

# INVESTOR RELATIONS

June 2022

**K R A F T O N**

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# **2022 Growth Strategy**

# Our Quests Never End : A Glimpse at 2022

## Our Core : Games

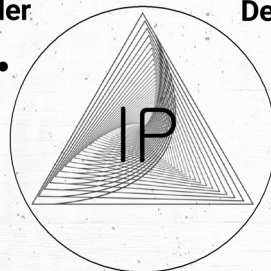
- **Games-as-a-Service : Boost player engagement and improve efficiency of the live service**
- **New Titles**
  - Project M and The Callisto Protocol are scheduled to launch in '22

## 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

# KRAFTON Pipeline : 2022 and Beyond<sup>(1)</sup>

## 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 the second half of 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 global 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

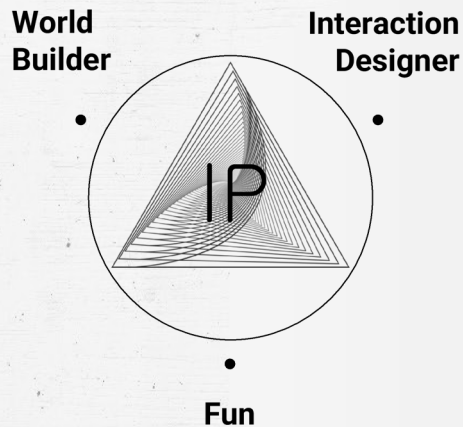
## Project Windless

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 12<sup>th</sup> 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**

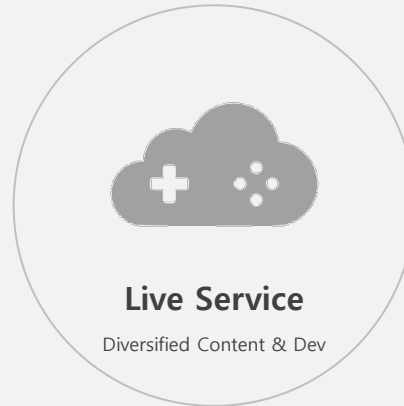
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- **Spirit: quickly taking on meaningful challenges on a small scale**
- **A streamlined process, so that more trials can be continued**
- **Going beyond traditional forms of games and expanding new tech areas such as Web 3.0/NFT games**

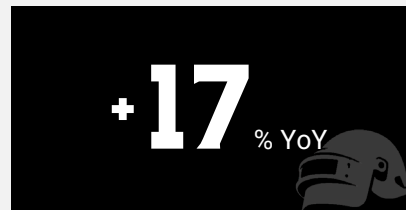
# 1Q22 Highlights

# 2022 1Q Results at a Glance

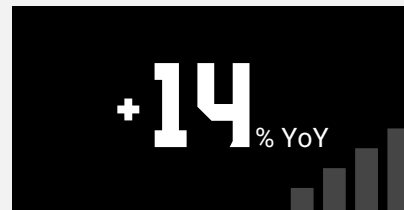
## KEY PERFORMANCE



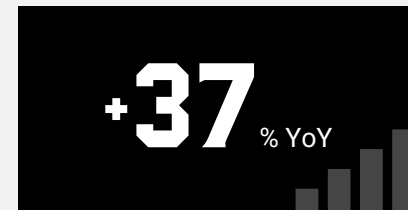
## KEY FINANCIAL HIGHLIGHTS



PUBG IP Revenue<sup>(1)</sup>



Revenue



Operating Profit

Note: (1) Revenue is the total of PUBG PC, Console, Mobile, BGMI, and New State



# PC / Console

Looking Ahead Next 10+ Years, Successful F2P, Full-Packed Live Service, and Increased Traffic will Further Solidify Growth

