

INVESTOR RELATIONS

September 2022

KRAFTON

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 review.

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

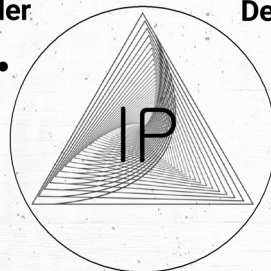
- **Games-as-a-Service : Boost player engagement and improve efficiency of the live service**
- **New Titles**
 - Project M and The Callisto Protocol are scheduled to launch in '22

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

KRAFTON Pipeline: 2022 and Beyond ⁽¹⁾

Road to Valor: Empires

DreaMotion
Real-Time Strategic Simulation

1H22 Global Launch

Moonbreaker

Unknown Worlds
Turn-based Strategy

Sept 29, 2022 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

Defense Derby

Rising Wings
Real-Time Strategic Defense

Targeting 2H22 Soft Launch

The Callisto Protocol

Striking Distance Studios
Action/Horror

Dec 2, 2022 Global Launch

Project FF

Bluehole Studio
Hero Collector RPG

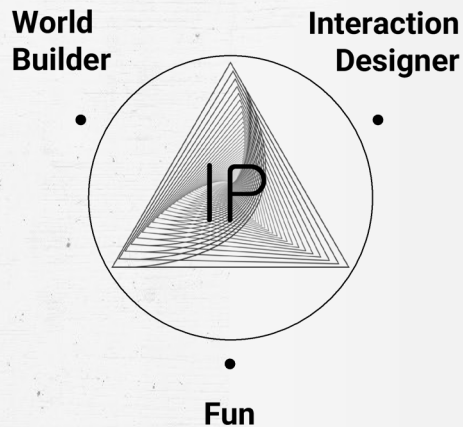
Targeting 2023 for
Launch

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

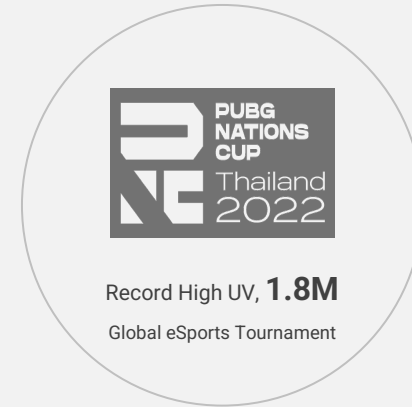
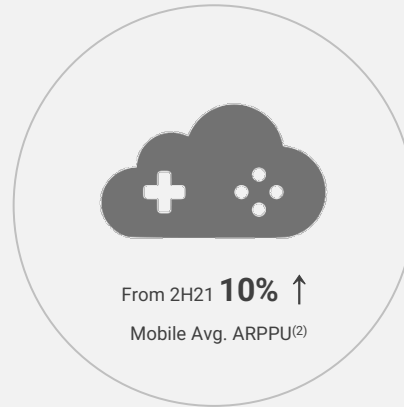
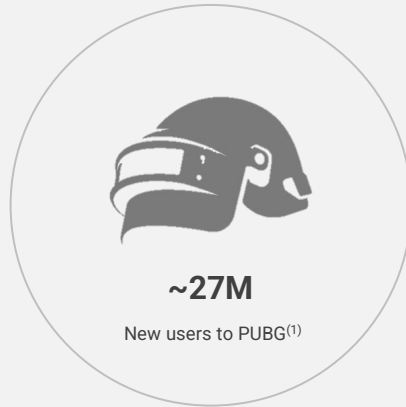
Key Direction

