INVESTOR RELATIONS

May 2022

KRAFTON

Disclaimer

2022 Growth Strategy

Our Quests Never End : A Glimpse at 2022

Our Core : Games

Beyond the Game

" The Potential "

- 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

- 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
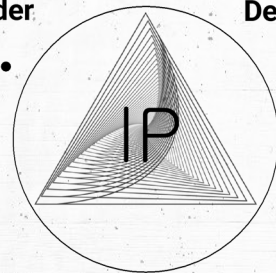
IP

Fun

- **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

PUBG BATTLEGROUNDS

"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

NEW STATE MOBILE

"Repositioning"

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

PUBG MOBILE — BATTLEGROUNDS MOBILE INDIA

"Further grow PUBG fandom"

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

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 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
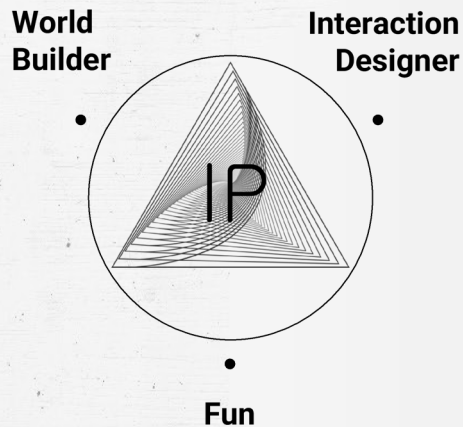
Project FF
Bluehole Studio
Hero Collector RPG

Targeting 2023 for launch

Project Windless
KRAFTON HQ
The Bird that Drinks Tears

TBD

Note: (1) Title names and launch schedule are subject to change.

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Expandable Areas Leveraging KRAFTON's Game Production Capabilities

World Builder

Interaction Designer

IP

Fun

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 <u>based on the Unreal Engine</u>**

- **<u>Activate a creator economy</u> 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

Key Direction

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

- **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**

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

1Q22 Highlights

2022 1Q Results at a Glance

KEY PERFORMANCE

User Engagement
Expanded User Base and Loyalty

Live Service
Diversified Content & Dev

Monetization
Improved Sales Efficiency
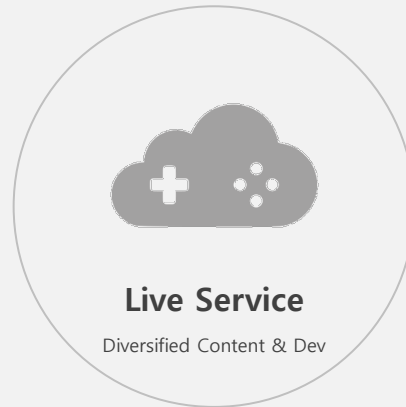
KEY FINANCIAL HIGHLIGHTS

+17 % YoY
PUBG IP Revenue[1]

+14 % YoY
Revenue
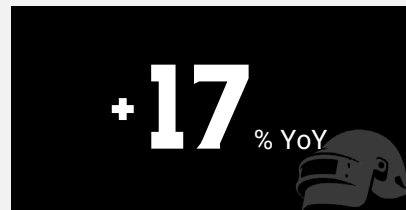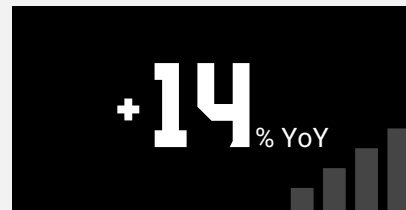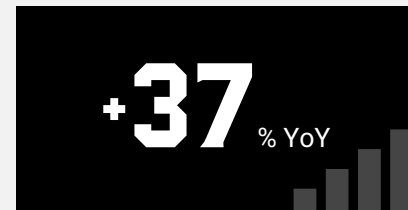
+37 % YoY
Operating Profit

