

INVESTOR RELATIONS

February 2022

K R A F T O N

Disclaimer

Financial statements included in this document are consolidated results of KRAFTON, Inc. (the “Company”) and its subsidiaries and have been prepared in accordance with K-IFRS.

Financial results and operational performance included herein have been prepared for investors’ convenience only and have not been audited by an independent auditor; as such, certain part (s) of this presentation are subject to change, upon completion of the audit.

Company makes no representations as to the accuracy or completeness of the information herein, nor does the Company assume any duty to update any information, given that this presentation has been prepared based on currently available data.

Company shall not have any liability for any loss arising from any use of this presentation or its contents or otherwise arising in connection with this presentation, as this should not be construed to be related to any investment decision making and shall not be used for any legal proceedings.

2022 Growth Strategy

Our Quests Never End : A Glimpse at 2022

Our Core : Games

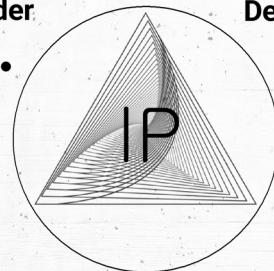
- **Games-as-a-Service : Boost player engagement and improve efficiency of the live service**
- **New Titles**
 - Project M and The Callisto Protocol are scheduled to launch in '22

Beyond the Game

- **Expanding into new areas where KRAFTON's game production capabilities can be leveraged** (Virtual Human, Deep Learning, Web 3.0/NFT, VR, etc.)

**World
Builder**

**Interaction
Designer**



Fun

" The Potential "

- **A new program that encourages a constant flow of small and quick trials/challenge-taking**
 - A team of max 20 people can try out new project ideas for one year and undergo user testing

Boost Play Engagement and Improve Operational Efficiency for the Three Most Important PUBG Games



"Battlegrounds for All"

The transition to F2P led to improved new user care and monetization efficiency, making PUBG a game that is even more loved in the long run



"Repositioning"

Set a clearly distinctive position in the market with a focus on hardcore/proficient players to expand the service and make it sustainable



"Further grow PUBG fandom"

Strengthen the fandom by constantly updating fresh content and creating continued momentum

Key Titles to Launch in 2022⁽¹⁾

Project M

Unknown Worlds

- A turn-based strategy game set in a Sci-Fi world (PC, Mobile)
- Following the 'Easy-to-Learn, Hard-to-Master' formula, aiming to be a game that is fun to watch others play
- Unique gaming experience created by Subnautica dev, Unknown Worlds!
- Targeting '22 for Early Access

THE
CALLISTO
PROTOCOL
PUBG

Striking Distance Studios

- Quad A (AAAA), All day!
- Highest level of quality + maximum horror experience + distinguished action mechanics
- Targeting the second half of '22 for launch

KRAFTON Pipeline : 2022 and Beyond⁽¹⁾

Defense Derby

Rising Wings
Real-time strategic defense

Targeting the first half of 2022 for a soft launch

Project M

Unknown Worlds
Turn-based strategy

Targeting 2022 for an Early Access

Project Biringam

KRAFTON HQ
Open world PvP shooter

Targeting 2023 for an Early Access

Project Black Budget

PUBG Studios
PvPvE Looter Shooter

TBD

Road to Valor: Empires

DreaMotion
Real-time strategic simulation

Targeting the first half of 2022 for a soft launch

The Callisto Protocol

Striking Distance Studios
Action/Horror

Targeting the second half of 2022 for launch

Project FF

Bluehole Studio
Hero Collector RPG

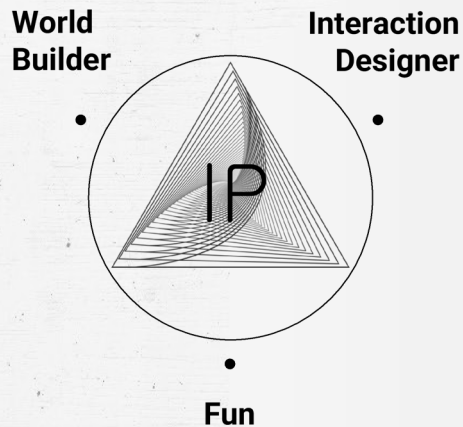
Targeting 2023 for launch

Project Windless

KRAFTON HQ
The Bird that Drinks Tears

TBD

Expandable Areas Leveraging KRAFTON's Game Production Capabilities



Virtual Reality (VR)

- A platform that allows a fully immersive experience that goes beyond gamers and can offer expanded interactive content to a broader audience
- The market is still young to reach mainstream popularity, but the COVID pandemic and the rise of the Oculus Quest 2 install base has grown the VR market into a size that is worthy of making small-scale attempts
 - Devices sold in 2021: PS5 around 12M, Xbox Series around 8M, Oculus Quest 2 around 7M

Deep Learning

- Internalizing generation technology, which is key to developing a virtual human
 - Text-to-Speech / Speech-to-Text
 - Open-Domain Conversation
 - Vision / Character Generation & Animation

Web 3.0 & NFT

- Has the unique trait of an open API that allows for payment (asset transfer) that facilitates a network effect
- The role of traditional platforms have further shrunken down due to ecosystems where more power is shared to creators and consumers
- Gaming companies must be able to provide new value to gamers and creators in the new Web 3.0 environment and this must be based on fun games

New Projects within the Web 3.0 & NFT Area

Web 3.0 Business Direction

Fun

We have come a long way as a gaming company and while we continue to do what we do best, we will also nurture a C2E ecosystem wherein fresh content is created endlessly.