- **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**

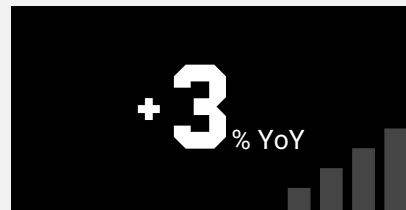
2Q22 & 1H22 Highlights

2022 1H Results at a Glance

KEY PERFORMANCE



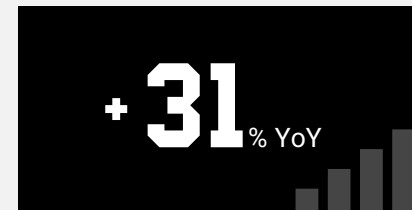
KEY FINANCIAL HIGHLIGHTS⁽³⁾



Revenue



Operating Profit



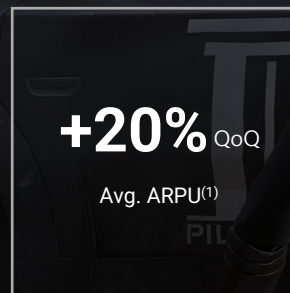
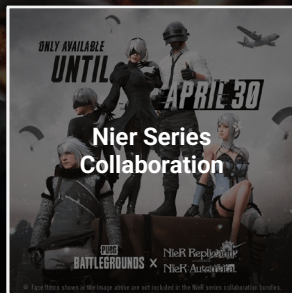
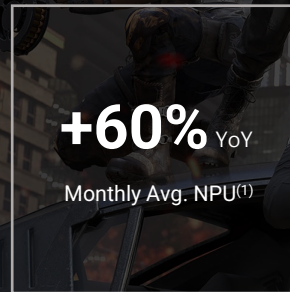
Net Income

Note: (1) Cumulative NRU (New Registered Users) of PC and Console combined from Jan~Jun 2022, (2) Total of PUBGM Global, KR/JP, BGMI, and New State for 1H22 compared with 2H21, (3) 1H22 compared with 1H21

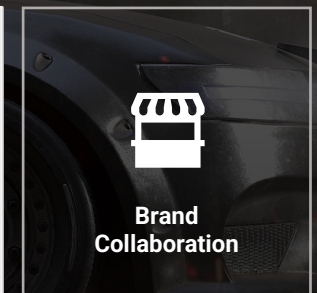
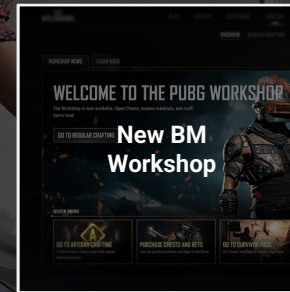
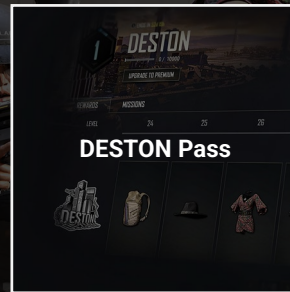
PC/Console

Improving Overall Gaming Experience for All Users, Yet More Efforts on Securing New and Returned Users

2Q22 Live Service Fostering In & Out Game Experience



3Q22 Live Service & Marketing Plan



Note: (1) Total of NRU (New Registered Users), NPU (New Paying Users) and ARPU (Average Revenue Per User) for PC and Console as of 2Q22

Mobile – PUBG / New State

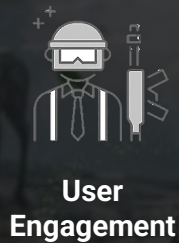
PUBGM on Steady Growth Track backed by Full-Packed Live Service Content, and New State on More Concerted Live Structure



Stronger User Engagement and Monetization
with Attractive Global Brand Collaborations and Mode Services



Faster Gameplay,
Better engagement



User
Engagement



<Blackpink In-Game Concert>



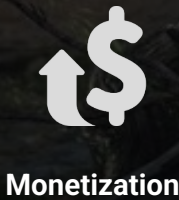
<Map Renewals and New 1x1 Map>



<Various Mode Services>



<Labs: AKINTA Bounty Royale>



Monetization



<Supercar Collaboration Skins>



<Brand Collaboration Buddy Items>



<New Gold Level Skins>



<Global IP Collaboration>

INDIA

Continuing the Path for Mutual Growth with India, Pursuing Diverse Business Areas and Expanding Strategic Partnerships

BATTLEGROUND MOBILE INDIA India's Beloved Game with 100M+ Downloads



<Silvanus X-Suit Skin>



<Evangelion Collaboration>



"Increased New Users, Retention and Revenue"

First-ever Indian TV Broadcast of eSports



BGMI Masters Series

- Organizer: KRAFTON
- Held by: Nodwin Gaming
- Streamed on: Loco Interactive



~24M TV Viewership

~200M Total Viewership

KRAFTON

Secure **Local Partnership**,
Mutual Growth of
Digital Ecosystem



Note: (1) Convertible bonds account for USD 0.67M of the total 3.67M investment, not reflected in share ownership (2) MENA region publisher located in Jordan

New IP Project – 2022/23

New Global Titles from the US to Expand KRAFTON's Game IP Library and Attract More Fans from Diverse Genres

MOONBREAKER



UNKNOWN WORLDS
ENTERTAINMENT

- Turn-based strategy PC game set in a Sci-Fi world
- Early Access on Sept 29, 2022
- First look at Gameplay and the expansive Sci-Fi universe to be revealed at Gamescom Opening Night Live
- Steam Early Access targeting 2H22