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

PC / Console

2022 PUBG LIVE SERVICE PLAN

User Engagement

NOT JUST A GAME
THIS IS BATTLE ROYALE

Sales Efficiency

2Q

Training Mode Weapon Balancing

Sanhok Rollback Galaxy Squad

NieR: Automata B-duck

Cyber Threat MK12 Release in JUN

3Q

Weapon Balancing Released in JUL

Release in JUL Release in JUL Release in SEP

Released in 3Q

Release in JUL Release in AUG

4Q

Shop Feature Social Feature

Vikendi Reborn Release in OCT

Released in 4Q

Release in OCT Release in DEC
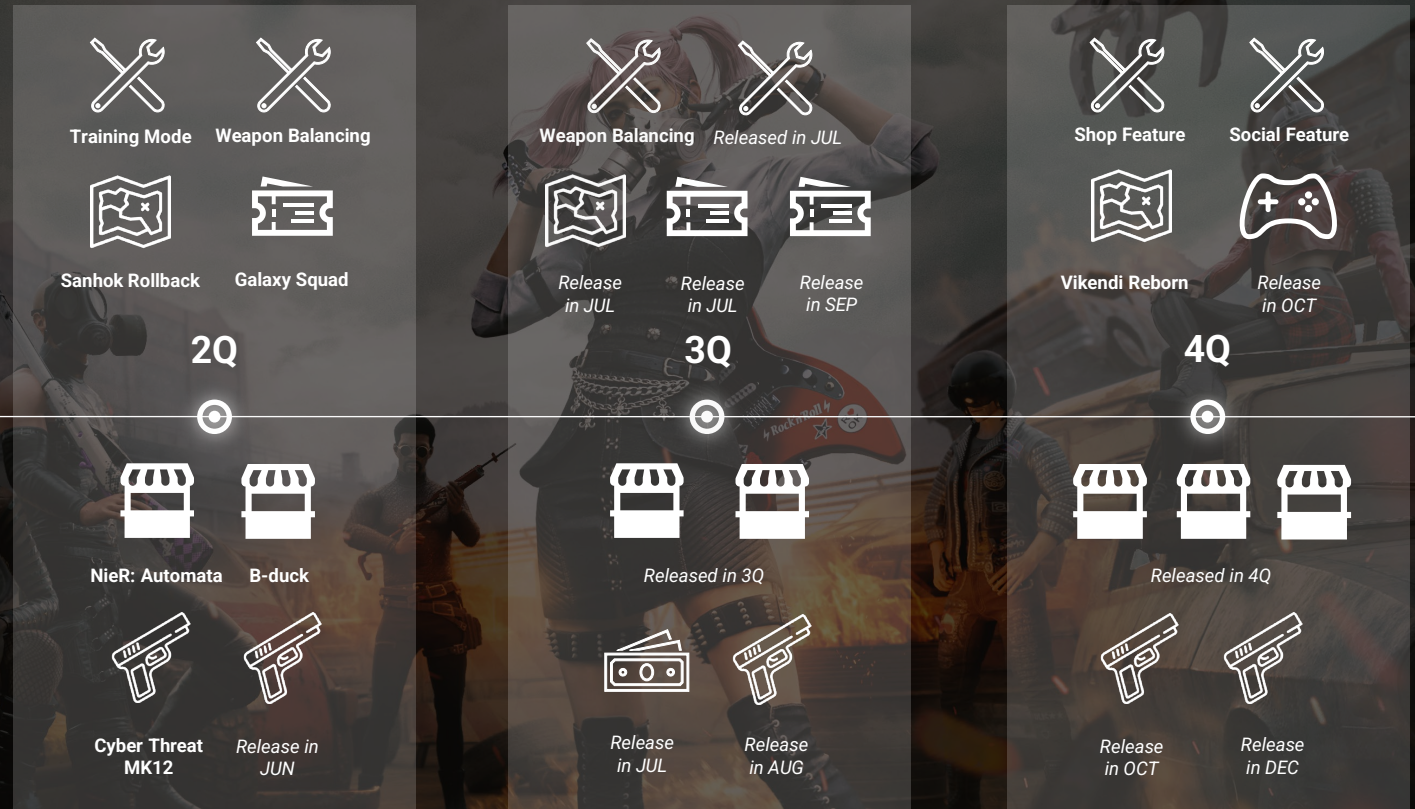
Survivor Pass | Collaboration/Yourshop | Map Update | Progressive Skin | Mode Update | New BM | Dev Content