## 2022 PUBG LIVE SERVICE PLAN



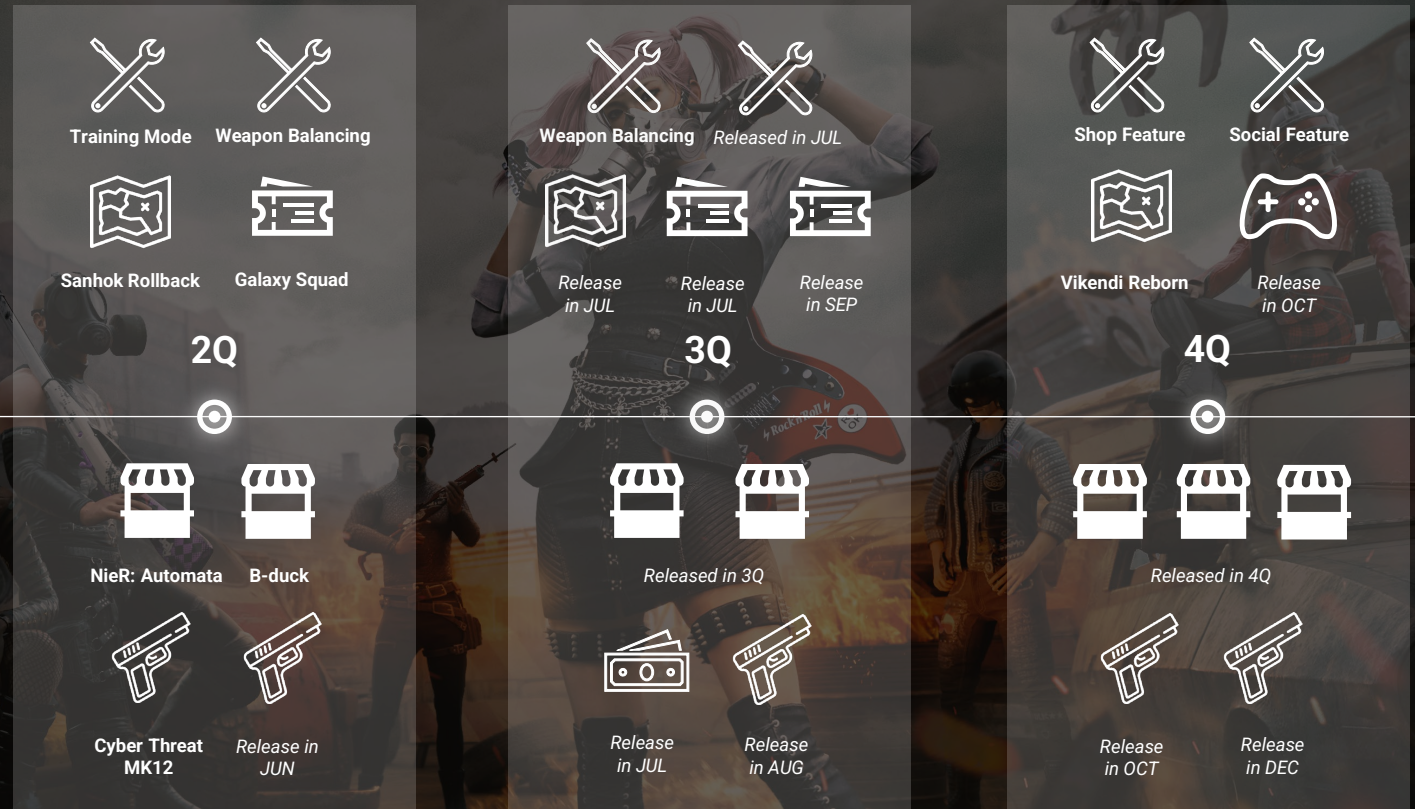
User Engagement

NOT JUST A GAME

THIS IS BATTLE ROYALE



Sales Efficiency



- Survivor Pass
- Collaboration/Yourshop
- Map Update
- Progressive Skin
- Mode Update
- New BM
- Dev Content

# Mobile

Continued Growth from PUBGM, BGMI with Diversifying BM and Content, Fresh BR Experience from New State via New Map



## Stronger Traffic Retention & Monetization



<Spider-Man: No Way Home>

<Lamborghini Vehicle Skins>

Collaboration with premium brand/IPs

## “Strengthened Live Service Efficiency”



Premium skin & collaboration, fancy visual effects



## Localized Strategy Specialized for India



<QuickVoice Card Item>

<TV Ad Marketing>

Localized BM & marketing targeting Indian users

## “Increased Revenue Contribution”



Successful live service and revenue increase in India



## Increased Playtime with Fast Paced BR



<Extreme BR Mode>

<Round Deathmatch Mode>

Repositioning the core gameplay

## “New Battle Royale Experience”



Differentiate New State through large-scale updates



# New Growth (I) – Pipeline

Growing Global Presence with Highly Immersive, yet Different New Titles from Independent Studios in North America

## 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 the second half of '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



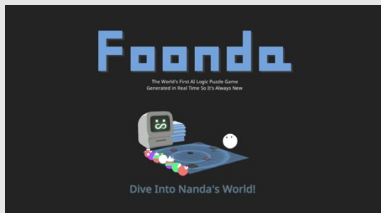
# New Growth (II) – Special Project 2 (SP2), Deep Learning

Leveraging Our Core Strength and R&D in Deep Learning into Both Gaming/Non-Gaming, Investing More on Global Deep Tech

## SP2 → New Era of Gaming



<Wish Talk>



<Foonda>

### Unannounced Projects

- 10 AI/Deep learning based games
- New gameplay and user experience

## Deep Learning R&D → Impacting Non-Gaming Areas with Virtual Human & Chatbot

### Foundation Model

- KOR language model (GPT-3)
- Completed 13bn parameter sized model learning
- Applicable to various fields

### Project Wilson & VR

- KOR / ENG chatbot technology
- Open domain conversation
- Hyper-real 3D avatar creation

### Project Beluga

- Best KOR TTS tech in Korea
- Production of audio content
- To be released during 2022

