INVESTOR RELATIONS

Aug 2022

KRAFTON

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2022 Growth Strategy

Our Quests Never End : A Glimpse at 2022

Our Core : Games

Beyond the Game
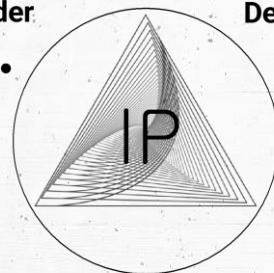
" The Potential "

- **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

"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

Project M
Unknown Worlds
Turn-based Strategy

Targeting 2H22 for
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
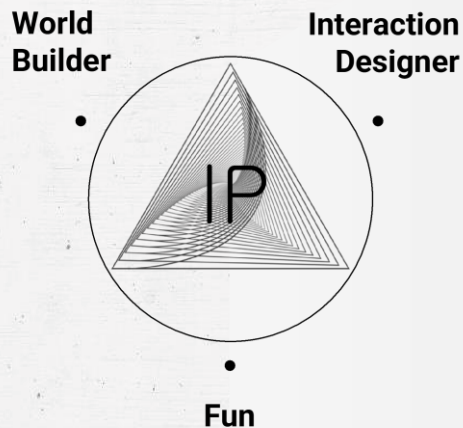Bluehole Studio
Hero Collector RPG

Targeting 2023 for
Launch

Project Windless
KRAFTON HQ
The Bird that Drinks Tears

TBD

Expandable Areas Leveraging KRAFTON's Game Production Capabilities

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

New Web 3.0 Projects

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

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

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
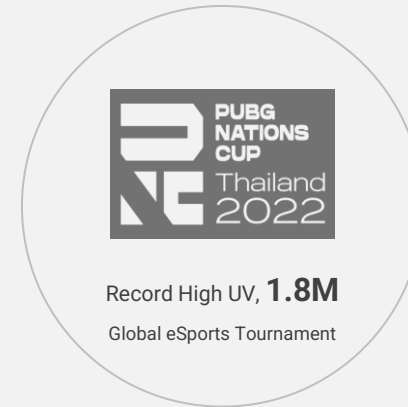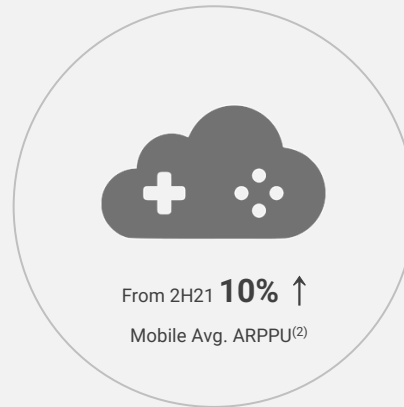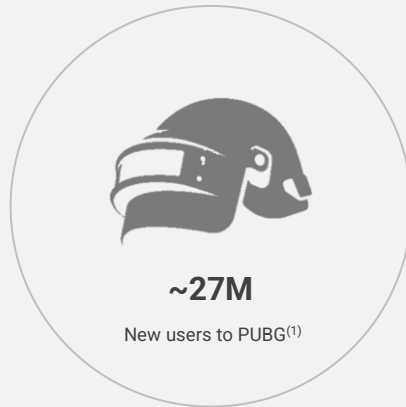
2Q & 1H22 Highlights

2022 1H Results at a Glance

KEY PERFORMANCE

~27M
New users to PUBG[1]

From 2H21 **10%** ↑
Mobile Avg. ARPPU[2]

PUBG NATIONS CUP Thailand 2022

Record High UV, **1.8M**
Global eSports Tournament

KEY FINANCIAL HIGHLIGHTS[3]

+3 % YoY
Revenue

+18 % YoY
Operating Profit
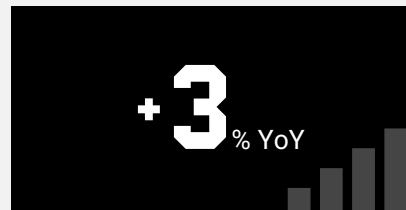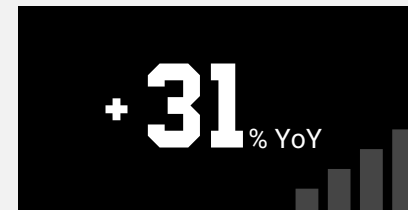
+31 % YoY
Net Income

