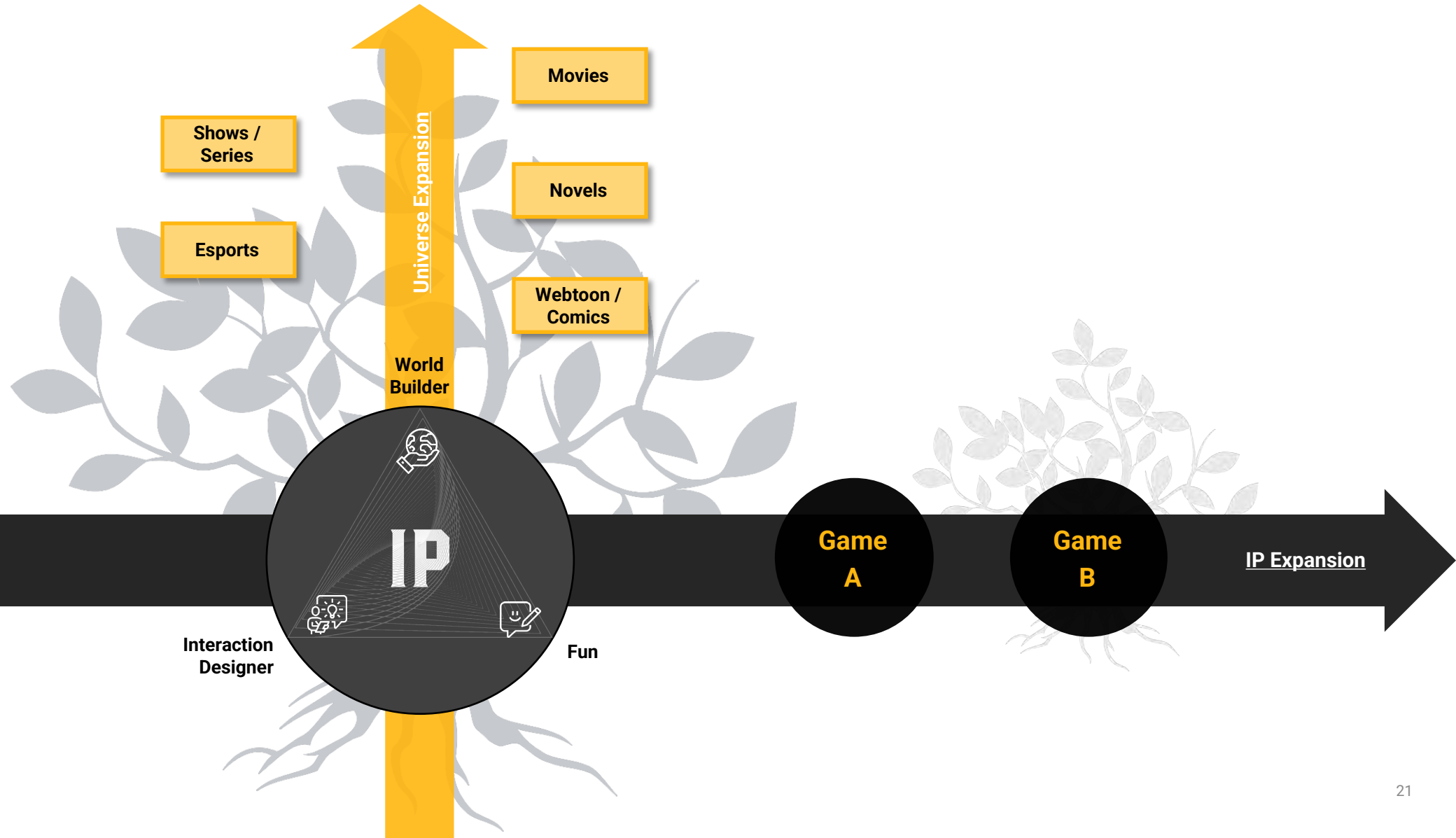
“ **Gaming has always been the backbone of YouTube since founded**

- YouTube's Gaming Director ”

The Future We Envision



KRAFTON Has Been Creating Original Game IPs & Expanding the IP Universe into Various Entertainment Formats



The Future We Envision



Expansion of Game IP 'PUBG' to 'PUBG Universe'

PLAYERUNKNOWN'S
BATTLEGROUNDS

Launch in
2017

PUBG
NEW STATE

Plan to launch in
2021

THE
CALLISTO
PROTOCOL
PUBG

Plan to launch in
2022

PUBG
COWBOY

TITAN

PUBG ENTERTAINMENT

Maximizing the IP's potential by adapting various stories about "Survival" into different mediums of entertainment such as media / platforms / contents

Webtoon
Short Animation

Graphic Novel
Webtoon
Web Novel

TV Series
Animation

Continued Investment in Creative and Promising IPs in Addition to the Expansion of PUBG IP

눈물을
마시는 새

NEW IP

PLAYERUNKNOWN'S
BATTLEGROUNDS

- Korean fantasy novel released in 2003
- Unique story of 4 tribes:
Humans, Rekkon, Nhaga, and Tokebi
- Solid core fandom