THE CALLISTO PROTOCOL



- New Space Horror Title by Glen Schofield & Team
- Global Release on Dec 2, 2022
- Best quality + Ultimate horror experience + Distinguished action mechanics
- Gamescom to fuel momentum for upcoming launch

New IP Project – Project Windless

A New IP Expansion Project by KRAFTON, Targeting Global Multi-Media Franchise, Game Development Finally Announced

눈물을
마시는 새

Project Windless KRAFTON

- Korean fantasy novel with unique settings and rich narratives
- Expansion into media productions backed by strong fan base
- Visual R&D in progress by Iain McCaig
- Art Book ('22) and Graphic Novel (1H '23) to be released
- Game development team to be set up within '22



New Growth – Web 3.0 Metaverse & Virtual Human

WORLD CONCEPT ART

PROJECT **MIGALOO**

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

New Growth – Web 3.0 Metaverse & Virtual Human

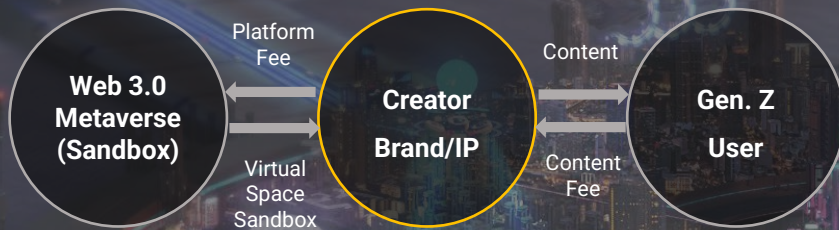


HELLO WORLD, IT'S ME ANA! 🙄

New Growth – Web 3.0 Metaverse & Virtual Human

Leverage Our Core Technology on Building Interactive Virtual World, C2E Metaverse 'Project Migaloo' and Virtual Human 'ANA'

C2E Metaverse: Project Migaloo

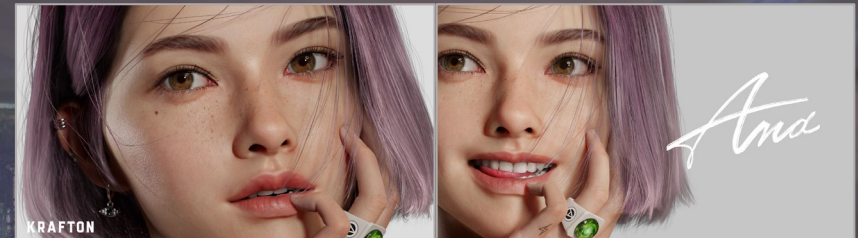


- Creator-centered value based on C2E ecosystem
- A Virtual Space for Fun inside KRAFTON's Interactive Virtual World
- Higher quality compared to existing Web 2.0 and Web 3.0 services
- In progress to set up a joint venture with Naver Z within '22

KRAFTON

NAVER Z

Virtual Human: ANA



- Virtual Influencer targeting global Gen. Z with its own unique universe
- Differentiation by KRAFTON's own technology:
UE5-based Hyper Realism, Rigging, AI Voice, Deep Learning, etc.
- Further activities in different forms of entertainment starting from the release of original music and music video, to global partnerships and collaborations

2Q22 Financials

Revenue

1H22 KRW 946.7bn (+2.9% YoY)

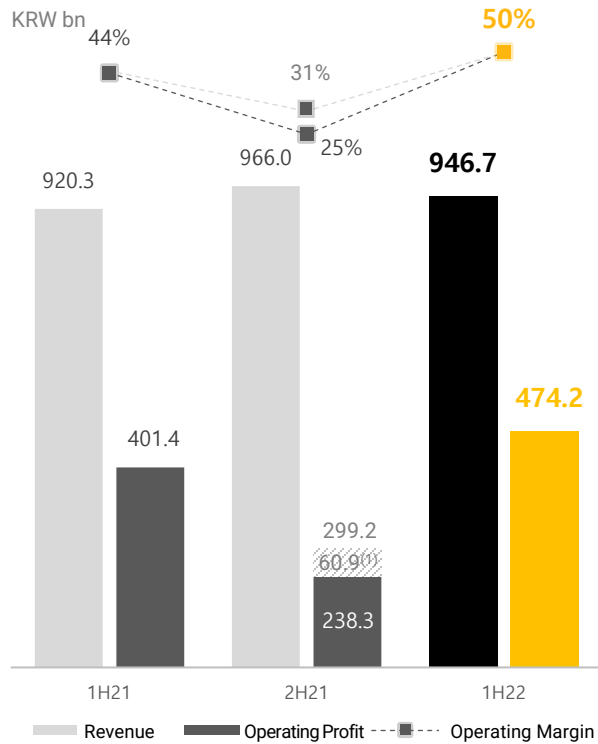
2Q22 KRW 423.7bn (-7.8% YoY, -19.0% QoQ)

