

1Q 2023 Earnings Results

Investor Relations

2023. 5. 9

KRAFTON

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2023 1Q Results at a Glance

KEY PERFORMANCE



PUBG PC/Console Revenue

70% ↑ YoY



Scale-Up the Creative

24+ Projects⁽¹⁾



Studio Investments

4⁽²⁾ / 12⁽³⁾

KEY FINANCIAL HIGHLIGHTS

538.7 bn

Record High Quarterly Revenue

283.0 bn

Operating Profit

53%

Operating Profit Margin

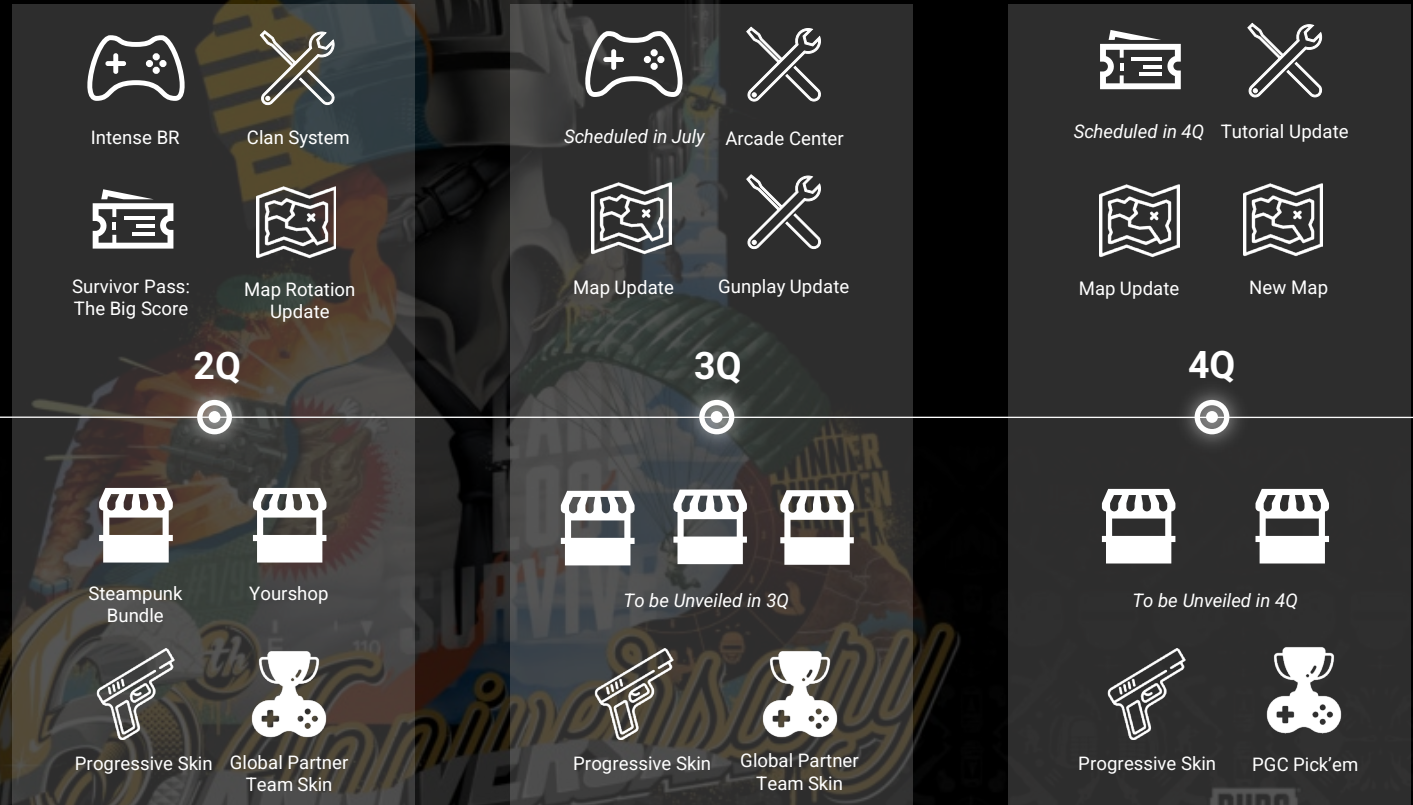
Note: (1) Incubating Projects as of May 2023, (2) Studio acquisitions and minority stake investments to be completed from January to May 2023, (3) Post-IPO studio acquisitions and minority stake investments