Aiming to develop new global mega IPs with our capabilities to develop, expand and franchise attractive IPs acquired from our continued investments

The Future We Envision



Studios Focus on Development Based on Creative Identity, while KRAFTON Provides Publishing, Tech, Biz Support

Independent Studios



BLUEHOLE
TERA / ELYON



PUBG
STUDIOS
PUBG / NEW STATE



RISING WINGS
KING SERIES / CASTLE CRAFT



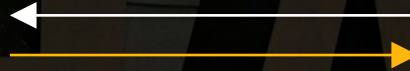
STRIKING DISTANCE
STUDIOS
THE CALLISTO PROTOCOL



DreaMotion
RONIN / ROAD TO VALOR

KRAFTON

- Approve new games, milestones
- Approve studio budget, staffing
- Role as a Publisher



Independent Studios

- Content development, game operation / publishing plans and budget allocation decided by the EPD

KRAFTON

Publishing

Tech (Dev Support)

Business Support

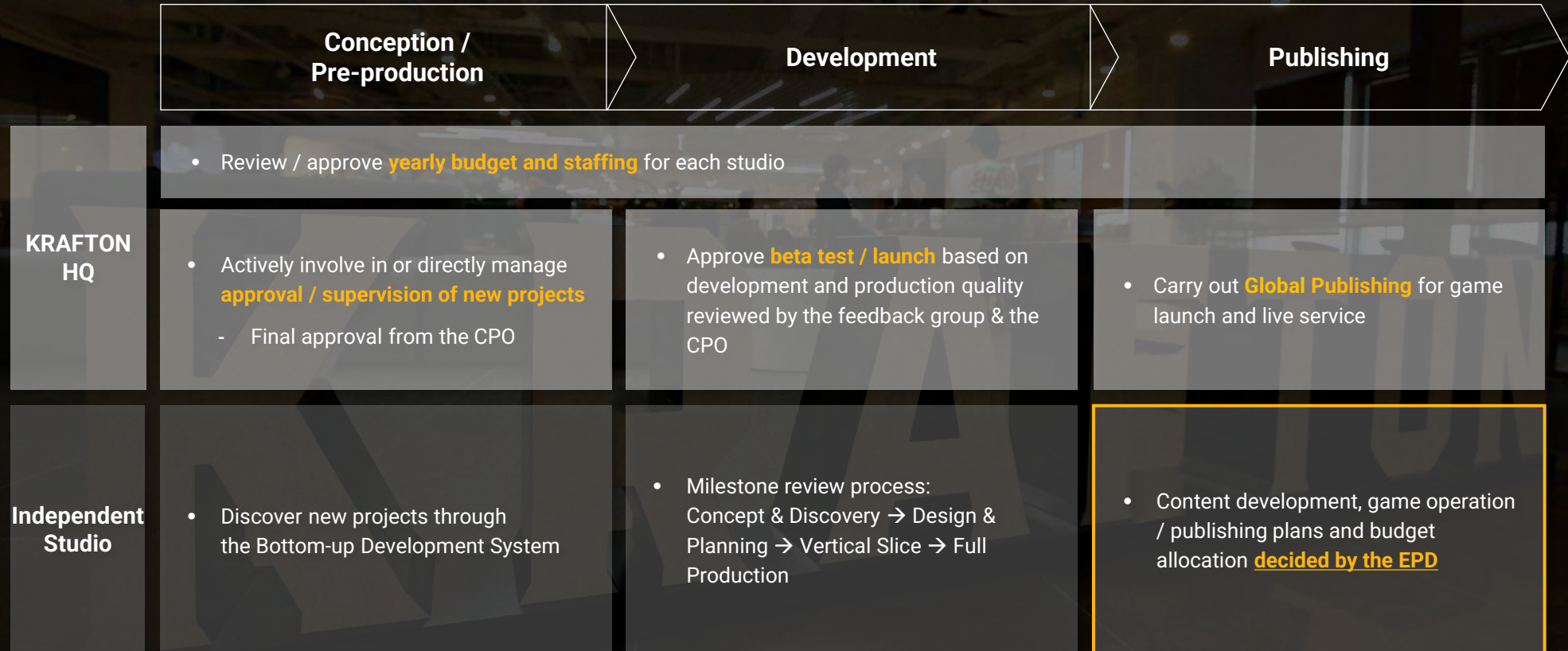
Incubating System

The Future We Envision



KRAFTON's Unique Development Culture: A Bottom-up Development System

Nurturing Differentiated Development Culture Aligned with the Studios' Respective Characteristics and Environment





Ready to Provide Global Direct Publishing with Strengthened Publishing Capabilities

Publishing Tech – Technical Expansion of Service

- **Global Publishing Platform:** base technology that enables efficient operation to service multiple titles via various global game platforms
- Enhance **data analysis capabilities** (gamer / service / product)
- Acquire **Marketing Tech** capabilities (establish CRM base)

Marketing

- Strengthen marketing capabilities with **a focus on Creatives and Community**
- (Leveraging Publishing Tech) **Growth / Digital Marketing**