Community-driven

We will grow together alongside a community centered around core fans and set priorities in alignment with them.

Cooperation

We will collaborate with a variety of partners to create and operate a scalable ecosystem



New Web 3.0 Projects

User-Generated Metaverse Platform

- **Create a high quality metaverse with content production tools based on the Unreal Engine**
- **Activate a creator economy based on NFT**

“The Potential” - A New Program that Encourages a Constant Flow of Small and Quick Trials/Challenge-Taking

**A max
20-
person
team**

**Able to set up a team with up to 20
like-minded colleagues**

1 year

**Aiming to produce a build within 1
year that is worthy of user testing**

- The monthly milestone review on the 12th month will determine whether the build will be opened for user testing

**User
Test**

**Support is offered to conduct user tests
(soft launch) to verify the core
gameplay/fun**

- If the build passes the user test hurdle, it will get a chance to be greenlit as an official new project via THE NEW process

Key Direction

- **Spirit: quickly taking on meaningful challenges on a small scale**
- **A streamlined process, so that more trials can be continued**
- **Going beyond traditional forms of games and expanding new tech areas such as Web 3.0/NFT games**

4Q21 & FY2021 Financial Highlights

2021 Results at a Glance



KEY PERFORMANCE

180M

PUBG IP

Global MAU⁽¹⁾



Sales Efficiency

Key metrics expansion
in PC, Mobile, Console

PUBG
UNIVERSE

PUBG Universe

Short-form content,
webtoons

KEY FINANCIAL HIGHLIGHTS

25 % YoY

PUBG IP Revenue

13 % YoY

Revenue

94 %

Overseas Revenue

Note: (1) Global MAU is the total average MAU of PUBG PC, Console, Mobile, BGMI, and New State in 2021

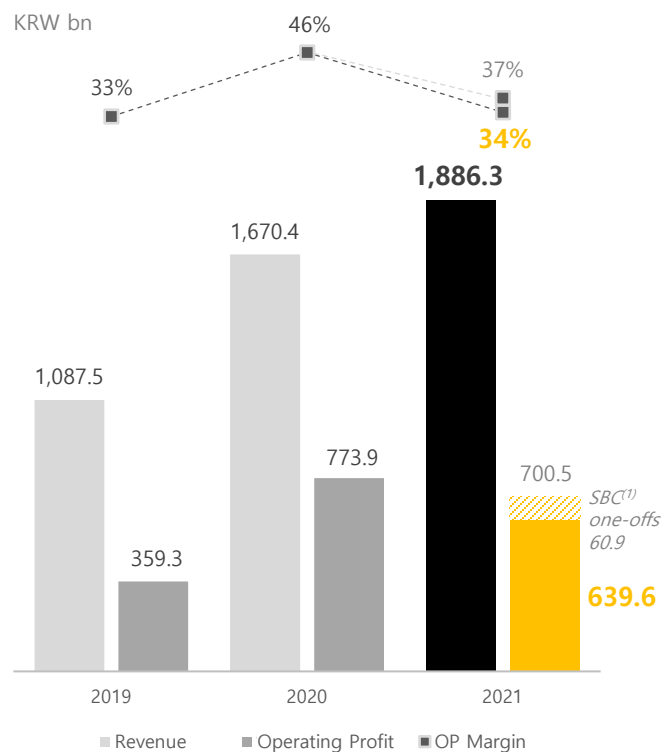
2021 & 4Q21 Financials



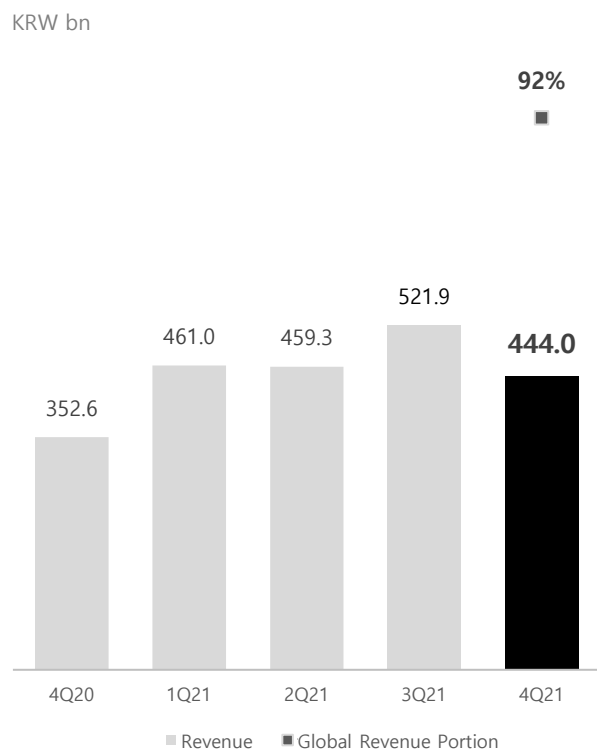
Revenue **2021** **KRW 1,886.3bn** (+12.9% YoY)
 4Q21 **KRW 444.0bn** (+25.9% YoY, -14.9% QoQ)