Operating Profit

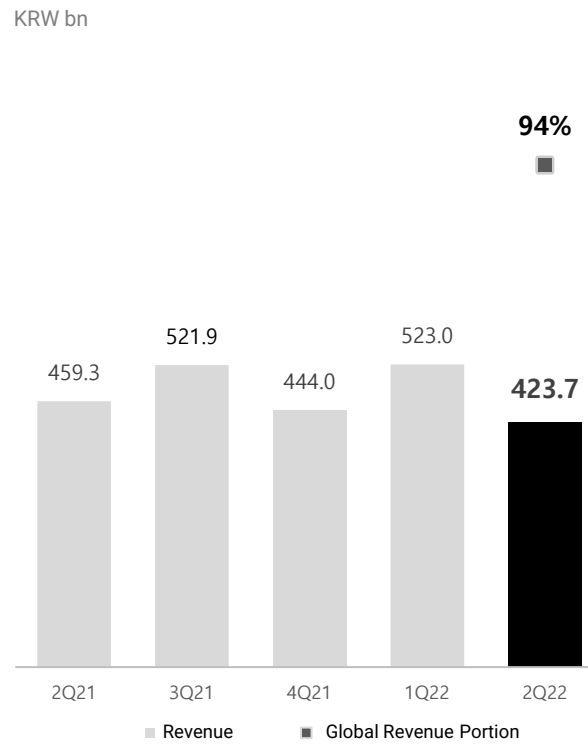
1H22 KRW 474.2bn (+18.1% YoY)

2Q22 KRW 162.3bn (-6.8% YoY, -48.0% QoQ)

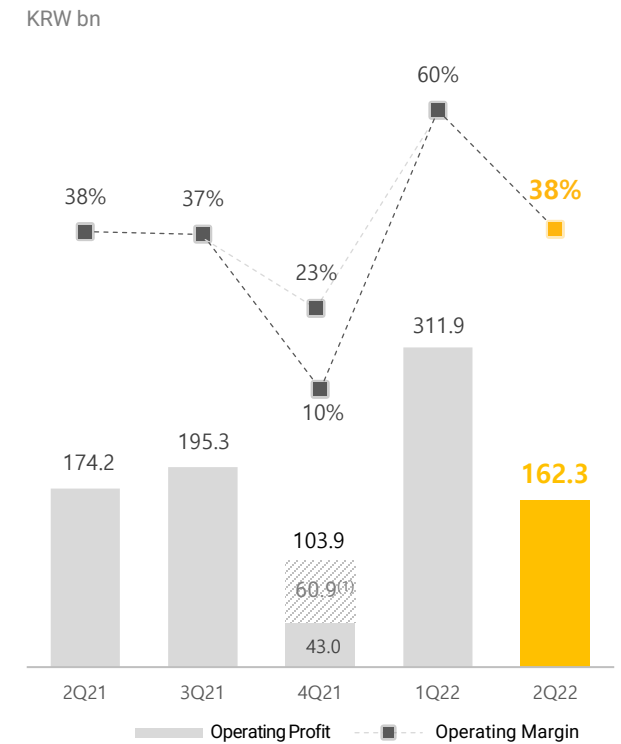
1H Earnings



2Q Revenue



2Q Operating Profit



Note: (1) One-off related to share-based payment expenses (W60.9bn)

Revenue Breakdown

Revenue

1H22 KRW 946.7bn (YoY +2.9%)

2Q22 KRW 423.7bn (YoY -7.8%, QoQ -19.0%)

- (PC) 1H22 +25.9% YoY, 2Q22 flat YoY, -16.5% QoQ

2Q22 was flat YoY given elimination of package sales and impact of free G-Coins after F2P transition, and decreased QoQ with more live service focusing on user engagement