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

- Dev Talk Live Streaming
- Original Sanhok Map Rollback
- **+3X** YoY — Monthly Avg. NRU[1]
- PNC 2022 Global eSports Tournament
- B-Duck Challenge
- **+60%** YoY — Monthly Avg. NPU[1]
- Nier Series Collaboration
- Progressive Weapon Skin (WSUS)
- **+20%** QoQ — Avg. ARPU[1]
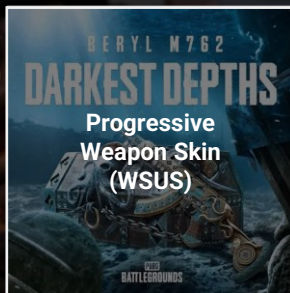
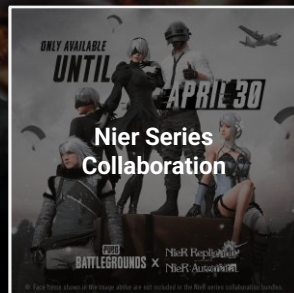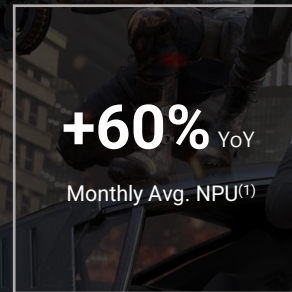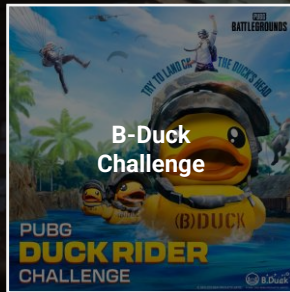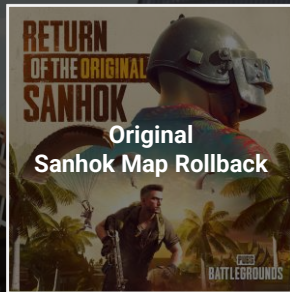## 3Q22 Live Service & Marketing Plan

- 8x8 New Map DESTON
- Neymar Live Streaming Event
- Community Event
- DESTON Pass
- New BM Workshop
- PCS7 eSports Tournament
- Progressive Weapon Skin (WSUS)
- Assassin's Creed Collaboration
- Brand Collaboration
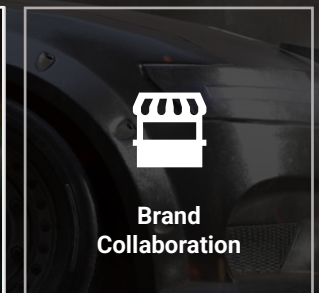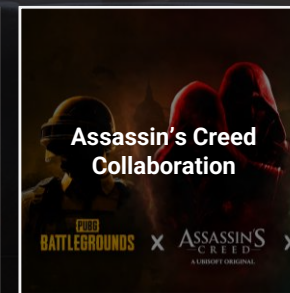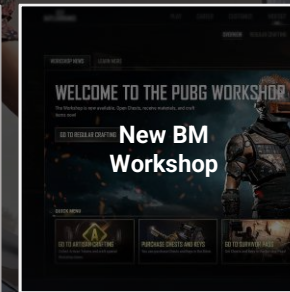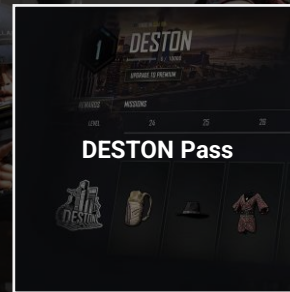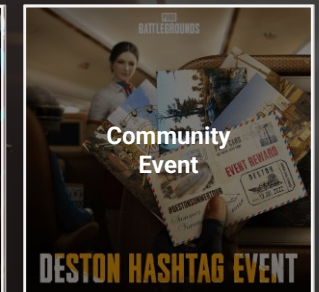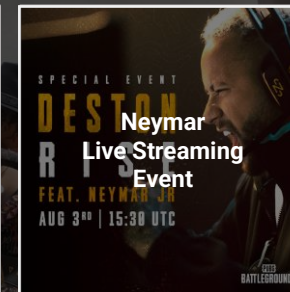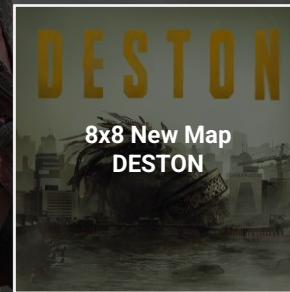
Note: (1) Total of NRU (New Registered Users), NPU (New Paying Users) and ARPU (Average Revenue Per User) for PC and Console as of 2Q22