### Virtual Human

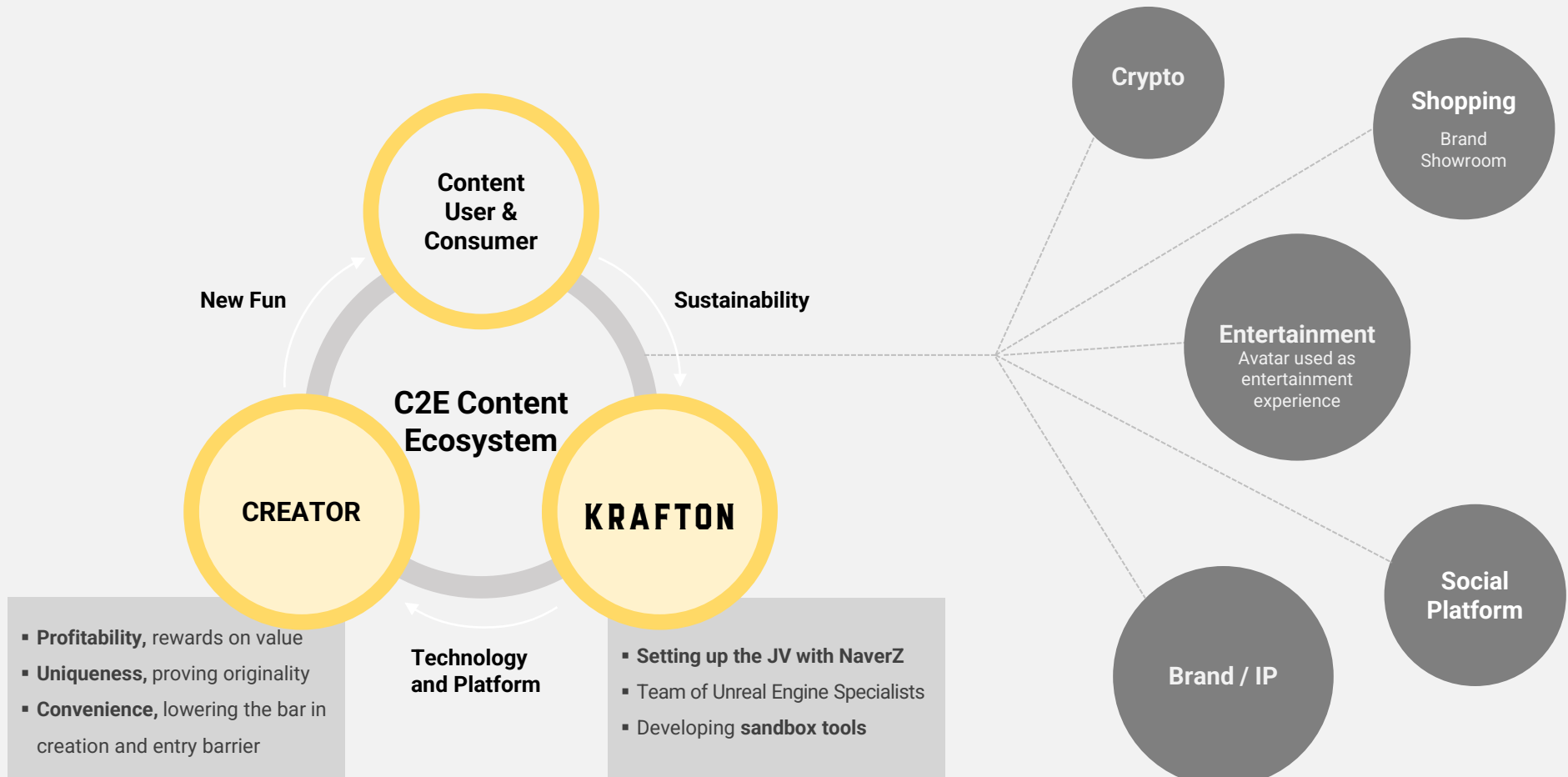
- GPT-3 based chatbot
- Best voice AI tech in Korea
- Animation for hyper-real 3D avatar character



“Continue R&D in Foundation Model,  
Achieve Multi-Modality to Create More Immersive Interactive Experience”

# New Growth (III) – Web 3.0, NFT Metaverse Platform

To Provide New Value for Gamers & Creators thru Content Production Tools where Fresh Interactive Content is Created Endlessly



# New Growth (III) – Web 3.0, NFT Metaverse Platform

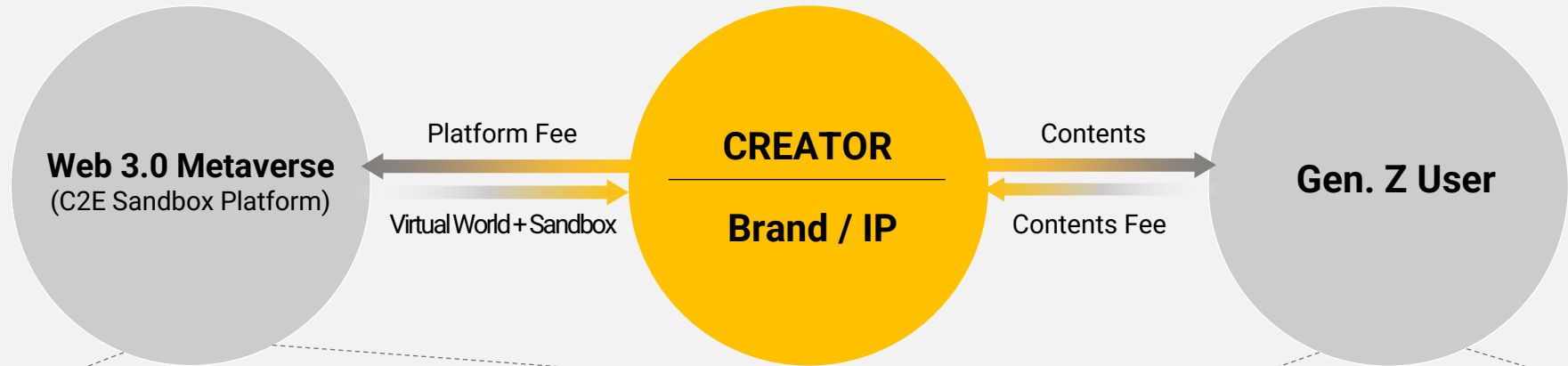
WORLD CONCEPT ART

## PROJECT MICALOO

**2023, WE WILL MEET EVERYONE IN THE WORLD WE ARE BUILDING**



# New Growth (III) – Web 3.0, NFT Metaverse Platform



1. **World:** Max 2km X 2km sized multi-layer city including in/outdoor interactive spaces
2. **Creator Tool:** Sandbox specialized for every content consumed by different spaces
3. **Creator Economy:** Metaverse and Landowner (Creator) coins & NFT items