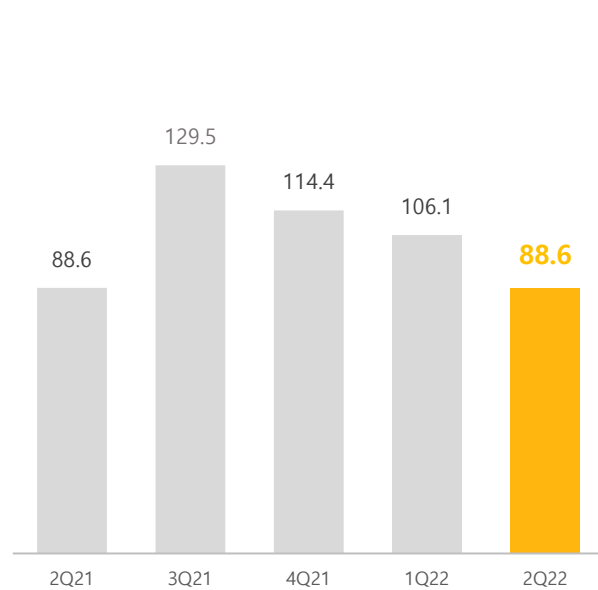
- (Mobile) 1H22 -2.4% YoY, 2Q22 -9.7% YoY, -19.3% QoQ

Excluding one-off revenue in 2Q21, 2Q22 grew YoY with solid growth of PUBGM, yet decreased QoQ on low seasonality

PC

KRW bn

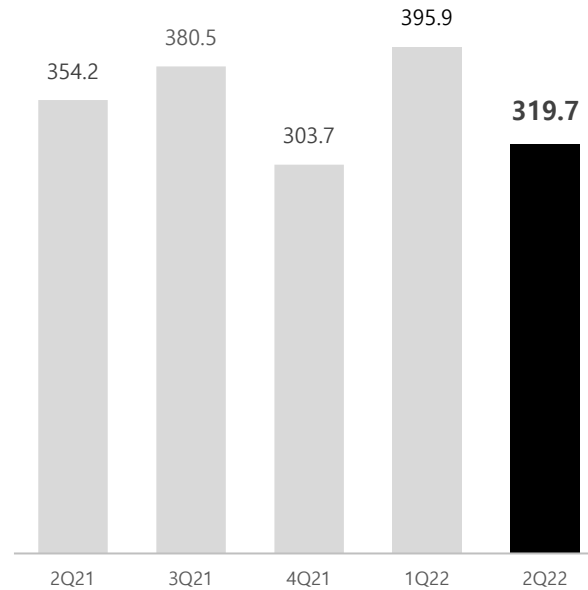
PUBG, Subnautica, Below Zero and more



Mobile

KRW bn

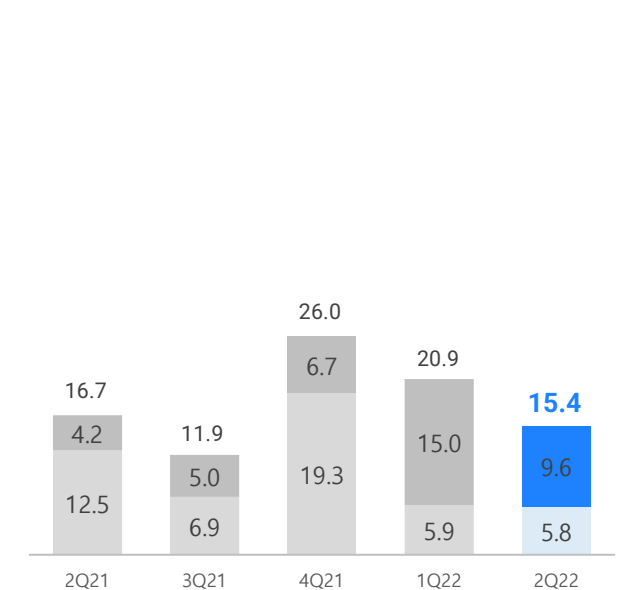
PUBGM, BGMI, New State, Technology Service and more



Console / Others

KRW bn

PUBG, Subnautica, Below Zero, eSports and more



Expense Breakdown

Operating Costs

1H22 KRW 472.5bn (-9.0% YoY)

2Q22 KRW 261.3bn (-8.4% YoY, +23.8% QoQ)

- (Personnel) 1H22 +16.4% YoY, 2Q22 +3.7% YoY, -12.4% QoQ

Despite the increase in headcounts from business expansion, 2Q22 slightly rose YoY, but declined QoQ due to the decrease in performance-based incentives

- (Paid Commissions) 1H22 -19.7% YoY, 2Q22 -14.3% YoY, +46.1% QoQ

2Q22 declined YoY due to the absence of global-scale eSports events, but rose QoQ from hosting PNC 2022