Operating Profit **2021** **KRW 639.6bn** (-17.3% YoY)
 4Q21 **KRW 43.0bn** (-53.6% YoY, -78.0% QoQ)

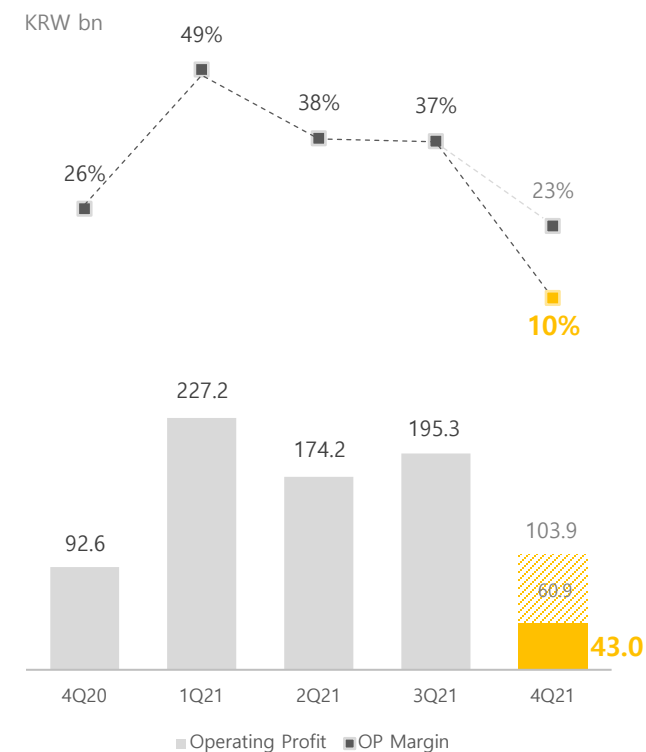
Annual



Quarterly Revenue



Quarterly Operating Profit

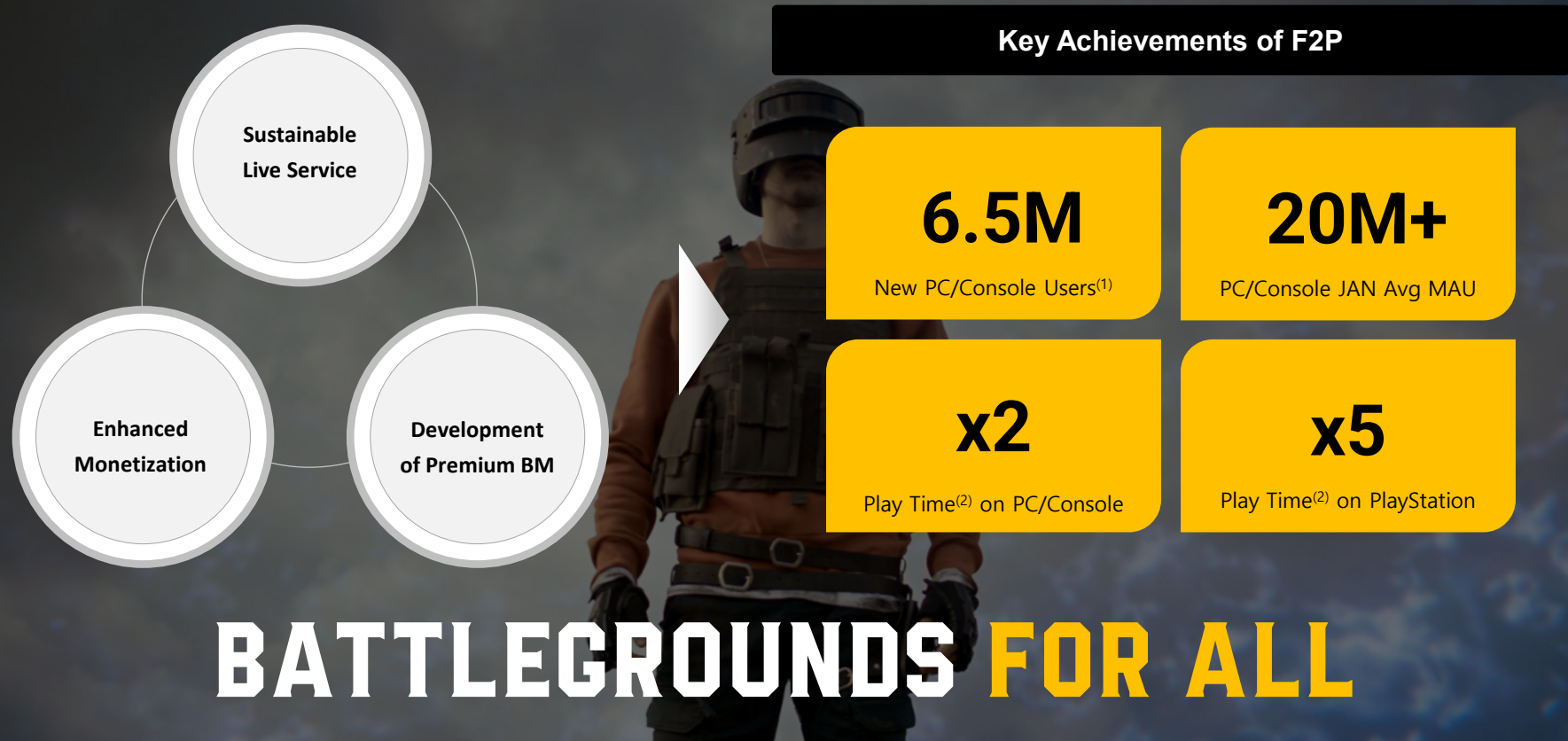


Note: (1) Share-based payment expenses



Secure long-term growth momentum with increased traffic after PUBG's transition to F2P

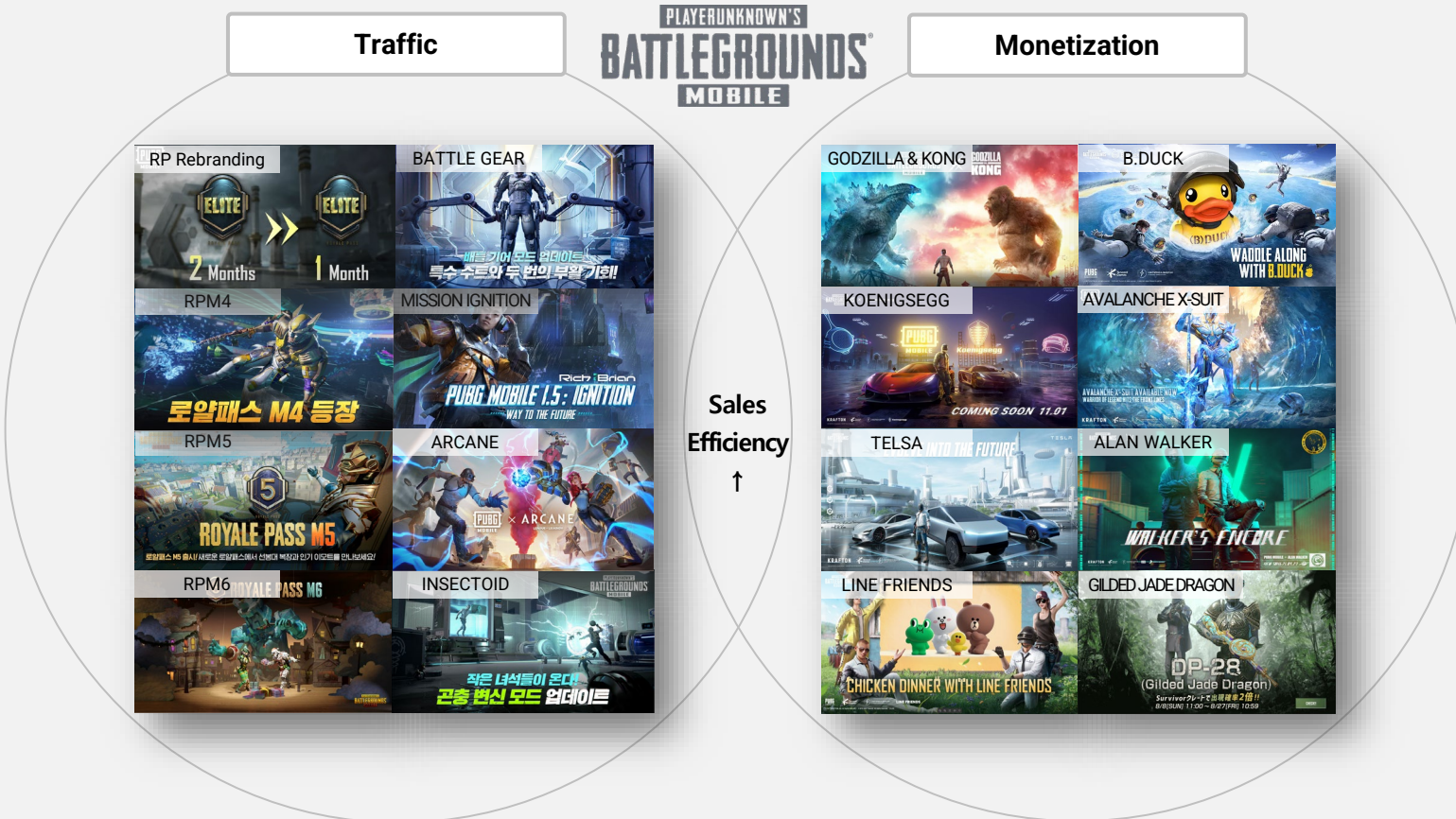
- (2021 Revenue +50.6% YoY) Increase in in-game ARPU through strengthened live service and monetization, expect sustainable growth on increased traffic in 2022
- (4Q21 Revenue +91.9% YoY, -11.2% QoQ) Various BM accelerated YoY growth, while F2P preparation weighed on QoQ decrease



Note: (1) New registered users during the first week of F2P, (2) Increase in Play Time compared to the previous week