Mobile

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

PUBG MOBILE

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

BATTLEGROUNDS MOBILE INDIA

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

NEW STATE MOBILE

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

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

\<Wish Talk>

\<Foonda>
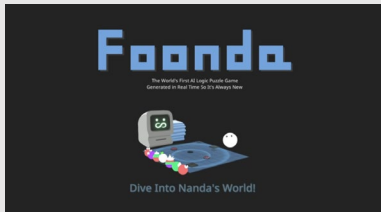
Unannounced Projects

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

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"

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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

C2E Content Ecosystem

Content User & Consumer

CREATOR

KRAFTON

New Fun

Sustainability

Technology and Platform

- **Profitability,** rewards on value
- **Uniqueness,** proving originality
- **Convenience,** lowering the bar in creation and entry barrier

- **Setting up the JV with NaverZ**
- Team of Unreal Engine Specialists
- Developing **sandbox tools**

Crypto

Shopping
Brand Showroom

Entertainment
Avatar used as entertainment experience

Social Platform

Brand / IP

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

KRW bn

	1Q21	2Q21	3Q21	4Q21	1Q22
Revenue	461.0	459.3	521.9	444.0	523.0
Global Revenue Portion					95%

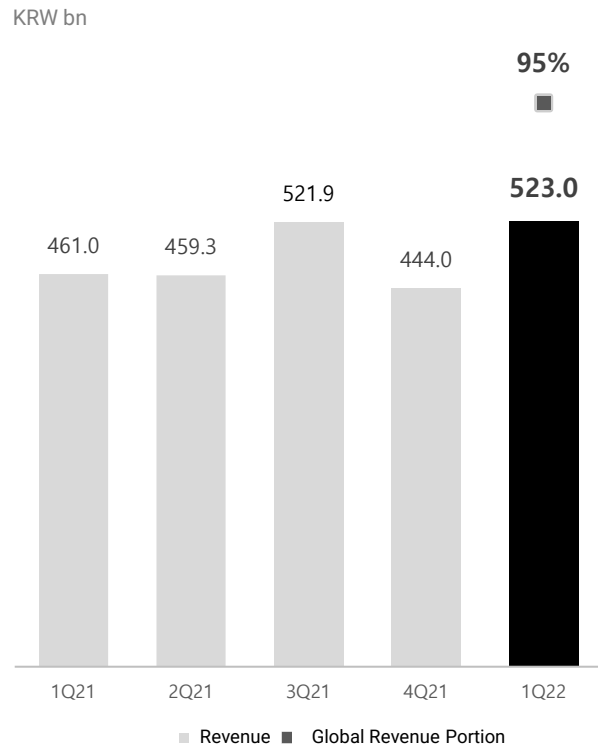■ Revenue ■ Global Revenue Portion

Operating Profit

KRW bn

	1Q21	2Q21	3Q21	4Q21	1Q22
Operating Profit	227.2	174.2	195.3	43.0 (103.9) 60.9[1]	311.9
Operating Margin	49%	38%	37%	10% / 23%	60%

■ Operating Profit ---■--- Operating Margin

Net Profit

KRW bn

	1Q21	2Q21	3Q21	4Q21	1Q22
Net Profit	194.0	141.3	178.3	6.2 (32.7) 26.5[2]	245.2
Net Profit Margin	42%	31%	34%	1%	47%

■ Net Profit ---■--- Net Profit Margin

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)