Regional Business

- **Go-to-market strategy:** gain better understanding and insight into emerging markets such as India, and build local networks
- Double down on communication with regional communities and maintain high level of popularity/anticipation
- Interpret/share regional community needs & partnerships

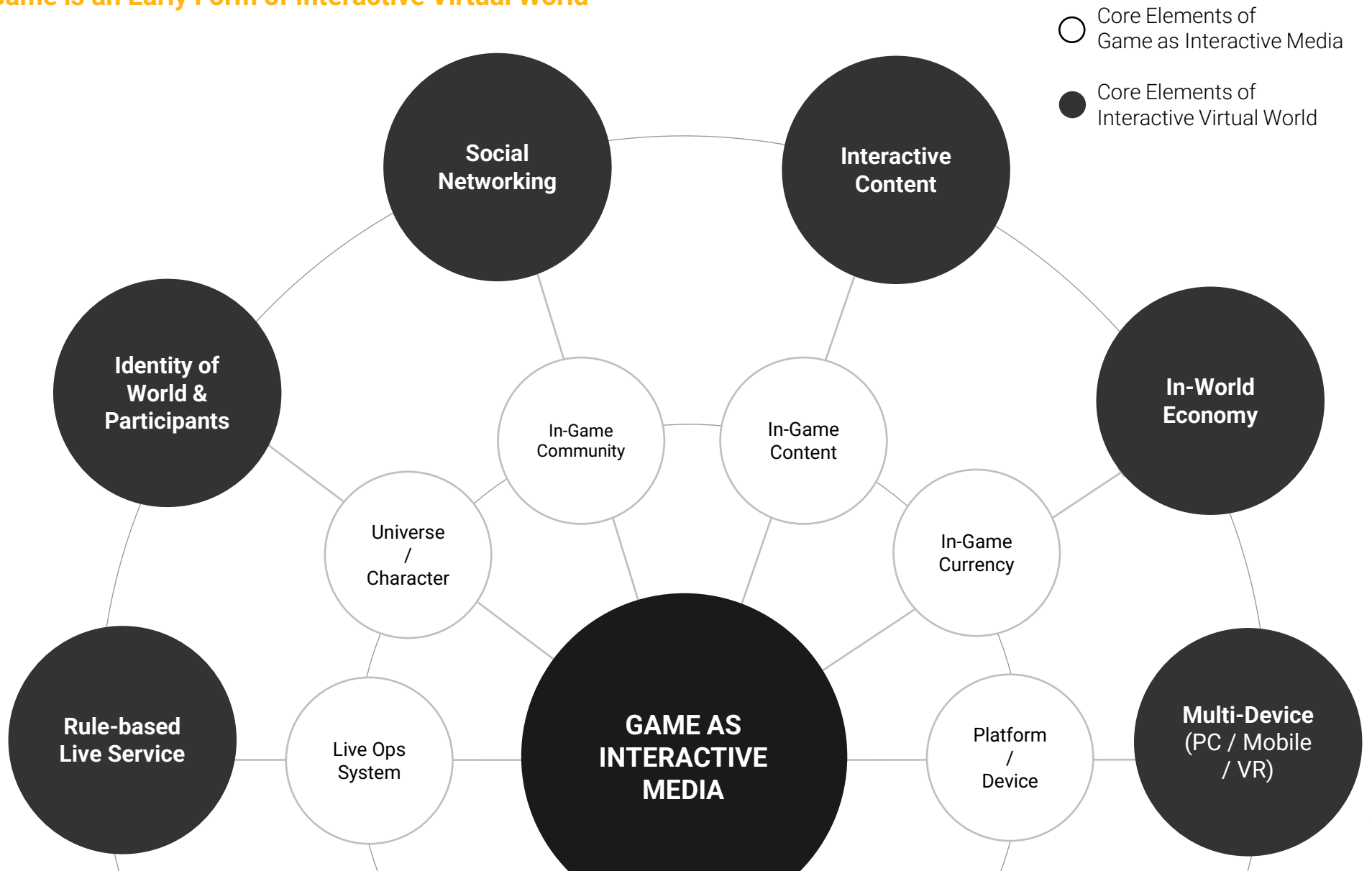
Platform

- Improve understanding of each platform and reinforce technical competitiveness, content delivery capability
- **Platform Relationship:** App Market, Cloud, Streaming
- Implement the best launching strategies per platform and advance live ops & monetization

The Future We Envision



Game is an Early Form of Interactive Virtual World



The Future We Envision



Content Consumption is Poised for Explosive Growth with the Advancement and Widespread Adoption of Deep Learning and the Advent of Virtual World

Advent of Virtual World

Further Familiarized with Virtual World

Increased Activities & Time Spent in Virtual World

+

Expanded & Enhanced Content in Virtual World

Deep Learning

Automation of Manual Tasks

Higher Productivity → Increased Leisure Time

+

Immersive Experience With Interactive Elements

Explosive Growth of Content Consumption

The Future We Envision



KRAFTON Ultimately Pursues an Enhanced Interactive Experience such as Virtual Friend, through the Development of Deep Learning Technology