Mobile continue to grow by increased sales efficiency of PUBGM and strong live service of BGMI & New State

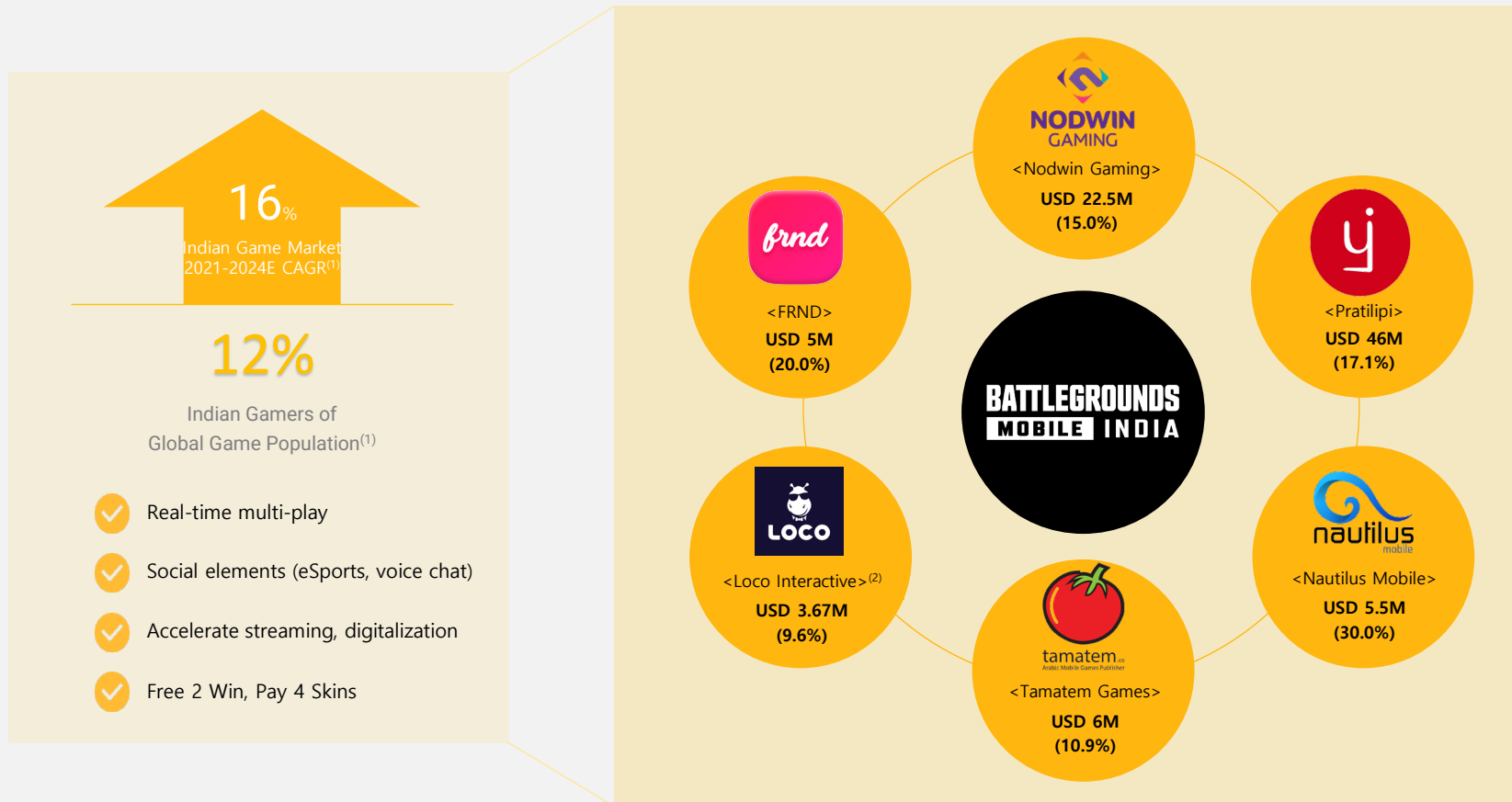
- (2021 Revenue +5.7% YoY) With enlarged PUBG user pool, expect accelerated revenue growth through premium live service and loyal user base in 2022
- (4Q21 Revenue +9.9% YoY, -20.2% QoQ) Sales efficiency of PUBGM and BGMI, launch of NS led to YoY growth, yet low seasonal traffic led to QoQ decrease





Solidify our presence in India with loyal user base, securing business partnerships through investments

Build "Content Platform", expanding investment to games, deep tech in 2022



Note: (1) Newzoo 'Global Games Market Report 2021', (2) Convertible bonds account for USD 0.67M of the total 3.67M investment, not reflected in share ownership



Differentiate New State's positioning with the highlight on core gameplay: Mini-Royale and Big Drop update



JAN

Extreme BR Mode

- 4x4 Mini-Royale Mode
- New fast-paced sessions
- Unique New State features

FEB~MAR

Unique Experience

- Round Death Match Mode
- 'New State Open Challenge'
- Introduction of Clan system

2Q

Big Drop Update

- Codename 'AFRICA'
- 4x4 futuristic virtual city
- Big Drop update including new weapons