PC / Console

PUBG PC/Console Recorded the Highest Ever In-game Revenue with Expanded Traffic and New Monetization Content



2023 LIVE SERVICE PLAN 6 YEARS AND 6 BEYOND



Mobile

Solid Mobile Revenue Trend Driven by the Traffic Growth in New Regions and Live Service Content Innovations

"New Diverse Content Tailored to User Engagement Expanded Traffic Inflows in Emerging and Some Key Markets"



New Content Attracting Healthy Traffic



Enhanced Monetization with High-quality Content



5th Anniversary Mode



UGC Mode World of Wonder



Bugatti Collaboration



Progressive Skins



ROYAL PASS



Payload Mode



Gold Level Skins



Bearbrick Collaboration



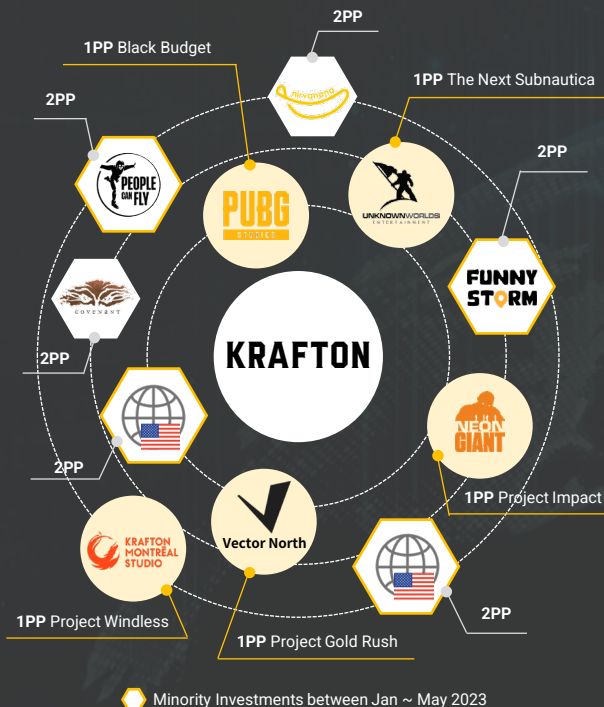
Scale-Up the Creative

Scale-Up the Future Growth Potential with Transition from a Global Game Company into a Global Publisher

Scale-Up the Creative in 2023

2024 and Beyond

“Project Pipelines + Minority Investments”



“Strengthen Game Development Process and Publishing Capabilities”

1

Healthy Communication between HQ and Creative Studios

Virtual Organization for Each Game Project

2

Strengthen Game Development Process

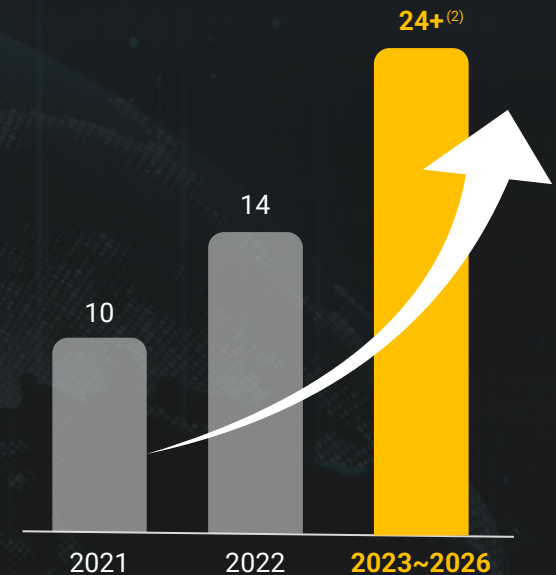
More meticulous evaluations, reviews, tests across the entire dev process

3

KRAFTON as a Global Publisher

HQ will focus on discovering creatives, development support, and publishing

“Scale-Up Future Growth Potential with High Quality Games”



Note: (1) To be completed in May 2023, (2) Incubating Projects as of May 2023

Beyond Game

Focusing on Enhancing Efficiency in Game Development and Discovering New Gameplay Through AI/Deep Learning

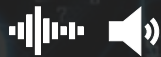
Virtual Game Friend



Chatbot AI



Diffusion



STT / TTS



Reinforcement Learning

- Virtual Friends just like usual friends who play games together
- Can offer advice and strategic suggestions enabled by RL
- Able to engage in conversations about topics beyond games