Mobile − PUBGM / New State

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

PUBG MOBILE

Stronger User Engagement and Monetization

with Attractive Global Brand Collaborations and Mode Services

NEW STATE MOBILE

Faster Gameplay,

Better engagement
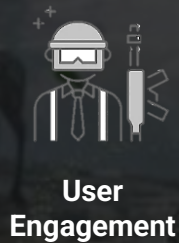
User Engagement

<Blackpink In-Game Concert>

<Map Renewals and New 1x1 Map>

<Various Mode Services>

<Labs: AKINTA Bounty Royale>
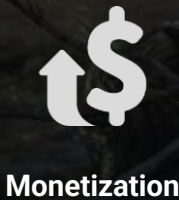
Monetization

<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

BATTLEGROUNDS 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**

Investment of USD ~100M
cumulative as of 2Q22

<KuKuFM>
USD 7M
(11.7% share)

<LILA Games>
USD 1M
(2.5% share)

<Tamatem Games>[2]
USD 6M
(10.9% share)

<Nautilus Mobile>
USD 5.5M
(30.0% share)

<Nodwin Gaming>
USD 22.5M
(15.0% share)

<Loco Interactive>[1]
USD 3.67M
(9.6% share)

<Pratilipi>
USD 46M
(17.1% share)

<Frnd>
USD 5M
(20.0% share)

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

Project M

UNKNOWN **WORLDS**
ENTERTAINMENT

- Turn-based strategy PC game set in a Sci-Fi world

- Following the 'Easy-to-Learn, Hard-to-Master' formula, a game that is also fun to watch

- 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

STRIKING DISTANCE STUDIOS

- New AAA 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

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

```
Web 3.0        Platform      Creator       Content      Gen. Z
Metaverse  ←──  Fee  ──→     Brand/IP   ──→          ──→  User
(Sandbox)                                   Content
           ←── Virtual ──→             ←──  Fee
               Space
               Sandbox
```

- A Virtual Space for Fun inside KRAFTON's Interactive Virtual World

- Creator-centered value based on C2E ecosystem

- 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
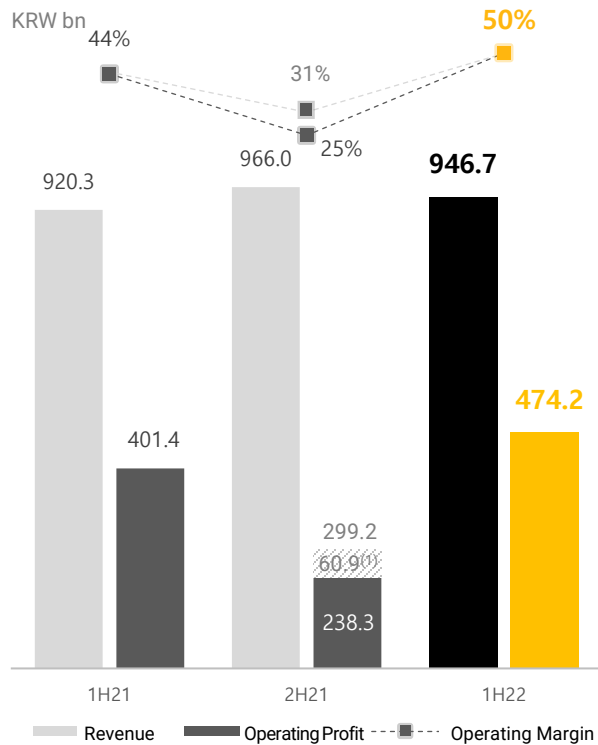
KRW bn