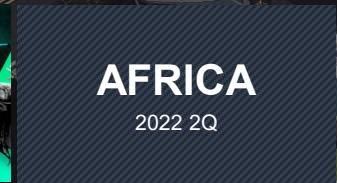
<RIMAC NEVERA Collaboration>



<Extreme BR Mode>



<OPEN CHALLENGE>



<New Map>

Expand
Realistic BR Gameplay

Strengthen
Core Community

Better
User Retention

Revenue Breakdown



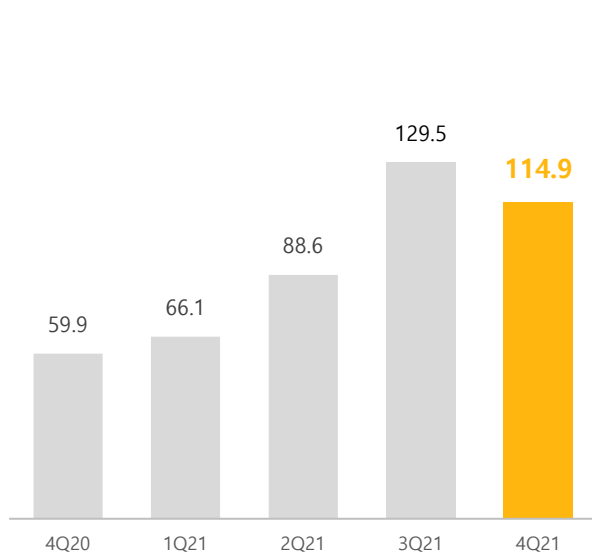
Revenue **2021 KRW 1,886.3bn (+12.9% YoY)**
4Q21 KRW 444.0bn (+25.9% YoY, -14.9% QoQ)

- (Console) 2021 -34.3% YoY, 4Q21 -14.3% YoY, +22.3% QoQ
 4Q21 declined YoY due to fewer content update ahead of F2P transition, and increased QoQ on back of inclusion of consolidated subsidiary Unknown Worlds in December
- (Other) 2021 +46.3% YoY, 4Q21 +109.9% YoY, +179.5% QoQ
 4Q21 increased YoY and QoQ backed by broadcasting revenue from hosting PUBG Global Championship (PGC) 2021

PC

KRW bn

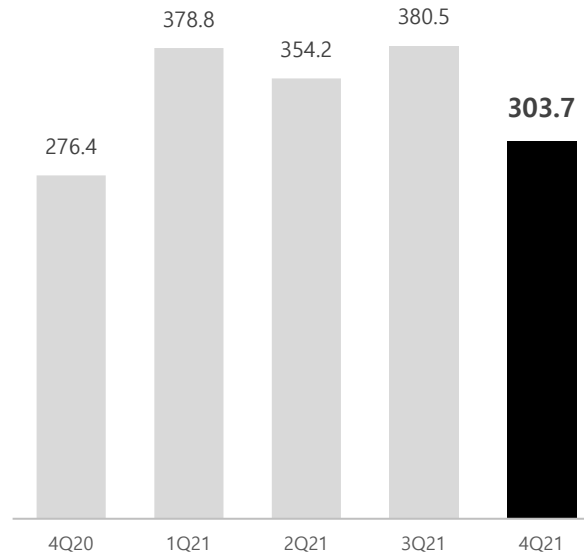
PUBG, TERA, ELYON



Mobile

KRW bn

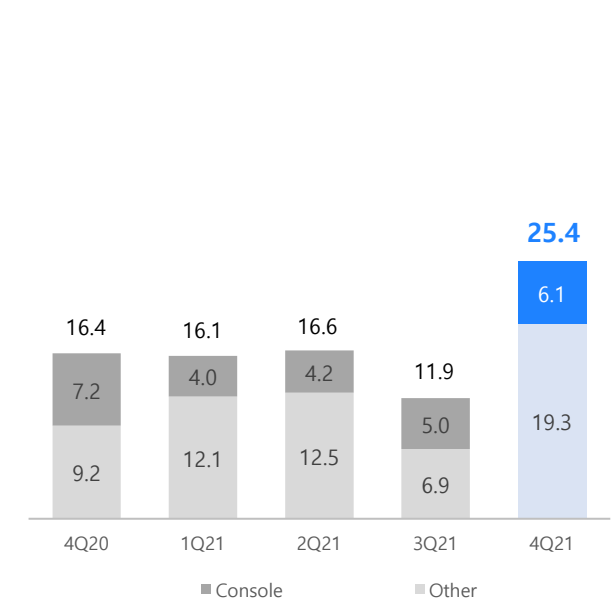
PUBGM, New State, BGMI, Technology Service and more



Console / Other

KRW bn

PUBG, TERA, eSports and more



Expense Breakdown



Operating Costs **2021 KRW 1,246.7bn** (+39.1% YoY)
4Q21 KRW 401.0bn (+54.2% YoY, +22.8% QoQ)

• (Personnel) 2021 +6.8% YoY, 4Q21 -12.4% YoY, +17.3% QoQ

4Q21 declined YoY due to change in accounting standard on performance-based incentives, rose QoQ on inclusion of consolidated subsidiary and one-off incentives