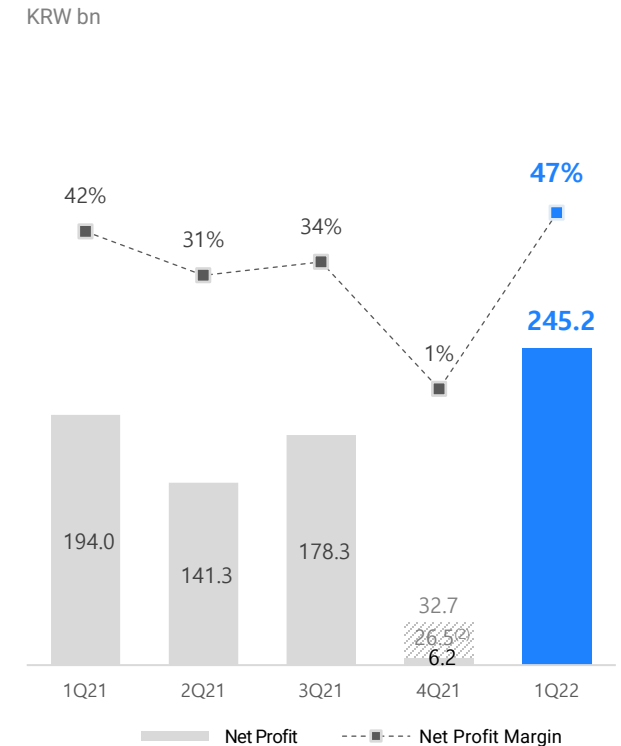 YoY and QoQ growth driven by the improvement in user engagement and sales efficiency, strong live service structure

PC

KRW bn

PUBG, Subnautica, Below Zero and more

1Q21	2Q21	3Q21	4Q21	1Q22
66.1	88.6	129.5	114.4	106.1
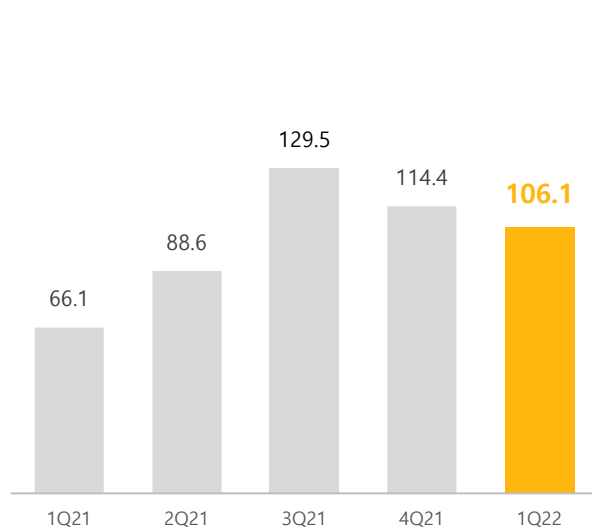
Mobile

KRW bn

PUBGM, BGMI, New State, Technology Service and more

1Q21	2Q21	3Q21	4Q21	1Q22
378.8	354.2	380.5	303.7	395.9
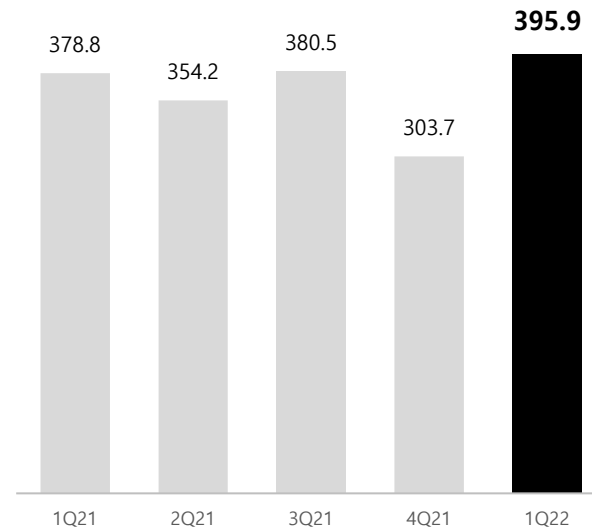
Console / Others

KRW bn

PUBG, Subnautica, Below Zero, Esports and more

	1Q21	2Q21	3Q21	4Q21	1Q22
Total	16.1	16.7	11.9	26.0	20.9
Console	4.0	4.2	5.0	6.7	15.0
Others	12.1	12.5	6.9	19.3	5.9