1 Language Model: GPT-3 (Generative Pre-trained Transformer 3)

- Model capable of generating human-like responses even with unrefined free texts inputs
- Understands / interprets natural language inputs based on an enormous dialogue data base and generates appropriate answers

2 Open Domain Conversation Agent (Chatbot with memory)

- Deliver the user's natural language as language model input, and deliver output as a dialogue
- Capable of free conversation, not limited to a specific topic or area



4 Speech to Text & Text to Speech

- Recognizes / expresses detailed emotions, not limited to simple transformations
- Capable of creating a voice by cloning or converting other voices

3 Computer Vision (Character Animator)

- Technology that recognizes the appearance or motion of an object and automatically creates an image
- Automatically create the connection motion between snapshots according to the given physics law or defined material

FINANCIALS

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2Q21 Results at a Glance



KEY PERFORMANCE



PUBG IP
Presence

~59 MILLION

Global Daily Active Users⁽¹⁾

BATTLEGROUNDS
MOBILE INDIA

Battlegrounds Mobile India
Registered Users⁽³⁾

~50 MILLION

PUBG
NEW STATE

PUBG: NEW STATE
Pre-registration⁽²⁾

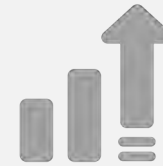
~32 MILLION



Games-as-a-Service⁽⁴⁾

6 COLLABORATIONS, **5** MODES

MORE THAN NUMBERS



Total
Revenue Growth

+7 % YoY



PUBG Mobile Global
Revenue Growth

~+30 % QoQ



PUBG PC
In-game ARPU

~+80% QoQ



Adj. EBITDA⁽⁵⁾ Margin
Profitability

47 %
(+2.0%p YoY)

Note: (1) Global average DAU is the total sum of PUBG Mobile, PC, Console and BGMI in 2Q 2021 (2) Pre-registration as of September 1, 2021 excluding iOS, China, Vietnam and India (3) Registered users as of August 2021 after BGMI launch (4) Collaborations (PC: El Solitario, Mobile: Godzilla vs Kong, McLaren, Kartrider Rush+, KFC, Line Friends), Modes (PC: POBG, Racing, Mobile: Godzilla vs Kong, Titan Strikes, Insectoid), (5) Adj. EBITDA = EBITDA + Share-based payment expenses

2Q21 Results at a Glance



Revenue **KRW 459.3bn** (+7.0% YoY, -0.4% QoQ)

Growth sustained from mobile and PC segments driven by differentiated expertise in live ops and in-game monetization efforts

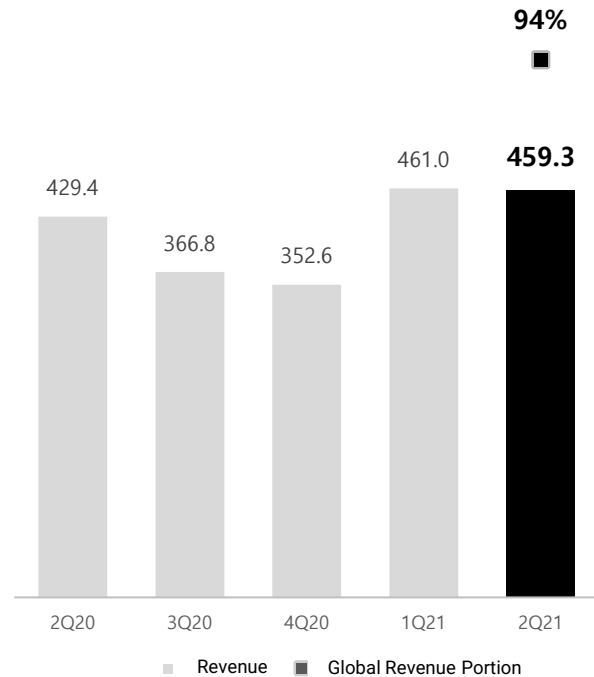
Operating Profit **KRW 174.2bn** (-0.3% YoY, -23.3% QoQ)

Despite the high base, continuous revenue growth offset the risen expenses from business expansion resulting in similar OP compared to the same period last year

Net Profit **KRW 141.3bn** (+16.6% YoY, -27.2% QoQ)