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

2Q Revenue

KRW bn

- Revenue
- ■ Global Revenue Portion

2Q Operating Profit

KRW bn
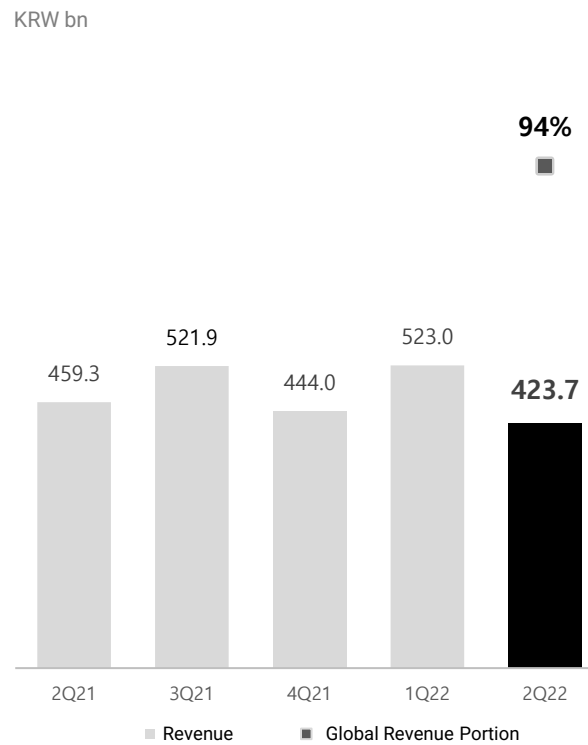
- Operating Profit
- ---■--- Operating Margin
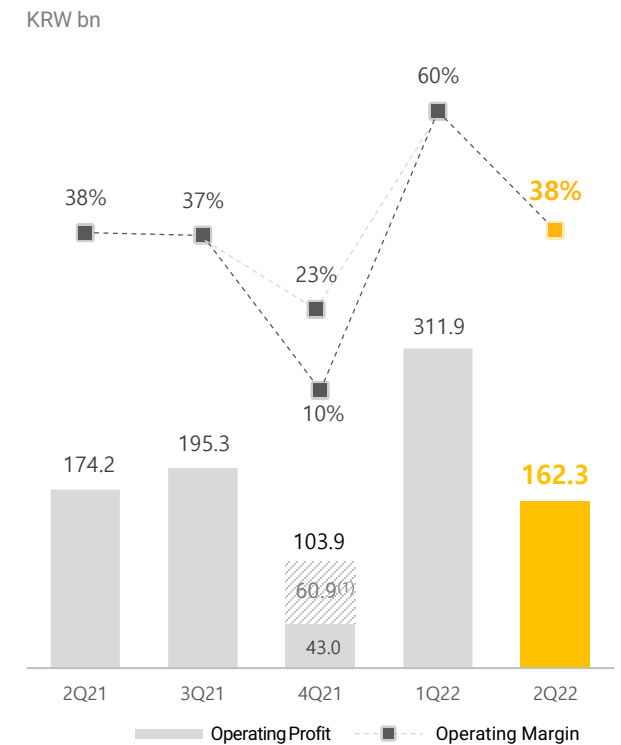
Note: (1) One-off related to share-based payment expenses (W60.9bn)

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

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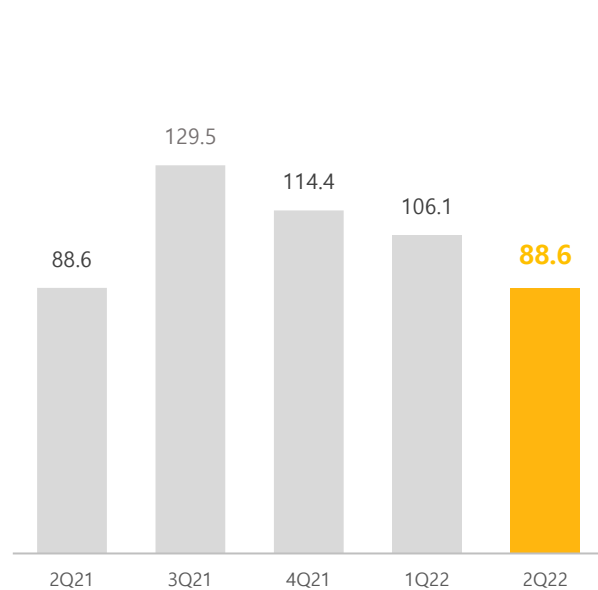
Mobile