## PERSISTENT WORLD



## LAND & BUILDINGS



## INSTANCE SPACES



Avatars and Personal Space Provided for the Life Inside the World

**Killer Content**

+

Seamless Experience

Attraction as the Utmost Priority

# 1Q22 Financials

**Revenue**                    **KRW 523.0bn** (+13.5% YoY, +17.8% QoQ)

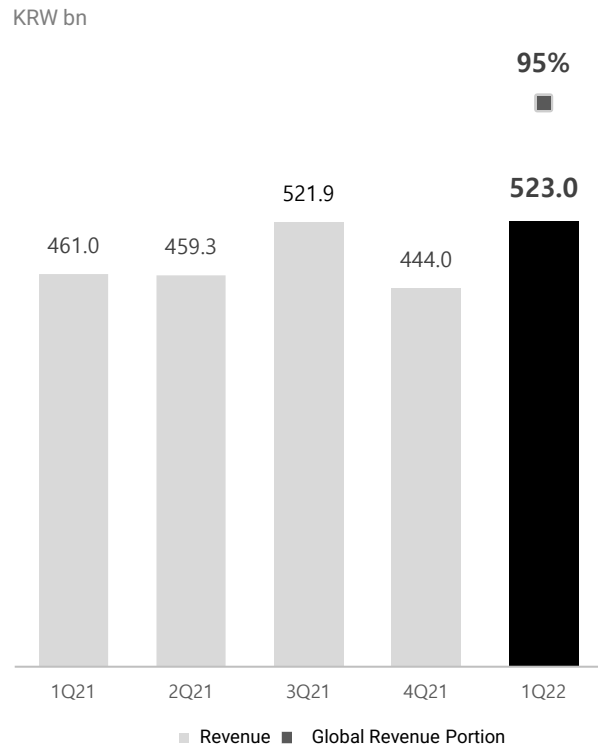
Sustained growth momentum of PUBG, on back of accumulated game development and global service expertise, led to another record high quarterly revenue

**Operating Profit**        **KRW 311.9bn** (+37.3% YoY, +625.5% QoQ)

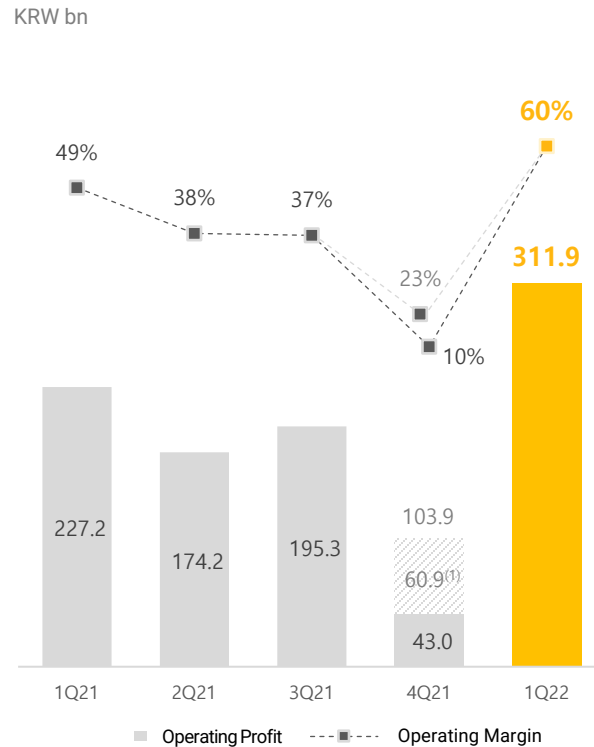
High YoY and QoQ growth driven by solid revenue and cost normalization

**Net Profit**                **KRW 245.2bn** (+26.4% YoY, +3,829.7% QoQ)

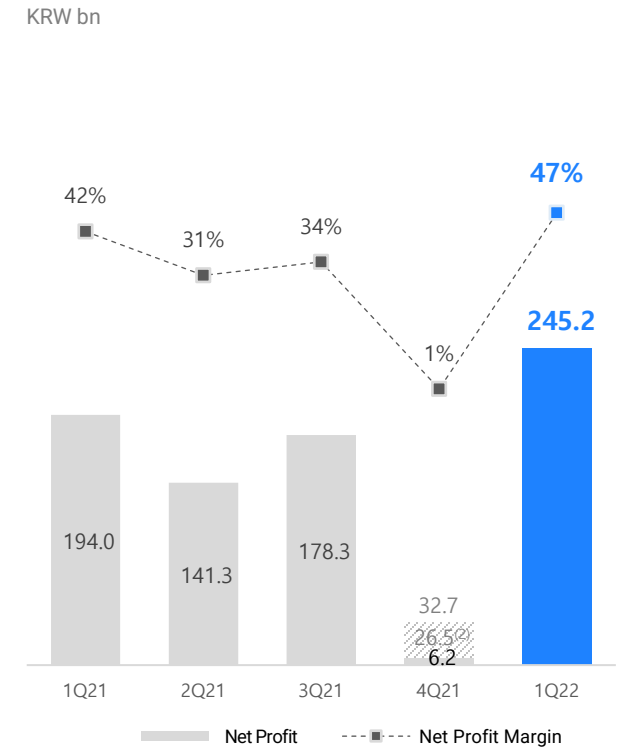
## Revenue



## Operating Profit



## Net Profit



Note: (1) One-off related to share-based payment expenses (W60.9bn), (2) Impairment losses for intangible assets (W26.5bn)

# Revenue Breakdown

**Revenue**                      **KRW 523.0bn** (+13.5% YoY, +17.8% QoQ)

- (PC) KRW 106.1bn (+60.6% YoY, -7.2% QoQ)

High YoY growth backed by new BM expansion, yet, QoQ declined due to the impact of free G-Coins distributed thru Starter Pack sales and legacy user rewards