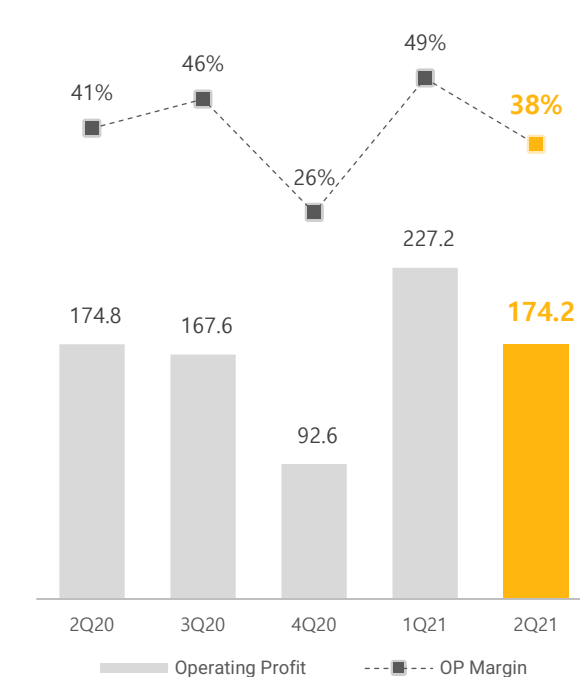
Revenue

KRW bn



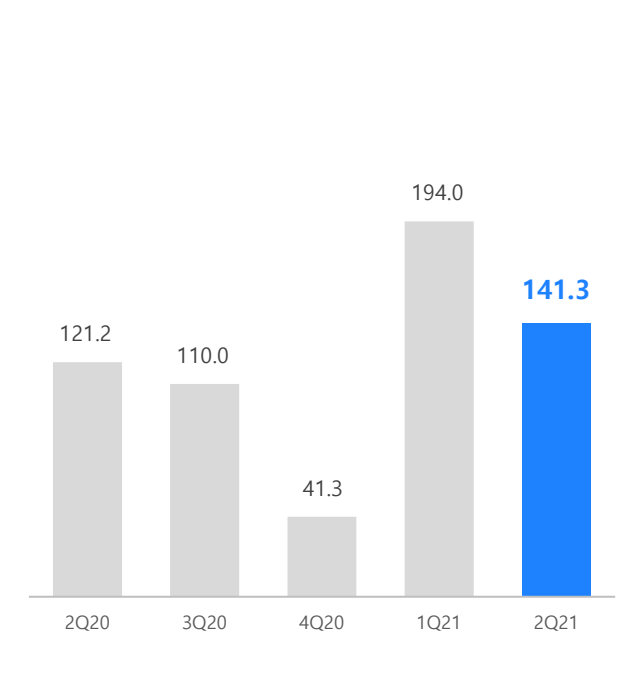
Operating Profit

KRW bn



Net Profit

KRW bn



Revenue Breakdown



Revenue **KRW 459.3bn** (+7.0% YoY, -0.4% QoQ)

- Mobile segment revenue reached KRW 354.2bn, a 4.3% increase YoY

Successful in-game monetization, including various updates and brand collaborations led to a record high quarterly revenue for PUBG Mobile

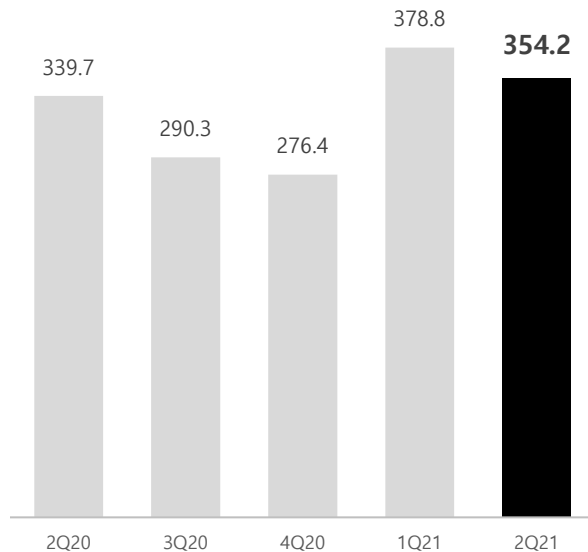
- PC segment revenue reached KRW 88.6bn, a 23.1% increase YoY

Weapon Skin Upgrade System introduced in June bolstered the increase in paying users as well as record high in-game ARPU in PUBG PC