KRW bn

PUBGM, BGMI, New State, Technology Service and more

2Q21	3Q21	4Q21	1Q22	2Q22
354.2	380.5	303.7	395.9	**319.7**
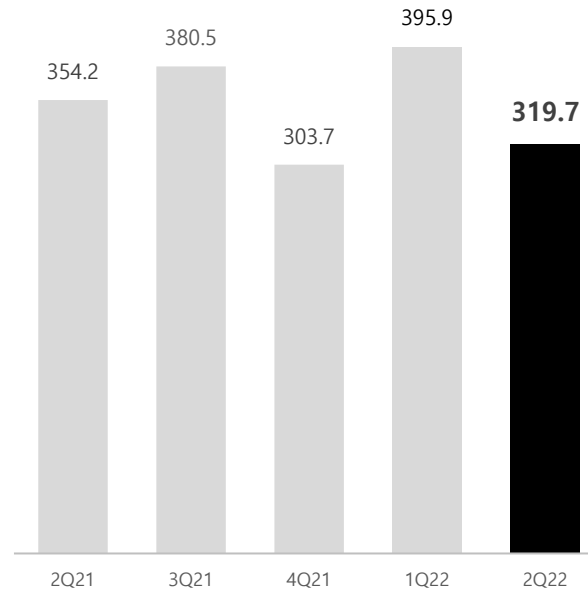
Console / Others

KRW bn

PUBG, Subnautica, Below Zero, eSports and more

	2Q21	3Q21	4Q21	1Q22	2Q22
Total	16.7	11.9	26.0	20.9	**15.4**
Top	4.2	5.0	6.7	15.0	9.6
Bottom	12.5	6.9	19.3	5.9	5.8
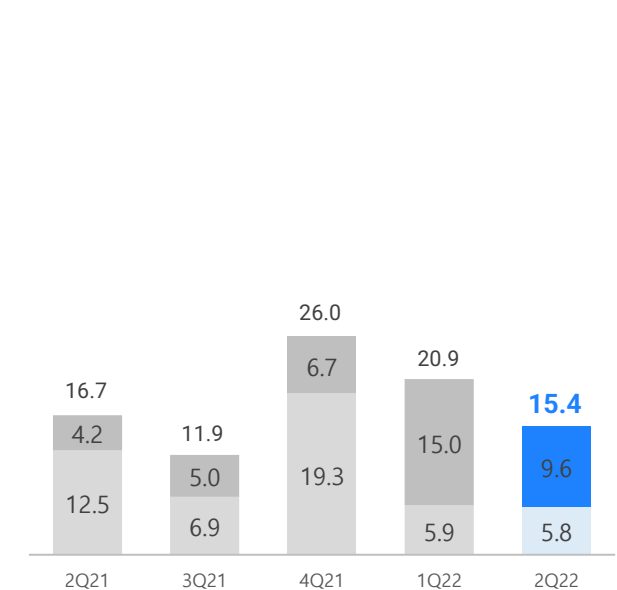
Expense Breakdown