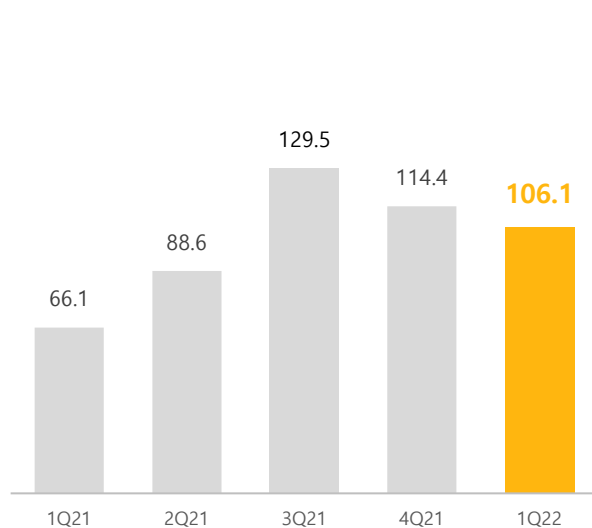
- (Mobile) KRW 395.9bn (+4.5% YoY, +30.4% QoQ)

YoY and QoQ growth driven by the improvement in user engagement and sales efficiency, strong live service structure

## PC

KRW bn

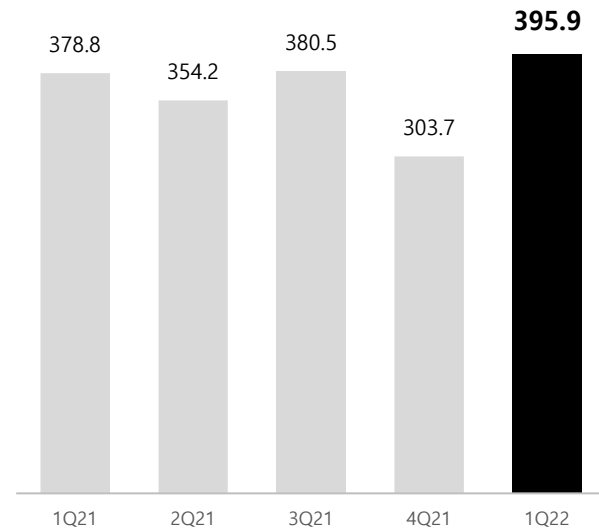
PUBG, Subnautica, Below Zero and more



## Mobile

KRW bn

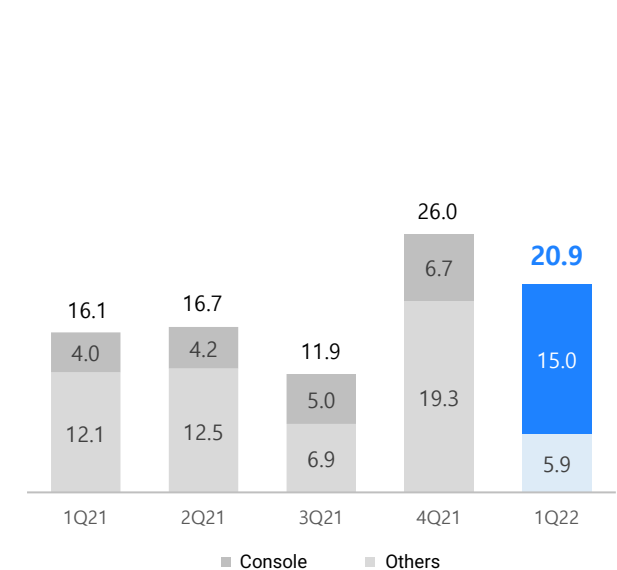
PUBGM, BGMI, New State, Technology Service and more



## Console / Others

KRW bn

PUBG, Subnautica, Below Zero, Esports and more





# Expense Breakdown

## Operating Costs **KRW 211.1bn** (-9.7% YoY, -47.4% QoQ)

- (Personnel) KRW 110.5bn (+30.5% YoY, +16.6% QoQ)

YoY and QoQ rose on the increase in headcount from business expansion, employees subject to performance incentives, and inclusion of consolidated subsidiaries

- (Paid Commissions) KRW 55.9bn (-26.5% YoY, -52.6% QoQ)

Sharp YoY and QoQ decline due to the absence of global-scale eSport events (PGI.S in 1Q21, PGC in 4Q21)

KRW bn	1Q21	2Q21	3Q21	4Q21	1Q22	YoY	QoQ
<b>Operating Costs</b>	<b>233.8</b>	<b>285.2</b>	<b>326.6</b>	<b>401.0</b>	<b>211.1</b>	<b>-9.7%</b>	<b>-47.4%</b>
% of Revenue	50.7%	62.1%	62.6%	90.3%	40.4%	-10.4%p	-50.0%p
Personnel	84.7	93.4	80.8	94.8	110.5	30.5%	16.6%
Platform fees / Cost of Revenue <sup>(1)</sup>	35.8	40.2	59.6	57.7	51.6	44.2%	-10.6%
Paid Commissions	76.1	95.3	70.0	118.1	55.9	-26.5%	-52.6%
Marketing	7.4	8.0	20.5	46.4	17.5	134.8%	-62.3%
Share-based payment expenses	10.0	27.4	70.6	59.0	(53.2)	-630.8%	-190.3%
Others	19.8	20.9	25.1	25.1	28.8	46.1%	14.5%
<b>Operating Profit</b>	<b>227.2</b>	<b>174.2</b>	<b>195.3</b>	<b>43.0</b>	<b>311.9</b>	<b>37.3%</b>	<b>625.5%</b>
% Margin	49.3%	37.9%	37.4%	9.7%	59.6%	10.4%p	50.0%p
<b>Adj. EBITDA<sup>(2)</sup></b>	<b>252.1</b>	<b>218.2</b>	<b>283.3</b>	<b>120.6</b>	<b>278.1</b>	<b>10.3%</b>	<b>130.6%</b>
% Margin	54.7%	47.5%	54.3%	27.2%	53.2%	-1.5%p	26.0%p
<b>Net Profit</b>	<b>194.0</b>	<b>141.3</b>	<b>178.3</b>	<b>6.2</b>	<b>245.2</b>	<b>26.4%</b>	<b>3,829.7%</b>