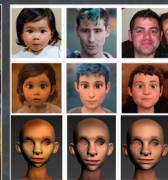
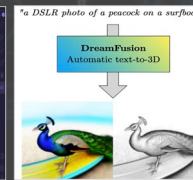
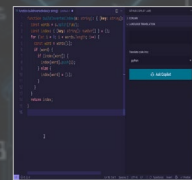
Innovations in Game Development Process

Project Migaloo



- AI/Deep Learning technology applied to develop core components and content in the open-world

Game Development Efficiency



- Programming, art, personal avatars, 3D modeling, game design

1Q23 Financials

Revenue

KRW 538.7bn (+13.7% QoQ, +3.0% YoY)

Solid revenue from strong PC revenue and favorable seasonality for mobile, PUBG PC led the growth setting a new record high for quarterly revenue

Operating Profit

KRW 283.0bn (+124.3% QoQ, -10.1% YoY)

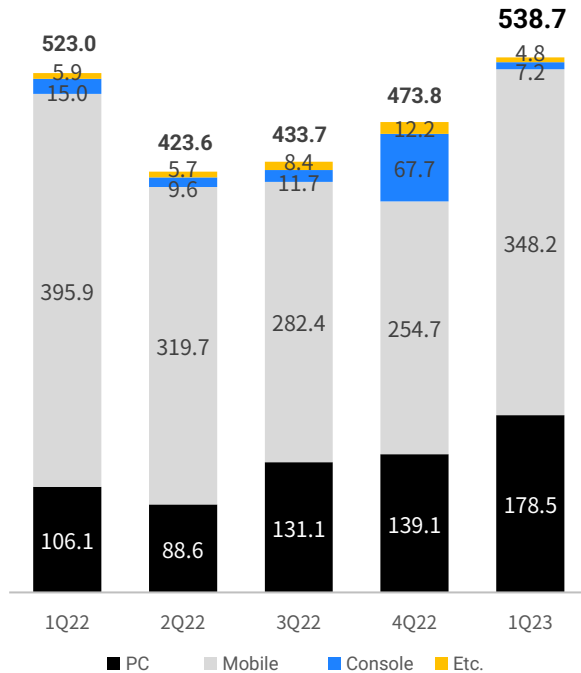
Rose QoQ on sound revenue growth leveraging PUBG IP, Increased 12% YoY from 1Q22 OP of 261.7bn when excluding share-based payment expenses

Net Profit

KRW 267.2bn (Turned to Profit QoQ, +9.0% YoY)