KRW bn	2Q21	3Q21	4Q21	1Q22	2Q22	YoY	QoQ	1H21	1H22	YoY
Operating Costs	285.2	326.6	401.0	211.1	261.3	-8.4%	23.8%	519.0	472.5	-9.0%
% of Revenue	62.1%	62.6%	90.3%	40.4%	61.7%	-0.4%p	21.3%p	56.4%	49.9%	-6.5%p
Personnel	93.4	80.8	94.8	110.5	96.9	3.7%	-12.4%	178.1	207.4	16.4%
Platform fees / Cost of Revenue ⁽¹⁾	40.2	59.6	57.7	51.6	50.1	24.6%	-3.0%	76.0	101.7	33.9%
Paid Commissions	95.3	70.0	118.1	55.9	81.7	-14.3%	46.1%	171.5	137.7	-19.7%
Marketing	8.0	20.5	46.4	17.5	11.3	41.9%	-35.3%	15.4	28.8	86.8%
Share-based payment expenses	27.4	70.6	59.0	(53.2)	(8.4)	-130.6%	+84.2%	37.5	(61.6)	-264.5%
Others	20.9	25.1	25.1	28.8	29.8	42.7%	3.5%	40.6	58.6	44.4%
Operating Profit	174.2	195.3	43.0	311.9	162.3	-6.8%	-48.0%	401.4	474.2	18.1%
% Margin	37.9%	37.4%	9.7%	59.6%	38.3%	0.4%p	-21.3%p	43.6%	50.1%	6.5%p
Adj. EBITDA⁽²⁾	218.2	283.3	120.6	278.1	174.5	-20.0%	-37.2%	470.3	452.6	-3.8%
% Margin	47.5%	54.3%	27.2%	53.2%	41.2%	-6.3%p	-12.0%p	51.1%	47.8%	-3.3%p
Net Profit	141.3	178.3	6.2	245.2	194.0	37.3%	-20.9%	335.3	439.2	31.0%

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

1H22 KRW 474.2bn (+18.1% YoY)

2Q22 KRW 162.3bn (-6.8% YoY, -48.0% QoQ)

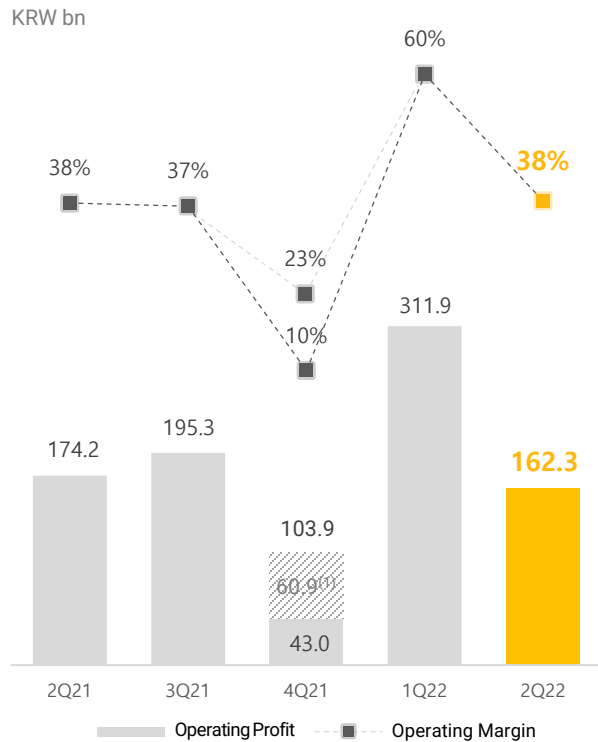
Adj. EBITDA

1H22 KRW 452.6bn (-3.8% YoY)

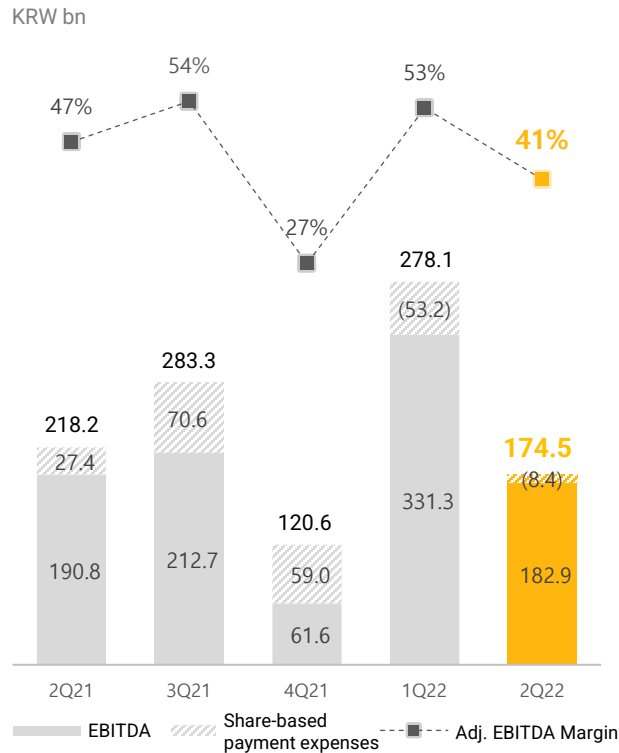
2Q22 KRW 174.5bn (-20.0% YoY, -37.2% QoQ)