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

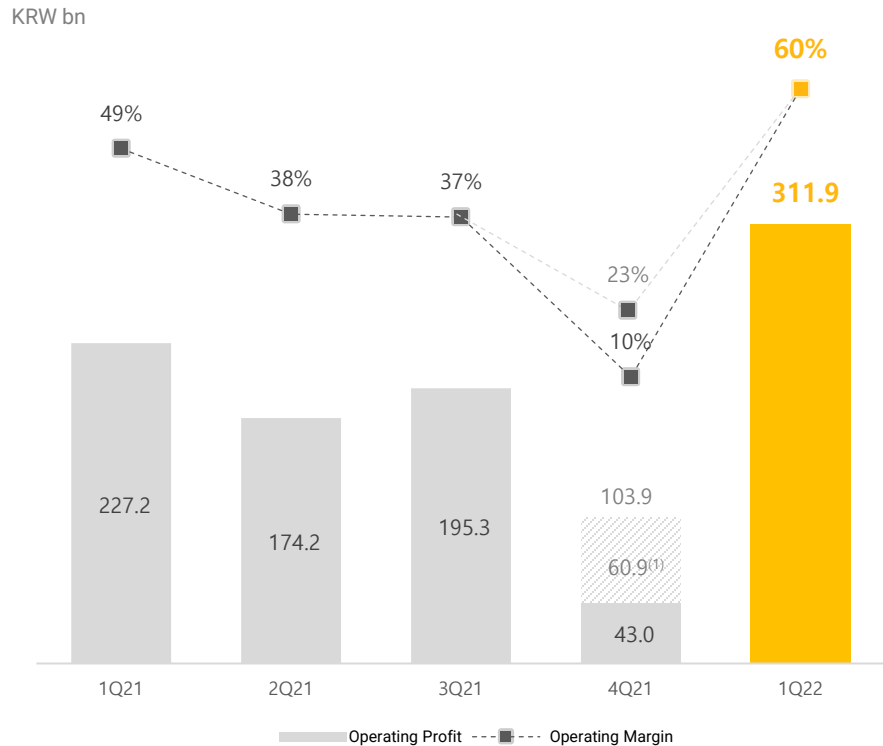
# Operating Profit / Adj. EBITDA

**Operating Profit**      **KRW 311.9bn** (+37.3% YoY, +625.5% QoQ)

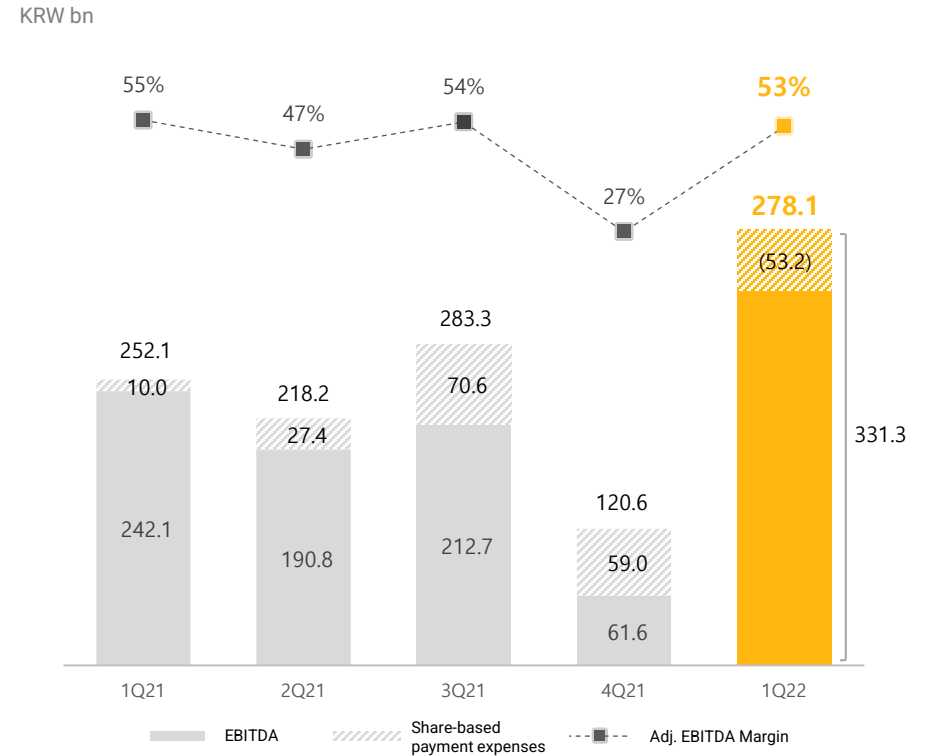
**Adj. EBITDA**          **KRW 278.1bn** (+10.3% YoY, +130.6% QoQ)

• Adj. EBITDA increased 10.3% YoY, with adj. EBITDA margin of 53.2%

## Operating Profit



## Adj. EBITDA<sup>(2)</sup>



Note: (1) One-off related to share-based payment expenses (W60.9bn), (2) Adj. EBITDA = EBITDA + Share-based payment expenses