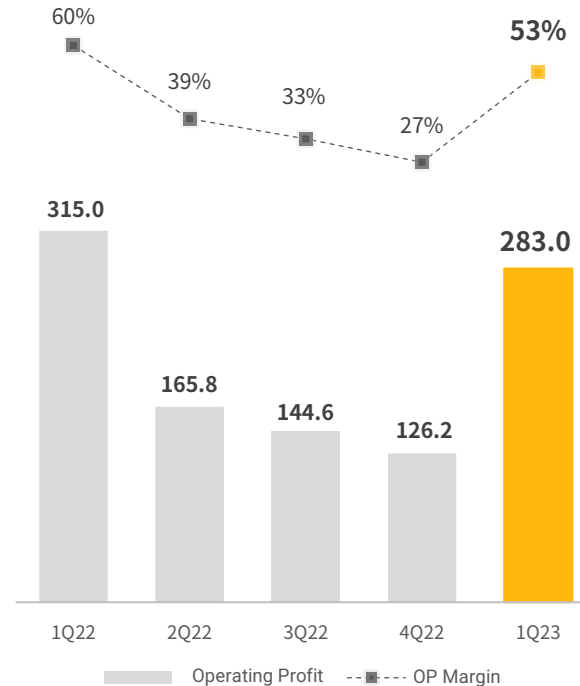
Revenue

KRW bn



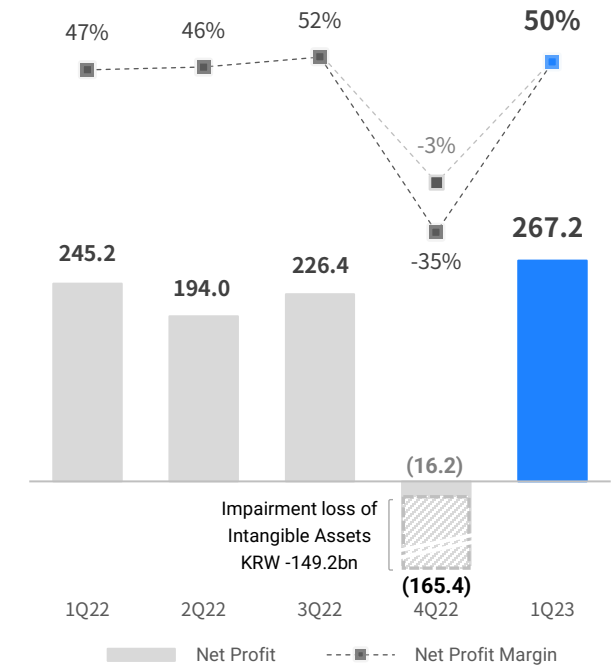
Operating Profit

KRW bn



Net Profit

KRW bn



Expense Breakdown

Operating Costs

KRW 255.7bn (-26.4% QoQ, +22.9% YoY)

- (Personnel) KRW 100.8bn (+59.0% QoQ, -6.9% YoY)

Declined YoY due to the limited increase in headcount

- (Paid Commissions) KRW 61.6bn (-40.0% QoQ, +10.3% YoY)

Declined QoQ on falling expenses related to Esports and outsourcing, Rose YoY on higher server and engine costs

KRW bn	1Q22	2Q22	3Q22	4Q22	1Q23	QoQ	YoY
Operating Costs	208.0	257.7	289.1	347.6	255.7	-26.4%	22.9%
% of Revenue	39.8%	60.8%	66.7%	73.4%	47.5%	-25.9%p	7.7%p
Personnel	108.3	94.2	98.9	63.4	100.8	59.0%	-6.9%
Platform Fees/Cost of Revenue ⁽¹⁾	51.6	50.1	47.8	57.7	46.7	-19.0%	-9.4%
Paid Commissions	55.8	81.5	85.2	102.7	61.6	-40.0%	10.3%
Marketing	17.5	11.3	19.7	81.2	5.1	-93.7%	-70.9%
Share-based Payment Expenses	(53.2)	(8.4)	7.8	(9.7)	10.0	n/a	n/a
Others	28.0	29.0	29.7	52.4	31.4	-40.0%	12.3%
Operating Profit	315.0	165.8	144.6	126.2	283.0	124.3%	-10.1%
% OP Margin	60.2%	39.2%	33.3%	26.6%	52.5%	25.9%p	-7.7%p
Adj. EBITDA⁽²⁾	280.5	177.4	174.5	160.3	319.0	99.0%	13.7%
% Adj. EBITDA Margin	53.6%	41.9%	40.2%	33.8%	59.2%	25.4%p	5.6%p

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

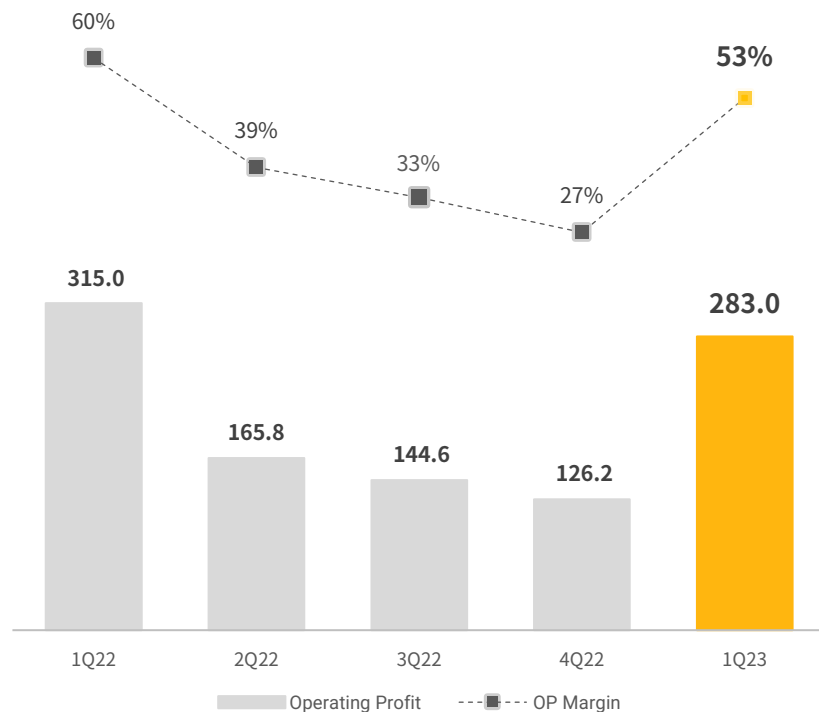
Operating Profit **KRW 283.0bn** (+124.3% QoQ, -10.1% YoY)