• (Paid Commissions) 2021 +32.2% YoY, 4Q21 +45.9% YoY, +68.6% QoQ

4Q21 rose YoY and QoQ due to hosting PGC 2021, BGMI and New State related server costs, and increased content outsourcing

KRW bn	4Q20	1Q21	2Q21	3Q21	4Q21	YoY	QoQ	2020	2021	YoY
Operating Costs	260.1	233.8	285.2	326.6	401.0	54.2%	22.8%	896.6	1,246.7	39.1%
<i>% of Revenue</i>	73.7%	50.7%	62.1%	62.6%	90.3%	16.6%p	27.7%p	53.7%	66.1%	12.4%p
Personnel	108.2	84.7	93.4	80.8	94.8	-12.4%	17.3%	331.2	353.7	6.8%
Platform fees/ Cost of Revenue ⁽¹⁾	34.2	35.8	40.2	59.6	57.7	68.9%	-3.2%	150.9	193.4	28.2%
Paid Commissions	80.9	76.1	95.3	70.0	118.1	45.9%	68.6%	272.0	359.6	32.2%
Marketing	12.3	7.4	8.0	20.5	46.4	276.2%	126.3%	42.6	82.3	93.1%
Share-based payment expenses	6.8	10.0	27.4	70.6	59.0	771.6%	-16.5%	36.8	167.0	353.7%
Others	17.7	19.8	20.9	25.1	25.1	42.5%	0.4%	63.2	90.8	43.7%
Operating Profit	92.6	227.2	174.2	195.3	43.0	-53.6%	-78.0%	773.9	639.6	-17.3%
<i>% Margin</i>	26.3%	49.3%	37.9%	37.4%	9.7%	-16.6%p	-27.7%p	46.3%	33.9%	-12.4%p
Adj. EBITDA⁽²⁾	112.0	252.1	218.2	283.3	120.6	7.7%	-57.4%	854.8	874.2	2.3%
<i>% Margin</i>	31.8%	54.7%	47.5%	54.3%	27.2%	-4.6%p	-27.1%p	51.2%	46.3%	-4.8%p
Net Profit	41.3	194.0	141.3	178.3	6.2	-84.9%	-96.5%	556.3	519.9	-6.5%

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

Operating Profit / Adj. EBITDA

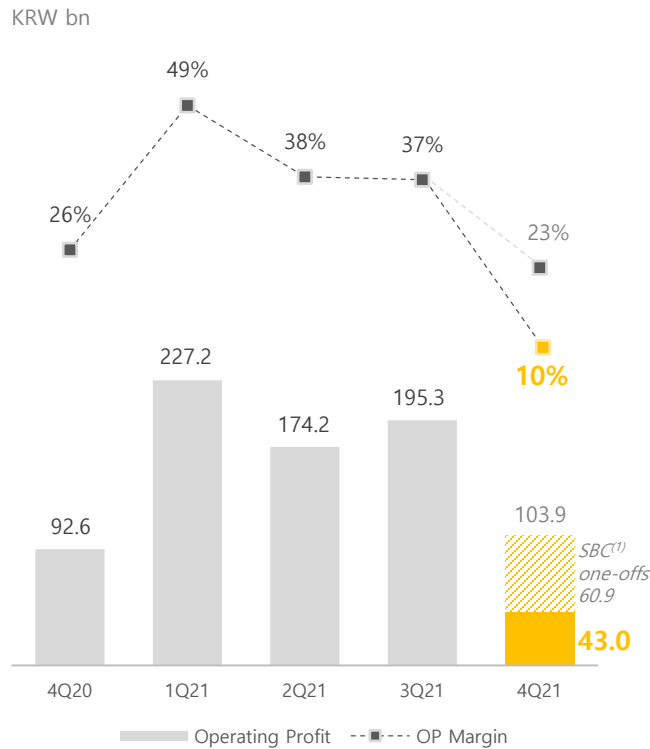


Operating Profit **2021** **KRW 639.6bn** (-17.3% YoY)
 4Q21 **KRW 4.3bn** (-53.6% YoY, -78.0% QoQ)

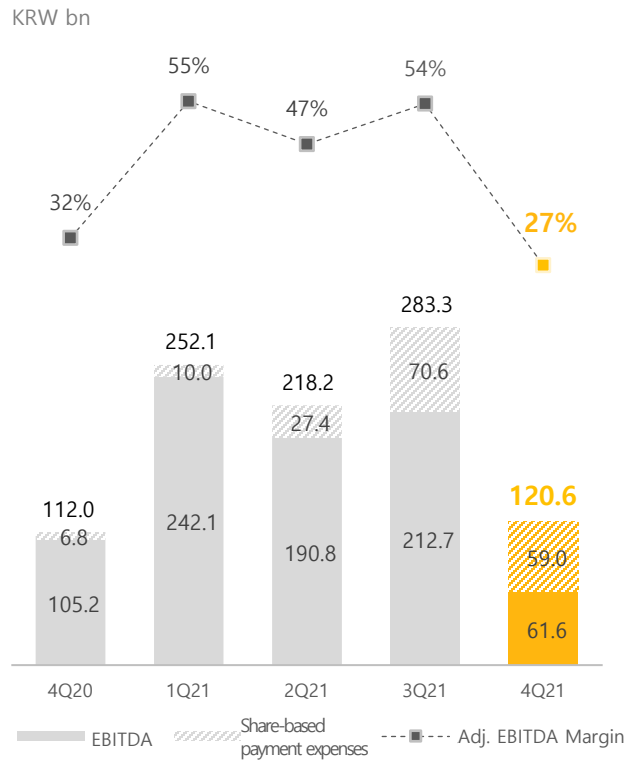
Adj. EBITDA⁽²⁾ **2021** **KRW 874.2bn** (+2.3% YoY)
 4Q21 **KRW 120.6bn** (+7.7% YoY, -57.4% QoQ)