Mobile

KRW bn

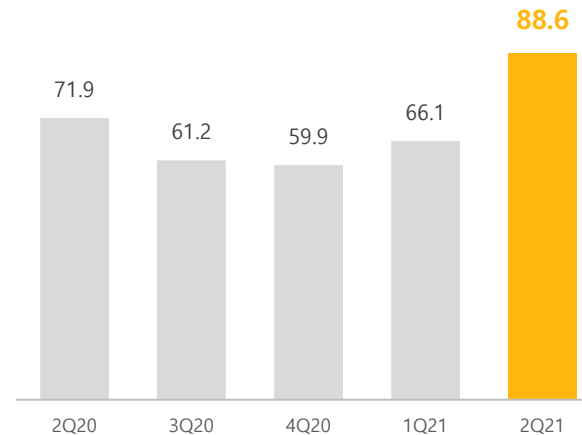
PUBGM, Technology Service and more



PC

KRW bn

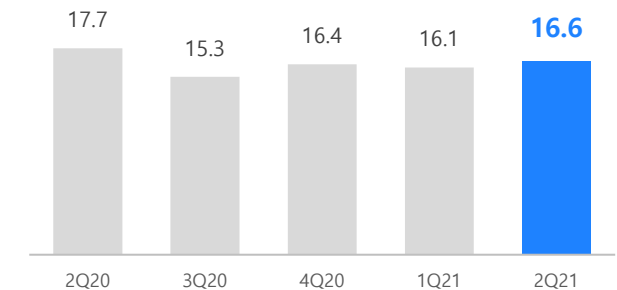
PUBG, TERA, ELYON



Console / Other

KRW bn

PUBG, TERA, STADIA and more



Profits



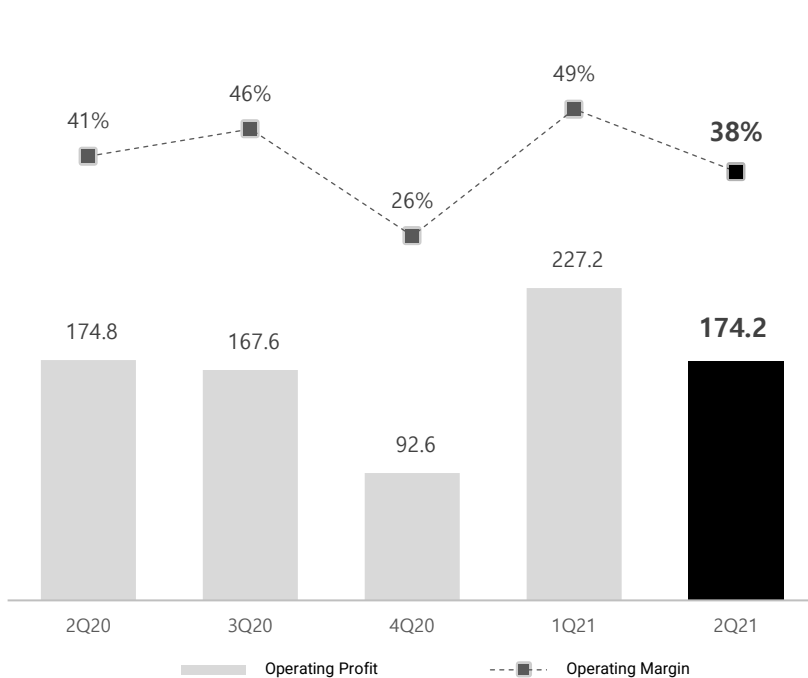
Operating Profit **KRW 174.2bn** (-0.3% YoY, -23.3% QoQ)

Adj. EBITDA **KRW 218.2bn** (+11.7% YoY, -13.5% QoQ)

• Adj. EBITDA reflecting share-based payment expenses with some one-offs increased 11.7% YoY, with adj. EBITDA margin of 47%

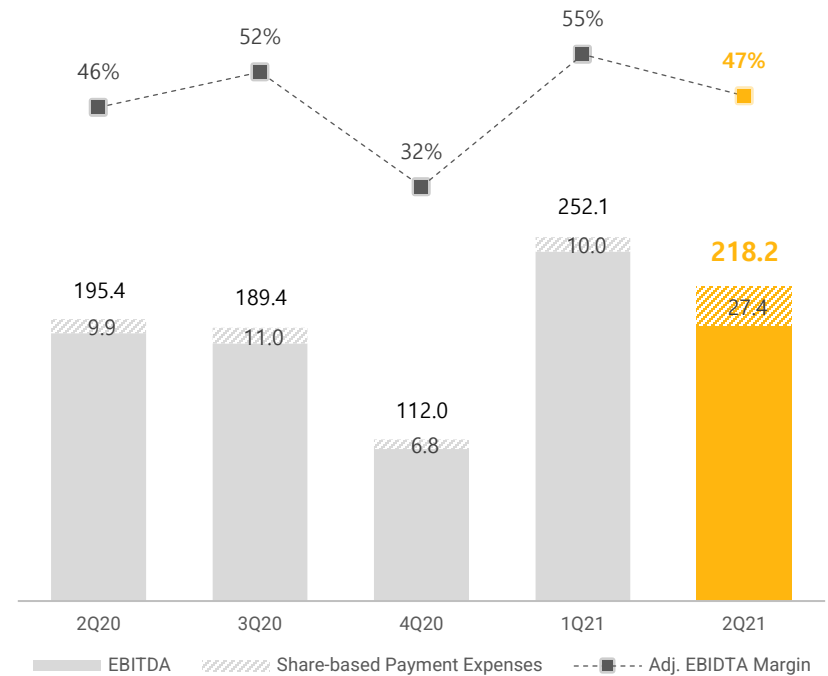
Operating Profit

KRW bn



Adj. EBITDA⁽¹⁾

KRW bn



Note: (1) Adj. EBITDA = EBITDA + Share-based payment expenses

Expense Breakdown



Operating Costs **KRW 285.2bn** (+12.0% YoY, +22.0% QoQ)

- Personnel costs increased 16.6% YoY, and increased 14.1% QoQ at KRW 73.9bn

Increase in headcount due to the inclusion of newly consolidated subsidiary, Dreamotion, ongoing business expansion as well as salary-base raise

- Paid commissions increased 21.7% YoY, and increased 25.2% QoQ at KRW 95.3bn

Caused by hosting eSports tournaments (PGL S, PCS4) in 1H21, outsourcing costs from developing new titles, server costs for BGMI Early Access launch