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

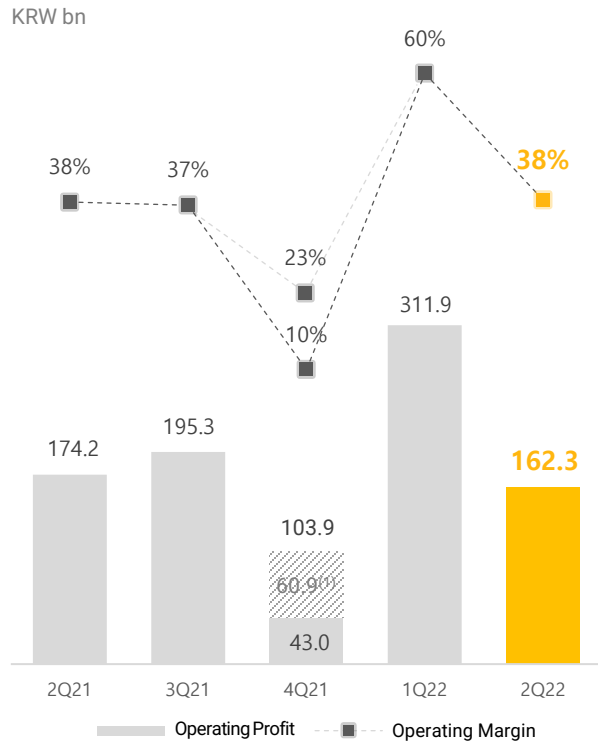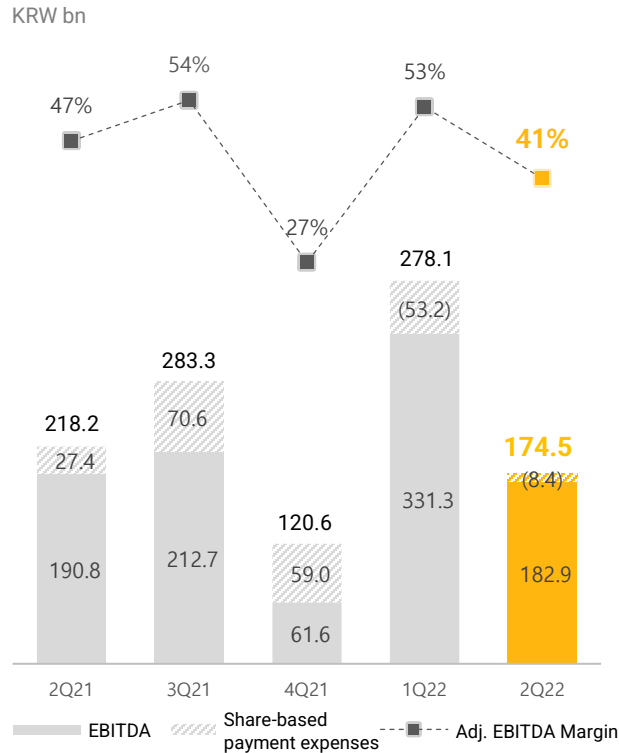|		
Operating Profit	**1H22**	**KRW 474.2bn** (+18.1% YoY)
	2Q22	**KRW 162.3bn** (-6.8% YoY, -48.0% QoQ)
Adj. EBITDA	**1H22**	**KRW 452.6bn** (-3.8% YoY)
	2Q22	**KRW 174.5bn** (-20.0% YoY, -37.2% QoQ)

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

Operating Profit (2Q)

KRW bn

Adj. EBITDA (2Q)

KRW bn

Adj. EBITDA (1H)

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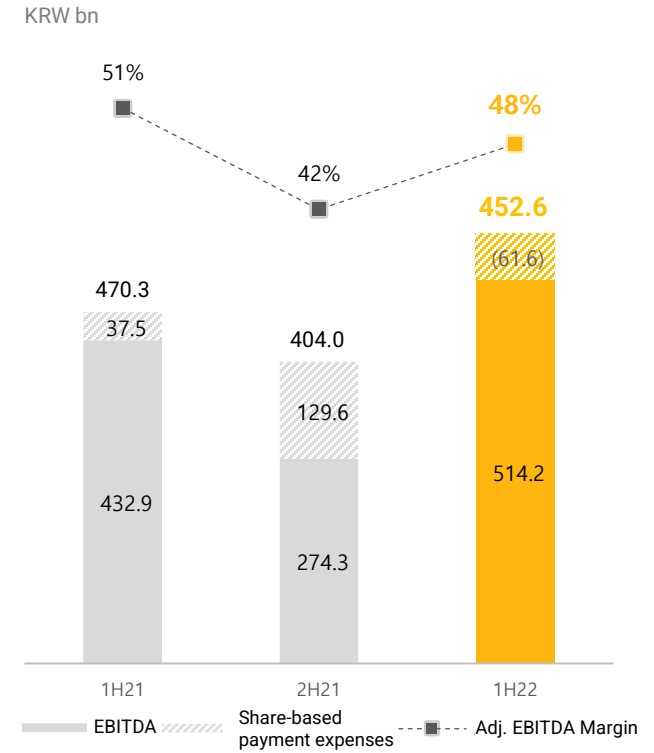
Note: (1) One-off related to share-based payment expenses (W60.9bn)