■ Console ■ Others
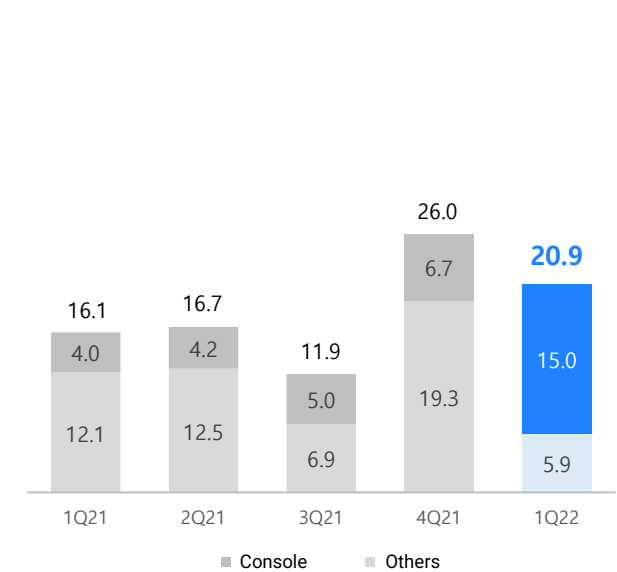
Expense Breakdown

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
Operating Costs	**233.8**	**285.2**	**326.6**	**401.0**	**211.1**	**-9.7%**	**-47.4%**
% 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 [1]	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%
Operating Profit	**227.2**	**174.2**	**195.3**	**43.0**	**311.9**	**37.3%**	**625.5%**
% Margin	*49.3%*	*37.9%*	*37.4%*	*9.7%*	*59.6%*	*10.4%p*	*50.0%p*
Adj. EBITDA[2]	**252.1**	**218.2**	**283.3**	**120.6**	**278.1**	**10.3%**	**130.6%**
% Margin	*54.7%*	*47.5%*	*54.3%*	*27.2%*	*53.2%*	*-1.5%p*	*26.0%p*
Net Profit	**194.0**	**141.3**	**178.3**	**6.2**	**245.2**	**26.4%**	**3,829.7%**

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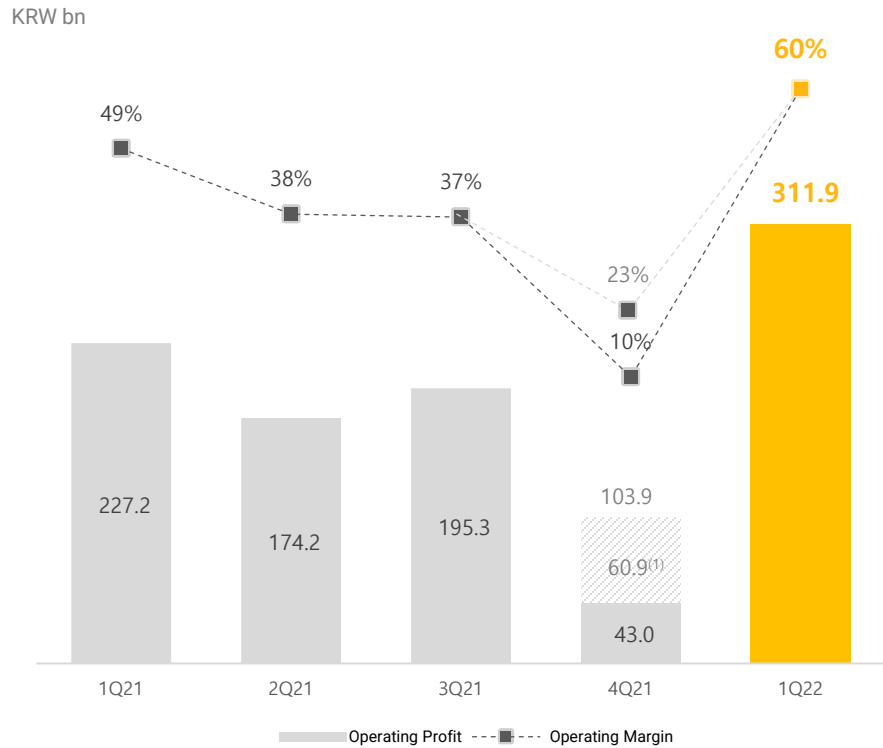
Operating Profit / Adj. EBITDA