Adj. EBITDA **KRW 319.0bn** (+99.0% QoQ, +13.7% YoY)

- Adj. EBITDA increased 14% YoY, with Adj. EBITDA margin of 59%

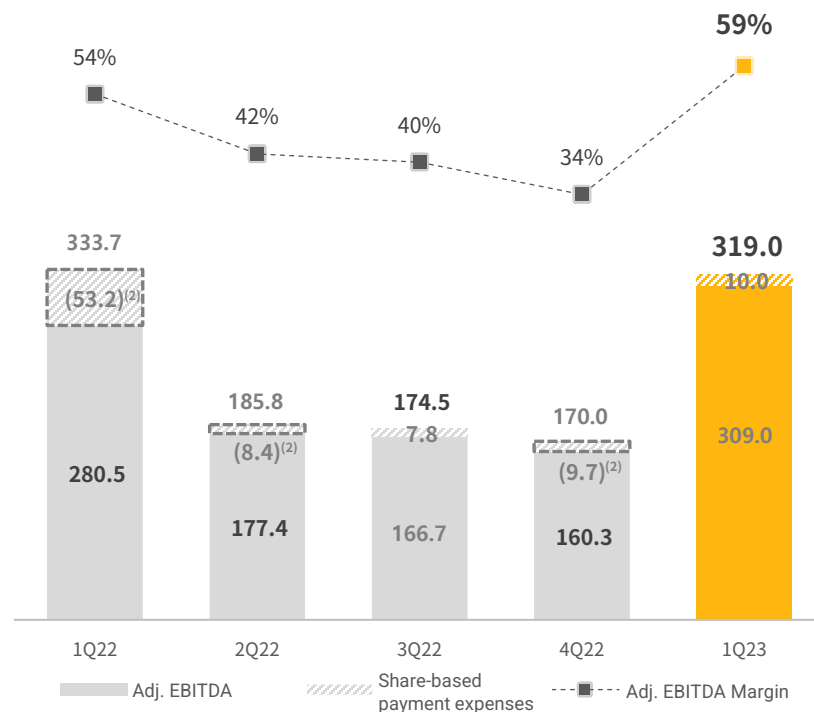
Operating Profit

Unit: KRW bn



Adj. EBITDA⁽¹⁾

Unit: KRW bn



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

Net Profit

Profit Before Income Tax **KRW 362.4bn** (Turned to Profit QoQ, +8.9% YoY)

Net Profit **KRW 267.2bn** (Turned to Profit QoQ, +9.0% YoY)

- Net profit rose QoQ and YoY on increased non-operating profit impacted by low base from impairment of intangible assets in 4Q22 and FX effects, with net profit margin of 50%