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
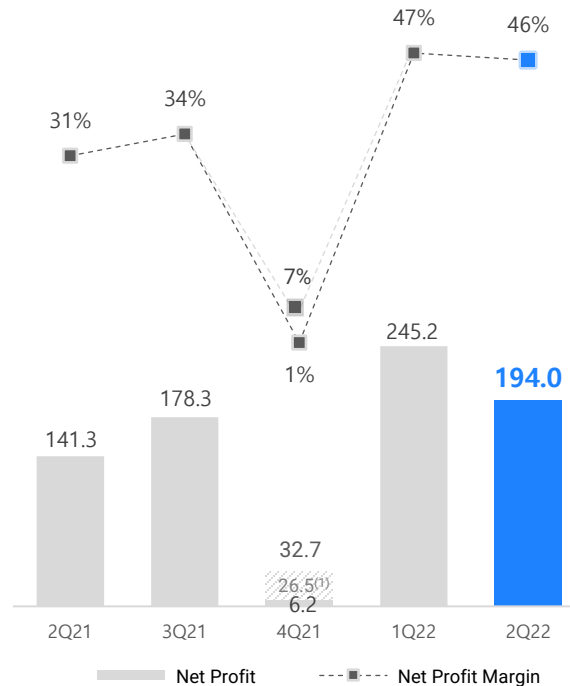
Net Profit (1H)

KRW bn

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

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Summary of Financial Statements

Consolidated Income Statement

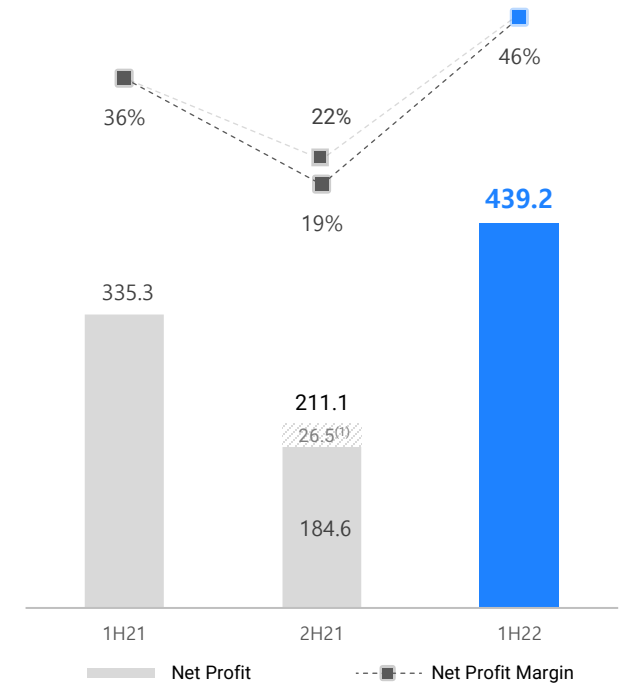| KRW bn	2Q21	3Q21	4Q21	1Q22	2Q22
Revenue	**459.3**	**521.9**	**444.0**	**523.0**	**423.7**
Operating Costs	285.2	326.6	401.0	211.1	261.3
Operating Profit	**174.2**	**195.3**	**43.0**	**311.9**	**162.3**
EBITDA	190.8	212.7	61.6	331.3	182.9
Adj. EBITDA	**218.2**	**283.3**	**120.6**	**278.1**	**174.5**
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

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

> *1st Generation Startup Founder,*
> *4-Time Serial Tech Entrepreneur*

1997	2005	2007	2010
Game Studio	Search Engine	Developed 'TERA' 1st Non-targeting MMORPG	Early Tech Focused VC
NEOWIZ GAMES	첫눈	BLUEHOLE	Bon Angels

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

> *Veteran Game Producer with 20+ Years*
> *of Game Development Experience*

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') • 1st 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