• 2Q22 Adj. EBITDA declined 20% YoY, with adj. EBITDA margin of 41%

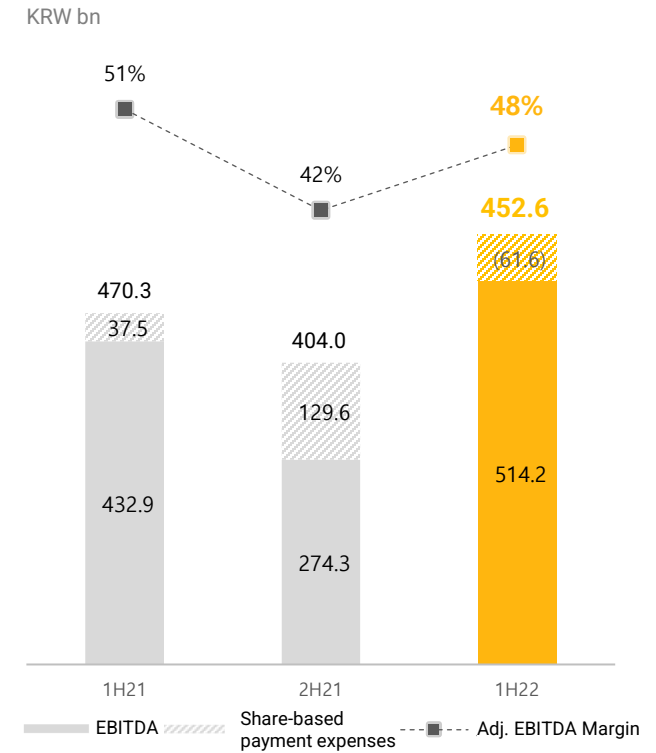
Operating Profit (2Q)



Adj. EBITDA (2Q)



Adj. EBITDA (1H)



Note: (1) One-off related to share-based payment expenses (₩60.9bn)

Net Profit

Profit Before Income Tax

1H22 KRW 586.5bn (+32.3% YoY)

2Q22 KRW 256.8bn (+49.5% YoY, -22.1% QoQ)

Net Profit

1H22 KRW 439.2bn (+31.0% YoY), **RECORD HIGH**

2Q22 KRW 194.0bn (+37.3% YoY, -20.9% QoQ)

- 2Q22 net profit rose YoY due to increased non-operating profit caused by f/x effects, with net profit margin of 46%

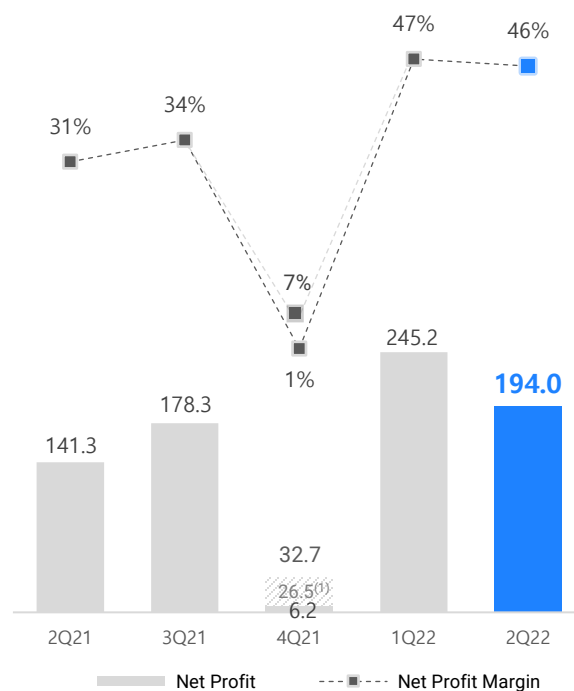
Non-operating, Pretax Profit (2Q)