- Adj. EBITDA increased 7.7% YoY, with adj. EBITDA margin of 27.2%

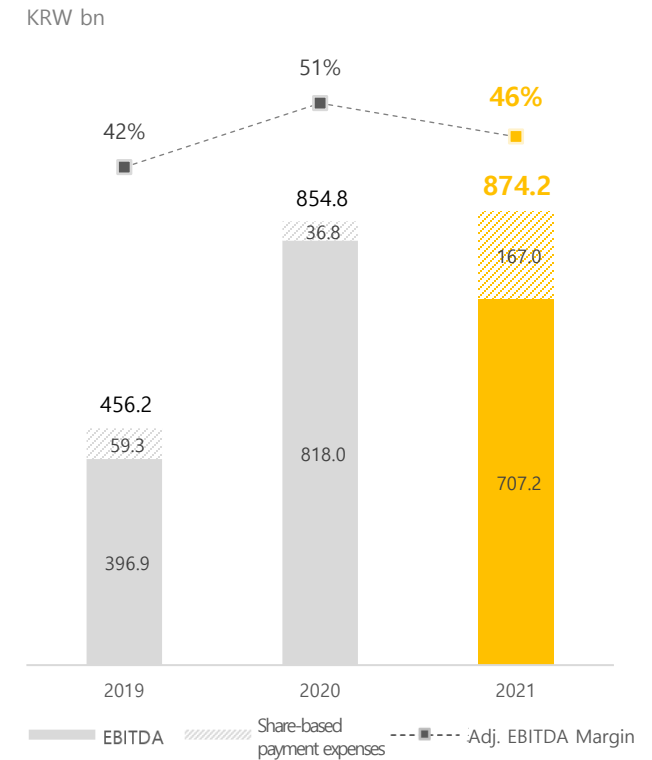
Operating Profit (Quarterly)



Adj. EBITDA (Quarterly)



Adj. EBITDA (Annual)



Note: (1) Share-based payment expenses, (2) Adj. EBITDA = EBITDA + Share-based payment expenses

Summary of Financial Statements



Consolidated Income Statement

KRW bn	4Q20	1Q21	2Q21	3Q21	4Q21	2020	2021
Revenue	352.6	461.0	459.3	521.9	444.0	1,670.4	1,886.3
Operating Costs	260.1	233.8	285.2	326.6	401.0	896.6	1,246.7
Operating Profit	92.6	227.2	174.2	195.3	43.0	773.9	639.6
EBITDA	105.2	242.1	190.8	212.7	61.6	818.0	707.2
Adj. EBITDA	112.0	252.1	218.2	283.3	120.6	854.8	874.2
Non-operating Profit	-94.9	44.2	-2.4	74.7	-5.7	-107.1	110.7
Other Income	11.2	52.8	4.7	82.3	18.6	48.1	158.4
Other Expenses	105.3	7.8	5.7	9.9	28.2	152.9	51.6
Finance Income	0.6	0.8	0.7	4.0	5.3	3.5	10.9
Finance Expenses	1.4	1.7	2.1	1.8	1.5	5.7	7.0
Profit before Income Tax	-2.3	271.4	171.8	269.9	37.2	666.8	750.4
Income Tax	-43.6	77.4	30.5	91.6	31.0	110.5	230.5
Net Profit	41.3	194.0	141.3	178.3	6.2	556.3	519.9

Consolidated Statement of Financial Position

(Unit: KRW bn)	4Q20	1Q21	2Q21	3Q21	4Q21
Current Assets	1,292.5	1,440.6	1,554.8	4,441.2	3,653.7
Cash and Cash Equivalents	719.8	750.2	624.5	3,593.9	3,019.3
Non-current Assets	426.6	657.1	735.7	863.0	1,981.4
Total Assets	1,719.1	2,097.7	2,290.5	5,304.2	5,635.1
Current Liabilities	406.7	509.7	532.0	574.1	638.2
Non-current Liabilities	98.3	166.9	188.9	210.0	388.7
Total Liabilities	505.0	676.6	720.8	784.2	1,026.9
Paid-in Capital	4.3	4.3	4.3	4.9	4.9
Capital Surplus	1,003.8	1,003.8	1,065.6	3,837.2	3,839.1
Other Components of Equity	168.1	181.1	126.5	126.2	206.3
Retained Earnings	37.9	232.0	373.3	551.6	557.8
Non-controlling Interests	0.0	0.0	0.0	0.1	0.1
Total Equity	1,214.1	1,421.1	1,569.7	4,520.0	4,608.2



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.