KRW bn	2Q20	3Q20	4Q20	1Q21	2Q21	YoY	QoQ
Operating Costs	254.6	199.2	260.1	233.8	285.2	12.0%	22.0%
% of Revenue	59.3%	54.3%	73.7%	50.7%	62.1%	2.8%p	11.4%p
Personnel	63.4	61.9	86.7	64.8	73.9	16.6%	14.1%
Platform fees / Cost of Revenue ⁽¹⁾	40.6	40.3	34.2	35.8	40.2	-0.9%	12.3%
Paid Commissions	78.3	54.8	80.9	76.1	95.3	21.7%	25.2%
Marketing	9.5	10.2	12.3	7.4	8.0	-16.1%	7.0%
Share-based payment expenses / Performance-based incentives	48.3	16.8	28.3	30.0	46.9	-2.9%	56.6%
Others	14.5	15.2	17.6	19.7	20.9	43.7%	5.9%
Operating Profit	174.8	167.6	92.6	227.2	174.2	-0.3%	-23.3%
% Margin	40.7%	45.7%	26.3%	49.3%	37.9%	-2.8%p	-11.4%p
Adj. EBITDA⁽²⁾	195.4	189.4	112.0	252.1	218.2	11.7%	-13.5%
% Margin	45.5%	51.6%	31.8%	54.7%	47.5%	2.0%p	-7.2%p
Net Profit	121.2	110.0	41.3	194.0	141.3	16.6%	-27.2%

Note: (1) Platform fees / Cost of Revenue consist of Steam, market commissions, etc (2) Adj. EBITDA = EBITDA + Share-based payment expenses

2H21 Strategy – PUBG IP



IP Life Cycle Extension Through Fresh and Attractive Content and Monetization Scheme for 60 Million Global Avg. DAU

Advanced global live service expertise encompassing PC, mobile, in-game contents (maps, events, collaborations) and PUBG Universe

From casual to core user base, we cater to different game play preferences, with season/event passes, WSUS⁽¹⁾, and many more to come!