Non-Operating Profit & Profit Before Income Tax

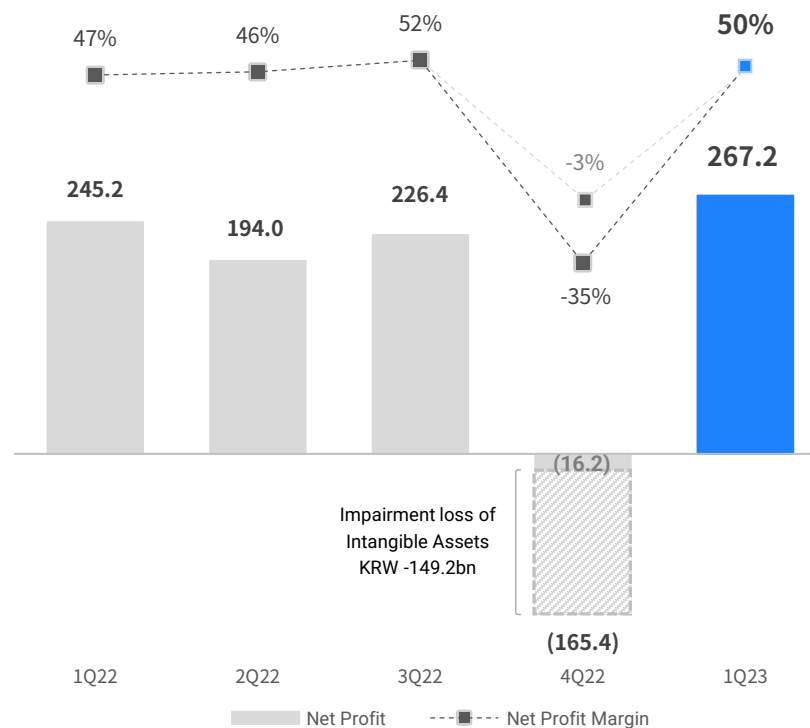
Unit: KRW bn

	1Q22	2Q22	3Q22	4Q22	1Q23
Non-operating Profit	17.8	94.5	169.1	(349.1)	79.4
Non-Operating Income	43.7	108.9	206.1	(40.2)	141.8
Other Income	37.0	101.3	196.2	(49.8)	131.9
Finance Income	6.7	7.5	9.9	9.6	9.9
Non-Operating Expense	25.9	14.4	37.0	308.9	62.4
Other Expense	24.3	12.8	35.5	306.0 ⁽¹⁾	60.5
Finance Expense	1.6	1.6	1.5	2.8	1.9
Profit Before Income Tax	332.7	260.3	313.7	(222.9)	362.4

Note: (1) Impairment loss of Intangible Assets (KRW -149.2bn)

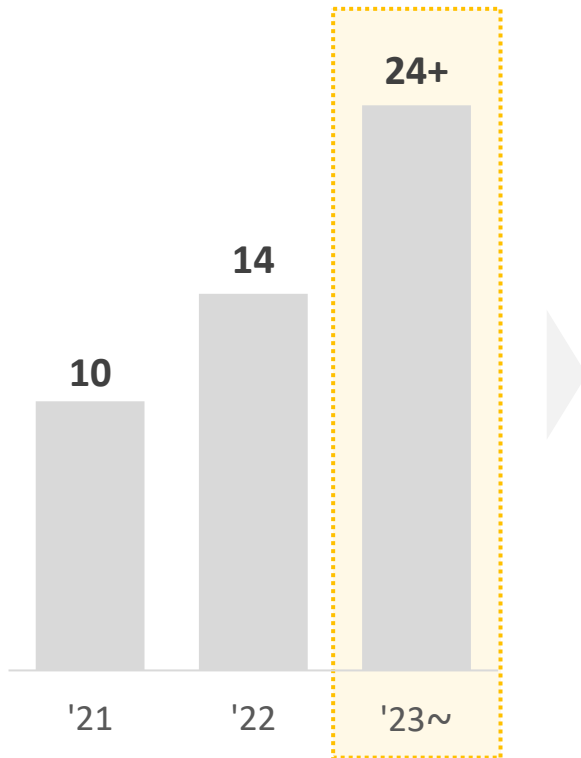
Net Profit

Unit: KRW bn



KRAFTON Pipeline

Incubating Pipeline



Game Release Plan

Title Categories	Total	'23	'24	'25~	Details
Strategic	6	-	4	2	<ul style="list-style-type: none">• Project BlackBudget• The Next Subnautica• Project Impact• Project GoldRush• Project Windless
Creative Studio (PC, Console)	7	3	2	2	<ul style="list-style-type: none">• Project Isegye
Creative Studio (Mobile)	7	5	2	-	<ul style="list-style-type: none">• Defense Derby
Publishing	4	1	1	2	

KRAFTON Pipeline – Project Introduction

Project BlackBudget

Challenging ourselves to popularize the extraction shooter genre based on our PUBG production & service experience

- An ever-changing PvPvE open-world and satisfying gunplay that deliver unpredictable and exciting experiences
- Considering release on PC/Console



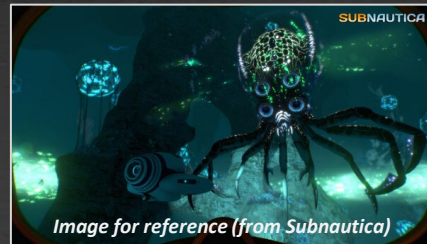
PUBG
STUDIOS

Concept arts
to be released later

The Next Subnautica

The sequel to Subnautica, a survival adventure game that has garnered massive following