PUBG STUDIOS

BLUEHOLE

STRIKING DISTANCE STUDIOS

RISING WINGS

DreaMotion

5MINLAB

UNKNOWNWORLDS 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
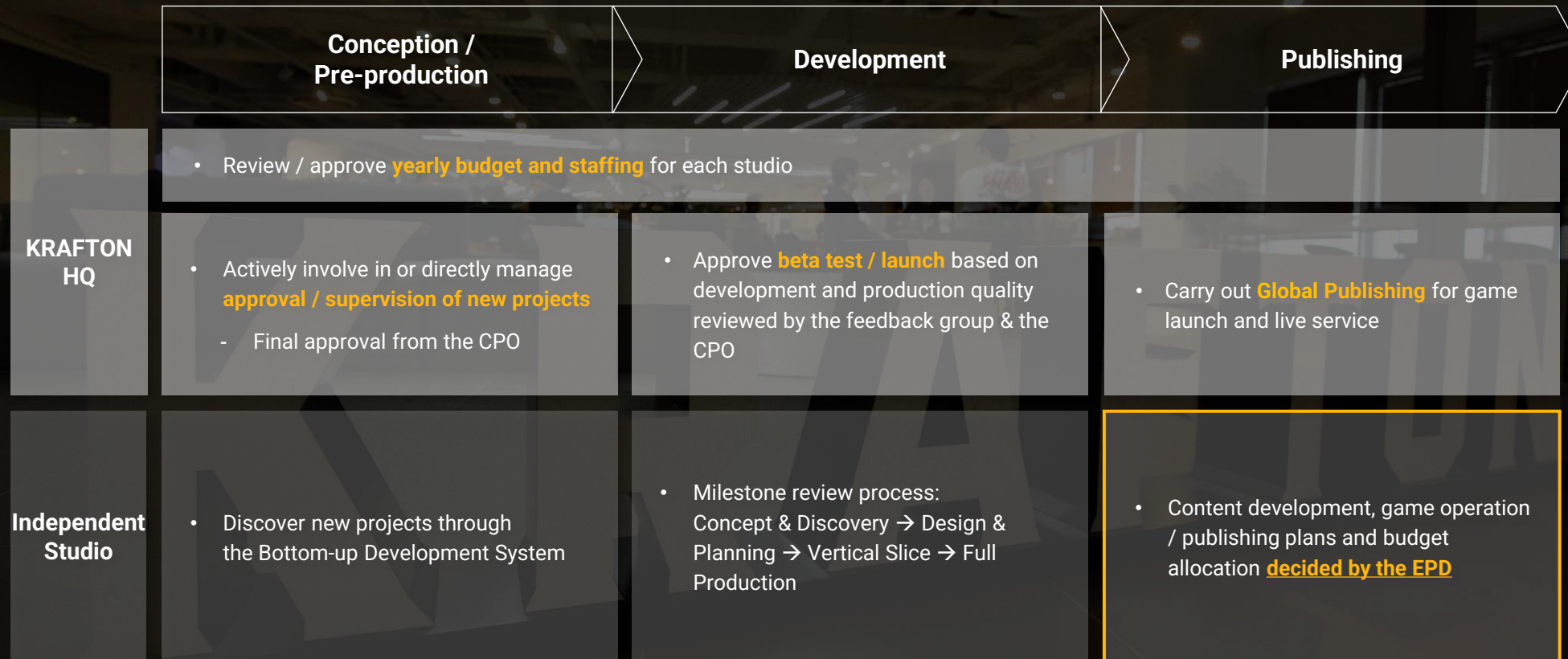 4. Budget Allocation

KRAFTON

- Publishing
- Tech (Dev Support)
- Business Support
- Incubating System

Unique Development Culture

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

	Conception / Pre-production	Development	Publishing
	• Review / approve **yearly budget and staffing** for each studio		
KRAFTON HQ	• Actively involve in or directly manage **approval / supervision of new projects** - Final approval from the CPO	• Approve **beta test / launch** based on development and production quality reviewed by the feedback group & the CPO	• Carry out **Global Publishing** for game launch and live service
Independent Studio	• Discover new projects through the Bottom-up Development System	• Milestone review process: Concept & Discovery → Design & Planning → Vertical Slice → Full Production	• Content development, game operation / publishing plans and budget allocation **decided by the EPD**

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.