# Net Profit

**Profit Before Income Tax**      **KRW 329.6bn** (YoY +21.5%, QoQ +785.2%)

**Net Profit**      **KRW 245.2bn** (YoY +26.4%, QoQ +3,829.7%)

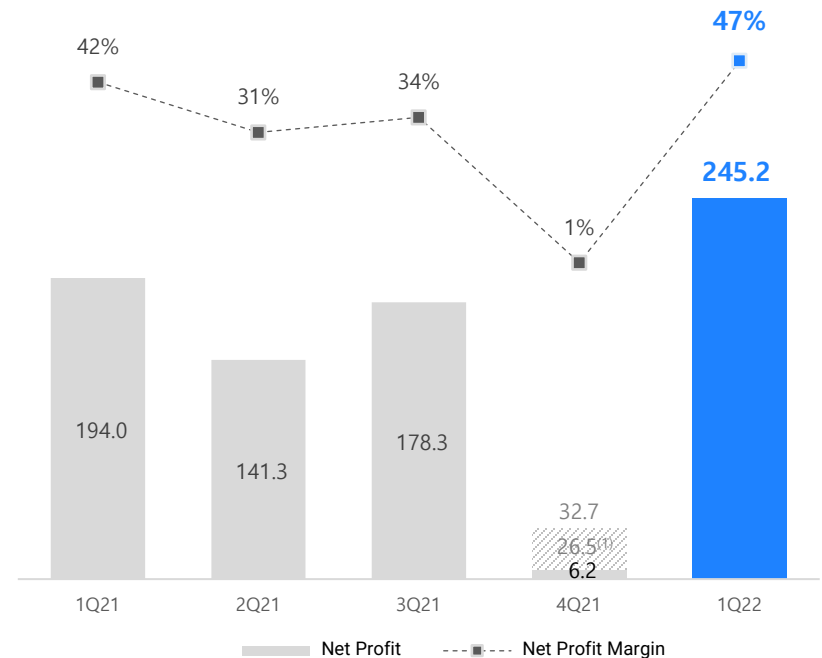
- Strong net profit growth on increased operating profit and non-operating profit, with net profit margin of 47%

## Non-operating Profit & Profit Before Income Tax

KRW bn	1Q21	2Q21	3Q21	4Q21	1Q22
<b>Non-Operating Profit</b>	44.2	(2.4)	74.7	(5.7)	17.8
<b>Non-Operating Income</b>	53.7	5.4	86.3	23.9	43.7
Other Income	52.8	4.7	82.3	18.6	37.0
Finance Income	0.8	0.7	4.0	5.3	6.7
<b>Non-Operating Expense</b>	9.5	7.7	11.7	29.7	25.9
Other Expense	7.8	5.7	9.9	28.2	24.3
Finance Expense	1.7	2.1	1.8	1.5	1.7
<b>Profit Before Income Tax</b>	271.4	171.8	269.9	37.2	329.6

## Net Profit

KRW bn



Note: (1) Impairment losses for intangible assets (W26.5bn)



# Summary of Financial Statements

## Consolidated Income Statement

KRW bn	1Q21	2Q21	3Q21	4Q21	1Q22
<b>Revenue</b>	<b>461.0</b>	<b>459.3</b>	<b>521.9</b>	<b>444.0</b>	<b>523.0</b>
Operating Costs	233.8	285.2	326.6	401.0	211.1
<b>Operating Profit</b>	<b>227.2</b>	<b>174.2</b>	<b>195.3</b>	<b>43.0</b>	<b>311.9</b>
EBITDA	242.1	190.8	212.7	61.6	331.3
<b>Adj. EBITDA</b>	<b>252.1</b>	<b>218.2</b>	<b>283.3</b>	<b>120.6</b>	<b>278.1</b>
Non-operating Profit	44.2	(2.4)	74.7	(5.7)	17.8
Other Income	52.8	4.7	82.3	18.6	37.0
Other Expenses	7.8	5.7	9.9	28.2	24.3
Finance Income	0.8	0.7	4.0	5.3	6.7
Finance Expenses	1.7	2.1	1.8	1.5	1.7
<b>Profit before Income Tax</b>	<b>271.4</b>	<b>171.8</b>	<b>269.9</b>	<b>37.2</b>	<b>329.6</b>
Income Tax	77.4	30.5	91.6	31.0	84.4
<b>Net Profit</b>	<b>194.0</b>	<b>141.3</b>	<b>178.3</b>	<b>6.2</b>	<b>245.2</b>

## Consolidated Statement of Financial Position

KRW bn	1Q21	2Q21	3Q21	4Q21	1Q22
Current Assets	1,440.6	1,554.8	4,441.2	3,653.7	3,715.7
Cash and Cash Equivalents	750.2	624.5	3,593.9	3,019.3	1,952.8
Non-current Assets	657.1	735.7	863.0	1,981.4	2,054.2
<b>Total Assets</b>	<b>2,097.7</b>	<b>2,290.5</b>	<b>5,304.2</b>	<b>5,635.1</b>	<b>5,769.9</b>
Current Liabilities	509.7	532.0	574.1	638.2	529.4
Non-current Liabilities	166.9	188.9	210.0	388.7	393.7
<b>Total Liabilities</b>	<b>676.6</b>	<b>720.8</b>	<b>784.2</b>	<b>1,026.9</b>	<b>923.1</b>
Paid-in Capital	4.3	4.3	4.9	4.9	4.9
Capital Surplus	1,003.8	1,065.6	3,837.2	3,839.1	1,474.1
Other Components of Equity	181.1	126.5	126.2	206.3	155.1
Retained Earnings	232.0	373.3	551.6	557.8	3,212.7
Non-controlling Interests	0.0	0.0	0.1	0.1	0.1
<b>Total Equity</b>	<b>1,421.1</b>	<b>1,569.7</b>	<b>4,520.0</b>	<b>4,608.2</b>	<b>4,846.8</b>