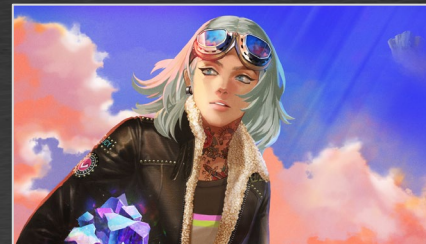
- Developing an expanded Subnautica experience and industry-competitive quality
- Additions include more expansive maps, creatures and interactions, augmented experience, and more



Project GoldRush

Targeting a Western audience of the action-adventure sandbox genre, and challenging to present instant action and rewarding progression

- A Game-as-a-Service inviting players to enjoy pick-up-and play action inside a compelling PvPvE sandbox – solo, or together with friends
- A challenging online world appealing to a new generation of gamers with a distinct identity and novel features



Project Windless

Aspiring for high-quality global game based on the original 'The Bird That Drinks Tears'

- Currently finalizing game concept (on console) and development direction
- Established Montreal studio, recruited key talent with successful track record
 - ❖ Patrik Methé: Far Cry Game Director
 - ❖ Iain McCaig: Star Wars, Avengers Design Director
 - ❖ Gwangjae Son: Krafton Art Director



Mid-to-Long Term Shareholder Return Policy

Focus

- ✓ Shareholder return policy to **create higher shareholder value** as a listed company
- ✓ Build trust with our shareholders and the market **in the long term**
- ✓ **3-Year Plan** (FY2023~2025)

01

Financial Resource

- ✓ $(FCF^{(1)} - \text{Investment}) \times 40\%$
- ✓ '**Investment**' excludes investments made using the IPO proceeds⁽²⁾

02

Execution Method

- ✓ **Buyback and Retirement of Treasury Shares**
- ✓ **Retire 100%** of the purchased shares in the first year, FY2023
- ✓ **Retire minimum 60%** of the purchased shares years ahead

03

Summary of Financial Statements

Consolidated Income Statement

(KRW bn)	1Q22	2Q22	3Q22	4Q22	1Q23
Revenue	523.0	423.6	433.7	473.8	538.7
Operating Costs	208.0	257.7	289.1	347.6	255.7
Operating Profit	315.0	165.8	144.6	126.2	283.0
EBITDA	333.7	185.8	166.7	170.0	309.0
Adj. EBITDA	280.5	177.4	174.5	160.3	319.0
Non-Operating Profit	17.8	94.5	169.1	(349.1)	79.4
Other Income	37.0	101.3	196.2	(49.8)	131.9
Other Expenses	24.3	12.8	35.5	306.0	60.5
Finance Income	6.7	7.5	9.9	9.6	9.9
Finance Expenses	1.6	1.6	1.5	2.8	1.9
Profit Before Income Tax	332.7	260.3	313.7	(222.9)	362.4
Income Tax	84.5	63.0	83.1	(61.9)	95.2
Profit from Discontinued Operations	(3.0)	(3.4)	(4.2)	(4.4)	-
Net Profit	245.2	194.0	226.4	(165.4)	267.2

Consolidated Statement of Financial Position

(KRW bn)	1Q22	2Q22	3Q22	4Q22	1Q23
Current Assets	3,715.7	3,811.0	3,979.2	3,892.6	4,075.3
Cash and Cash Equivalents ⁽¹⁾	2,913.6	3,079.2	3,261.1	3,125.3	3,216.0
Non-current Assets	2,054.2	2,117.7	2,321.6	2,145.2	2,237.1
Total Assets	5,769.9	5,928.7	6,300.8	6,037.8	6,312.4
Current Liabilities	529.4	434.7	480.6	411.5	398.6
Non-current Liabilities	393.7	416.2	418.5	509.9	513.3
Total Liabilities	923.1	850.8	899.1	921.4	911.9
Paid-in Capital	4.9	4.9	4.9	4.9	4.9
Capital Surplus	1,474.1	1,475.1	1,475.1	1,448.6	1,467.7
Other Components of Equity	155.1	191.1	288.5	190.1	188.0
Retained Earnings	3,212.7	3,406.6	3,633.0	3,467.6	3,735.0
Non-controlling Interests	0.1	0.2	0.2	5.2	4.9
Total Equity	4,846.8	5,077.9	5,401.7	5,116.4	5,400.5

Note: (1) Including FVPL (Fair Value through Profit or Loss)

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.