Strengthen user engagement with differentiated expertise in live ops



<PUBG Universe – Ground Zero>

<TAEGO Map launched in July>

<Don Lee Character Skin>



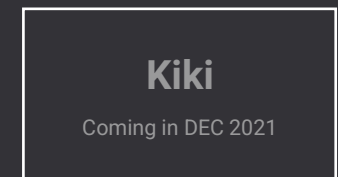
<Heung-Min Son x PUBG>



<BlackPink x PUBG>



<Weapon Skin Upgrade System>



<KiKi Map – To be launched in Dec.>

Note: (1) WSUS: Weapon Skin Upgrade System

2H21 Strategy – PUBG: NEW STATE

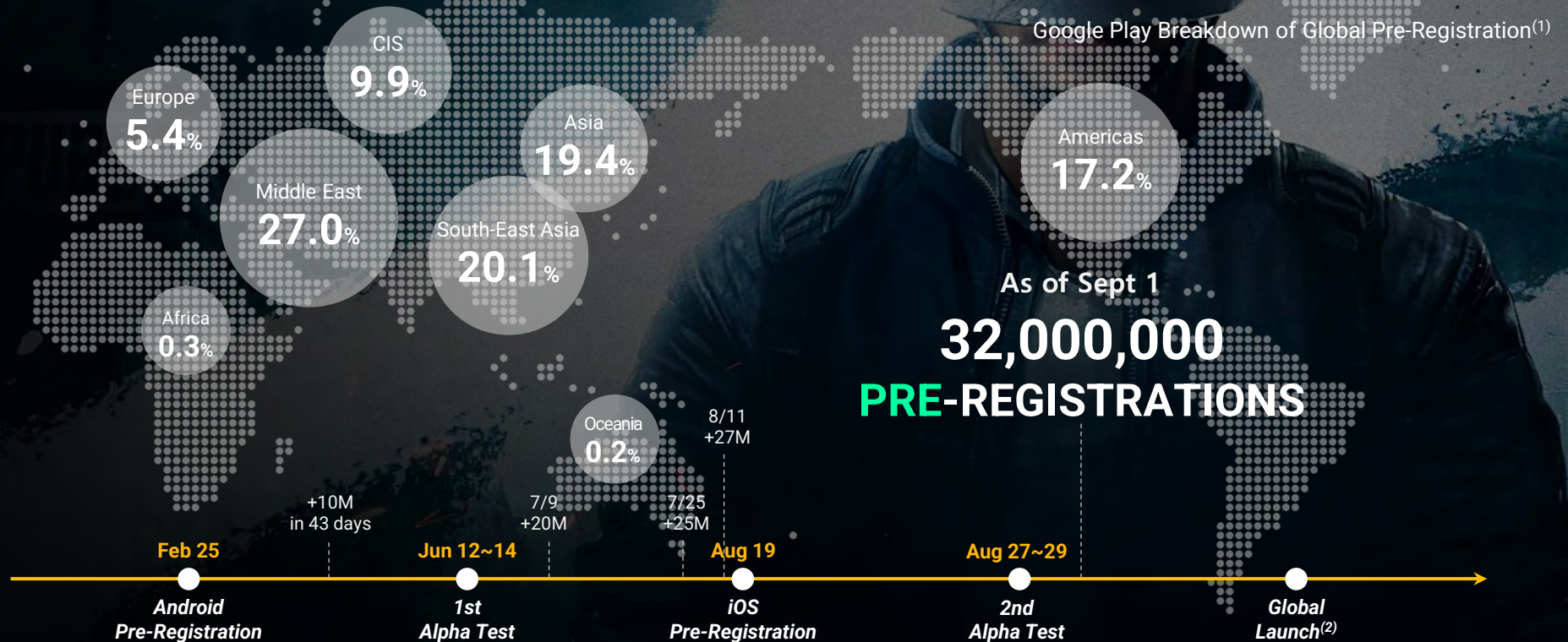


PUBG® NEW STATE

The First Premium Mobile Game in PUBG Universe to be Launched Globally During 2H 2021

BEYOND BATTLE ROYALE experience through high-end graphics, realistic gunplay and optimized physics engines for mobile games

Level up both gaming experience and profitability by adding new content including character, weapon customization, drone shop features



Note: (1) Pre-registration as of August 2021, excluding iOS, China, Vietnam (2) Global launch excluding China and Vietnam

2H21 Strategy – New Markets



Status as 'National Game' in Fast-growing India and MENA region



India

5th⁽¹⁾ Largest Economy in the World

Average Age of 28

MENA Region

240mn total Gamers⁽²⁾

18% 16A-20A
Mobile Game Market CAGR

Game App Gross Revenue Ranking

#1

2020
Gross Revenue⁽³⁾

Cumulative Downloads

~270M

~40% of total smartphone users⁽⁴⁾

DAU

17M+

Jul 2020
Average DAU

#1

Current rank in 15 out of 16 countries⁽⁴⁾

~250M

~50% of total population⁽⁶⁾

18M+

May 2020
Average DAU

2H21 Strategy – New Markets



KRAFTON's Strategic Initiatives for Pre-empting Leadership in Emerging Markets

Initial Success



"The" Most Iconic Game in India



#1 Mobile App

Ranking by Gross Revenue Among All Mobile Apps⁽¹⁾



270M+ Downloads

Representing ~40% of Smartphone Users⁽²⁾



17M+ Average DAU

As of Jul 2020

Strengthening Local Network

PUBG India Established

Nov 2020

100

Planned # of Local Talents

US\$ 100M

Expected Investment

Bridgehead for Expansion into Middle East

Leading Social Platform



As a social Phenomenon

- Game with the most users in India
- Longer play time compared to casual games
- Active player interaction via voice chat

Positioning as a Leading Social Platform in India

Summary of Financial Statements



Consolidated Income Statement

(Unit: KRWbn)	2Q20	3Q20	4Q20	1Q21	2Q21
Revenue	429.4	366.8	352.6	461.0	459.3
Operating Costs	254.6	199.2	260.1	233.8	285.2
Operating Profit	174.8	167.6	92.6	227.2	174.2
EBITDA	185.5	178.4	105.2	242.1	190.8
Adj. EBITDA	195.4	189.4	112.0	252.1	218.2
Non-operating profit and loss	-17.8	-25.1	-94.9	44.2	-2.4
Other Income	0.1	-0.7	11.2	52.8	4.7
Other Expenses	17.5	23.9	105.3	7.8	5.7
Finance Income	1.0	0.9	0.6	0.8	0.7
Finance Expenses	1.4	1.5	1.4	1.7	2.1
Profit before Income Tax	157.0	142.5	-2.3	271.4	171.8
Income Tax	35.8	32.5	-43.6	77.4	30.5
Net Profit	121.2	110.0	41.3	194.0	141.3

Consolidated Statement of Financial Position

(Unit: KRWbn)	2Q20	3Q20	4Q20	1Q21	2Q21
Current Assets	1,224.1	1,322.2	1,292.5	1,440.6	1,554.8
Cash and Cash Equivalents	349.6	690.4	719.8	750.2	624.5
Non-current Assets	284.2	317.9	426.6	657.1	735.7
Total assets	1,508.3	1,640.1	1,719.1	2,097.7	2,290.5
Current Liabilities	374.6	361.6	406.7	509.7	532.0
Non-current Liabilities	125.4	119.3	98.3	166.9	188.9
Total Liabilities	500.0	480.9	505.0	676.6	720.8
Paid-in Capital	4.0	4.0	4.3	4.3	4.3
Capital Surplus	985.7	985.8	1,003.8	1,003.8	1,065.6
Other Components of Equity	131.9	172.7	168.1	181.1	126.5
Retained Earnings	-113.4	-3.4	37.9	232.0	373.3
Non-controlling Interests	0.0	0.0	0.0	0.0	0.0
Total Equity	1,008.3	1,159.2	1,214.1	1,421.1	1,569.7