KRW bn

	2Q21	3Q21	4Q21	1Q22	2Q22
Non-Operating Profit	(2.4)	74.7	(5.7)	17.8	94.5
Non-Operating Income	5.4	86.3	23.9	43.7	108.9
Other Income	4.7	82.3	18.6	37.0	101.3
Finance Income	0.7	4.0	5.3	6.7	7.5
Non-Operating Expense	7.7	11.7	29.7	25.9	14.4
Other Expense	5.7	9.9	28.2	24.3	12.8
Finance Expense	2.1	1.8	1.5	1.7	1.6
Profit Before Income Tax	171.8	269.9	37.2	329.6	256.8

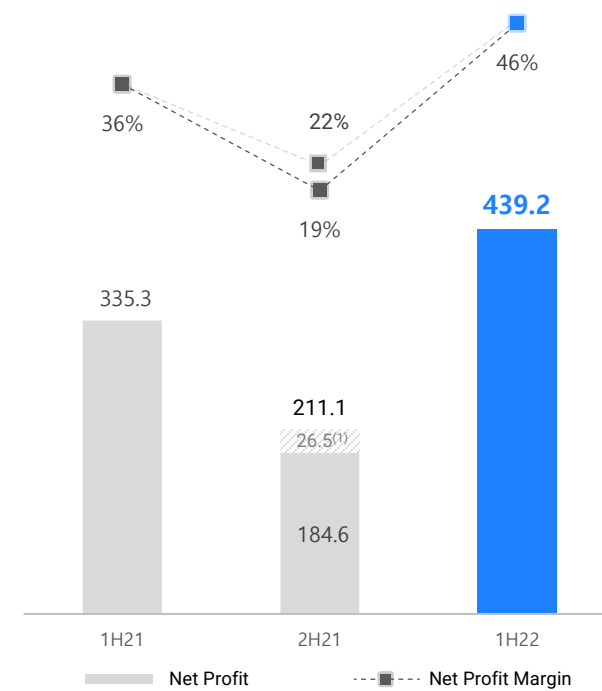
Net Profit (2Q)

KRW bn



Net Profit (1H)

KRW bn



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

Summary of Financial Statements

Consolidated Income Statement

KRW bn	2Q21	3Q21	4Q21	1Q22	2Q22
Revenue	459.3	521.9	444.0	523.0	423.7
Operating Costs	285.2	326.6	401.0	211.1	261.3
Operating Profit	174.2	195.3	43.0	311.9	162.3
EBITDA	190.8	212.7	61.6	331.3	182.9
Adj. EBITDA	218.2	283.3	120.6	278.1	174.5
Non-operating Profit	(2.4)	74.7	(5.7)	17.8	94.5
Other Income	4.7	82.3	18.6	37.0	101.3
Other Expenses	5.7	9.9	28.2	24.3	12.8
Finance Income	0.7	4.0	5.3	6.7	7.5
Finance Expenses	2.1	1.8	1.5	1.7	1.6
Profit before Income Tax	171.8	269.9	37.2	329.6	256.8
Income Tax	30.5	91.6	31.0	84.4	62.9
Net Profit	141.3	178.3	6.2	245.2	194.0

Consolidated Statement of Financial Position

KRW bn	2Q21	3Q21	4Q21	1Q22	2Q22
Current Assets	1,554.8	4,441.2	3,653.7	3,715.7	3,811.0
Cash and Cash Equivalents	624.5	3,593.9	3,019.3	1,952.8	1,193.6
Non-current Assets	735.7	863.0	1,981.4	2,054.2	2,117.7
Total Assets	2,290.5	5,304.2	5,635.1	5,769.9	5,928.7
Current Liabilities	532.0	574.1	638.2	529.4	434.7
Non-current Liabilities	188.9	210.0	388.7	393.7	416.2
Total Liabilities	720.8	784.2	1,026.9	923.1	850.8
Paid-in Capital	4.3	4.9	4.9	4.9	4.9
Capital Surplus	1,065.6	3,837.2	3,839.1	1,474.1	1,475.1
Other Components of Equity	126.5	126.2	206.3	155.1	191.1
Retained Earnings	373.3	551.6	557.8	3,212.7	3,406.6
Non-controlling Interests	0.0	0.1	0.1	0.1	0.2
Total Equity	1,569.7	4,520.0	4,608.2	4,846.8	5,077.9

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

“ **1st 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 'Sephhiroh') • 1 st UE-Based MMORPG in Korea

Creative Studio Ecosystem

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

7 Creative Studios



Dreamotion



5MINLAB



UNKNOWN WORLDS
ENTERTAINMENT

KRAFTON HQ

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



Creative 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