# Appendix

# 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.**



# Founder and CEO

## Organization Led & Cultivated by a Tech-based Founder and CEO



### Byung-Gyu Chang

Cofounder & Chairman  
Member of the Strategy Committee

- KAIST BS / MS / Ph.D Candidate in Computer Science
- Current Chairman of KRAFTON
- Current Vice Chairman of Seoul Chamber of Commerce and Industry
- Previous Chairman of the Presidential Committee on the Fourth Industrial Revolution



### Chang-Han Kim

CEO  
Member of the Strategy Committee

- KAIST BS / MS / Ph.D in Computer Science
- Previous PUBG Corp CEO
- PUBG PD
- 20+ Years of Experience in Gaming Industry

“ **1<sup>st</sup> Generation Startup Founder,  
4-Time Serial Tech Entrepreneur** ”

“ **Veteran Game Producer with 20+ Years  
of Game Development Experience** ”

1997	2005	2007	2010
Game Studio	Search Engine	Developed 'TERA' 1st Non-targeting MMORPG	Early Tech Focused VC

2020 - Current	• KRAFTON CEO
2009 - 2016	• PUBG (Former Ginno Games) Ceo & Development PD • Genre-defining title in Battle Royale
2003 - 2008	• NextPlay CTO & TD ('Punch Monster' Executive PD) • 2D lateral scroll action RPG Game with 3D tech
2000 - 2003	• Imazic Head of Dev / Planning / Tech (Director of 'Sephiroth') • 1 <sup>st</sup> UE-Based MMORPG in Korea

# Independent Studios

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

7 Independent Studios



DreaMotion



5MINLAB



UNKNOWN WORLDS  
ENTERTAINMENT

KRAFTON HQ

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



Independent Studios

- Decisions by the EPD
  1. Content Development
  2. Game Operation
  3. Publishing Plans
  4. Budget Allocation

# KRAFTON

Publishing

Tech (Dev Support)

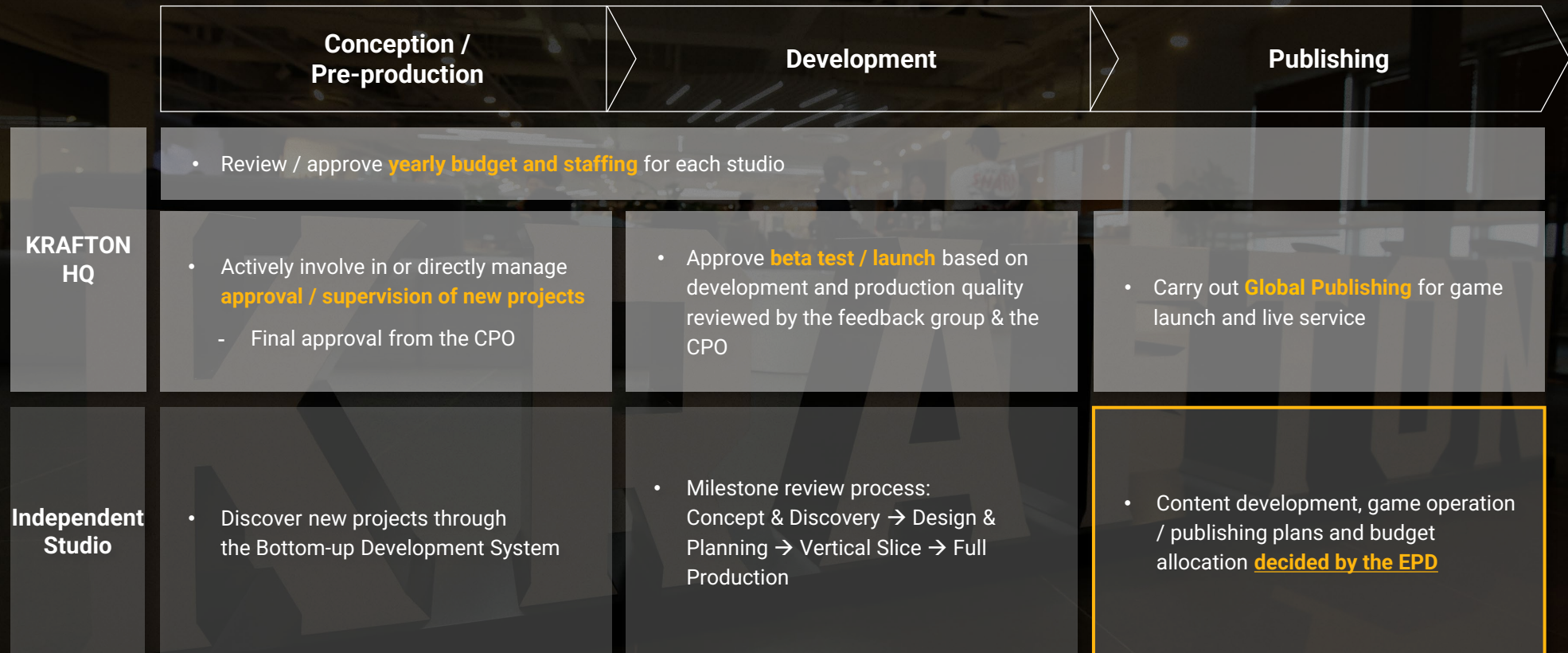
Business Support

Incubating System



# Unique Development Culture

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





A cityscape featuring a prominent bridge structure in the foreground, surrounded by trees with autumn foliage. In the background, several modern skyscrapers and buildings are visible under a cloudy sky. The overall scene suggests a city that has been partially destroyed or is in a state of decay.

# THE FALLEN CITY AWAITS