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

KRW bn

60%

311.9

49%

38%   37%

23%

10%

227.2   174.2   195.3   103.9   60.9[1]   43.0

1Q21   2Q21   3Q21   4Q21   1Q22

Operating Profit ---■--- Operating Margin

Adj. EBITDA[2]

KRW bn

55%   47%   54%   53%

27%

278.1
(53.2)

252.1   10.0   218.2   27.4   283.3   70.6   120.6   59.0

242.1   190.8   212.7   61.6

331.3

1Q21   2Q21   3Q21   4Q21   1Q22

EBITDA   Share-based payment expenses   ---■--- Adj. EBITDA Margin

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
Non-Operating Profit	**44.2**	**(2.4)**	**74.7**	**(5.7)**	**17.8**
Non-Operating Income	**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
Non-Operating Expense	**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
Profit Before Income Tax	**271.4**	**171.8**	**269.9**	**37.2**	**329.6**

Net Profit

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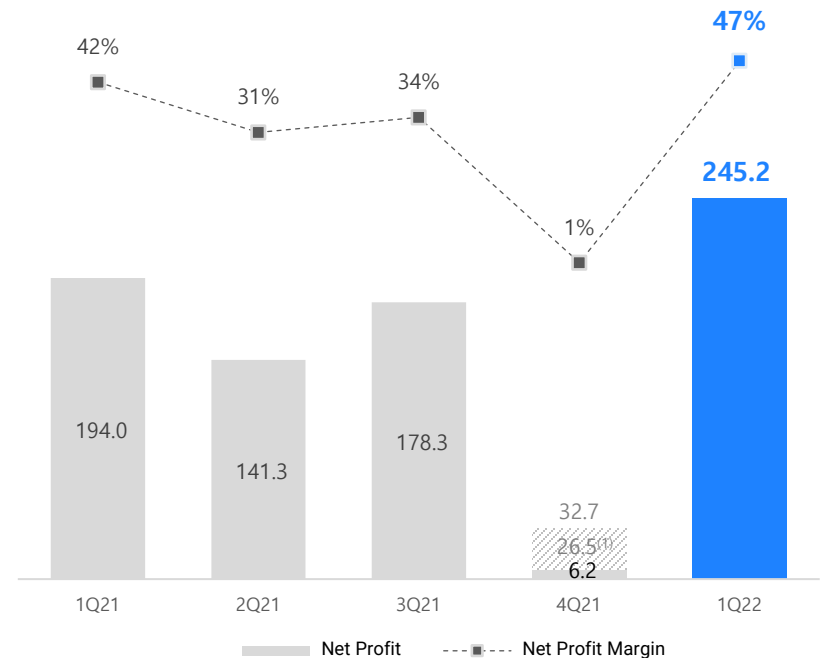
Note: (1) Impairment losses for intangible assets (W26.5bn)

Summary of Financial Statements

Consolidated Income Statement

KRW bn	1Q21	2Q21	3Q21	4Q21	1Q22
Revenue	**461.0**	**459.3**	**521.9**	**444.0**	**523.0**
Operating Costs	233.8	285.2	326.6	401.0	211.1
Operating Profit	**227.2**	**174.2**	**195.3**	**43.0**	**311.9**
EBITDA	242.1	190.8	212.7	61.6	331.3
Adj. EBITDA	**252.1**	**218.2**	**283.3**	**120.6**	**278.1**
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
Profit before Income Tax	**271.4**	**171.8**	**269.9**	**37.2**	**329.6**
Income Tax	77.4	30.5	91.6	31.0	84.4
Net Profit	**194.0**	**141.3**	**178.3**	**6.2**	**245.2**

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
Total Assets	**2,097.7**	**2,290.5**	**5,304.2**	**5,635.1**	**5,769.9**
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
Total Liabilities	**676.6**	**720.8**	**784.2**	**1,026.9**	**923.1**
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
Total Equity	**1,421.1**	**1,569.7**	**4,520.0**	**4,608.2**	**4,846.8**

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.

THE FALLEN CITY AWAITS